

MARKET PROFILE OF TRADITIONAL AND EMERGING COCONUT EXPORT PRODUCTS AND MARKET DEVELOPMENT PROGRAMS IN THE PHILIPPINES

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Abstract

The Philippine coconut industry is export-oriented. About 75% of its production is shipped out to some 100 countries in various forms for food and industrial use.

Export products in 2009 posted lower shipment volumes despite weakness in prices. Total offtake in 2009 was placed at 1.51 million metric tons from which USD 884.02 million was earned. The major export commodities namely, coconut oil, desiccated coconut and copra meal registered declines in volume and earnings. Coco oil price fell by as much 42% even lower than the 2007 level; DCN by 26% and copra meal by 10%.

Coconut sap sugar, coconut flour, coconut water/juice and coco diesel are the emerging export products. They are showing big potential in the face of consumer preference as regards health and wellness and concern for the environment.

Development programs aimed at enhancing product competitiveness are being implemented with view to accessing international markets. Strategic interventions such as trainings in the aspects of product quality and food safety are regularly held. In order to provide Philippine products adequate market exposure the country participates in international trade fairs and exhibits and organizes local trade fairs.

INTRODUCTION

The Philippines is closely identified with coconuts, more than with any other agricultural crop, particularly in the global market. Coconut palms are grown in 68 out of 73 Philippine provinces in Luzon, Visayas and Mindanao, covering 3.4 million hectares. This is equivalent to 26.2% of the total agricultural land area of the country, next only to palay, the biggest at 34.6%.

Some 15.4 billion nuts are harvested yearly, with Mindanao accounting for 60.2%, Visayas 17.5%, Luzon 14.7% and Bicol 7.6%. Mindanao has the biggest coccol area, the most number of bearing trees and the highest tree productivity.

UTILIZATION

Coconuts are utilized for copra production, processing into consumer products and nut consumption. Through the years utilization level for copra production has remained high at an average share of 90%. This volume is used as feedstock to the country's oil milling capacity of 4.5 million MT/year. The remaining volume is used for the manufacture of desiccated coconut, export of young coconuts and for other domestic uses of food nuts.

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Estimated Domestic Consumption which comprises manufactured oil, food nuts and homemade oil grew at a very slow rate of 3.6% averaging 530,514 MT/year from 2000-2007. Suddenly domestic consumption in 2008 jumped to a robust 52.2% higher than the 594,000 MT the year-ago figure and registered 904,000 MT. Domestic consumption in 2009 is placed at 913,000 MT. Per capita consumption in coconut cooking oil increased to 4.3 kgs from 3.2 kgs years earlier. This increase in unit consumption may be attributed to population growth and urbanization. Latest statistic places population at 91 million. Likewise, domestic sales of laundry soap and other coconut-based products showed fantastic growth.

The use of biodiesel as additive to petro diesel significantly pushed up utilization of coconut oil for Coco Methyl Ester production. RA 9367 took effect in 2007 and mandated 1% blend of CME or coco diesel to petro diesel; at present the blend stands at 2%. Domestic sales of coco diesel jumped to 130.93 million liters in 2009 from 44.46 million liters in 2007.

EXPORTS

Historically about 75% of the country's nut production is shipped out to about 100 countries in various forms. A five-year average (2003-2007) reflected annual earnings of USD 906.9 million. In 2008 total earnings at USD 1.49 billion beat 2007's USD 1.077 billion. Export earnings in 2009, however, plunged to USD 884.02 million. Volume likewise declined further, despite weakness in prices. Shipments were pared by 7.3% to 1.51 million metric tons. Among the top major trading partners are USA, Netherlands, Japan, PROC, and Korea.

Major export products of the Philippines are coconut oil, copra meal/cake, Desiccated Coconut & Oleochemicals. Together, forex receipts from these products from 2004-2008 accounted for 91.43% of the total export earnings. But in 2009, the share of these products fell to 89.85% for a combined take of USD 794.28 million. Price declines of the first three commodities averaged 31.6%.

**Comparative Export Prices, \$/MT
2009 VS 2008**

Month	Coconut Oil *		Desiccated Coconut		Copra Meal	
	2009	2008	2009	2008	2009	2008
Jan	746	1067	1442	1275	-	114
Feb	762	1096	1424	1327	135	113
Mar	724	1245	1301	1351	176	123
Apr	672	1275	1297	1449	128	135
May	675	1361	1227	1524	120	129
Jun	736	1425	1210	1624	127	138
Jul	752	1485	1202	1737	126	141
Aug	734	1341	1199	1877	170	162
Sep	690	1333	1150	1869	137	146
Oct	685	1218	1188	1899	107	157
Nov	700	928	1137	1900	116	129
Dec	697	967	1185	1896	85	152
Average	714	1203	1247	1644	130	137

* Combination of Crude, Cochin and RBD

CRUDE COCONUT OIL remains the top dollar earner among the coconut products although it did not fare well in 2009. Volume increased by 5% but its earnings fell by a huge 39.21%. Shipments which totalled 573,875 MT generated only USD 401.36 million and this low revenue can be ascribed to a very weak unit price. From USD 1208.09/MT in 2008, price of crude coconut oil plunged to USD 699.39.

