# CHAPTER SEVEN

## FUTURE PROSPECT OF COCONUT PRODUCT AS AN INTERNATIONAL COMMODITY

In determining the degree of prospect possesses by this commodity it is necessary to extend the study into a much wider perspective. Therefore it is my intention to widen the scope of the study and analyse the interacting forces, in the international market, that affect the position of the industry and its consequences to the world demand and consumption for the coconut products.

Before making the attempt in this analysis it is worthwhile to divert from the subject proper, and to dwell briefly into some of the important uses of coconut product and its by-products.

USES: One of the most important uses that can be extracted from coconut is the dried meat or copra. The oil and fat bearing coconuts yield not only oils but also oil cakes. oil cake is a valuable high protein feed concentrate which materially aids in the dairying meat raising industries. All the coconut oils make soaps of good quality. The margarine and soap industries are the main users of coconut oil. Many qualities of the oil make it exceptionally suitable for the manufacture of margarins. The most important is probably the melting point which approaches that of butter. This item - The copra, is already an stablised commodity and considered as one of the important articles in world trade. Many coconut growing countries have earned part or major portions of their foreign earnings through the export of copra.

The roots of the coconut palms are also considered as valuable assets since they can be developed into commercial fibres and medicinal herbs but further researchs and experiments are still going on to improve the quality and value of these by-products. While the shell of the nut can be used as charcoal of good quality for domestic consumption.

The desiccated coconuts, made from good quality fresh nuts can turned into confectionary, domestic cookery as macaroon and cakes. As a food, the desiccated coconut possesses high nutritious value and is readily acceptable to most palates.

The by-products like coconut cake and oil cake of good quality can be exported as fodder crops which can fetch high foreign exchange in countries like Australia and the United States.

Commercial investigations into the possibilites of by-products utilisation and of the increased commercial production locally and internationally are still making a headway in the field of research for new products. New uses like cocolait i.e. coconut milk, coconut syrup and coconut honey have been developed in Philippines, Ceylon and in many advanced coconut growing countries.

WORLD PRICE FOR OIL: According to the FAO Commodity Review 1962 the general level of price of oil is well maintained despite the rising world per caput-supply and partial loss of market to synthetic detergents and other new products of the chemical industries. It's understood that USA alone consumed about 53% of the synthetic detergents in their industries. Before, 1960, there was no upward or downward swing in the trend of world price for oil, but in 1960 and 1961 their index seem to fall low.

The relative stable price in the face of using production is largely attributed to the increasing world demand as a result of two contributing factors, mainly demand at home due to rising population and recovery from the war followed by a major expansion of economic activity both in industrially advanced countries and in many developed countries. Furthermore consumption per person has increased in all area except in America.

It is also indicated from the review that the use of fats in soap has been drastically reduced, but the phenomenon only barely effect in term of consumption per caput, by a rise in use in a wide variety of other food products.

OUTLOOK FOR WORLD PRODUCTION The economic incentive particularly related to price received by producers will largely determine the rate at which world oil production will continue to expand in the future. Agronomic and technical considerations are not likely to become the limited factors. An increase in production from oil yielding crops is possible from a technical view, but, it will take longer to achieve the result. For coconut palm which is largely a smallholder's crop, the main need is for a strong government support for research and extension work. In addition to the aids, provided, some other facilities are necessary like fertilise subsidies and distribution of good seedlings of high yield, which have been proved successful in some countries.

OUTLOOK AND PROSPECT FOR WORLD DEMAND: There is a gradual increase in demand for oil. This rising demand is likely to extent an influence in stimulating production than in the past in several of the less developed countries. The elasticity of demand with respect to income is relatively high in the undeveloped countries, which are, also, according to the FAO Commodity Review 1962 the countries with a small per caput consumption. The relative significant of a rising demand during this decade in oil in the developing countries can be attributed to 2 factors.

(a) Rising population is expected to be faster in most of the developing countries than in the highly industrialised countries.

(b) Relatively high income elasticity of demand especially in Asia, Africa and Latin America. The expected increase will be in the region of 60%* by 1970 compared with 1957-1959, as projected by the FAO experts.

