

COCONUT INDUSTRY OF SRI LANKA IN THE YEAR 1978

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ABSTRACT

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The year 1978 has been a favourable year for coconut from the point of view of production and export earnings.

Domestic and export market prices of coconut products were comparatively higher during the year resulting in a steep rise in local prices of coconut as well as a twofold increase in the earnings from export of coconut products.

Fertilizer utilization in the coconut sector in 1978 showed a 46 per cent increase over the preceding year. A Fertilizer Credit Scheme was formulated this year to enable further increase in fertilizer use in future.

Appreciable response to subsidy schemes on Rehabilitation of coconut Lands as well as modernisation of Fibre Mills was observed. The subsidies payable under a number of subsidy schemes were increased during the year.

The export duty on major coconut products was reduced and changes in policy measures were made to maintain a uniform producer price for coconut around Rs. 650/- per 1000 nuts.

The estimated total production of coconut during 1978 was 2,207 million nuts and is a considerable improvement as compared with the 1977 production figures. The production estimated for 1977 was 1825 million and has been the lowest for 30 years. Favourable weather conditions which prevailed during the year 1977 and 1978 can be considered as the main contributory factors for the observed increase in production. This production increase is also an indication of the initiation of response to better management of coconut lands which was apparent during the year under review. Compared with the previous year the increase in nut production was about 21 per cent. However, it was far below the average production recorded in the 1970s which was around 2500 million nuts. Of the total production of nuts 57.9 per cent was consumed in the form of fresh nuts. 29.29 per cent and 12.81 per cent of the total production this year were converted to copra and desiccated coconut respectively. The export surplus in the year amounted to 507 million nut compared with 233 million in 1977.

In 1977 despite the cut back of exports, there were periods of shortage of coconut available for local consumption and steep rise in local prices. However, as a result of regulation of prices of coconut oil by the Coconut Marketing

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Board, which came into effect in December 1977, it was observed that during the year the fresh nut prices were kept well under a rupee. The cost of production of a coconut amounted to Rs. 0.25 during the year and was the highest recorded for the 10 year period 1969 - 1978.

In September this year the Ministry of Coconut Industries was set up to take action on various aspects of coconut production at a more organized and a higher scale than in the past. In the short time period available during the year, the Ministry had taken steps to look into some of the existing policies in order to give more incentives for those who are engaged in the industry as well as formulating new policies and development projects for immediate implementation.

Other than from the registers maintained by the Coconut Cultivation Board on various subsidy schemes, there were no other means of obtaining data for this year covering the whole Island on (a) the extent of coconut rehabilitated (b) the number of coconut holders who have underplanted replanted or planted coconut on new lands (c) the acreage fertilized (d) the extent of land where perennial intercrops were grown in an organized manner and (e) the extent where pasture was established under coconut. Data obtained from the Coconut Cultivation Board registers on each of the above are presented in some of the forthcoming sections together with other information.

Coconut palms in about 12140ha (30,000 acres) of land in the Eastern Province of Sri Lanka were lost during the cyclone in November this year. This is about 2.6 per cent of the total coconut average in the country. The newly established Ministry of Coconut Industries was kept busy during the last month of the year in formulating plans to rehabilitate the coconut plantations in the cyclone affected area.

As in the previous years the Government gave subsidies for a number of activities to develop the Coconut Industry in the island. A large number of subsidies were available for the coconut cultivators. These included not only the subsidies on agricultural inputs such as fertilizers and coconut seedlings but also on various management practices such as soil and water conservation, filling of vacancies and removal of excess palms. Subsidies were also available for replanting, underplanting, new planting of coconut using high yielding varieties of coconut as well as hybrids and for growing intercrops in coconut lands. Other than for the cultivation of coconut, there are also subsidies available for the processing sector of the coconut industry. Presently there is only one subsidy scheme available for the processing sector and modernization of fibre mills is covered by this scheme. No new subsidy schemes were introduced during the year nor were there any schemes withdrawn. However there were amendments made to the existing schemes.

FERTILIZER USE

The use of artificial fertilizer in coconut lands showed a significant increase during the year. The total weight of fertilizer used during the year amounted to 42,500 metric tons which is an increase of about 46 per cent as compared with the year 1977. Although the utilization of fertilizer in 1978 showed an

improvement over that of last year, it amounted to only 14 per cent of the annual fertilizer needs of the total extent of coconut in the island. A survey conducted during the latter part of 1978 in the Kalutara, Galle and Matara districts (De Silva *et al.*, 1978) revealed that the average annual amount of fertilizer applied per palm is about 3kg 6.5 g (8 pounds) which is 908 g (two pounds) less than the recommended dosage. These suggest that in the formulation of fertilizer policies it is important to take measures to increase the extent of land fertilized in the island, rather than to increase the fertilizer dosage.

During the year, the Coconut Cultivation Board established three more coconut fertilizer distribution centres in the major coconut growing areas of the island.