It may be recalled that price uptrend, which started in 2007 continued till CNO price peaked in July of the succeeding year, at USD 1484.91/MT. In August of the same year prices tumbled unabated till December 2009.

The Netherlands led the other 21 country destinations for crude coconut oil. Its volume uptake hardly moved at 289,172 MT versus 283,656 tons in 2008. Values shared dropped to USD 205,104 million from USD 336.04 million. The USA, a distant second, increased its uptake to 183,326 MT for which USD 125.13 million was earned. Other significant markets were Italy, Spain and PROC. After fifteen years of absence, Denmark briefly joined the players through a 26 MT parcel.

Crude CNO	MT	
	2009	2008
Leading Markets	573,875	546,546
Netherlands	289,172	283,656
USA	183,326	129,842
Italy	34,160	37,848
Spain	23,380	12,953
PROC	22,010	27,815

COCHIN OIL is also known as refined oil. It is used in various applications, both food and non-food. Outbound shipments of cochin oil declined by almost 22% from 286,012 MT in 2008 to 224,272 tons in 2009. Likewise, earnings fell by 53.8% and managed only USD 162.83 million, a big contrast to USD 352.59 million in 2008. Double digit deficits were posted in all principal markets but for Korea which managed by a hairline. USA led the other major markets with 175,030 MT; Japan trailed with 36,831 MT followed by PROC and Malaysia.

COCHIN	MT	
	2009	2008
Leading Markets	224,272	286,012
USA	175,030	225,850
Japan	36,831	43,443
Korea	10,500	4,500
PROC	501	686
Malaysia	500	1,730

REFINED BLEACHED DEODORIZED (RBD) OIL is cooking oil. RBD which was shipped to 31 countries posted a robust growth at 86.4% equivalent to 28,090 MT from 15,068 MT during the period under review. Affected by price declines, gains were not impressive. Earnings grew by 14.6% which translated to USD 23.83 million compared with US\$ 20.80 million last year. USA's purchases soared to nearly 10,000 MT from 258 MT last year. This volume surpassed USA's average uptake from 2005-2009 at 6,392 tons. Iran (5,550 MT), PROC (3,239 MT), and Pakistan (1,004 MT) registered healthy growths even as RBD entered two new markets, viz, Vietnam with 82 MT and Venezuela, 10 MT.

RBD	MT	
	2009	2008
Leading Markets	28,090	15,068
USA	9,926	258
Iran	5,550	4,152
Japan	4,050	4,501
PROC	3,239	2,005
Pakistan	1,004	605

DESICCATED COCONUT (DCN) is the shredded white meat from mature coconut, mainly used as a food ingredient in the confectionary industry. Its market is highly diversified, Philippine Desiccated Coconut being exported to 68 countries. The last five years reflected an average of 131,481 MT annual shipment, for which USD 161.83 million was earned. Like the other export products, 2009 was not auspicious for Desiccated Coconut. Volume fell to 116,424 MT from 142,626 MT and receipts were down by nearly 40% at USD 145.66 million. Unit value dropped to USD 1,251.12 MT from USD 1,684.84. The USA normally absorbed 25% of Philippine Desiccated Coconut. Last year its share was lower at USD 40.33 million for 29,187 MT. The other significant markets were the Netherlands and the United Kingdom. New markets were penetrated, viz Cambodia, Fiji Island and Papua New Guinea.

Desiccated Coconut	MT	
	2009	2008
Leading Markets	116,421	142,626
USA	29,187	31,099
Netherlands	10,740	10,022
United Kingdom	10,213	22,446
Belgium	8,046	16,854
Canada	6,579	8,577

COPRA MEAL/CAKE is the by-product of copra crushing activity. It is generally used as an ingredient in livestock feed compounding. It is now exported to ten countries under the lead of South Korea. During the period under review, total export volume was recorded at 399,782 MT, down from 435,244 MT in 2008. Likewise, values declined to USD 47.93

million from USD 58.21 million. It was in 2000 when Korea grabbed the lead from Europe. In the same year Vietnam entered the market and has since established itself as the second biggest market. PROC surprised everybody with its huge import, from 285 MT last year to 16,170 MT in 2009. The so-called Livestock Revolution that is taking place in China has increased its feed requirement. According to a report, the rapidly increasing number of livestock has exceeded the carrying capacity of grasslands, thus the used for other sources of animal nutrition.