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* It is important to note that demand estimates are in term of tonnage that would be consumed under the assumption that prices remained constant at the 1957-1959 level - FAO Commodity Review 1962, projection for 1970, pg.11-25

Since oils especially soap making oils (increasing coconut oil) suffer from advent of synthetic substitutes emanating from petroleum chemistry the outlook for other uses is much better. Hence it's reported that due to technical improvements have increased the ease with which oils can be substituted for one another in different types of production. Furthermore, the prospect is further encouraged by the fact that imports of oil from E.E.C. (European Economic Commodity) are expected to increase in the near future.

RISING OUTPUT AND TRADE: With firm demand facing ample export supplies international trade in coconut products is expected to be active. It is reported that world indigenous export of coconut oils and copra to be increasing shortly. As put by the report from FAO No.10 on "Coconut Situation that" a sharp expansion in world coconut oil shipment more than outweighed moderately smaller exports of copra 1" And in the case for Malaysia it is reported from the same source, that output was moderately heavier both in estates and smallholdings in previous years, the country's export of coconut oil showing the first half 1963 was shortly small than before, but this decline was more than outweighed by a large copra shipment mainly to India and some western European countries, which we made despite smaller imports. Should Indonesia copra not available to Malaysia in the future, it will need to look elsewhere for supplies if its large oil milling industry is to be maintained. If there is no other source of supply Malaysia has no other alternative but to resort to the implementation of rehabilitation and replanting of coconut palms on a large scale. For many years, practically all Malaysia copra imports which averaged 115 thousand tons annually for the five years through 1962, have come from Indonesia.

It is estimated that in 1963 there was a heavy imports from western Europe and the United States. "Of the world increase of 57 thousand tons (oil basis) in world retained imports, 43 thousand tons (75%) went to Western Europe mainly in the form of copra, the remainder was taken chiefly by the United States in the form of coconut oils, Hence it is expected that the trend is to be the same in the future. However, the larger import is still not quite sufficient to meet the relative firm domestic and export demand for coconut oil due to the reducing stock (E.E.C is traditionally a large supplier for coconut oil to some European countries).

It has also been reported that in recent years demand for coconut oil for non-food use has emerged as the dynamic segment of demand, and thus it is hoped that the utilisation pattern will be still stable in the future for soap and other non-food uses, before there is an expected fierce competition and full usage of synthetic detergent.

WORLD SITUATION - PRICE TRENDS: It is quoted that there is a likelihood for price trend to move upwards. The recent price recovery which has taken place at a time of abundant export supplies in international markets, is likely to reflect, to a large extent, trade expectations of a decline in copra supplies from countries like Philippines and Ceylon. In addition, demands was strengthened by the rebuilding of stocks in some major importing countries. The Indonesian decision at the end of September 1962 to break off commercial relation with Malaysia was also a price supporting factor, since a large share of Indonesian copra export is traditionally channelled through Singapore.

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1. Coconut Situation - op. cit. pg.IV

Therefore the chief influence in the market will be the volume of available supplies. Supply prospects are dimmed by a possible reduction in the coconut crops in Philippines and Malaysia for "coconut products has been found to be related to rainfall as to twelve months before harvest."[1] and further enhanced by the aggravating situation of the coconut industry in Malaya. Hence, it is estimated on balance, that price of copra and coconut oil on international market in the next year should be maintained around the recent level. Refer figure II.

LOCAL PRICE TRENDS The figure III depicting the price for coconut oil shows a similarity in the movement of price trend. There is a slight degree of increment in the price of coconut oil locally, but we cannot assess the trend of copra price due to the inavailability of recent data. But judging from the comparative study of figures III and IV in the direction of changes through time from 1957 - 1962, there is a similarity in the price patterns of these two products. As for instance, in 1960 as the price of copra falls, there is also a decline in the price of coconut oil. Similarly the pattern follows when there is a recovery in the prices of the two products. The recovery of the prices may be largely attributed to price supporting factor like decline in copra supplies from Indonesia, after the latter has severed commercial relation with Malaysia. Another factor may be the result of recommendations suggested by the Malaya Edible Oil Manufactured Association to the Ministry of Commerce & Industry in 1961. The following proposals are recommended for Government's consideration by the Association.*

1. Penang should be brought into the Principal Customs Area for the purpose of the trade in copra, coconut oil and coconut products (so that oil millers in Penang Island would be on the same footing as their mainland counter parts)

2. Export of coconut oil from the Federation should be exempted from payment of export duty.

3. An import duty should be levied on all imports of copra cake into the Federation.

4. An export duty should be levied on all exports of fresh coconuts from the Federation to be calculated on the basis of export duty on copra.

