Organic Virgin Coconut Oil Value Chain in the Philippines

Opportunities, Challenges and Policy Options

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Background

- Under UNCTAD project *Fostering Green Exports through Voluntary Sustainability standards (VSS)* (Find out more [here](#)).

- Objective – to assess policy options for the Philippines VCO to capture "green" market opportunities

- Country study conducted by Dr. Lilibeth Acosta, Ms. Elena Eugenio and Ms. Jemily Sales (U. of the Philippines, Los Baños):
  - Surveyed and interviewed using the VSS Assessment Toolkit
  - 102 value chain actors (e.g. input providers, farmers, processors, brokers, government agencies, certification bodies, researchers) in Quezón, Laguna and Batangas provinces
  - Asked how they value organic certification as a tool to thrive in the VCO value chain
  - Assessed opportunities and challenges
  - Suggested policy options in support of VCO stakeholders
• High growth of international demand for sustainable/organic coconut-based products

• Increasing awareness among VCO value-chain actors on organic certification as a tool to improve marketability of their products

• Key motivations → Expectation that VCO with organic certification would fetch price premium

  ... yet many non-certified producers and processors find it hard to get certified

  ... and many certified processors have experienced problems when getting certified
Opportunities

Would organic certification be good for your work?

- Producers: [Bar Chart]
- Processors: [Bar Chart]
- Brokers: [Bar Chart]
Opportunities

How would organic certification benefit you?

- Increase income
- Increase demand
- Environment conservation
- Receive production support
- Receive marketing support
- Build partnership (others do it)
- Follow trend

**Most Important**

**Important**

**Least important**
Challenges

Barriers to having organic certification

• High (recurrent) cost of certification to be paid to auditors
• Reporting and administrative paperwork needed for certification
• Lengthy time needed for certification (including transition period)
• Lack of access to finance when converting to organic production
• Shortage of organic certifying bodies in the Philippines
Challenges

Barriers to certification, by type of value chain actor

**Decision-making stage**
- Obtaining information on process: 80%
- Costs: 60%
- Time spent to apply: 40%
- Paperwork: 20%
- Rules/requirements: 60%
- Unexpected inspections: 80%
- Certifiers are not accessible: 60%

**Implementation Stage**
- Finding reliable buyers: 60%
- Limits to production: 50%
- Lack of access to finance to convert: 40%
- Costs of labour and their training: 30%
- Access to organic inputs: 20%
- Access to organic markets: 10%
- Obtaining price information: 0%
- Disease, insects, weed: 30%
- Climate extremes, soil infertility: 0%

Note: Values refer to the percentage of respondents who consider each issue a severe barrier to certification.
Policy Options

What actions are needed to redress these challenges?
1. Addressing the administrative burden

**Challenge: paperwork and time**

- Producers lack technical capacity to prepare certification documents and keep records for audits
- Processors and exporters need to repeat the process for different organic certifications
- Processors and exporters do not have resources to train all producers
- Validity is short, and renewal complex.

**Policy options**

... to enhance the knowledge of producers:

- Build public awareness on the key role of farmers in certified value chains
- Introduce organic education at schools or training centers

... to create an innovative certification system:

- Online platform for knowledge-sharing
- Align standards
- Reduce paperwork for renewal
2. Addressing the high cost of organic certification

**Challenge: high cost**

- Cost of certification too high for producers
- Transition periods are long, validity short, and renewal complex

**Policy options**

... to provide access to resources and facilities:

- Build capacity to produce organic inputs and integrate them in livelihood programs
- Create access to small-scale VCO processing facilities at affordable rates

... consolidate supporting actions:

- Integrate organic practices in other programs
- Improve subsidy programs, e.g. provide support during transition
3. Addressing low level of compliance

Challenge: low compliance

- Producers may think benefits from organic certification would not come to them
- Difficult to ensure producers’ compliance with standards

Policy options

... to strengthen partnership:
- Support entrepreneurial skills development
- Support membership in associations
- Strengthen extension services

... to create an innovative certification system:
- Provide a premium to producers
- Promote the sharing of certification costs

... create a domestic market:
- Research and promote local demand for processed organic VCO
3. Addressing low level of compliance

Who gets the highest benefits from certification?

Who is the most disadvantaged by certification?

- Producer of coconut inputs
- Producer of raw coconuts
- Processor of coconut oil
- Exporter of coconut oil
- Middlemen supplying raw coconut
- All actors benefit equally

Producers
Processors
Brokers
Institutions

None of the actors
4. Addressing other challenges

Challenges: other

• Practices to improve productivity may not be compatible with organic production
• Too few organic certifying bodies
• Policies/measures supporting agriculture have some limitations

Policy options

... to provide access to resources and facilities:
  ❖ Build capacity to produce organic inputs and integrate them in livelihood programs

... to foster a competitive OCB sector:
  ❖ Facilitate the accreditation of certifying bodies
  ❖ Build capacity of certifying bodies

... consolidate supporting actions:
  ❖ Integrate organic practices in livelihood and productivity programs
  ❖ Improve subsidy programs, e.g. provide support for farmers and MSMEs during transition
From Policy Options to an Action Plan

- Build awareness on the role of farmers in organic certification and integrate them in livelihood and productivity programs
- Introduce organic production at schools or training centers
- Online platform for knowledge-sharing
- Align organic standards
- Reduce paperwork for certification renewal
- Access to small-scale VCO processing facilities at affordable rates
- Subsidy programs, e.g. provide support for farmers and MSMEs during transition
- Setting up and accreditation of more certifying bodies
- Capacity building of existing certifying bodies

By whom?
How?
By when?
THANK YOU

UNCTAD Project: Fostering green exports though VSS