

**THE RÔLE OF THE COCONUT INDUSTRY
IN
RURAL DEVELOPMENT**

**(A COMPARATIVE STUDY: INDONESIA, THE PHILIPPINES
AND SRI LANKA)**

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P R E F A C E

Perhaps no other tree is credited with so many epithets as the coconut tree. It is the kalpavruksha, the heavenly tree, nature's gift to man and tree of life. They explain the bountiful nature of the tree and its multiple uses to the humanity.

Unfortunately it has remained a neglected crop and the coconut farmer, among the poorest in the agricultural complex. There are millions of them in Asian and Pacific region sustaining their lives on this tree of life.

The full potential of the coconut tree is yet to be tapped.

This study is an attempt to show how the different sub-sectors of the coconut industry, i.e. production, processing and marketing could contribute to the development of a key segment of the rural population of the three countries,

Indonesia, the Philippines and Sri Lanka and thereby help in alleviating rural poverty.

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ACRONYMS AND ABBREVIATIONS

ADB	-	Asian Development Bank
APCC	-	Asian and Pacific Coconut Community
BCC	-	British Ceylon Corporation
CBFS	-	Coconut Based Farming Systems
CCB	-	Coconut Cultivation Board
CCC	-	Coconut Coordinating Committee
CDA	-	Coconut Development Authority
CDO	-	Coconut Development Officer
CMB	-	Copra Marketing Board
CRB	-	Coconut Research Board
ESCAP	-	Economic and Social Commission for Asia and Pacific
FAO	-	Food and Agriculture Organization
INPRES	-	Instruksi President (Grant by Presidential Instruction)
IRHO	-	Institut de Recherches pour les Huiles et Oleagineux
KIRDP	-	Kurunegala Integrated Rural Development Project
NES	-	Nucleus Estate
NRI	-	Natural Resources Institute
PCA	-	Philippines Coconut Authority

- PMU - Project Management Unit
- PTP - Perseroan Terbatas Perkebunan (Public Estate Company)
- SCFO - Small Coconut Farmer Organization
- TCDC - Technical Cooperation Among Developing Countries
- UCAP - United Coconut Association of Philippine
- UNDP - United Nation Development Programme
- USDA - United States Department of Agriculture

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Objectives, Sources and Methodology

Coconut industry is of paramount importance to the economy and well-being of many countries in Asia and the Pacific. It provides means of livelihood to millions of people involved in growing of this crop and those engaged in industries developed around the production, processing and marketing of coconut products.

In most of these countries, coconut industries operate at three levels, viz: village, urban and intermediate. In the case of the Pacific countries where there is no advanced processing sector, urban level per se does not exist.

A common factor in all the coconut producing countries is that, coconut is a smallholder crop. In Sri Lanka, nearly 60 percent of the coconut holdings falls under the less than 2 acres category. In the Philippines, small holdings are classified as under 4 hectares and they constitute nearly two-thirds of the total holdings.

There is also a very small coconut-based processing sector operating in rural areas. Making of copra is one such activity. There are also small scale oil processing operations. In some countries, there are cottage industries based on processing of coir, but the impact they make on alleviation of rural poverty is marginal.

The fruits of farmers' labour are enjoyed by the urban sector of the industry. Processing of coconut products, mainly coconut oil, desiccated coconut and coir for export, is carried out in the metropolitan. The intermediaries who supply the inputs from the village to the urban units also share the benefits substantially.

Those involved in the coconut industry in the urban and intermediate levels who reap the benefits are small in number. In contrast, the majority, who depend on the coconut industry and who do not benefit as much as they should, live in the rural areas. In the Philippines, nearly one third of the population depends on this tree.

In spite of the importance of the coconut industry to the countries concerned, no serious attempt has been made to harness it as a vehicle for rural development. It could have been the springboard for development. But in fact, the economic and social conditions of the coconut farmers have waned over the years with declining coconut product prices, increased cost of goods and services, domination by middlemen and consumer-oriented policies of governments.

Rural development has been described in different terms by different people and institutions. According to the World Bank, "Rural development is a growth strategy for a particular target population, the rural poor. It involves extending the benefits of development to those whose futures lie in the pursuit of a livelihood in rural areas. These include small scale farmers, tenants and the landless." (World Bank, 1974, p.i). "The central concept of rural development is of a process through which rural poverty is alleviated by sustained increase in productivity and incomes of low income rural workers and households." (World Bank, 1974, p. I).

According to the Asian Development Bank, rural development is based on four premises viz: 1) that rural development programs must be designed to meet the specific needs of the poor in a specific location; ii) that the success of the program depends on the participation of large numbers of the poor in more productive economic activities that benefit them directly; iii) that socio-economic programs in rural communities cannot be achieved without substantial institutional changes; and iv) that the management of natural resources on a substantial basis is best undertaken with the operational framework of rural development. (Jha S.C., 1987, p.85). The coconut industry falls into this paradigm on all four counts.

The present study was designed to explore the mechanism by which the above could be achieved, inter alia, increased production and productivity, improved processing facilities, development of marketing strategies, and farmer participation in decision-making with special reference to the three countries, Indonesia, the Philippines and Sri Lanka.