

CHAPTER FOUR

PROBLEM OF PROCESSING

The problem to be discussed is processing faced by local millers. The cut-throat world of the coconut millers has gradually reduced the number of millers in the Federation, that only 55 out of 100 survive. But those who are still surviving are facing an unstable future. The problems facing the millers are many, but only the important ones are discussed in this chapter.

PRICE COMPETITION IN SELLERS' MARKET: Tariffs, compared with most other countries favour export of raw material rather than the finished products, as a result our millers are competing with copra exporters and paying the world price in the sellers' market. Since the millers cannot operate their plants at full capacity, their costs are therefore, high. Thus it is impossible for their products to compete equally in world market, with other countries like Ceylon and Philippines.

PRICE COMPETITION IN BUYERS' MARKET: On the other hand there is also a price competition in the buyers' market for the sale of the millers' products; probably due to the result of millers producing three times more than local markets can consume. This means they compete with each other for sales in a buyer's market by slashing prices. What hurts most is that the government offers no help at all to improve the situation, but relax to see all this happen, i.e. the process of elimination among the surviving millers.

Some realistic millers admitting that even at 55 there are too many mills. Out of these surviving millers 4/5 of them are small scale family concerns that mushroom in prosperous times and close when things are getting tough.

Therefore, there is a need for the government to co-ordinate the kinds and quality of feedstuffs farmers need. At present millers can only sell their copra cake by-product because of its high oil content.

OVERLOOKING THE NEED OF THE INDUSTRY: The millers also feel that the government is overlooking the need to see the industry as an integral whole rather as separate competing parts. This is especially so when it is viewed on the question of increasing export duties on copra. However, their request to look into the matter was rejected by the government. The explanation given by the government for such rejection was that "on balance it appeared both economically and politically desirable that copra producers must have first consideration." Furthermore, the smallholders are not well organised and it is feared that in time of glut they will be exposed to the mercy of the millers. This means that outlets for local market are restricted.

1. PETER POLONKA:- Cut-throat world of the coconut millers published in the Straits Times. May 20th 1963.

The government can give help by guaranteeing the stability of the markets for primary products like coconut products and its by-products. In this aspect government should lay more emphasis in developing suitable local outlets over which they can exercise control. But the unfortunate thing is that we do not have such proper policy adopted by the government, nor do we have state supported programmes to meet growing domestic consumption and the opportunity to expand in overseas markets. Hence in view of the belief that competition on world markets will get tougher, it is essential to have government supported programmes to meet growing demand for home consumption and for expansion.

DOLLARS: Most coconut producing countries are making great strides for example India, at present is making a great step in rehabilitation, Ceylon and Philippines are both having big programmes for expansion. While on the other hand, Malaya once the world's leading coconut oil exporter begins to retrogress into the state of doldrums. There is no sign of advancement in this industry. Lack or absence of advancement may be largely due to the short sighted policy of the government, and clinging dearly to rubber and tin as the two major contributing commodities as export earning power.

What our government should do to revive the industry is to offer financial as well as technical aids towards a right direction so as to rejuvenate our coconut industry. It is felt that the \$15m rehabilitation scheme is a good plan but the amount is just 'a drop in the bucket' compared with what is needed.

And further, it is also convinced that if the industry is to survive and able to get back on its feet, a thriving oil milling sector is the best hope of a ready, stable market for our local millers in the future.