

# IMPORTANCE OF PHILIPPINE COCONUT ASSOCIATIONS AND ADVOCACY INITIATIVES IN THE COCONUT INDUSTRY

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## *Abstract*

*Commodity associations, in our case coconut associations, perform important roles in many areas including advocacy initiatives, trade negotiations, products and services promotion, trade and market information generation and dissemination, private sector-government dialogues, among others. Oftentimes, government agencies prefer to deal with associations rather than with individuals. This paper mainly dwells on the experiences of UCAP (United Coconut Associations of the Philippines) especially in performing above roles. As an umbrella association comprising of the various coconut industry sectors, UCAP has served as venue for discussion regarding various industry concerns. Moreover, entities almost always put weight on UCAP positions and opinions.*

## OVERVIEW OF PHILIPPINE COCONUT INDUSTRY

The Philippine coconut industry remains the top agriculture export earner of the country and ranks 5<sup>th</sup> in total merchandise exports. Each year the industry turns in an average USD1.151 billion in the last three years with record turnover of USD 1.493 billion in 2008. Major export products are coconut oil, copra meal, desiccated coconut, oleochemicals, all of which are derived from coconut meat. This part of the coconut represents 1/3 of the coconut by weight.

Area planted to coconut in the country has risen at a slow pace and in 2009 stood at 3.402 million hectares representing over a quarter of total arable land. Farm sizes are generally small at 3.5 hectares on average. Hence it is not unusual for the industry to be mass-based involving 3.5 million coconut farmers and farm workers. Coconut harvest during the year amounted to 15.668 billion nuts produced by 341 million coconut bearing trees. In copra terms, the figure comes to an estimated 2.663 million MT.

Bulk of coconut harvest is processed into copra for oil milling. Likewise a good part of the coconut oil output goes to the export market. Those that are retained in the country are processed into edible oil for cooking as well as for use by the food industry, for oleochemical processing, and biodiesel production. The nuts that are not processed into copra are used as raw materials by the desiccators and producers of coco milk/cream, coconut flour, VCO, and for home cooking. Other parts of the coconut like the husk are used for coir and coir products; shells for charcoal, activated carbon, fuel; water for vinegar, wine, growth medium although respective utilization rates of each part are still small. Even before the nut is formed, coconut products evolve from coconut sap such as coconut sugar, vinegar, alcoholic drink. Behind above processed products are the various coconut processors and marketers that move them to consumers and end-users.

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## **COCONUT INDUSTRY ACTIVITIES**

Considering the depth and breadth of the Philippine coconut industry, one may expect a host of associations in the industry representing the various sectors or industry activities. Coconut industry activities in the country can be classified in general into three major areas namely production, processing, and marketing. Person or groups of person may perform one, two, or even all of the three activities depending on exposure in the industry.

Separately though, conflicting sectoral interests draw individuals together to form a group or association for turf preservation or protection. This has given rise to associations for every activity or sub-activity with objectives among others as to represent, defend, elucidate, and further the interests of its sector and/or members. In some cases, associations were created out of necessity, for instance when issues affecting them need to be promptly resolved.

### ***COCONUT PRODUCTION***

The oldest sector in the Philippine coconut industry is the production sector. It is also the biggest in terms of people involvement. The Philippine Coconut Producers Federation (COCOFED) is the oldest coconut association in the country. It was formed in 1947 as Philippine Coconut Planters Association by coconut planters from Quezon and Laguna. It was renamed COCOFED in 1956 and in 1971 became the government-recognized national organization of coconut farmers with the largest membership. Presently, COCOFED members number over 1.0 million coconut farmers from various provinces with over 900 chapters nationwide.

COCOFED played an important role in the enactment of legislations that serve to protect the coconut farmers' interests and support the development of the coconut industry. In the 70s and 80s, the organization funded Scholarship Programs in the tertiary level (college) and supported children and relatives of farmers in the secondary level (high school) as well as vocational courses. It also participated in the coconut planting, replanting and fertilization programs of the government. As service to coconut farmers, COCOFED used to publish in leading newspapers and air on radio stations price updates on copra in various trading areas in the country. However, now short of funds, the organization's activities have been radically scaled down.

