INTEGRATED APPROACH IN THE PROCESSING OF COCONUT PRODUCTS/BY-PRODUCTS AND MARKET PROSPECTS IN SRI LANKA

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Coconut Industry in Sri Lanka

Expansion of Coconut Cultivation

The Coconut cultivation is expanded in an extent of 3,97,7920 hectares of Sri Lanka's whole land area of 6,261,000 hectares. It is equivalent to 6.3% of the whole land area. The Coconut cultivation is spread mainly in the three districts Colombo, Kurunegala and Puttlam which is called the Coconut Triangle. Besides this coconut cultivation expands to the Eastern and the Southern coast of Sri Lanka. It has been recognized that there is a Small Coconut Triangle is emerging in Middeniya, Ranna and Beliatta in the Southern Province. Further it has spread through Monaragala during past several years. The Coconut cultivation is spreading in the Mahaweli Development Zone of the North-Central province.

Economic Importance

Sri Lanka's coconut production in 2007 was 2,869 million nuts and Domestic consumption was 2,441 million nuts (individual consumption of coconut x population = 20010000x 127). A surplus of 428 million nuts were exported. And 85% of the entire output was used for Domestic consumption. Coconut production supported GDP of Sri Lanka in Rs.29,823 million in 2007(according to current price). Foreign exchange obtained from coconuts is Rs 24 billion while the developing rate in the coconut sector is 6.7% in 2007.

The Significance of the Coconut Industry in Sri Lanka

According to the rainfall pattern in the tropical zone there isn't regular rainfall for the coconut-cultivated areas of Sri Lanka. Consequently there is a decrease of coconut production when there's less rain and better productivity when adequate rain. The main streams in the coconut industry are Copra, Oil and DC. Additionally, Fresh Coconuts, Coconut Milk, Milk Powder, and Coconut Cream are outstanding in the export field.

As a result of using 85% of the entire production for Domestic purposes the Coconut Cultivation has become local food crop cultivation. It is evident that there's a triangulated competition among the Local Coconut Consumer, Oil Manufacturer and DC Manufacturer when the productivity was less during the past several years. The retail price is decided according to the demand and supply of fresh coconuts. Further the grower's income and the profit divided among the few dealers are factors in deciding the retail price.

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The import duty of edible oil is a decisive factor in deciding coconut oil prices. Local copra price is competitive to the retail price of coconuts. As DC is for the export market even its local price is decided according to the international demanding price. There was a great crisis in DC industry as the price hike of coconuts. In this price hike DC manufacturers couldn’t bear the competitive price.

Coconut Policies

The government’s policy is reaching development through protecting local agricultural products and encouraging growers. Therefore increasing import duty for substitution goods is included to the government policy. As a result import duty etc is up to 60%.There was a import duty of 28% for substitutions of coconut particularly the import of Palm Oil. A decade ago there was a method of controlling coconut prices by keeping large stocks of coconut oil and copra. Later, the floating nature of import duty, the Palm Oil controlled the coconut price. It is accepted that this method isn’t suitable for the objective of sustainable development. Therefore the government has re-attended the matter of collecting coconut oil and copra stocks. Further the Auction of fresh coconut and copra are strengthened by the Coconut Development Authority (CDA).

The Coconut oil production of 20,000 metric tons in 2006 was increased to 79,000 metric tons in 2008 under the rapid programme of the Ministry of Coconut Development. It is expected to increase this to meet the whole local oil consumption. Annual oil consumption is 1, 61,000 Metric tons and 85,000 metric tons of edible oil was imported. It is half of the requirement.1, 62,881 metric tons of oil was manufactured in 1964 and 1, 19,469 metric tons were exported. The entire coconut production of that year was 2991 million nuts. Import duty of edible oil was decreased from 35% to 5% in 1996 and CESS duty was increased to 28%. VAT was removed from the production of coconut oil under the policies to rejuvenate the oil industry by the Ministry of Coconut Development. Floating nature of import duty to control price creates instability in the market. Moreover it makes the industry unstable. On several occasions in 2008 import duty was changed and it is evident that it affected the coconut industry.

