

CHAPTER SIX

THE PRESENT OUTLOOK

From what we have gathered from the previous chapters we can visualise the outlook of coconut industry in the present situation, as not very promising. It is often said that the industry is still suffering from a "colonial hangover" and the present government still so far does not make any serious attempt to uplift the deteriorating situation and to elevate the industry nationally as well as internationally as it was before the war.

As the output of the coconut products is concerned, there is a tendency for production to decline in the future. Furthermore coconut is no longer considered as profitable crop by the local growers, and many are switching over to more lucrative crops like oil palm and rubber.

FALLING FOREIGN EXCHANGE EARNINGS. From the table VI foreign exchange earnings contributed by coconut producers are declining despite the fact it had attained a peak year in 1960. In 1961 the foreign exchange earnings contributed by coconut products dropped significantly to 58. The data also show that coconut products are losing its position to oil palm as a contributor towards our foreign exchange earnings.

TABLE VI

MALAYSIA - FOREIGN EXCHANGE EARNINGS BY PRINCIPAL SECTOR, 1957 - 1961

(RM)

NET EXPORTS	1957	1958	1959	1960	1961
Rubber	1,360	1,220	1,772	1,369	1,475
Tin	352	223	243	372	432
Timber	80	87	124	188	185
Coconut Products	59	59	66	85	58
Palm Oil	44	44	48	53	58

SOURCE: Based on trade and balance of payments data supplied by the Government.
Table VI, extracted from Report on the Economic Aspects of Malaysia by a mission of the IIRD, pg.104.

In term of net exports value, the earnings of the coconut products has also dropped. Refer table VII. With 1954 as a base year, the value index shows a decline in each year especially between the period 1955 - 1958. Two years later net export earning of copra reached its peak of \$154.3m with a value index of 111.7. After 1960 the value dropped again. In 1962, net export earnings of coconut product dropped so low as a result of a net import of 5,085 tons of copra as seen in table V, Chapter One.

TABLE VII

NET EXPORT VALUE OF COCONUT PRODUCT - FEDERATION OF MALAYA, 1954 - 1963

PERIOD	COPRA & COCONUT OIL NET EXPORT VALUE (RM)	VALUE INDEX (Approximate fig)
1954	48.6	100
1955	40.6	85.4
1956	35.5	73
1957	35.2	72.4
1958	27.2	55.9
1959	30.9	63.6
1960	54.3	111.7
1961	31.7	65.2
1962	20.8	42.7
1963	25.2	51.8

RELATIVE ANALYSIS BETWEEN PRODUCTION AND PRICING

The price of copra at the beginning of 1959 was \$39.25 p. pikul f.o.b. (Singapore or Chamber of Commerce quotations) and at the end of the year at \$39.50 p. pikul. During that year price fell as low as \$35/- p. pikul for a short period. This in part is accounted for by lower production figures.

The yearly figures of copra production are as follows and illustrate the trend of lower yields from estates.

Pikula of Copra

1955	679,795
1956	655,351
1957	606,162
1958	584,976
1959	555,272

(1959 estimated production of copra by smallholdings
- 1,552,085 pikula)

"Continued demand from Bombay seems to have been the biggest single factor in the maintenance of the price which some local oil millers claim to make their operations unprofitable."¹

In 1960, the price of copra fluctuated between \$13.50 and \$27.00 p. pikul. the latter was the quoted price at the end of the year. The cause for such a drop in price was due to the unexplained and substantial increase in the smallholders' section. The estimated production of copra by smallholdings was 2,367,070 pikula.

In 1961 the copra production in respect of estate showed a slight improvement in comparison with the previous years. (Refer table VII) On the other hand the price of copra remained more or less at the low level to which it dropped at the close of last year, the average monthly price is figured varying between 25/- and \$28. p. pikul f.o.b.

During the 1962 year there has been a decline in copra production both under estates and small-holdings, in the latter case the decrease was about 22% (Refer table VIII). Such a decline in production was largely due to a reduction in the acreage under coconut. (Refer table I) in Chapter One) On the other hand the price of copra fob Singapore at the beginning was \$26.75 p. pikul and at the close \$25.00 p. pikul being very little fluctuation. The market has been generally featureless, "although since the year end been Indian buying had led to some increase in price."²

* From 56th Annual Report 1959, The United Planting Association of Malaya (Incorporated)

1. From 56th Annual Report 1959 - Op.cit.pg.33

2. 62th Annual Report 1962, The United Planting Association of Malaya (Incorporated) pg.33

The overall production of copra in Malaya during 1963 was virtually the same as for the previous year; a slight decrease in respect of estates being partly offset by an increase from smallholding. Refer table VIII.

