

AN ASSESSMENT AND VISION FOR THE PHILIPPINE COCONUT INDUSTRY

By E.U. Escueta

INDUSTRY ASSESSMENT

The Philippine coconut industry today

One-third of the Philippines' arable agricultural land is planted to coconut. This simply means that 3 million hectares sprawling in 67 out of a total of 77 provinces have 240 million trees bearing an annual average of 7 billion nuts. In the last five years, the average production is 2.3 million MT in copra terms, or in leaner season, a low of 1.4 million MT.

In terms of earnings, coconut leads among all agricultural commodities. It earns an annual average of US\$800 million from export of 30 traditional and non-traditional coconut products and by-products.

About 20 million Filipinos (or approx. one-third of the total population) derive their livelihood from the coconut industry.

Supply Driven Approach

In the past, the consistent objective of government, as pursued by the Philippine Coconut Authority, was to boost coconut production. Economic planners call this the supply driven approach which, invariably aims to produce as much coconut to supply the growing demand worldwide.

This approach was fueled in 1990 by a US\$ 121 M loan from the World Bank to finance the "Small Coconut Farms Development Project" whose main objective was to increase coconut productivity. The objective of this Programme was the replanting of 50,000 hectares of senile palms and the rehabilitation by fertilization of 348,000 hectares over the next 5 years beginning the year 1990.

It was intended to raise productivity to 3 million MT by year 2000 to meet the global demand for coconut products.

Not all industry leaders and critics are convinced that this approach has generated sufficient supply to meet industry requirements. In fact, they have described the coconut industry as a "sunset industry", and claim that the industry has been on the downswing since the mid-seventies. They say, among other things, that the hectareage devoted to coconut farming has been declining and the yield per hectare is stagnant. Proof is that the Philippines has been dislodged by Indonesia as the world's No. 1 producer of coconut.

This is buttressed by the most recent phenomenon that plagues the industry - the cutting of coconut trees, which, if left unabated, would wipe out an average of 1 million trees a year.

Coconut oil production is increasingly threatened by bio-engineering technology used by competing products. More vegetable oil varieties from rapeseed oil are reportedly coming in the next few years. Aggressive and massive planting of palm oil in neighbouring countries threatens the comparatively dwindling coconut oil production. In a decade, it is projected that palm kernel oil from Malaysia and Indonesia will outpace the Philippines coconut oil production.

Those who oppose the "sunset" industry scenario believe that coconut will continue to be the leader commodity in the edible oil sector. They claim that the coconut industry will stay on top as a net foreign exchange earner and the world's no. 1 exporter because coconut oil still commands a premium over other vegetable oils as demand for lauric oils continue to grow.

The Philippine coconut export product mix is changing and expanding. The industry is rich with mature technologies and downstream products which offer the following breakthroughs:

- ◆ Improved copra dryers were developed and integrated to small scale oil mills at the village level;

- ◆ Alternative oil extraction processing systems were developed such as fresh dry process, wet-dry process and low pressure oil extraction process suited to village production settings;
- ◆ New advances in oleochemicals like methyl esters, glycerine, fatty acids and fatty alcohol have given added premium value to coconut oil;
- ◆ Centralized coconut shell charcoal manufacturing with waste heat utilization has gained acceptance in lime-charcoal processing plants;
- ◆ Commercialization of coconut milk and coconut water beverage through the use of state-of-the-art equipment;
- ◆ After fifteen years of coconut breeding, PCA has developed 9 hybrids which can yield 4 tons to 6 tons of copra per hectare per year;
- ◆ Through newly developed coconut based farming systems, farmers' income may be increased from P 10,000 to 112,000 per hectare per year; and
- ◆ With balanced fertilization, coconut yield may increase from 1 ton 3 tons of copra per hectare per year.

Moreover, dramatic developments are taking place at the domestic investment scene as shown by the following:

- ◆ A leading oil refinery has entered the margarine sector with a highly innovative

product. Its margarine contains medium chain triglycerides or MCT and is packed with Pro Vitamin A and B1. MCT is easily oxidized in the body and dissipated as energy without leaving cholesterol deposits in the tissue;

- ◆ The commercial viability of the wide scale implementation of a combustion technology for cocofuel-fed engines is being pursued by a leading oil mill in joint venture with a German company;

- ◆ The sleeping coconut coir sector is gradually but definitely awakening with the fast development of environment-friendly products which find uses in bio-engineering technologies here and abroad.