In the 80s, new farmer organizations as well as farm worker organizations were formed to advance the interests of respective groups.

### ***COCONUT PROCESSING***

The processing sector, though not as massive as the farmers in number, has the most number of organizations. This is explained by the fact that each product from the coconut are unique in themselves in many ways such as coconut oil, desiccated coconut, oleochemicals, virgin coconut oil, biodiesel, coconut coir; thus the need to have a separate group or organization.

Within this sector are the following associations: (1) Philippine Coconut Oil Producers Association (PCOPA); (2) Coconut Oil Refiners Association (CORA); (3) Association of Philippine Coconut Desiccators (APCD); (4) Philippine Oleochemical Manufacturers Association (POMA); (5) Chamber of Philippine Coconut Oil Millers (CHAPCOM); (6) The Philippine Biodiesel Association (TPBA); (7) Philippine Biodiesel Manufacturers Association; (8) VCO Philippines (VCOP); (9) Coconut Coir Industry Association of the Philippines, Inc. (CCIAPI); and (10) Philcoir.

**PCOPA.** It is the second oldest coconut industry association in the country next to COCOFED. It was incorporated in 1951 by a group of coconut oil millers and exporters with a view to advance, improve, and protect the coconut oil industry in the country. The sphere of influence of the organization is huge when one considers the following.

Copra is the most traded coconut commodity in the local market and coconut oil in the foreign market, two products of primary interest to PCOPA members. Copra is raw material for coconut oil production, the latter being the top foreign exchange earner of the industry responsible for two-thirds of gross coconut export receipts. In terms of volume, at least 2.0 million MT of copra change hands each year under very dynamic trading environment, for production of coconut oil. As such, apart from the producers, coconut oil millers are most sensitive to developments in the foreign and local markets because of their impact on local coconut prices.

PCOPA has been active in efforts undertaken by UCAP that serve to promote the use of coconut oil both locally and overseas. This includes among others supporting the anti-coconut oil campaign in the U.S. It also was active in campaigns to improve the quality of copra produced in the country, with concomitant efforts to further enhance the quality of coconut oil and copra meal products. It encourages members to embrace the HACCP/GMP system to improve standing in the international market. It supports the government's direct marketing program by establishing express lanes in their mills for direct farmer selling as well as cooperative marketing, benefiting producers via higher value for their produce.

**CHAPCOM.** The Chamber of Philippine Coconut Oil Millers is another coconut oil sector association organized in the second half of the '80s with the deregulation of the industry. Members of this group are mainly domestic market players and have lower installed crushing capacities. It appeared the association was organized with the perception that as domestic players, their needs would be different from the exporters.

**CORA.** The Coconut Oil Refiners Association is the third coconut oil association. The group is responsible for the cooking oil used in the households as well as the coconut edible oil used by fast food restaurants and the various food manufacturers. This industry group is either composed of pure refiner or oil miller-refiner. The pure refiners are clients of both PCOPA and CHAPCOM in that the millers are suppliers of their crude coconut oil raw material.

**APCD.** The Association of Philippine Coconut Desiccators is composed of desiccated coconut manufacturers and exporters. A few members of this group are also involved in production of other coconut meat products like coconut milk; coconut cream, either liquid or powder form; coconut flour; coconut water drink; and virgin coconut oil. This group is the largest buyer of husked coconuts and can be the biggest source of coconut shell and coconut water at any given time.

**POMA.** The Philippine Oleochemical Manufacturers Association is composed of producers and exporters of intermediate chemicals from coconut oil like coco fatty alcohol, coco methyl ester, coco fatty acid, glycerin, and amides. POMA is also a client of the oil millers and coconut oil refiners which supply them with their coconut oil feedstock. The group also is part of a bigger group called the ASEAN Oleochemical Manufacturers Group based in Kuala Lumpur. This further enhances POMA's position and interests in intra- and extra-regional trade. POMA was instrumental in the passage of a law that prohibits the use of hard alkyl benzene in detergents and surfactants produced, sold and consumed in the country.

