



Sustainable certified coconut oil production

Strengthening smallholder farmer groups in the Philippines and Indonesia and setting up a chain of custody



The challenge

Coconut oil is used worldwide for cooking and in food products, such as chocolate and cake, and in the production of cosmetics and soap. Coconut oil is extracted from copra, the dried meat of matured coconuts.

The Philippines and Indonesia are the world's largest producers of coconuts and exporters of coconut-based products. The demand for coconut products is growing faster than the supply. Furthermore, consumers in industrialized countries increasingly favour sustainably sourced products. However, coconut production is characterised by the following factors:

- The majority of coconut farmers are smallholders and tenants. They are not organised into farmer groups and cultivate less than four hectares of land which impedes economies of scale.
- Lack of know-how and means of financing leads to poor agricultural practices, ageing plantations and thus declining yields and smallholders' income.
- A complex supply chain structure with various middlemen results in high cost of logistics and transportation.

'Through certification and trainings I could make my farm more sustainable.' Mike Abdullatip, Farmer, Malapatan, Sarangani Province

'Through certification I earned additional income from a premium which is a big help to our family to sustain our everyday lives - more food in the plate and ensuring education to our children.'

Natividad Beligolo, Farmer, Maasim, Sarangani Province

The solution

BASF, Procter & Gamble (P&G), Cargill and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH along with national partners, such as the Philippine Coconut Authority, have joined forces in order to address these challenges.

The goal of the partnership is to increase the income and economic self-sufficiency of smallholder coconut farmers in the Philippines (General Santos/Mindanao and Southern Leyte) and Indonesia (Amurang, North Sulawesi) through supporting a sustainable certified coconut oil supply chain. The private sector partners are interested in securing the supply of their coconut oil sources and preparing to meet the growing demand for certified coconut oil on the international market. They want to set up a sustainable and transparent supply chain which is in line with their commitments towards people and nature while also managing risks in this field.

Combining the individual expertise of each partner ensures the success of the measure. Cargill, which owns and operates copra collecting stations and crushing plants, provides training to smallholder farmers and sets up the structures for certification. The crude and refined oil produced by Cargill is then further processed by BASF and P&G to produce ingredients in the home and personal care as well as in the nutrition and health industries. Together the private sector partners bring in the understanding of and experience in the coconut oil market mechanisms and trends. GIZ contributes to the project with its expertise in farmer capacity building as well as in implementing Good Agricultural Practices and sustainability standards. GIZ also steers the project and manages its implementation on the ground working closely with the Philippine Coconut Authority to ensure local ownership and with other implementing partners such as Rainforest Alliance.



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Our services

The project builds on the preceding development partnership “Sustainable coconut oil production in the Philippines - Nucleus of Change” implemented in General Santos/Philippines by Cargill, BASF and GIZ (09/2011-02/2015). During this project, Good Agricultural Practices for coconut farming according to the Sustainable Agriculture Network (SAN) standards were derived and training materials developed with the support of Rainforest Alliance. Over 1000 smallholder farmers were trained, farmer groups were established and 300 smallholder farmers became the world’s first Rainforest Alliance Certified™ coconut farms.

The project is now expanded in scope and regional scale and includes the following services:

1. The project supports smallholder farmer groups i) in the process of formation, registration and legalization, ii) in developing business models for sustainable coconut production, and iii) in capacity building for improving farm management skills.
2. Together with national partners smallholders are trained and supported in Good Agricultural Practices including intercropping and replanting.
3. Smallholders receive additional preparation support to meet the SAN standards and achieve Rainforest Alliance certification.
4. Together with Rainforest Alliance the project sets up a sustainable supply chain beyond field level ensuring transparency of the certified oil (mass balance chain of custody).
5. Results are monitored and made available for replication and upscaling. Through Training of Trainers (ToT) and close cooperation with local and regional government agencies a large number of farmers can be reached, knowledge mainstreamed and sustainability of project achievements ensured.

The project is part of the develoPPP.de programme, which GIZ is implementing on behalf of the German Federal Ministry of Economic Cooperation and Development (BMZ). DeveloPPP.de aims at fostering the involvement of the private sector at the point where business opportunities and development policy initiatives intersect.

Planned impacts and results

- Approx. 3300 smallholder farmers in the Philippines and Indonesia receive support in forming and strengthening smallholder farmer groups. Thereby they gain access to knowledge, financial and other services as well as markets.
- Approx. 3300 smallholder farmers in the Philippines and Indonesia are trained on Good Agricultural Practices including intercropping and replanting. This contributes to increasing productivity as well as additional and diversified income.
- Out of this group, approx. 825 smallholder farmers receive additional training and assistance to achieve Rainforest Alliance certification according to the SAN standards.
- Approx. 825 smallholder farmers increase their income by 10% due to the established business case including a premium for certified oil paid by the private sector partners.
- A mass balance chain of custody for sustainable certified coconut oil is set up fostering transparency in the supply chain.
- Cargill, BASF and P&G lead by example, gain valuable insights on how to scale certified supply chains and provide the basis for further sector transformation towards sustainability.

At a glance

Duration	October 2015 – October 2018
Countries	Philippines, Indonesia
Objective	To increase the income and economic self-sufficiency of smallholder coconut farmers in the Philippines and Indonesia through supporting a sustainable certified coconut oil supply chain
Partners	BASF, Cargill, P&G, GIZ
Implementing Partners	National partner agencies (Philippine Coconut Authority, etc.) and Rainforest Alliance
Planned Results	<ul style="list-style-type: none">• Approx. 3300 smallholder farmers are supported in setting up farmer groups and trained in Good Agricultural Practices• Approx. 825 farmers produce Rainforest Alliance Certified coconuts and increase their income• A sustainable certified coconut supply chain based on a mass balance model is set up

Published by Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH
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As at May 2017

GIZ is responsible for the content of this publication.

A project of

develoPPP.de



Implemented by

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

On behalf of

Federal Ministry for Economic Cooperation and
Development (BMZ)

Division

Cooperation with the Private Sector; Sustainable
Economic Policy