5. Coconut oil millers should given an undertaking that, as a result of these measures, higher prices should be paid to copra producers.

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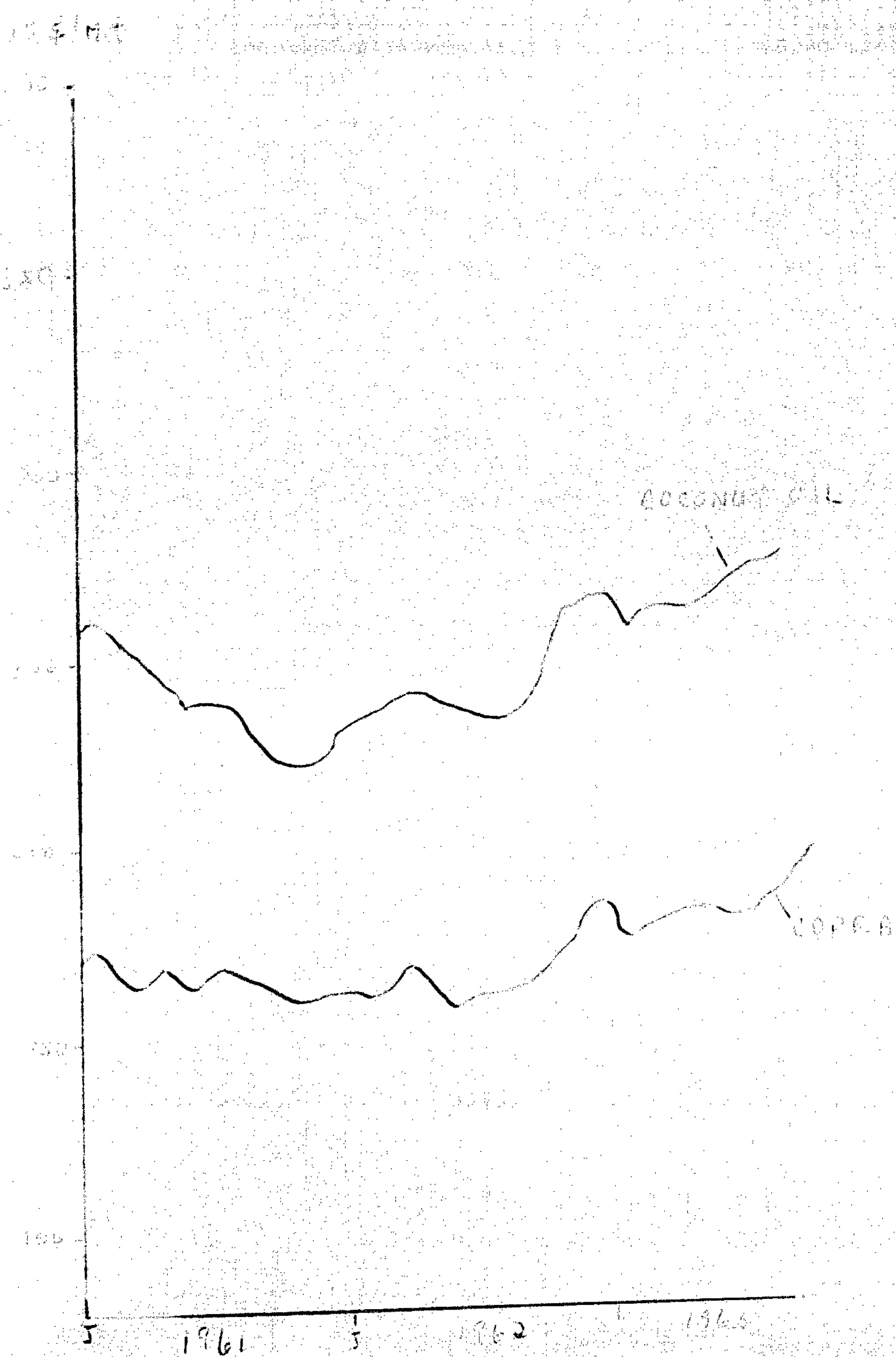
1. Coconut Situation, op. cit. pg.XI

