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# **COCONUT CONVERSATIONS: SUSTAINABILITY IN ACTION**

**EVENT PROCEEDINGS | November 7, 2019 | Bangkok, Thailand**

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## EVENT SUMMARY



Demand from cosmetic, food and beverage and pharmaceutical industries for coconut products has driven the rapid growth of a multi-billion dollar coconut market to the point of outstripping supply. While investors recognize the investment opportunity presented by this supply gap, ramping up production – sustainably – of a crop grown mostly by impoverished smallholder farmers, which takes some 15 years to reach peak production, has been a challenge. Suppliers in Indonesia and the Philippines – among the world's outperforming emerging economies" to "located in a region with one of the fastest-growing economies worldwide

To address production challenges that coconut buyers, processors and suppliers commonly share, in March 2019 USAID Green Invest Asia and Barry Callebaut co-organized in Kuala Lumpur an inaugural [Sustainable Coconut and Coconut Oil Roundtable](#), where industry leaders agreed on broad areas of improvement for the coconut industry: farmers' livelihoods and income; supply of productive coconut trees; farmers' productivity; traceability; deforestation prevention, and; farmers' access to technology.

**Without pre-competitive collaboration to improve long-term coconut supply and quality, ensuring cost-efficiency, higher yield, improved quality and secure coconut supply at scale are difficult, if not impossible. Participants expressed interest to advance pre-competitive collaboration on an industry-wide “sustainable coconut charter” that will identify common goals, benchmarks and outcomes for coconut sustainability programs, offering buyers a tool to harmonize requirements to their supply chains.**

Participants shared updates since the last meetings, best practices, and made calls for collaboration in Bangkok on November 7, 2019. Some companies reported on their progress on sustainable coconut sourcing; others shared updates on a public-private partnership in development, a case study of sustainable certified coconut oil, and farm digitization; investors discussed financing for sustainable coconut initiatives, and; dozens networked at an evening reception co-hosted with PepsiCo. Barry Callebaut presented a draft sustainable coconut charter for further elaboration at the next scheduled meeting in Kuala Lumpur in March 2020. Presenters issued calls to action to achieve economies of scale, to collectively secure the coconut supply chain, to create partnerships to improve coconut sustainability at producer-level, to collaborate with investors, to digitize farms, and overall, **to rally together to avert a coconut-supply crisis.**

# HIGHLIGHTS



**Angela Hogg,**  
Regional Environmental Officer,  
USAID Asia

“The challenge is how will the market meet double-digit rising demand for coconut water, sugar and oil when there isn’t enough high-producing coconut trees to supply that demand? No one government has that answer. Or company. Or donor.”



**Gregory Bardies,**  
Sustainability Manager Asia Pacific,  
Barry Callebaut

“We are making a strong call to action to join our public private partnership. There are incredible economies of scale that are possible if we add one to two more partners. We cannot each reach 100 percent of our supply chains. Yet, with more private partners and one to two public partners, we will reach a more critical scale and better outcomes for the communities in these origins.”



**Mathieu Chaumont,**  
Director of Sustainable Sourcing  
Harmless Harvest

“We can’t talk about sustainability without talking about soil erosion and biodiversity...How can we do massive composting to return nutrients to the soil? How to fertilize the soil with what we took from it?”



**Christy Owen,**  
Chief of Party,  
USAID Green Invest Asia

“We are proud to support Barry Callebaut’s call to collective action, and will continue supporting efforts to improve the sustainability of coconut production and processing, especially company efforts with low-emission sustainable sourcing.”



**Yann Vuillerod,**  
Responsible Sourcing Manager  
Nestlé

“It’s time to share budget [to improve sourcing locations]...Nestlé decided not to fast-track [our sustainability work] on our own, but to mainstream [our efforts] with industry standards and collaborate.”



**Uma Surana,**  
Senior Natural Resources  
and Agriculture Specialist  
Asian Development Bank  
(ADB)

“There has been a tremendous increase in demand for coconut products. It’s an \$8 billion market without including coconut water...ADB is looking for opportunities to collaborate with companies, as well as centers of expertise in coconut.”