In order to step up the use of fertilizer by the coconut growers who have financial problems, measures were taken to introduce a fertilizer credit scheme. This was done with the help of two Commercial Banks and the Central Bank. The loan will be given on an interest rate of 9.5%. Area limit for the loan is 10 ha (25 acres) of coconut. The coconut cultivator will be allowed a grace period of two years before the loan is recovered. This scheme is expected to be implemented from 1st January 1979.

Of the coconut cultivators who were not using fertilizer in the three districts surveyed, there were about 56 per cent who did not use fertilizer because they had no money to invest on it. (De Silva *et al.*, 1978). In this connection the Fertilizer Credit Scheme mentioned above can be considered as an appropriate and a timely solution for the problem of under-utilization of fertilizer arising due to financial problems. The other major reason given by the cultivators for not using fertilizer was the increase in the cost of fertilizer during the recent past. Prices of fertilizer during the last nine years are given in Table 1.

Table 1 *Prices of Fertilizer in Rupees per Ton*

Year	Mixture		
	CRI - A	CRI-B	CRI-C
1970	246.50	249.00	251.00
1971	246.50	249.00	251.00
1972	246.50	249.00	251.00
1973	315.00	320.00	325.00
1974	645.00	651.00	657.00
1975	612.00	618.00	624.00
1976	635.00	642.00	647.00
1977	584.00	591.00	595.00
1978	618.00	626.00	630.00

Source: Coconut Cultivations Board.

REHABILITATION OF COCONUT LANDS

During the year under review, the Government continued to give the subsidy for the following practices under the subsidy scheme for the rehabilitation of coconut lands.

- (i) Establishment of contour trenches, bunds and graded drains for removal of excess water.
- (ii) Filling of vacancies and removal of excess palms.

A total of Rs. 700,000/- was paid as subsidy payment during 1978 for an extent of 3005ha (7,425 acres) rehabilitated. The rates of subsidies payable under this scheme have been increased from June, 1978. According to the increased rates, coconut cultivators can claim a subsidy payment ranging from Rs. 19/- to Rs. 24/- for a chain of contour drain established in their land. The rate for filling of vacancies has been increased from Rs. 1.50 to Rs. 2.50 per palm and for removal of excess palms from Rs. 10/- to Rs.16/- per palm.

REPLANTING AND UNDERPLANTING

About 738 ha (1823 acres) of land have been either replanted or underplanted during the year under review under the replanting and underplanting subsidy scheme. The subsidies paid for this amounted to Rs. 5,48,582/-.

The rates ranging from Rs. 840/- to Rs. 1530/- per 0.4 ha (acre) were paid for replanting or underplanting. In June, 1978 these rates were revised because it was observed that the response to the scheme was less than what was required. On recommendations made by the Coconut Cultivation Board to the Ministry, the subsidy for this purpose has been increased to Rs. 180/- per 0.4 (acre.)

NEW PLANTING

A subsidy scheme was introduced in 1977 to help land owners to bring under coconut, lands where coconut had not been planted earlier. The scheme aims at bringing under coconut nearly 20,234 ha (50,000 acres) of suitable marginal land lying outside the area which provides optimum agro-climatic conditions for the growth and production of coconut. Under this scheme the Coconut Cultivation Board has approved 2,744 land holdings covering 2468 ha (6,098 acres) for planting. The actual extent planted during 1978, however, was only 400 ha (989 acres) and is mainly due to the acute drought conditions and the resulting shortage of seedlings. Rs. 5,00,000/- were paid as subsidy for the above acreage.

Apart from the new planting subsidy scheme, a subsidy scheme was also introduced in 1977 to assist the allottees of crown lands less than 0.4 ha (one acre) in extent. In order to receive subsidy under this scheme the allotment should be less than 0.4 ha (one acre) and a minimum of 10 seedlings should be planted in it.

Between January 1978 to December 1978, the Government provided Rs. 4,00,000/- under the subsidy scheme, of which Rs. 1,67,204/- has already been paid for the work undertaken. The scheme has worked very successfully in the Mahaweli Development area.

The subsidy payable under new planting scheme was increased in June 1978 from Rs. 1,590/- per 0.4 ha (acre) to Rs. 2,200/- per 0.4 ha (acre) in view of the increased costs involved in bringing 0.4 ha of new land under coconut.

INTERCROPPING WITH PERENNIALS

This year also financial incentives were available under the Intercropping Subsidy Scheme for the cultivation of pepper, cocoa and coffee as intercrops. During the year a sum of Rs. 250,000/- was made available for an estimated extent of 185 ha (456 acres). The response from coconut cultivators for intercropping with cocoa had not been encouraging during this year also. As for other subsidies, the Government has increased the subsidies payable under this scheme to Rs. 1,500/- 0.4 ha (acre) of pepper, Rs. 1,200/- for cocoa and Rs. 1,100/- for coffee.