**TPBA.** The Philippine Biodiesel Association was mainly an advocacy group for the promotion of biodiesel in the country. The group had a significant role in the passage of the Philippine Biodiesel Act of 2006 that took effect starting May 06, 2007. The Act mandates the use of coco-biodiesel blend, as B1 initially, in the transport sector. Members provided the legislators, relevant government departments in the executive branch, the petroleum oil companies, among others, with information on coco biodiesel. They also informed the public about the benefits of coco biodiesel, and were involved in road testing the coco biodiesel fuel blend (B1) as environment-friendly fuel for the transport sector.

**PBMA.** The Philippine Biodiesel Manufacturers Association may be considered a sub-sector of POMA in that the group produces coco methyl ester, an oleochemical product, which becomes coco biodiesel after further refining processes. Though both TPBA and PBMA promote biodiesel, they differ from each other in that the former mainly is an advocate for biodiesel and the environment while PBMA is in the manufacture, marketing, and promotion of biodiesel in the country.

**VCO Philippines.** VCO Philippines was organized in 2003, ahead of TPBA and PBMA. The group aims to make the Philippines a leading global supplier of quality virgin coconut oil. Following this mandate, it initiated work in the formulation of the Philippine National Standard for Virgin Coconut Oil which is now in use. Members have been active in promoting VCO by participating in trade shows both locally and abroad, inviting experts to talk about VCO, among others. Recently, the group has just concluded the preparation of the VCO roadmap to ensure the industry advances on solid ground.

**CCIAPI.** Members of the Coconut Coir Industry Association of the Philippines, Inc. are coir producers and exporters. This organization, however, has been inactive. Another coir industry association, Philcoir, was formed whose membership are mostly the big members of CCIAPI.

### ***COCONUT MARKETING***

**ACBI.** The Association of Coconut Brokers, Inc. serves mainly as bridge between local coconut products and byproduct producers/sellers and local as well as overseas consumers/buyers. However, this does not prevent industry players from doing direct marketing with buyers of coconut products abroad. ACBI members usually have foreign co-brokers and do a lot of trading activity in the international marketplace and as such, they are a good source of daily market information that may serve as guide to industry players.

## **THE UCAP ORGANIZATION**

Seven of the organizations mentioned earlier are federated into a single association, the United Coconut Associations of the Philippines (UCAP). As inter-sectoral association, UCAP does not take over the functions of its individual association members who also have their respective secretariats. However, it acts on areas of concern to the membership.

COCOFED initiated and pushed for the organization of UCAP in 1966 having felt the need for closer dialogue between various conflicting coconut industry sectors. It was felt that in a forum like UCAP, the various industry groups can more effectively police their own members so that marketing, development and industrialization can be worked out in a more effective and orderly manner.

During its initial years, UCAP comprised only of three private sector members, namely, the copra producers, copra exporters, and oil millers; and government which was the Philippine Coconut Administration. Decades later, as the coconut processing industry advanced and new sectors were formed, membership expanded to 10 sector members: COCOFED, PCOPA, APCD, CORA, ACBI, POMA, Philippine Coconut Authority, Philippine Coconut Research and Development Foundation (R&D), United Coconut Planters Bank, and VCO Philippines. The copra exporters group (Philippine Copra Exporters Association) ceased operation as the coconut oil milling industry grew and exportation of copra stopped. UCAP has now accepted associate members currently numbering 11 companies providing supplementary services to the industry like bulk shipping, cargo insurance, surveying, etc.

The Philippine Coconut Authority provides the industry policy in consultation with the private sector. The forerunner of PCA, the Philippine Coconut Administration (Philcoa), was one of UCAP's incorporators. In fact, the first chairman of UCAP was the Administrator of Philcoa, the late Godofredo P. Reyes, Jr. who incidentally was the first Executive Director of APCC. Thus, the coconut industry private sector and government have had a long history of partnership and cooperation.

The Philippine Coconut Research and Development Foundation was established by COCOFED. It operates a central laboratory in Pasig City, Metro Manila. Previously, it purely funded coconut researches in various disciplines viz. agriculture/production, processing, marketing, nutrition and health, and policy, but decided to build its own laboratory so they could do their own studies. It also operates satellite laboratories in selected regions of the country. It is the only private laboratory in the country dedicated to the coconut industry.