The Philippine coconut industry, has reached greater heights despite battering economic winds and storms below. Producers, processors, millers, exporters and traders are still in business, as they persevere to pursue wide and untapped markets here and abroad.

THE VISION

Whether the Philippine coconut industry is in good health or in its dying years, the Philippine Coconut Authority (PCA) is still faced with the question: As the government's principal arm in the development of the coconut industry, what direction should it take now?

The PCA's vision and mission is to direct its energies to bear upon the industry's smallest stakeholder – the coconut farmer

– and his small farm of two to three hectares. There are 2.5 million coconut farmers and farm workers. They have an annual gross income of only P 10,000 per hectare per year from coconut or copra alone. This grossly inadequate income has chained the farmers to poverty. It is about time that the coconut farmers be given the long-overdue policy bias that they truly deserve.

The Legislative Framework

The Philippine government has recently set the legal policy and institutional framework for the modernization of agriculture with the adoption of the Agricultural and Fisheries Modernization Act of 1997 or AFMA.

The AFMA seeks to fulfill the constitutional mandate to promote industrialization based on sound agricultural development. The critical path of modernization, according to AFMA, begins with food security, poverty alleviation and income enhancement. Only after these objectives are achieved should we talk about profitability, global competitiveness and sustainability.

The "Maunlad na Niyugan Tugon sa Kahirapan" Programme

Consistent with these declared statutory objectives and the focus of the current administration to uplift the plight of the poor, PCA will soon launch a Programme called "Maunlad na Niyugan Tugon sa Kahirapan" or "The Productive Coconut Farms: Towards Poverty Alleviation Programme". This

programme is meant to be the Authority's determined effort to effect meaningful reforms in the coconut industry.

The Programme will accomplish the following goals and objectives:

1. The initial intercropping of 500,000 hectares of coconut land, which is one-sixth of the total land area planted to coconut;
2. Provision for readily available water supply within the intercropped areas;
3. The improvement of the yield of coconut trees through appropriate fertilization;
4. The replanting of coconut land lost to tree-cutting due to senility of most coconut trees, or open arable land suitable to coconut cultivation;
5. The redirection of the role of PCA as a vital link in a coordinated network of government agencies and NGO's acting in concert to provide the coconut farmers available vital resources and credit and financial assistance as well as product and market development strategies;
6. The sustained education of the coconut farmers to make them not only producers but entrepreneurs as well.

The potentials of the Programme are staggering. The coconut tree, which averages 40 nuts per year, will bear at least 80 nuts per year in a model farm setting because of proper fertilization alone. This translates to 14 billion nuts per year instead of the present 7 billion. Necessarily the average export of US\$800 million per year could potentially increase to US\$1.6 billion.

From available figures, of the total 3 million hectares planted

to coconut, 70% is not intercropped. Imagine the potentials of 2.1 million hectares of coconut land intercropped with cash crops or high value crops and with farm animals to boot? This is a veritable "foodmine" ready to be tapped. A land mass of 2.1 million hectares of coconut land has what it takes for a sound agricultural development programme to succeed:

- a. It has ready labour with sufficient farm implements and farm animals waiting to be utilized;
- b. It has the social and political structure in place; the farmers' families; the farm workers and the barangay leaders;
- c. It has available, usable physical infrastructure: farm-to-

as consumers – ready to absorb the added production.

The Model Coconut Farm

In the implementation of the "Maunlad na Niyugan Tugon sa Kahirapan" Programme, PCA has designed a "Model Coconut Farm" module which will be showcased in selected coconut farms in the various coconut producing provinces in the country.

The "Model Coconut Farm" module requires the direct involvement of a farmer who is deeply motivated, well informed, highly skilled, and properly trained. He is preferably an owner-cultivator who will provide the needed labour with the help of family members and other farmworkers. He considers his farm an enduring and productive legacy



PCA Administrator Escueta's vision of a Model Coconut Farm includes planting of cash intercrops, live stock/ poultry/ fish raising, on-farm coco processing and Group Marketing

market roads; barangay roads; ports and town market outlets; and,

d. There are existing and vibrant barangay communities –

and is committed to farming as a life-long vocation.

Unless the farmer and his family are suitably equipped and ...*(to be continued on page 37)*