

A LOOK INTO VILLAGE LEVEL PROCESSING OF COCONUT PRODUCTS

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A. Introduction

Of late, the idea of village level processing of coconuts has become popular. Thanks to social development agencies (NGOs) and leader-activists of farmers organizations. These people are the advocates of village level processing of coconuts. Their advocacy ride on the crest of: (a) the popularity of the idea that farmers will get the maximum benefits if they process the nuts and sell themselves the resulting products; and, (b) the ready assistance to be extended by inventors of processing machineries whose presentations are sadly accepted by these advocates as gospel truth.

This advocacy finds support from benighted administrators of coconut development agencies and traditional politicians. These people readily given in to the "popular" clamor based on the simplistic assumption that coconuts produced in a village will give more income to farmers than if sold to dealers, transported to far-away processing plants and marketed locally and abroad. These supporters never bother to look at the economics of village level processing. Or, if

they look, they really cannot understand what they are looking at.

B. Processing As A Business Venture

Any coconut processing plant (whether small, medium, or big) should be considered a business venture. The same is true with a village level processing plant (VLPP) no matter what its capacity is. As such, its establishment and operation should be grounded on its profitability.



Village Level Coco Shell Charcoal Processing

As a business venture, the decision to go into it should consider the following:

1. Is there a nearby market for specific products to be produced?
2. If the answer to No. 1 is yes, how big is the market?
3. Is the identified market currently served by existing manufacturers? If yes, what segment of The market can still absorb the contemplated products to be produced? How big is this segment? What are the prospects that this segment will soon be

served by existing manufacturers?

4. How is the existing market competition, price-wise (both in the procurement

of raw materials and selling of finished products)? What are the marketing practices observed by suppliers in identified market? Sale on credit? 90-day credit? Consignment?

5. At what price/s should the product/s be sold? Are these prices competitive enough?
6. What kind of promotion should be done? What is its cost?
7. What kind of packaging should appeal to target consumers? How will this affect the cost of Production and marketing? How will this affect the price?

Assuming that the answers to these questions justify the establishment of the VLPP, then the following concerns should likewise be addressed:

1. What kind of business organization to be put up Cooperative? Corporation? Or, partnership?
2. How should the required capital be raised?
3. What should be the size (production capacity) of the VLPP?
4. What machineries and equipment should be procured, how much and at what prices?
5. Who should handle the management of the outfit

to ensure that procurement of raw materials, processing of nuts and the marketing of finished products are properly coordinated?

As a business concern, the VLPP should be operated like a corporate manufacturing plant is run. This means that a thorough study should be made on its technical feasibility and financial viability.

The operation of the VLPP should be anchored on the following solid grounds: (a) a ready market; (b) competitive cost of production; (c) competitive prices of its products; and, (d) sound management.

C. Learning From Others

The adage that “experience is the best teacher” applies to VLPP. What is referred to here is the experience of similar venture. The success or failure of another VLPP definitely gives precious lessons which can guide future VLPPs.

In the highly competitive world of business, success stories of small or micro processing plants are worth knowing. For these stories tell the do’s and don’t’s of running a business enterprise. Lessons learned from the experiences of others should serve as eye openers and reminders of the rough and tumble life ahead.

Information on these experiences can be gathered from many sources. The managers of these establishments can be interviewed. Reasons for the failure of others can be secured from the banks or from concerned government agencies that assisted in the establishment of these failed ventures.

A little resourcefulness will do the trick. A painstaking research on this area will arm one with confidence on how to face the very uncertain world of business.

D. Commitment And Dedication

The success of any VLPP also depends on the commitment of its organizers/funders and the dedication of its management and workers. Bringing the projected black bottom line into fruition is also a function of the skills, creativity and productivity of the work force and the effectiveness of management.

E. Industry Situation

A careful and thorough understanding of the coconut industry situation at the local and national levels is important. This will show coconut production prospects, state of competition, etc. For instance, the proliferation of so many coconut oil refining plants means increasing member of competing brands.

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America. Road, rail and coastal sea trade already favour Latin American producers, as does the balance between just three languages, Portuguese, Spanish and English.

Individually, coconut farmers will still face all the hazards associated with this crop. Hurricanes, pests, diseases and economic problems will always be present. Serious competition will come from mechanically harvested, genetically modified oil crops that can grow in temperate countries. So there will be no development of a coconut plantation industry in Latin America. Many existing areas will go out of production, especially those geared to the uneconomic products of the past. But in specific locations, particularly on the sea coast where tourists expect the "tropical paradise" associated with coconut palms, they will be

replanted. And adjacent to communities where fresh coconut water and fresh heart of palm should find ready markets, specialist producers should be able to include coconut as a keystone crop of their farming enterprise. As one example, in areas that come under attack from lethal yellowing disease, the recommendations given above for harvesting drinking nuts, extracting palm heart and converting stems to timber, can be taken a step further. Where, in coastal areas particularly, coconut palms are replanted after the disease has eliminated the old susceptible variety, a very high density planting of disease resistant dwarf or hybrid varieties might be adopted. This will give better use of fertilizer and make weed management more effective. But the important point is that from age three years onwards, as the palms begin to compete for space, they are

regularly thinned out. The palms that are removed are sold to heart of palm processors. This thinning is absolutely essential but, done correctly, the proper thinning of a high density planting will not delay flowering. From four to five years the palms are harvested for fresh drinking nut sales and this continues as long as the palms can be readily harvested. And once the palms are too high for easy manual harvesting, methods to encourage natural fall of ripe fruit and labour saving methods of ball copra production should be adopted to produce high quality coconut oil. Most importantly, this suggestion should only be tried where good markets, local or export, already exist.

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The extent of market reach of these brands may mean overcrowding of the coco oil refining sector and saturation of cooking oil market.

One has to understand how a big oil miller/refiner can sell cooking oil in the remote areas at prices lower than production cost. It is probable that copra might have been procured months ago at very low prices. It is also probable that marketing of a particular brand is partly subsidized by income from other products in a multi-product company.

There are companies that give premium to market leadership. They will do everything to retain their market

share. They can offer rock bottom prices to weed out competition.

It does not necessarily follow that a VLPP can produce a product cheaper than a big manufacturing company located in an urban center. The only advantage the former has is its nearness to copra supply. But the latter has the economy of scale. It has access to modern technology that substantially cuts down production cost.

F. Conclusion

The operation of a VLPP is not a guarantee of increased income for coconut farmers. It may actually bring more woes than benefits - more headaches than happiness.

Plunging into VLPP should be done with extreme caution. The nice words of activist-farmer leaders and the promise of paradise by inventors of machinery should be matched against the stark realities of the business world.

The help of politicians who dangle funds (from their pork barrel) as farmers equity does not equate into viability of the VLPP venture. There are standard business hurdles that must be met.

As a caveat, everybody should think, many, many times before going into VLPP.

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