Sri Lanka’s desiccated coconut industry faces problems

by Inshala Samarasinghe

Sri Lankan desiccated coconut exporters may have gained from the Philippines’ current woes, but they remain unsure of the industry’s long-term market share overseas, due to huge domestic demand and shrinking plantations Tropical Sri Lanka managed to increase its Desiccated Coconut (DC) exports to 63,000 metric tons last year from 45,000 metric tons in 1994, thanks mostly to last November’s typhoon in the Philippines which destroyed a large part of that country’s cultivations, industry analysts said. But the industry’s continued success depends on the availability of fresh nuts which were being gobbled up by domestic consumers and by increasing numbers of oil millers they said.

“We don’t think the Philippines’ situation would come back to normal anytime soon”, said Niran Pieris, marketing manager of Serendib Coconut Products Ltd. a large Desiccated Coconut miller and exporter. “This means the vacuum in the market would have to be filled by Sri Lanka”, Pieris said. “But if we don’t seriously look at the domestic market requirements and get into extensive cultivation, I feel we will be left behind”, he added.

Sri Lanka has maintained steady rise in the production of fresh coconut despite an annual drop in cultivation by about 1,000 acres (400 hectares), which fall prey to industrial and housing estates, the Coconut Development Authority says.

The number of nuts reached a high of 2.7 billion last year from 2.6 billion in 1994 and from 2.1 billion in 1993. About 75 percent of the production is consumed locally, jointly by the oil industry and by the people who use coconut milk extensively in cooking traditional curry dishes. The balance make exports, led by desiccated coconut, the world consumption of which hit the 150,000 metric tons mark last year.

Analysts say the price of a metric ton of coconut oil rose from 45,000 rupees (US$ 883) in January, to 63,000 rupees (USS 1,148) at present, prompting growers to sell to oil millers rather than to desiccated millers. “An oil miller today pays upto 7.50

rupees (13US cents) per coconut. If a desiccated coconut miller pays that kind of money he will run out of business”, Pieris said.

Sri Lanka’s oil exports are limited due to high local demand. Bangladesh is the biggest coconut oil buyer from the island, analysts said. A metric ton of desiccated coconut fetches between US$ 1,050 and USS 1,200. DC industrialists say they have been pushing the government to lower the present 35 percent duty for imported vegetable oils, to stabilize coconut oil prices and thereby ease the demand for nuts. “The government has been dragging its feet on this, obviously pressurised by oil millers”, one industrialistsaid.

Adding to the DC industry’s woes is the shrinking of coconut plantations, as landowners sell out to real estate developers for immediate returns. “The need now is to identify new lands suitable for coconut cultivation and to maximize productivity on existing land”, said Lekamge Ranbanda of the Coconut Development Authority. “It is the only way many of the coconut-based industries will survive”, Ranbanda said.

Meanwhile, Sri Lanka made more money from the sale of coconut shell products than the sale of kernal products like oil and desiccated coconut. In 1994, this Indian ocean island exported more than 13,000 tons of activated carbon bringing in 7.9 billion rupees (USS 144 million). The island also does an increasing business in the export of coconut fibre, coir fibre pith and coir yarn.