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Coconut Risk Management and Mitigation Manual for the Pacific Region



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

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35. SUPPLY OF COCONUT TO FACTORIES

By R. Bourdeix and N. Tanawai

Description

The risk is that irregularities in the supply of raw materials reduce the profitability and competitiveness of the factories, force them to lower purchase prices to the producer and indirectly penalize the whole local coconut industry.

This risk might also occur and impact stock prices at the global level, as described in risk description n° 30, but what is outlined below relates only to local and national levels.

In some Pacific island countries, people are harvesting and selling coconut only when they need money, for example in the period preceding the entry of children into schools or just before Christmas.

When the price of coconut is too low, the farmers do not harvest their coconuts because they find the cost will be higher to harvest their coconut than the profit that they will get.

The fluctuation in the price of coconut affects the production of the coconut industry, and this is likely to intensify in the future. This particularly affects small island countries where there is limited area for planting more coconut trees, and copra remains the main source of income.

Occurrence and severity

Some coconut factories are overloaded at certain times of the year, while at other times they operate at less than thirty percent of their full capacity. This negatively impacts the activities and benefits of the factories.

There is also a seasonal variation for fruit production in the coconut palm. In most situations, 60% of the fruits are produced during one semester and the remaining 40% during the other semester.

Irrigation can help to reduce this variation but will not make it completely disappear. Even in Ratchaburi region in Thailand, where the Aromatic palms are cultivated with a canal system providing irrigation, there is a high and a low production period with strong variation of the buying price.

The coconut global value chain (GVC) is at a critical juncture, characterized by a rapidly growing demand in global markets and a stagnant supply base in danger of collapse in origin countries. Limited supply of fresh coconuts is the critical constraining barrier to industry growth. The supply bottleneck is rooted in persistent low investment for years in now aging and unproductive coconut plantations. Investment to reverse the sluggish supply is desperately needed worldwide.

Mitigation and adaptation

Factories should offer good buying prices to farmers all along the year. When buying prices are already good on average, they could increase the prices by 20% during the season when the supply is low and reduce it by 20% during the season when the supply is high.

Marketing and communication actions must be carried out in schools to promote the consumption of local products, including coconut, among the younger generation.

Actions to undertake

Even though fair trade certifies that farmers and workers receive a decent remuneration, it does not mean that profits are equitably shared. A product can be bought from local farmers at 1 USD per kg and be sent to final customers at 10 USD per kg, and still be 'fair trade' labelled. A possible recommendation (but by whom and to whom?) could be that the price sold to the final consumer should not be more than three times, the price paid to the farmer.

Some studies started to try to optimize the harvest in order to reduce factory shortages (see Thai example below). Interests of the factories and farmers may sometimes be divergent. Farmers would be more interested in studies optimizing the harvest to maximize their own benefits. Both aspects should be considered in future scientific studies.

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