The United Coconut Planters Bank was established for coconut industry stakeholders. Though it operates as a commercial bank, it reaches out to coconut farmers directly through the UCPB-CIIF Finance and Development Corporation. Also known as Cocofinance, it was created by UCPB to do development lending in view of the regulations that tend to limit the ability of commercial banks to undertake purely development lending activities. It has granted loans to families of coconut farmers in the country. Apart from the various credit facilities available to address the financial needs of coconut communities, Cocofinance also provides training on capability building and values formation for coconut farmers' cooperatives.

## UCAP ADVOCACIES

Despite conflicting interests among the various sectors comprising UCAP, the organization has existed for over 40 years, regularly providing services to the industry in general and to its members in particular. Such services include among others market monitoring and analysis, database development and maintenance, publishing, events organizations to include the monthly luncheons and sports tournaments, industry liaison, promotion of coconut products. Most often, UCAP serves as overall representative organization for coconut in various trade and industry meetings and consultations called by government. UCAP has been in the forefront on many issues affecting the coconut industry serving as the voice of the private sector. Regular interaction with authorities provided a means to articulate important points and industry positions.

Over the years, UCAP members have had harmonious relationship, aware of each other's situations, strengths and limitations. Sustain, develop, advance and protect the industry and stakeholders serve as common guiding principles for UCAP members; thus cooperation and support to the organization's programs and activities follows.

***Health benefits of coconut oil.*** One of the most telling advocacy initiatives of UCAP is the promotion of the health benefits of coconut oil which was highly challenged in the '80s by the anti-coconut oil campaign in the U.S. UCAP responded with a three-pronged defense viz. (1) Legal, where UCAP contracted the services of Washington-based lobbyists to represent RP coco industry in U. S. Congress, Food & Drug Administration (FDA); (2) Research, where UCAP contracted medical doctors from New England Deaconess Hospital (NEDH), a Harvard Medical School affiliate, to do scientific research on coconut oil. A Philippine Parallel Research Group headed by the late Dr. Conrado S. Dayrit, cardiologist, pharmacologist, was organized to replicate results of research conducted at NEDH; (3) PR/PA or public relations and public affairs, where UCAP set up a PR/PA office in Washington DC called the US Council for Coconut Research/Information (USCCRI) and engaged the services of a PR practitioner. The office responded to negative write-ups on CNO, and participated in conferences on fats & oils, nutrition and dietetics, as exhibitor.

The 3-front defense cost the industry P64 million at that time which was generated from UCAP check-off (cess) on coconut oil and copra exports in 1987-1992 and contributions from other UCAP sectors. We believe we succeeded in our campaign in that: (1) The US Nutrition Labeling and Education Act of 1990 did not disparage coconut oil. (2) Research showed coconut oil is healthy oil and that compounds from coconut oil fatty acids have important uses in medicine and nutrition. (3) The PR/PA effort provided damage control and created consumer awareness on the health attributes of CNO. (4) Many are now aware that not all saturated fats are bad for the health. Coconut oil is good for the health.

The health issue on coconut oil lately has resurfaced with changes in US FDA food regulations. The new rule, which came into effect January 01, 2006, requires a declaration of *trans* fatty acids (*trans* fats) on the information facts panel of food labels. *Trans* fats are artificially altered unsaturated oils which our body is unable to metabolize for lack of proper enzymes, thus make these "artificial" fats unhealthy. It is found in fats that had undergone partial hydrogenation, in margarine, shortening, and in products where they are used like cakes, cookies, chips, pastries, etc.

However, while food labels have separate listings for *trans* fats and saturated fats, many still consider both as equivalents; thus advice to reduce if not eliminate consumption of *trans* fats also goes for saturated fats, which unfortunately includes coconut oil. This stigma on coconut oil remains a challenge to hurdle. The real score is that coconut oil does not contain *trans* fats because it is naturally saturated. It is a natural replacement for unsaturated oils presently used in margarine and shortening production.

The reality, however, is that in a globalized market, vegetable oils are increasingly seen to complement one another particularly in food uses, mainly on account of concerns on *trans* fats. Thus food manufacturers prefer blended oils and fats to reduce the level of *trans* fats in food products. Overcoming the negative label on coconut oil therefore means coconut oil being made a significant part of a cocktail of fats and oils in the reformulated food products with low or zero *trans* fats.