Copra Meal/Cake	MT	
	2009	2008
Leading Markets	399,782	435,244
Korea	232,927	309,282
Vietnam	109,792	72,971
Japan	16,351	21,878
PROC	16,170	285
Taiwan	11,813	13,684

Other established or traditional export products are Coconut Shell Charcoal (CSC), Activated Carbon (AC) and Oleochemicals.

Coconut Shell Charcoal's market reach is limited, the commodity being shipped to eight countries only. CSC performed quite well compared to the major products. Exports improved by a solid 58% in volume (34,746 MT) and 38% in value (USD 11.19 million) in 2009. After ten long years volume exceeded 30,000 MT. Japan improved its uptake by a good 21% in volume and 14% in value. PROC and Korea, though trailing Japan by a big margin posted hefty growths of 435% and 354% respectively. Singapore and Taiwan likewise increased their share and newcomer United Kingdom absorbed 150 MT.

Coconut Shell Charcoal	MT	
	2009	2008
Leading Markets	34,746	21,979
Japan	22,859	18,880
PROC	6,095	1,139
Korea	4,172	919
Singapore	788	439
Taiwan	569	100

Activated Carbon is marketed to forty-two countries but variance in volume absorption is so wide and ranges from a single to four-digit figures. Japan remains the top importer at 3,795 MT accounting for 19% of total imports. USA is a strong second with 3,648 MT. Germany, Singapore, and Ghana trail with 1,467 MT, 1402 MT and 1,254 MT. Unit price moved up to US\$ 1,367/MT from USD 1,269. Volume at 20,027 MT was almost unchanged while proceeds slightly improved at USD 27.38 million.

Activated Carbon	MT	
	2009	2008
Leading Markets	20,027	20,259
Japan	3,795	4,536
USA	3,648	3,851
Germany	1,467	1,263
Singapore	1,402	546
Ghana	1,254	1,405

Preliminary figures for oleochemicals indicate a loss of 65.8% from last year's volume and 80% value-wise. Volume recorded was a very low 23,375 MT. PROC was the biggest market, followed by Korea, USA, Pakistan and Spain.

Coco-chemicals	MT	
	2009	2008
Leading Markets	23,375	68,318
PROC	6,779	10,733
Korea	3,548	6,745
USA	2,344	17,535
Pakistan	2,310	1,786
Spain	1,960	2,190

NON-TRADITIONAL PRODUCTS

Besides the six major products are twenty-four products grouped as non-traditional products. These are products which were exported to international markets much later than the major products and whose volumes are relatively small, but are generally high-priced.

Topping the list are Refined Glycerine, Nata de Coco, Coconut Milk Powder, Virgin Coconut Oil, and Toilet/Bath Soap.

Refined glycerine maintained leadership in this group. In 2009, it earned USD 16.32 million for a volume of 14,221 MT. Japan dominated the market and took in 75.5% of the total volume and paid USD 11.38 million.

Refined Glycerine	MT	
	2009	2008
TOTAL	14,220.75	18,538.03
Japan	10737.41	12,320.65
PROC	705.00	980.00
Russia	636.91	176.00
Malaysia	472.37	135.00
Korea	450.5	761.60
Others	1,218.56	4,164.78

Nata de Coco improved its position by a step. Export was higher at 6,017 MT and fetched USD 6.03 million. Japan increased its uptake and absorbed 78.3% or 4,713 MT.

Nata de Coco	MT	
	2009	2008
TOTAL	6,017	5,095
Japan	4,713.25	3,904.90
USA	358.75	391.53
UAE	281.7	286.99
Canada	125.11	106.31
Hongkong	80.29	44.23
Others	457.56	360.75

Coconut Milk Powder revenues were higher at USD 5.70 million. Malaysia with 678 MT remained the lead market. New players were Mexico and Cambodia.

Coco Milk Powder	MT	
	2009	2008
TOTAL	1,791.07	999.57
Malaysia	677.99	197.43
France	317.62	121.42
Japan	238.35	135.63
Sri Lanka	145.07	24.00
USA	126.18	150.26
Others	285.86	370.83

Virgin Coconut Oil maintained its fourth position with 1,801 MT. 162 tons more than the year-ago volume. USA cornered the market with total imports reaching 1,082 MT. Canada came in second with 496 MT. New Players are Lithuania, Vietnam and Zambia.