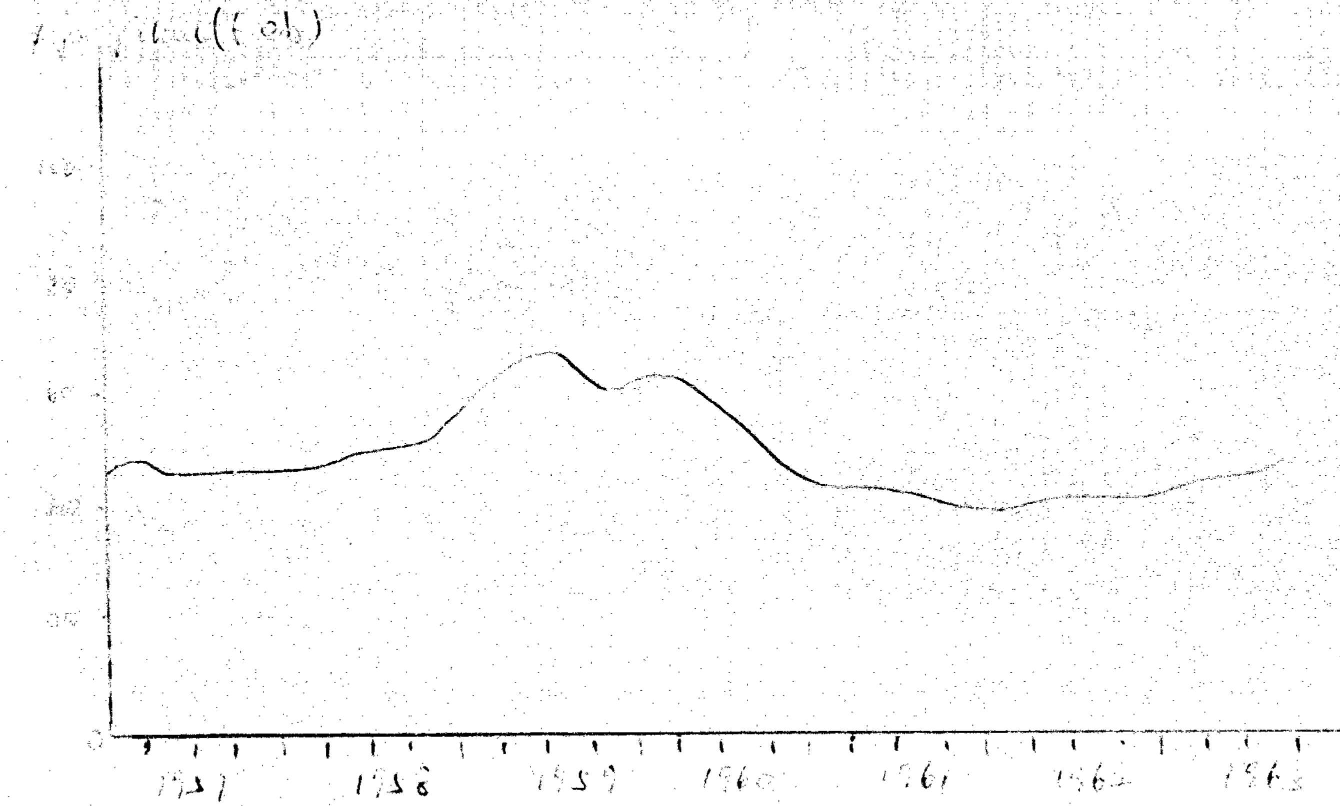
* 60th Annual Report 1961 - The United Planting Association of Malaya (Incorporated) pg.38.

