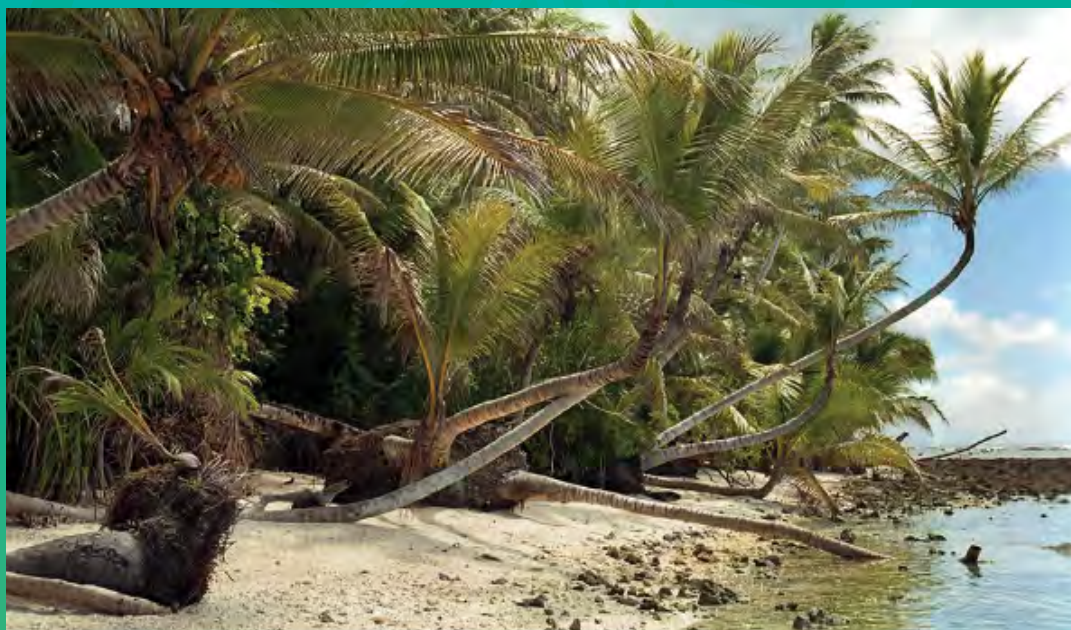




Pacific  
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# Coconut Risk Management and Mitigation Manual for the Pacific Region

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Compiled by R. Bourdeix, J. M. Sourisseau and J. Lin

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# Coconut Risk Management and Mitigation Manual for the Pacific Region

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## 21. INVESTMENT IN COCONUT RESEARCH AND REPLANTING

*By J. Lin, R. Bourdeix and J. P. Alasia*

### Description

So far, in the Pacific region, major companies are not investing in coconut replanting and research. The risk is that this investment starts and generates negative effects for the most fragile actors of the sector: the small farmers. However, if the intervention of large companies is well managed, it could be beneficial to the whole coconut industry. These companies, by investing in coconut in the Pacific region, would also take risks.

There is a model of private players developing a large plantation, with a factory producing value added products. These private companies may collaborate with small farmers by training them with better cultivation and processing methods and directly buying their products. Such a win-win collaboration seems beneficial. However, creating large private farms may create competition with small farmers, reduce total market price. In the worst cases, it could even force small farms out of the competition.

One of the most impressive complex plantation/factories is in Brazil. Coconuts with husk are harvested with horses and collected in huge plastic bags that are mechanically dumped into trucks, minimizing the manual labour of transportation. CIDP published a movie on how horses are used to facilitate the harvest; a similar method using donkey existed about 100 years ago in Samoa. In the Brazilian factory, all is used to prepare high value products: husk, shell, meat, water, shell. The few that is not used is burned to provide energy to the factory. The ashes go back to the fields as fertilisers.

Private investment in trainings and technology could assist farmers to produce high value-added coconut products and to diversify from reliance on only copra and coconut oil. On the other hand, results of the research undertaken with private partners is not always publicly available and sometimes do not benefit all relevant players. Private companies use results of public research as a starting point. Then, they conduct independent research for improvements, but do not always share the results as a public good. Private research often focuses on the needs of large-scale farms in developed countries, and not enough on small farming.

