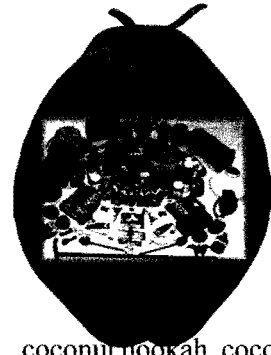


Prospects for coconut value added products in the export markets in the post WTO regime

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World consumption of coconut increased from 42 million tonnes to 60 million tonnes (valued as USD 6 billion) during the past two decades. Domestic markets in producing countries themselves consume around 58% of all nuts each year with a value of USD 3.8 billion. Export markets are worth approximately USD 2.3 billion.

The world consumption of coconut is oil (55%), fresh (37%), desiccated (5%) and a small amount as value added products. In value terms, this translates to coconut oil USD 2.9 billion, fresh nuts USD 2.2 billion, desiccated coconut USD 0.3 billion, other kernel products USD 0.3 billion, husk products USD 0.3 billion and shell products USD 0.1 billion. For kernel products, 97% of all exports (in nut equivalent) were in the form of oil (82%), copra (4%) and desiccated coconut (11%).

While oil and desiccated coconut are the main products sold in volume terms, these are also low value commodity products. Hence, despite the size and wealth of the industry, most coconut growers are among the poorest in the society. Nevertheless, a number of value added products (such as packaged tender coconut water, coconut milk products, virgin coconut oil etc) available through integrated processing achieve significantly higher unit value per coconut for farmers. The market size and value share of such high value added products have been registering

exponential, consumer demand driven growth.

High value added industries, outside the commodity markets, will be the best place to withstand the harsh market conditions within the mainstream markets in the coming years – as their competitive advantage comes from the efficiency of utilisation of the entire nut for value added products and a diversity of end markets, as opposed to simple competition on the lowest price of a nut.

Despite being the third largest producer, India accounts for only 0.3% of world exports of coconuts and edible coconut products. Concerted efforts are being carried out by Coconut Development Board and Government of India to enhance exports of coconut and coconut products like coconuts (fresh, dry), coconut oil, desiccated coconut,

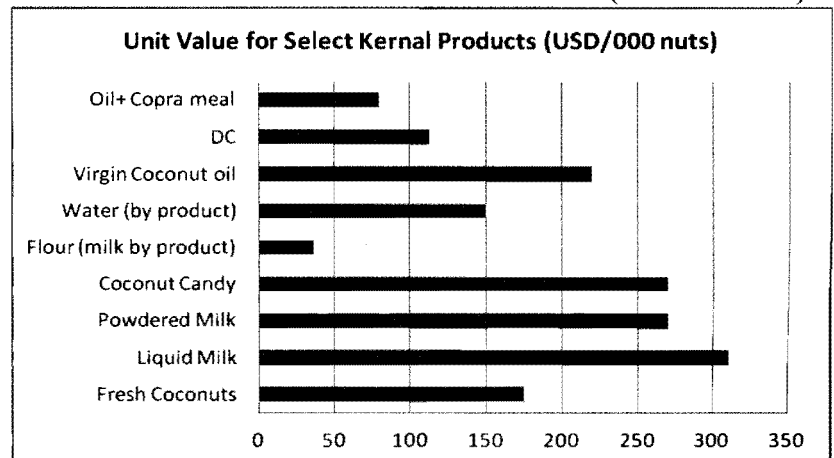
coconut nookah, coconut oil cake, coconut shell un-worked etc from India.

Coconut Oil

Coconut oil has been losing market share to palm oil in recent years. However, the strong growth in global vegetable oil consumption has made it possible for coconut oil to still sustain positive growth, albeit at around 2.5% per year. Global CNO consumption increased from 2.8 million tonnes in 1990 to 3.5 million tonnes in 2006. This is primarily due to a 3.4% p.a. growth in the industrial use market. Growth in the food segment is nevertheless flat.