However, some companies are developing processes that would avoid the hydrogenation to produce healthy oils without the *trans* fats. One company in Europe has developed a process, which is now in commercial scale that uses enzymatic technology to interesterify oils and hone their properties in food products. According to the company, enzymatic rearrangement is recognized as a “healthy and natural way to alter the characteristics of oils and fats”. Meanwhile, agriculture companies continue to develop varieties of soybeans, sunflower seed that are able to produce oils that are low in *trans* fats. Successes have been made although some field tests are still being done.

In the meantime, more research-based information and dissemination campaign about the health attributes of coconut oil as well as an education campaign on *trans* fats and saturated fats are still needed. Hardliners, especially the medical doctors and other medical practitioners, need solid evidences before they can be convinced about the benefits of coconut oil.

***Environment protection.*** Apart from the coconut oil’s health benefits, UCAP promotes clean environment. It played an important role in the passage of a law that prohibits the use of hard alkyl benzene in detergents and surfactants produced, utilized and marketed in the country; it supported proposals to pass the Biodiesel Act of 2006. Presently it supports proposals to increase further the coco biodiesel content of diesel fuel blend from the current 2 percent up to 5 percent. With increased use of biodiesel, apart from cleaner air, the coconut industry will increase consumption of coconut in the domestic market.

Indirectly too, the industry contributes in modest way in the promotion of clean environment in other countries via our coco-biodiesel export. A setback though is that coconut oil-based biodiesel is yet hardly known in many countries, especially its superior attributes exclusive only to coco-biodiesel viz. unique solvency quality, high cetane number of 68 providing better ignition and good acceleration, and lower NOx emission.

Apart from clean air, UCAP also promotes clean water via the use of coco-fatty alcohol-based surfactants for soaps and detergents. This follows our earlier advocacy on the banning of hard alkyl benzene in surfactants. As before, this would require a new legislation.

***Enhance competitiveness of coconut products globally.*** On trade issues, UCAP promotes efforts to increase competitiveness of coconut products in the international market. Most recently, UCAP intervened in proposals to reduce import duty of refined coconut oil in Korea to zero under the ASEAN-KOREA FTA to level playing the field with Indonesian origin coconut oil. Through proper representations in government, a corresponding Executive Order will be issued shortly. This aside, UCAP continues to participate in discussions on RP/ASEAN FTA's with India, Australia & New Zealand, China, EU as well as on WTO to safeguard industry interests. This is done through membership in relevant government committees especially in the Department of Agriculture.

UCAP membership in international organizations such as the National Institute of Oilseed Products (US), the Federation of Oils, Seeds and Fats Association (London), and the ASEAN Vegetable Oils Club (Malaysia) keep us abreast in developments in other fats and oils and other trade issues relevant to coconut oil and products. They provide a bigger venue for the industry to articulate positions on certain issues affecting coconut oil and products exports.

## **CONCLUDING STATEMENTS**

Coconut associations certainly perform special functions for the coconut industry as a whole and the membership in particular. For instance, this era of globalized market environment has opened up many issues for debate, which relevant coconut associations can thoroughly study and discuss with the members.

Policy makers in general prefer to deal with associations, recognizing that associations make for an ideal venue for policy discussions and facilitate communication as well as policy formulation. Oftentimes, associations perform oversight functions when policies are implemented. This provides the metrics on the effectiveness of policies and a useful tool in addressing gaps between policies and implementation.

Associations take on important role in advocacy, be it on policy/legislative proposals as discussed earlier, on the benefits of certain products; on issues restrictive to trade and other unfair trade practices, on promoting product standards, among others.

Coconut advocacies in general are largely on coconut oil because presently, it is the biggest revenue generator of the industry and has established market worldwide. We certainly do not want to lose our market share. However, this does not mean other products should be relegated to the sidelines. As example, the debate on food vs. fuel issue has given rise to the development of renewable fuels derived from third generation feedstock such as biomass which the coconut has a lot to offer.

Finally, advocacy programs can be costly. Perhaps an organization like APCC will be able to support proposals for new advocacy initiatives or provide assistance to ongoing undertakings.