Further the exports of coconut products, kernel products in particular, have been greatly affected till April of this year incurring a foreign exchange loss of Rs.2 billion. So it is attempted to keep the import duty in a middle way throughout the year to make a stable ground for the manufacturer and the marketer. Industrialists have been permitted to import copra. They are allowed to import it until the end of 2008.The regulations were framed by the CDA.

It is planned to decrease export CESS duty for the new products and value added products to encourage coconut product variation and export. CESS duty is increased to discourage exporting Seed coconuts. The foreign exchange obtained from non-kernel products surpasses the exchange obtained from kernel products.Rs.11, 270, 12 million was earned in 2007 and for non-kernel products it was Rs.12, 826, 48 million. Last year CDA commenced a program with the policy of encouraging coconut fiber, husk and shell products. The expecting export target is Rs.38 billion. In this case the foreign exchange of kernel products surpasses half of entire exchange.

Last year Coconut Cultivation Board engaged in a great task in increasing the expansion of coconut cultivation to increase the nut production particularly in the Eastern Province and other Districts.

Further necessary steps are taken to cultivate coconut outside the Coconut Triangle for the Domestic consumption by the Coconut Cultivation Board .The fragmentation of land and some other limitations in the cultivation field of the coconut the triangle was a setback.20, 000 acres of new coconut cultivation has been commenced in the Eastern Province. Under this project Ampara, Batticalo, and Trincomalee districts in the Eastern province had been selected as cultivation fields. The necessary steps have been taken to start new cultivations in 7,000 acres and rehabilitate 4,000 coconut acres.

The Middeniya sub centre is established by CRI to facilitate the expansion of cultivation in Galle, Matara and Hambantota in the Southern province.24 coconut varieties were imported from India, Papua New Guinea and Ivory Coast to mix with local varieties to increase coconut production. In addition to that experiments have begun in" CRISL 98" and"Kap Ruwana" varieties. Under the Programme of national home garden five coconuts were planted in every home garden in 2007. The target is reaching 10 million coconut plants and fulfills city dwellers coconut need from urban areas.

Investment and Main Challenges of the Coconut Industry in 2008

The government has allocated nearly a billion rupees in 2008 to uplift the coconut industry. It is Rs.663 million on CCB Rs.140 million on CDA and Rs.137 million for coconut research.

Comparing to 2007, expected coconut production is less in 2008.It is visible as 2,776 million nuts. Considering the requirement in 2008, there's a scarcity of around 100 million.

Parallel to the international fuel price-hike, edible oil prices including coconut products and palm oil is also sky rocketing and importing edible oil would greatly affect the industry. Although there was a flourishing season for DC due to its price hike as result of rising price of food, coconut consumer and oil manufacturer had to suffer. Therefore the appropriate measures have been implemented by the CDA and CCB.

Priority has also been given to food security under the present government manifesto "A new Sri Lanka within a decade". Cultivation of secondary crops, dairy and animal husbandry have been given priority. It is anticipated that a large number of jobs opportunities within the coconut industry of cultivator would emerge.

One of the major issues in coconut industry is rising the price of inputs; consequently the growers have to face huge losses. Low profitability and low productivity of traditional cultivation area due to cultivating coconut as mono crop. So that necessary steps should be taken to rehabilitate the cultivations to advance the industry to compete with the foreign market. Due to the price hike of fertilizers and the other infrastructure expenditure has become high. Therefore instead of chemical fertilizers natural organic fertilizers are introduced to encourage cultivators.

The “Kap Ruka”was legalized by a government policy in 2005 to enforce a circular concept to grant financial support to the coconut industry. In this process the legal ground is made to unite all coconut cultivators. Its objective is to prevent the interference of a third party. One of the other objectives is to establish a strong national coconut policy with the co-operation of every coconut cultivator.

“2006-2016 ten year plan“ is implemented in a broader extent to bring the coconut industry into a high platform. The CDA, CCB and CRI are making a collective effort with the objective of developing the Sri Lankan coconut industry to an export economy by 2016.

The ultimate objective and the mission of the Coconut Sector is “To enhance the productivity, profitability and sustainability of the Coconut Industry.”