2.2 million tons of coconut oil is traded today, valued at roughly \$3 billion per annum. The Philippines account for roughly half of the total. EU is the biggest importer of CNO, accounting for 1 million tonnes in 2006 or about 46% of global imports. The top 12

Table: Unit Value for Select Kernal Products (USD/000 nuts)



importing countries account for 86% of total CNO imports. While consumption of coconut oil has decreased in Africa, America and Europe, it is growing fast in Russia, Vietnam, and China.

Annual production of coconut oil in India is around 4.9 lakh tonnes, and is mostly exported to the Gulf countries. Indian prospects can be greatly enhanced by focusing on Russia and China.

Copra

Global copra production has grown slightly over the last fifteen years, and stood at 5.3 million tonnes in 2006. Total exported volume of copra too has been declining, down from 380,000 tonnes in 1996 to 128,000 tonnes in 2006.

The two broad varieties of copra produced in India are milling copra and edible copra. India produces about 6.5 lakh MT of milling copra and 2 lakh MT of ball copra. India exported 23,000 tonnes of copra in 2009, mainly to Bangladesh and Nepal.

Virgin Coconut Oil

The demand for Virgin coconut oil is presently experiencing high market driven growth. There is an increasing consumer demand for VCO globally (especially in US and EU) largely due to its therapeutic qualities, and for use as cooking oil, skin and massage oil, cosmetic products, functional foods etc. Philippines is the producer of VCO, largely for domestic consumption. Other producers include

Tender Coconut Water

Since 2008-09, packaged tender coconut water has made a remarkable breakthrough in the world market as one of the most popular natural alternative to

traditional energy drinks. Consequently the global trade in tender coconut water has soared to Rs. 2250 crores. International demand for coconut water is expected to continue to rise as more and more people are becoming health-conscious.

Countries such as Philippines and Malaysia have been able to garner the lion's share of growth in export volumes in this segment. The volume of coconut water exports from Philippines in the first semester of 2011 alone was 7.5 million litres, a four-fold jump over 2010.

This exponential growth of export market for coconut water offers tremendous potential for Indian farmers. Currently India is a minor player in this market and exports small quantities to Asian countries. With an aim of boosting exports of packaged tender coconut water, the Union Commerce Ministry has recently provided two percent incentive to the product.

Desiccated coconut

The demand for desiccated Coconut (DC) has been growing steadily in international markets, driven largely by growth in bakery and confectionary industry which consumes 60-80% of global DC production. Desiccated coconut is often used as a substitute to grated coconut in food preparations such as curries, cakes, sweets and chutneys.

Coconut Milk Products

Milk products include a similar range of products to conventional dairy milk, such as low and full fat milk, cream, milk or cream powder, ice cream and more. Coconut milk is a high value use of coconut, generating over USD 300 per 1000 nut equivalent. Coconut milk is one of the largest volume high value

product, with an estimated annual market volume of 150,000 - 250,000 MT. Philippines, Malaysia, Indonesia, Sri Lanka and Samoa are the major exporters.

Activated Carbon

Shell based activated carbon is extensively used in the process of refining and bleaching of vegetable oils and chemical solutions, water purification, recovery of solvents, and recovery of gold. It is used in gas masks and a wide range of filters for war gases and nuclear fall outs. There are around 18 medium sized companies in India involved in manufacturing activated carbon. The total production of activated carbon in India is around 45000 MT/ annum. The present export is directed at USA, UK, Germany, Japan, France.

Prospects for India

Indian coconut products are rated as premium quality products in the world. Coconut oil has a huge potential in Gulf, Europe, and America, due to presence of large ethnic Indian population. Activated carbon has been increasing its share in the bio-energy segment and the demand from USA, UK, Germany, France, and Japan has been increasing. Processed and packaged tender coconut water has an increasing demand in Gulf countries and UK. China is also a growing market for coconut and its various products. Russia is emerging as one of the major buyers of coconut oil and virgin coconut oil. Germany is an emerging market particularly for desiccated coconut powder, and coconut milk powder. Handicrafts, ice cream cups and spoons made from coconut shell are increasingly being exported to European countries and hold good potential.

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