FIG.11 PRICES OF COPRA AND COCONUT OIL



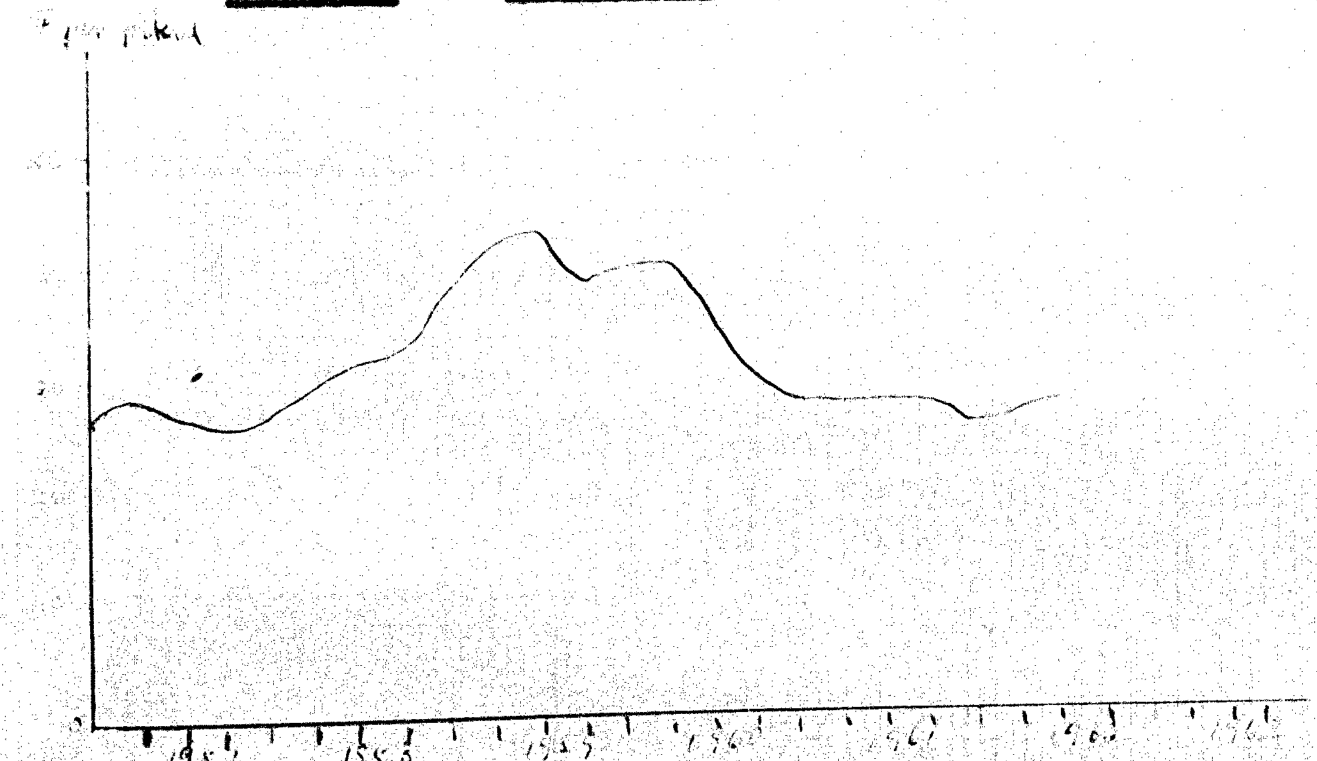

SOURCE: COCONUT SITUATION, FAO NO.10 NOVEMBER 1963 pg.11

**FIGURE III** **PRICE OF COCONUT OIL - 1957 - 1963**



**SOURCE: Monthly Statistical Bulletin of the States of Malaya, March 1964, pg.11**

**FIGURE IV** **PRICES OF COPRA - 1957 - 1962**



**NOTE: Prices of copra not available since 2nd Quarter, 1962.**

**SOURCE: Monthly Statistical Bulletin of the States of Malaya, March 1964, pg.9**

Hence, if such measures are to be undertaken by our government then there is a possibility of maintaining price of copra which is favourable for the producers to increase their production.