

## THE COCONUT INDUSTRY IN SRI LANKA

*Dr. Newton Peiris*

Sri Lanka possesses a vibrant coconut industry sustained by the Government of Sri Lanka and the private sector. Being the only country with a separate ministry to oversee its operations, it is the ministry's mission to increase production from its present 2600 million nuts to 3000 million nuts per annum, and increase land cultivation to 1 million hectares. The development of the coconut industry is now a national venture under the auspices of the Ministry of Coconut Development and the Ministry of Plantation Industries.

The Ministry is presently working on the promotion of a home grower system where rural homes could be self sufficient in coconut production. The 'Pol Ropa' project initiated by Hon. Salinda Disanayake, MP, Minister of Coconut Development, supported by HE the President in 2006 invested over Rs.150 million for the distribution of 1.4 million coconut saplings and the free distribution of 2000 tons of fertilizer.

Sri Lanka's coconut industry functions under three statutory bodies under the Ministry of Plantation Industries and the Ministry of Coconut Development;

The Coconut Research Institute, Coconut Cultivation Board and the Coconut Development Authority were established to safe guard and prosper the country's coconut industry.

The Coconut Research Institute (CRI) in Lunuwila conducts research in all aspects of coconut production, processing and provides services for the extension arm, the Coconut

Cultivation Board (CCB), and the private sector.

The CCB provides extension assistance for the development of the coconut cultivation sector.

The Coconut Development Authority (CDA) is the apex body, which supervises,

### Present status of the coconut industry in Sri Lanka

Coconut is grown in an extent of 394,836 ha, equivalent to 20% of the cultivable land in the country. Coconut being a smallholder's crop covers an extent of 75% under small holdings, with each smallholder having an average of



*Desiccated Coconut: A Major Export Product from Sri Lanka*

promotes and provides assistance to those engaged in the processing, marketing and export of coconut products.

The coconut industry plays a pivotal role in sustaining a viable economy at village, district and regional levels in Sri Lanka. Despite its dominant role in the country's economy, the area under coconut cultivation is declining substantially (Approx. 5000 ha/ annum) in all parts of the country and predominantly in the coconut triangle due to rapid urbanization, industrialization and poor return for the investment.

However, the national coconut production remains stable within the range of 2650-2750 million nuts/ annum.

0.8 ha. Kurunegala Plantations Limited (KPL) and Chilaw Plantations Limited (CPL), are the two largest plantation companies, covering an area of approximately 13000 ha that contribute immensely to the entire coconut industry. The National Livestock Development Board (NLDB) also contributes to the coconut industry remarkably.

### Export

The export of coconut products accounts for approximately Rs.17.5 million per annum, which is equivalent to 1.3% of the GNP. Some products are exported as raw material or intermediate position. Export of value added products had shown

a remarkable growth in the recent past.

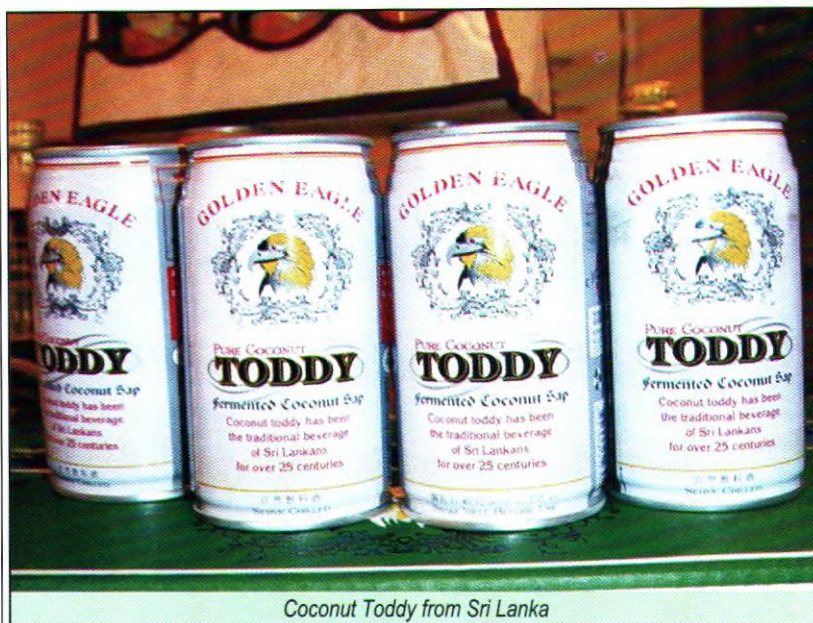
According to reports, the predicted shares of global demand for value added products are 9% for desiccated coconut, 5% fresh coconut, 45% coconut milk and 40% activated carbon.