PASTURE UNDER COCONUT

The Ministry of Agriculture continued with the financial provision for the operation of the Pasture Subsidy Scheme as in the previous years. The total extent of coconut under which pasture has been established during the year amounted to 1113 ha (2,750 acres) for which subsidies amounting to Rs. 3,65,000/- were paid.

PROCESSING

The fibre mill modernization scheme introduced by the Coconut Processing Board in 1977 continued to function. During 1978, 20 mills obtained loans under this scheme through the banks while 29 millers improved their mills with their own capital; sixty millers applied for mill electrification and 30 mills were electrified. A total of Rs. 6,15,575/- was paid out under this scheme as subsidy payments for 1978. The slow progress of the fibre mill modernization scheme has been attributed mainly to the low subsidy payments which have been revised during the course of the year under review.

As in the past, one of the commonest features observed in the processing sector of the coconut industry was the serious underutilization of the installed capacity of the processing factories. Low supply of raw material is given as the major cause for it. Table 2 gives the annual percentage of the capacity utilized in the processing of desiccated coconut.

As compared with previous year a two-fold increase in the earnings from the export of coconut products was observed in 1978 (Table 2). This year export of coconut products contributed 8 per cent of the total foreign exchange earnings of the country and in 1977 the contribution was only 5 per cent. The largest single contribution came from desiccated coconut with 49 per cent of the total.

Table 2.

Annual Percentage of the Capacity Utilized

Year	Total Number of Mills	Total installed capacity (M. tons)	Actual Production	% of Capacity Utilized
1975	80	87,721	50,550	61%
1976	80	87,721	44,921	54%
1977	80	87,721	29,653	36%
1980	80	87,721	40,664	46%

During the year under review, the Coconut Processing Board continued the registration of millers as in previous years. The millers are registered in order to facilitate the work and also to monitor the standards and operations of mills in the industry. During 1977 - 1978, 59 oil mills, 86 DC mills, 700 fibre mills and for the first time 238 copra manufacturers were on the registers of the Board. Although 86 DC mills were registered only 63 have been active on account of restrictions on production.

The Coconut Processing Board during this year extended the functions in quality control of coconut products by starting the quality control of coconut poonac and coconut oil as well.

MARKETING

With the introduction of unified exchange rate in November, 1977, the desiccated coconut was brought under an *ad valorem* export duty of 60%. By April 1978, this rate was found to be too much of a burden when external prices declined. As a measure of relief to the exporters of DC the export duty was reduced to 55%.

Policy changes which took place during the year also enabled the maintaining of a uniform producer price around Rs. 650/- per 1000 coconuts by virtue of maintaining a uniform nut equivalent price at the point of millers' purchase price.

With regard to the trading in kernel products, far reaching changes were also brought about during 1978. Numerous control measures introduced during the previous years which had brought serious disadvantages to the trade were reconsidered by a committee consisting of representatives of all sections of the trade and industry.

EXPORT OF COCONUT AND COCONUT PRODUCTS

The total volume of kernel products, shell products and non-kernel products exported showed an increase during the year as compared with the year 1977 (Table 2). Fibre products however showed a decline in the volume exported during 1978. This year also no fresh nuts were exported.

Table 3.

Export of Coconut Products in 1977 and 1978

<i>Product</i>	1977		1978	
	<i>Volume (M T)</i>	<i>Value (Rs'000)</i>	<i>Volume (M T)</i>	<i>Value (Rs'000)</i>
1. Coconut Oil ..	2,133	11,399	22,267	327,225
2. Desiccated Coconut ..	31,597	323,350	40,664	626,263
3. Copra ..	276	2,188	924	9,811
4. Fresh Nuts ..	—	—	—	—
5. Sub-total ..	233,285	336,937	50,720	953,299
<i>Kernel Products</i>	<i>(Million nut Equivalents)</i>		<i>(Million nut Equivalents)</i>	
6. Mattress Fibre ..	51,997	52,576	54,253	98,724
7. Bristle Fibre ..	12,379	45,914	9,350	64,774
8. Twisted Fibre ..	38,135	47,249	24,296	68,288
9. Coir Yarn /Twine ..	2,081	6,803	2,077	13,584
10. Sub-total ..	94,592	152,542	89,976	245,370
<i>Fibre Products</i>				
11. Coconut Shell charcoal ..	28,212	21,189	31,058	52,211
12. Coconut Shell Flour ..	738	525	696	973
13. Coconut Shells ..	1,838	586	1,010	636
14. Coconut Shell Activated Carbon ..	401	22,174	696	8,186
15. Sub-total ..	598,516	24,484	668,533	62,006
<i>Shell Products</i>	<i>(In '000 Shell Eq.)</i>		<i>(In '000 Shell Eq.)</i>	
16. Coconut Ekels ..	2,513	2,268	5,921	8,893
17. Other Products Sub-total ..	—	1,376	—	6,762
18. Non-Kernel Products ..	—	180,670	—	322,941
19. Total value of all products ..	—	557,607	—	1,276,240

Source: Coconut Marketing Board, Annual Review for 1978.

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