

The role of industrialization in improving the welfare of coconut farmers

an Indonesian experience

Tay Enoku, Vice President Director, Sambu Group, Indonesia.

Coconut's growth cycle is relatively longer than its competing crops. Consequently, it typically is not compatible with mainstream business cycle that is shorter in nature. To synchronize the two cycles, proper management strategies and practices need to be ensured from harvesting to shipping processed goods out. The significance of the management strategies and practices become more pronounced when the nature of the processing is that of integrated one. In this context, the undertaking becomes a giant balancing act as different products are consumed by different markets and at different rhythms and cycles.

Such that sustainable coconut processing must be understood through ecosystem perspective. To try to

understand the role of industrialization of coconut processing in less than ecosystemic manner is not only limiting progress but also to the detriment of the coconut farmers. Ecosystemic perspective is the only way to ensure that industrialization will be achieved in a sustainable manner. Assuming the ecosystemic perspective requires taking into account the significance of all valuable stakeholders. This also concerns the determination of who should be included and excluded from the ecosystem itself as well as how should the included parties behave to ensure sustainability of the ecosystem. Unlike some other competing crops, the majority of coconut plantations belong to the smallholder farmers. Increasing the ownership of coconut plantations



by private sector will not necessarily make positive contribution to the sustainability of the ecosystem itself. Advanced multilateral developments would be required to overcome this particular obstacle. Sustainable industrialization that aims to improve the welfare of coconut farmers must take into account economic realities at macro level, especially that of inflation. Inflation influences coconut farmers' cost of living which in turn, influences the price at which they would be willing to accept to continue their coconut plantations. Continued disharmony between regulatory, processing technology and business infrastructures would compromise the sustainability and consistency of coconut industry's growth. From sovereignty perspective, it will also determine that who the ultimate beneficiary will be. Fundamentally, the disharmony primarily caused by misalignment between the different stakeholders' time horizons.

Sustainable and consistent industrialization of coconut processing that aims to improve the welfare of coconut farmers need to be understood and implemented by using longer time horizon. Using longer time horizon means prioritizing long term objectives over short term ones. Developments that jeopardizes those long term objectives are detrimental to the welfare of coconut farmers whether directly or indirectly. Sustainable improvement of coconut farmers' welfare must equally take into account environmental, social and economic perspectives. Environmental degradation would render the plantation infertile, so would lack of climate change mitigation implementations. Socially ignorant practices and policies would intensify the existing disharmonious relationship within the ecosystem. Not ensuring economic sustainability of all stakeholders would impair the industrialization of coconut processing.

To counter the above cautionary observations, there are plenty of reasons to be optimistic about the development of coconut industry, which are primarily driven by the increasing number of health conscious consumers. Empowered by the development of information technology, consumers of today and tomorrow are able to access facts and information in making smarter choices and decisions. This has been so when it comes to the selection of coconut-based products in place of less healthy alternatives. Sustainable industrialization of coconut processing coupled with sustainable farming practices would allow the stakeholders in both parties to maximize the benefits from this developing trend. Fundamentally, there is no and must not be dichotomy between

the coconut processing industry and the coconut farmers as they are essentially "in the same boat" in the long run. Models that are not supporting the self-enforcement of benefits between the coconut farmers and the coconut processing industries will not be sustainable. Such model must clearly and equally benefit the farmers, the government and the industry. Such model should also ensure that capita proceeds be optimally pumped back into the supply chain to incentivize coconut farmers to sustain their plantation instead of switching to competing crops. Such economic strategy would support the social and environmental needs of the coconut farmers. Most importantly, the implemented governance infrastructure must support such model.

Considering the relatively longer growth cycle of coconut trees, any mishaps of governance related to the sustainable industrialization would not typically result in immediate feedback. Nevertheless, the delayed cost of such mishaps is still great. The higher opportunity cost value that is impacted by the mishaps, the higher would be the cost. Ideally, the model that should be supported by stakeholders must be based on a comprehensive understanding about the variety of possible cause-and effects relationships that make up the model itself. Neglecting any of the important cause-and effect relationship will result in suboptimal model, which in turn, will undermine the sustainability of the industrialization process itself. In turn, this will undermine the industry's ability to improve the welfare of the coconut farmers in sustainable and consistent manner.

From economic perspective, sustainability and consistency can be achieved by adding as much value as possible to the coconuts itself as the input feed of the industry. Equally important, the industry must also function as the conduit through which the value can be transferred to the farmers to incentivize them to sustain their coconut plantations. Lastly, the governance in place can either enhance or inhibit industry's function to do so. Considering the current demand-supply gap for coconut products, the production of coconut products will very likely improve in the future. So would exports. The only remaining question is which country will end up being the top exporter of coconut products and which will end up being the top importer of coconut products. Expectedly, the one with most coherent efficiency and governance will most likely win the coconut race. **Courtesy:** *Cocoinfo international, Volume 24, No. 2* ■