In the recent past, the coir industry has shown a rapid increase in the total exports. The value of the coconut industry in Sri Lanka is approximately Rs.43 billion, which predominantly constitute local consumption (Rs.24,071 million) coconut oil (Rs.1,987 million), desiccated coconut (Rs.4,698 million), copra (Rs.1,050 million), fresh coconuts (Rs.188 million), coconut cream (Rs.519 million), coconut milk powder (Rs.1,103 million), fiber products (Rs.6,581 million), defatted coconut (Rs.176 million), ekel (Rs.75 million) and shell products (Rs.1,811 million).

### Development Plan

The entire coconut industry is working together to achieve the following targets. Sustenance of coconut production at 3 billion nuts per annum

- Production of 70,000 metric tons of desiccated coconut



- per annum
- Production of 70,000 - 80,000 metric tons of coconut oil per annum for domestic consumption and for the industry
- Capacity building to process 40,000 metric tons other kernel-based products.
- 70,000 metric tons of coir production for domestic use and export per annum.

To achieve these, both the state sector and the private sector need to work in union.

### Issues and problems of the industry

- Rising costs of inputs increases the cost of production,
- Continuous cultivation and lack of implementation contribute to the low fertility of coconut lands,
- 30% of coconut plantations are senile,
- Unsystematic fragmentation
- Droughts in coconut growing areas and other causes such as pests and disease cause loss of harvest,
- Difficulty in retaining skilled labor,
- Lack of raw materials for the processing industries,
- High energy costs are incurred for irrigation and processing industries,
- Low profitability of coconut lands,
- Inadequate farm mechanism for managing coconut lands cost effectively,
- Maintaining the DC industry at an optimum level and ensuring quality for sustaining the international market,
- Need for the modernization of the traditional coconut milling processors,

Component	Unit	2006
Extent under coconut	Hectares	394,836
Production	Nuts (million)	2684
Land productivity	Nuts/ ha/ year	6625
Contribution to GDP	%	1.1
Total export earnings	Rs. Billion	19.3
Total kernel products	Rs. Billion	9.14
Fiber products	Rs. Billion	8.03
Shell products	Rs. Billion	2.09
Domestic fresh consumption (fresh nuts)	Million nuts	1891
Coconut oil production	Mt	30,000

- Necessity to minimize wastage of coconut kernel,
- Introduction of new products and expansion of non-kernel based industries,
- Provision for improved training facilities, working conditions and insurance schemes for workers,
- Organization of strong marketing campaigns on the health benefits and environmental friendliness of coconut.

#### Fiscal constraints

CESS - There should be a paradigm shift in the fiscal policy towards the coconut industry. CESS funds should be meaningfully used for research, product development, marketing and export promotion. This is under review.

#### Peace through Development Programme and Rehabilitation of Tsunami-affected Coconut Cultivations

The Eastern Province awakening programme / 'Neganahira Navodaya' is one of the largest coconut development programmes taking place presently in the eastern province of Sri Lanka. Approximately 20,000 acres in the coastal belt of the eastern province will be rehabilitated or newly cultivated. International donor agencies are also supporting this programme. Rehabilitation of



Coir Based Products: A Growing Export in Sri Lanka

tsunami affected coconut cultivations will also take place alongside this.

#### Village Awakening Programme (Gama Neguma)

Under this programme, five provinces of Sri Lanka will be newly cultivated and 200,000 coconut seedlings will be distributed among the people of these provinces with a subsidy for their sustenance.

#### Coir Research Institute

Common Fund for Commodities (CFC) has supported the set up of a Coir Research Institute. This will contribute to uplift the coir industry in Sri Lanka.

#### Advisory Council

The Ministry has established an Advisory Council, comprising of sectoral advisory committees. Several of these sectoral committees have begun contributing proposals for the development of the various sectors of the industry.

#### Coconut Development Act Review

The Hon. Minister has appointed a committee to review the Coconut Development Act of 1970. The report has been presented and is under revision.

#### APCC and International Co-operation

The private sector representing the coconut industry of Sri Lanka has participated in the first multi-stakeholder round table discussions held in Kuala Lumpur, Malaysia in August 2007. This has provided Sri Lanka's private sector to build a cordial relationship with other private sector players in the APCC member countries.

#### Coconut Council Sri Lanka

Sri Lanka is a country with several private sector organizations representing the various areas of the coconut industry. Several of these organizations have federated to form the newly set up Coconut Council Sri Lanka, the single body established to address the unified needs of all coconut sectors.

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Young Tender Coconut Being Sold Along Street Corners in Sri Lanka