The price of copra (FOB Singapore) remained more or less steady throughout the year with a slight seasonal improvement at the end of the year to \$11.75 p. picul.

TABLE VIII

COMPARATIVE ANNUAL PRODUCTION OF COPRA (Piculs)

PERIOD	PRODUCTION IN ESTATES	PRODUCTION IN SMALL HOLDINGS (1)
1959	555,727	1,552,035
1960	525,987	2,367,070
1961	580,625	2,145,545
1962	570,007	1,674,859
1963	553,241	1,682,570

Note (1) Figure on production in smallholdings are estimated.

SOURCE: Data compiled and extracted from the Annual Report of the United Planting Association of Malaya (incorporated) 1959 - 1962.

GENERAL EFFECT. From the data provided, it is anticipated that production tends to take a downward trend especially in the estate. Therefore any further improvement in production is expected largely from the smallholdings. Such dependence from this sector alone is likely to be off-set because of poor quality obtained from the small holdings. A lower return from coconut in comparison with oil palm and high yielding rubber may further adversely offset, as it has already done, the acreage under cultivation, unless the price of the commodity improves sufficiently or the replanted scheme is extended on the lines of the Government Rubber Replanting Schemes. If no immediate step is taken, production will fall significantly in the future. The gloomy picture of the present situation will undoubtedly lead to a further deterioration of the economy and finally, perhaps, the elimination of the industry as one of the main contributing sectors to the national economy. If such is the instance, there will be a major change of situation in the structure of the economy. Many employees will be out of work and out of income, while only a few can be absorbed into other industries.

Another significant effect is the general decline in export earnings of the coconut products, despite the fact that prices of the coconut products are not so severely subjected to violent fluctuation as compared with rubber. Hence, there is an element of uncertainty exists as to the future prospect of coconut as viewed from the government view point for the purposes of collecting revenues.

COMPARISON OF PROFITABILITY BETWEEN COCONUT AND OIL PALM

The big difference in profitability between coconut and oil palm is one of the major causes why there is a reduction in acreage in coconut cultivation resulting to a decline in production. Due to this fact also that many coconut growers are switching over to more lucrative crops like oil palm.

The analysis of the comparative study of profitability between those two commodities are given below.

From the Agricultural Leaflet No.34 The Oil Palm, it is given that with a population of 4.9 palms to the acre a good yield per acre would give roughly about 15 pikuls of fruit oil and 3.2 pikuls of dried kernel. The gross return from the yield is roughly estimated in the region of \$600 p. acre annually for fruit oil and \$300 p. acre for dried kernel. (Cash return figure based on the average market from 1953 to 1955). The costs consisting of rent, tools, manur, transport and factory processing amount to about \$300 p. acre, thus giving a net annual return of about \$300 p. acre to the producers.

While on the other hand, the yields and cash return obtained by the coconut producers are lower than that in the oil palm industry. The estimated average yield from well managed estates and small farms can produce 10 to 12 pikuls of copra p. acre annually. This would give a gross cash return of roughly between \$350 - \$400 annually p. acre. While the costs of production is roughly estimated in the region of \$300, thus giving a low annual cash net return of \$50 to \$120 p. acre.

But only a few are found to make a profit. But majority of the producers especially the smallholders do not achieve yield approaching to 10 to 12 pikuls p. acre annually. "Majority of them average from 4 to 8 pikuls of copra p. acre annually". As a result of under production of coconut, majority of the smallholders are making a loss, each year.

1. Agricultural Leaflet No.41 The Coconut Palm, issued by the Department of Agriculture pg. 1.

Sometimes, when the prices of copra and coconut oil are so low, the smallholders find it unprofitable to convert the coconut into copra and coconut oil. Instead they are sold as fresh nuts for local consumption, thus reducing their costs of production in order to minimizes their loss or obtain small profit.

Therefore in conclusion, in view of the recent trends offered by the examination of change through times in the direction of export earnings, production and prices of coconut products, of the volume and value figures, indicate that there is a decline in the activity in this sector of the economy i.e. the coconut industry.

