

STRATEGIES FOR ENHANCING PRODUCTIVITY AND INCOME OF COCONUT FARMERS IN FEDERATED STATES OF MICRONESIA

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Abstract

The paper highlights the continued decline in copra production due to the influence of compact revenues on employment and aggregate incomes leading to increased employment opportunities under various schemes, where incomes are attractive. As a strategic alternative, the Coconut Development Authority has developed several products as part of its product diversification programme including laundry soap, shampoo, suntan oil and skin care oil.

The Authority also embarked on a programme to concentrate on edible sector and established its coconut Food Division to produce coconut jam, virgin oil, and coco cones from fresh coconut meal. Small scale industrial processing of these products has already started in August 2003. These products are selling well in the domestic market and prospects for overseas market are good. Another high value product in the pipeline is canned coconut milk. The paper cited lack of capital as the main reason for not expanding production and markets for coconut products.

1. Introduction

The above under coconut cultivation in the Federated States of Micronesia (FSM) is 16,500 hectares (Ha) and the estimated coconut production is 40 million nuts per year. A break-down of the coconut land areas in the different States is as follows:

Kosrae	1200 Ha
Pohnpei	5300 Ha
Chuuk	7000 Ha
Yap	3000 Ha

The above figures are based on the statistics provided by the agriculture divisions of the State Governments about fifteen years ago. As there were no up-dates statistics, we still go by these figures and we believe that there may not be large differences as there were no large scale cultivation programs on rehabilitation / replanting among the FSM States. However, rehabilitation is an ongoing program among the communities not so much for copra production or industrial needs to earn a cash income, but, to maintain a good supply for the community needs.

In the recently held third Economic Summit Conference in March 2004, importance was emphasized on the agriculture sector with special reference to the coconut industry. We look forward to some active programs to improve the revenues in the coconut sector in the years to come.

2. Copra – production

Copra had been the main cash crop and export earner in the eighties. During that time the copra production in the FSM was ranging from 2000 to 5000 short tons (ST) per year that in coconut equivalent is 12 to 30 million nuts. Then the copra production started declining. The

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following table shows the decline in the copra production, in the FSM. The farm-gate prices of copra are also reported:

<u>Year</u>	<u>Copra in ST (Average/year)</u>	<u>Farm-gate price per pound (Av)</u>
1980 - 1985	3855	\$ 0.14
1986 - 1990	1600	0.10
1991 - 1995	795	0.13
1996 - 2000	692	0.13
2000 - 2003	583	0.13

The reasons for the above decline are mainly attributed to the influences of Compact revenues on employment and aggregate incomes leading to increased employment opportunities under various schemes with attractive incomes being available. Other reason is that the coconut trees are old and less bearing. Whatever the reasons are the coconut still remains an important cash crop and plays a potential role as a safety net in case of a fall-back in employment and cash income due to the step-down in the payments under the new Compact.

The farm-gate price is still maintained at \$ 0.13 per pound. This price is subsidized by an annual copra subsidy provided by the National Government of the FSM.

3. Copra export and product diversification

Copra export has often been at a loss and our Authority knowing very well that the only alternative to minimize losses is through product diversification, has developed several valuable products to commercialisation. There are two processing plants in Chuuk and Pohnpei manufacturing laundry soap, bath soap, shampoo, suntan oil, skin care oil, cooking oil, shell charcoal etc. The productions are limited to small quantities due to limited capital (as of now, the plant in Chuuk is under renovation and expected to commence production in the near future).

The anticipated consumption of copra in the above two plants is 40 tons annually. The product sales is mostly from tourist and overseas markets. The consumer demand for 100 % coconut oil products especially the bath soaps and skin care products like suntan oil in the overseas markets is high. Domestic markets are flooded with imported products at cheaper prices. Although the product quality can match the imported products, the prices are difficult to compete with the imported products. One of the reasons is that the production volumes are small due to limited capital, and a large volume of plant capacity is un-utilized. Another reasons is that most of the overseas buyers want sophisticated packaging which the processing plants cannot afford due to their limited capital.

4. Small scale processing of coconut food products

In addition to the above-mentioned products, the Authority embarked on a program to concentrate on the edible sector and established the Coconut Food Division to produce coconut jam, virgin oil, and coco cones from fresh coconut meat.

With the limited capital available from the sale proceeds of copra (not to be confused with the copra subsidy which by law can be used only to stabilize purchase price) the Authority started developing the edible sector from the fresh coconut meat while the two processing plants concentrate on oil based products from copra. Small scale industrial processing of fresh

meat to virgin coconut oil, coconut jam and coco cones (a frozen product like ice cream containing coconut milk) started in August 2003.

During the first six months, we have processed 40,000 coconuts giving the producers an income of \$ 0.29 per pound in copra equivalent. The producer's income from copra is \$ 0.13 per pound which is subsidized by \$ 0.09. The products are selling well in the domestic market. We have started selling small quantities in Guam and prospects of expanding the overseas markets are good.

With the available resources, we hope to increase the coconut consumption to about 30 tons per year in copra equivalent in the near future – the limitation is insufficient funds for expanding the markets. If funding assistance is available, the progress will be faster and the coconut consumption will be further increased.

Another high value product, which we are planning to manufacturing, is canned coconut milk. A proposal has been submitted to both the State Government of Pohnpei and also to the National Government. If funding is available, we hope to start with an initial production of about 5000 cans (400 ml each) per month.

Our scale of production is small due to limited capital. However, it has created an interest (a patriotic feeling) among the local people to use the local products which stand to benefit them in earning an income through supply of coconuts and employment opportunities. Along this like of interest, the Authority is campaigning the health values of coconut milk and the oil. I hope that this change of shift to using more local products expands throughout the Nation, so that it could give a good impact in improving the coconut based economy in the years to come.

Table 1. Value of coconut products in US Dollars sold by Ponape Coconut Products

PRODUCT	1999	2000	2001	2002	2003
Laundry Soap	35,230	30,091	23,873	20,868	19,547
Toilet Soap	10,436	21,469	18,001	19,028	9,643
Hotel Soap	3,264	4,208	2,765	3,155	1,300
Powder Soap	6,672	5,784	4,081	3,648	2,136
Body/Hair Oil	25,062	31,471	29,769	19,837	21,352
Suntan Oil	844	-	3,160	3,345	2,656
Shampoo	1,475	3,329	2,107	2,276	1,190
Cooking Oil	6,305	5,735	4,957	5,227	3,402
Gift Packs (Assorted) (Toilet Soap/Body Oil)	11,146	12,975	5,798	5,982	1,531
Copra Cake	3,454	3,793	4,131	2,757	2,692
Shell Charcoal	1,352	1,013	782	488	636
Miscellaneous Products-Liquid Soap, Scrap Soap, products From FSMCDA	-	-	-	13,700	9,236
TOTAL	105,240	120,101	99,425	98,611	75,321

Source: Ponape Coconut Products Inc.

Table 2. Cottage Level Processing of Coconut Products - edible sector

PRODUCT	2000 (In US\$)	2001 (In US\$)	2002 (In US\$)	2003 (In US\$)
Jam (regular & with banana pcs.)	10,593	4,025	3,275	339
Coco cone	-	-	-	4,769
Virgin Oil	2,037	5,599	4,520	6,990
Residue	486	630	501 }	795
Shells	101	131	107 }	
Grated Kernel & Milk	127	144	67	79
Total	13,345	10,528	8,470	12,972

Source: FSM Coconut Development Authority