Research in science and technology is crucial in improving both the quantity and quality of agricultural commodities and products such as coconut. The lack of sufficient and regular national funding of coconut research is a major challenge faced by many Pacific Islands countries. The involvement of private companies may help to complement this lack of government funding.

Private companies also run a risk when investing in coconut replanting, value-addition and research. Like farmers, they must also account for natural disasters such as cyclones and pests. Local, political and commercial constraints can reduce their profits and sometimes ruin their projects. In the Solomon Islands, about fifty years ago, Unilever invested heavily in coconut plantations and research; finally, they lost everything because of political instability. Even if the coconut industry is currently booming, there is never a guarantee that the end business will be profitable.

Long-term investment in the research and development of coconuts is crucial to ensure the sustainability and growth of the industry. Many private companies are hesitant due to the long-term time investment in fields of the coconut research. For instance, genetic experiments that test new varieties usually last 12 years or more. One solution is to invest this experiment from the beginning as a profitable plantation.

### **Occurrence and severity**

In the Philippines, around 18 percent of the total agricultural research and development involved the private sector. Currently no data exists, but it appears that the prevalence is much lower in the Pacific region.

In the Dominican Republic, within the last 3 years, private companies have replanted large areas with coconut palm. A company has replanted 100,000 Brazilian Green Dwarf palms by using advanced non-organic cultivation methods. Another company planted 35,000 hybrid coconut palms imported from Mexico. These companies succeeded to obtain importation permits from Costa Rica, Brazil and Mexico (although LYD is active in this country). They paid two US dollars per dwarf seednut and between five to seven USD per hybrid seednut. Currently, Dominican Republic is exporting 300,000 mature coconut fruit to USD and Canada market and importing 25 million of coconut per year for its industry. The large new plantings by private companies are expected to produce at least 25 million more coconuts locally. This could reduce coconut imports from India and Indonesia.

As far as we know, such initiatives of large replanting programs by private companies do not yet exist in the Pacific region. Edible coconut products are often perishable; therefore, technological research and advancements are crucial in extending the storage life of products such as coconut milk and coconut water. Out of the Pacific region, some coconut research programs already involve the private sector. In Sri Lanka for instance, the production and processing of high-value added products, such as coconut water and activated carbon, involve private partners.

### **Mitigation and adaptation**

If well conducted, involvement of private companies in coconut research, replanting, and value addition could be highly profitable to all partners in the Pacific region. Large private companies have the means and power. There should be a mechanism in place that could protect the interests of smallholders such as inclusion approach (smallholders are included in decision making and initiatives) and empowering a sustainable business model, while reassuring companies that they will benefit from political and commercial support.

Governments should encourage foreign investment by removing barriers, such as unnecessary red-tape procedures, while protecting small farmers and local private enterprises from overly aggressive business practices, unequal competition and land grabbing. There should be a national regulatory body, restricted to coconut or not, to monitor such investment in small countries. Land protection policies may also contribute to ensure smallholders are protected from land grab. Smallholders depends on their land for survival.

In 1996, the 'relational risk' was defined as the concern that firms may not work towards the mutual interests of the partners; hence, they may not cooperate as expected, the motives of such behaviour being either rational or irrational. 'Relational risk' seems not limited to private companies, which sometimes arouse but also undergo such situation.

## **Actions to undertake**

Public private partnership is a possible option to encourage farmers to produce high quality products for exports. In the Philippines, the companies Cargill, BASF, and Proctor and Gamble, have teamed up with the German development organization GIZ and the Philippine government to train farmers with the possibilities to obtain the Rainforest Alliance certification for coconut oil.

Serendi Coco, a joint venture between local and US, is the first large company which recently invested in coconut replanting in Samoa and the Pacific region. The progress of this endeavour must be followed to retrieve lessons for preparing further similar investments.

To launch a large coconut water business in the Pacific region, an economic feasibility study should be conducted, preferably with private partners already involved in the business. In Fiji, there is a special opportunity linked to a special Green Dwarf variety with pink coloured coconut water, which could be marketed as medicinal and would become a Fiji distinctive product.

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