VCO	MT	
	2009	2008
TOTAL	1,801.04	1,639.14
USA	1,081.83	861.82
Canada	496.40	395.48
Germany	56.00	66.68
Belgium	40.70	115.05
Australia	23.28	58.68
Others	102.83	141.43

Toilet/Bath Soap placed fifth with 1,915 MT and a value of USD 4.78 million. Consistent big markets were Indonesia, UAE and Malaysia. Thailand came in strong in 2009 with the biggest volume at 641 MT.

Toilet & Bath Soap	MT	
	2009	2008
TOTAL	1,915.37	2,366.37
Thailand	641.47	20.43
UAE	276.17	317.01
Saudi Arabia	191.25	83.17
Indonesia	162.81	348.35
Malaysia	159.77	94.26
Others	483.90	1,503.15

EMERGING PRODUCTS

COCONUT SAP SUGAR is the natural sugar obtained from fresh coconut sap or toddy. Slow cooking and evaporation is done until the syrup caramelizes and becomes granular in form. Fresh toddy is the sweet oyster-white translucent liquid that oozes from an unopened coconut spadix when its tip is cut. Coco sap sugar has a low Glycemic Index of 35, a factor which makes it acceptable even among diabetics. As you may know cane sugar has a G1 of 64. Besides having a low G1, coco sap sugar contains macro and micronutrients, a major consideration of health-conscious consumers. Philippine coco sap sugar is recognized as organic – farmers do not apply synthetic or inorganic fertilizers.

The Philippine coconut sugar industry is just starting. There are only eleven commercial coco sap sugar producers; 8 of them are based in Mindanao where hybrid coconut palms abound. Their combined production is estimated at 13,000kgs/mo.

At present this commodity does not have a dedicated tariff code so there are no official export data. However, information gathered from this sector indicates that the country has accessed the USA and Japan with 11.2 metric tons.

COCONUT FLOUR is a co-product of VCO production and coconut milk extraction. It is a budding product whose estimated monthly production volume is 470 MT being supplied by three companies. Like any new product in the market, it has not established a market trend. Its export performance is marked by wide volume swings. In 2009, total export was 967 MT, up from the prior year's 452 M. Jordan remains the principal market with a share of 38% from 2004-2008. In 2009 Korea, Cambodia and Israel made a strong market presence.

COCONUT WATER, also called coconut juice, is exported to twenty-one countries. At present only four exporters whose combined output is 1,386,000 liters per month supply the export demand. In 2009, 484,000 liters were shipped out from which USD 368.141 was earned. This volume is short by 164,000 liters from year-ago figure. Leading destinations were Saudi Arabia with 149,130 liters, USA 88,525 and Australia 52,756.

COCO DIESEL production is growing and with the rising demand for this commodity the number of Coconut Methyl Ester (Biodiesel) producers has increased. The Department of Energy has accredited 10 companies with a combined production capacity of 363,000,165 liters. Two more applications are being processed.

MARKET DEVELOPMENT PROGRAMS

The Philippine government implement programs that aim to enhance competitiveness of Philippine products. The Department of Agriculture and the Department of Trade and Industry and all the agencies under these offices work together in the promotion of trade and in accessing international markets.

1. Direct Market Linkage

This program provides farmer-suppliers of fresh produce alternative market outlets for their products. These outlets called “Bagsakan” Centers are markets where farmer-suppliers bring their fresh produce for wholesale trading. These centers may be based in any existing public or private market. Retail marketing on the other hand is done in Barangay Markets. Now on its second year, at least 60 Bagsakan Centers in the National Capital Region (Cities and nearby provinces) have been established.

2. Industry Support and Development

This program promotes the efficient movement of agricultural and fishery/marine products. Central to this program is the establishment of Food Lanes. Special Lanes in expressways are given for use of suppliers to help them transport their product within a shorter period, thus maintaining product freshness.

3. Enterprise Development

This program promotes entrepreneurship. Program participants are empowered by giving them the necessary information on the industry including market trends and international market requirements and regulations. Strategic interventions towards capacity building such as trainings and seminars are provided. Product quality is aligned towards compliance to the requirements of the international markets such as GMP and HACCP.

4. International Market Expansion and Promotion

- a. Outbound and Inbound Trade Mission
- b. Trade Fairs and Exhibits
- c. Product Promotion Collaterals
- d. Permanent Showroom
- e. National Quality Seal –

This project covers fresh, primary or secondary processed products. Its general objective is to enhance the competitiveness of the local producers, manufacturers, traders and entrepreneurs in the agriculture and fisheries sectors and to promote consumer awareness on food safety and quality.

Other programs such as the One-Stop-Shop Agribusiness Center, One-Town-One-Product Program and Consolidated Trading are still being implemented.