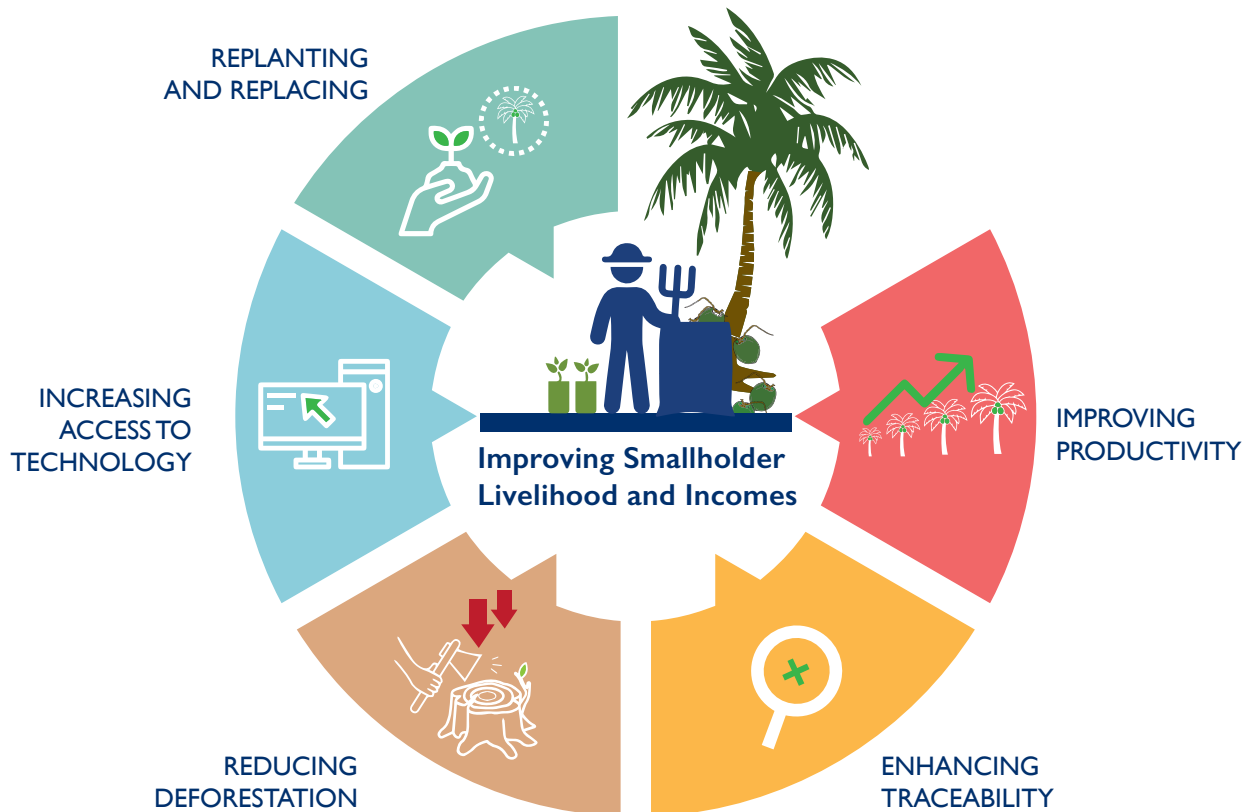
**Matthias Radek,**  
Chief Advisor, Rural  
and Agriculture  
GIZ

“The challenge of [origin sustainability] is too big to solve alone. If we are more, we can do more. We can achieve more.”



## SUSTAINABLE COCONUT CHARTER

A driving force of the sustainable coconut meeting series has been to secure a supply of sustainably produced coconuts. One tool proposed is a charter that incorporates five foundational principles voted on at the March 2019 roundtable; those tenets lead to improved livelihoods and incomes for smallholder coconut farmers and their communities, which is a central goal.



### Turning point

Faced with record global demand, and a coconut supply chain that is threatened by underperforming senile trees, escalating natural disasters, and farmers' lack of technical, market and financial access, the coconut industry faces a crisis.

**Without pre-competitive industry collaboration to improve long-term coconut supply, ensuring cost-efficiency and economies of scale, higher yield, improved quality and secure coconut supply are difficult, if not impossible.** At stake is an estimated \$31 billion dollar – and growing – industry that spans cosmetics to confectionary goods. Siloed approaches to addressing the supply shortfall fail to account for interconnected, complex, overlapping supply chains, and will be ineffective to boost reliable supply.

**An industry-wide charter can rally the industry around common goals, harmonize sustainability efforts and requirements of different company supply chains and benchmark sustainability schemes.** For a copy of the presentation on the proposed charter shared at the November 7th meeting, [click here](#).

As next steps, Barry Callebaut and USAID Green Invest Asia will organize multi-stakeholder feedback sessions on an industry-wide charter in preparation for a March 2020 consultation. The goal is to secure as many endorsements from industry players and relevant stakeholders in the coconut industry as possible to create a pre-competitive, positive movement that drives supply chain improvements.





An after-event reception co-hosted with PepsiCo drew more than 80 guests for a sustainability sundowner to network further about sustainable coconut initiatives.



## SESSION TAKE-AWAYS

The “Progressing on sustainable coconut sourcing” and GIZ-led panels discussed on-going efforts to improve and scale coconut sustainability – within budget (The “elephant in the room is budget vs. need”), including utilizing coconut byproducts, supply-chain mapping, improving soil health and biodiversity and “innovating at a competitive price”, such as extracting coconut amino acids to bring to market a protein product. While sustainability certification was shown to improve both income and productivity in Indonesia and the Philippines, it is still too costly for most smallholder farmers. GIZ and Nestlé called for more businesses to partner on sustainability initiatives to achieve economies of scale and shared benefits, including a GIZ-led partnership with Procter & Gamble, Nestlé, FrieslandCampina and Barry Callebaut to improve sustainable sourcing from up to 12,000 coconut farmers.





## SESSION TAKE-AWAYS

The “Innovative financing” panel included four financiers – Asian Development Bank, Microsave Consulting, Sustainable Trade Initiative, and Asia-Pacific Rural Agricultural Credit Association (APARCA). Investing in coconut agribusiness is financially attractive given the “tremendous” increase in demand for coconut products, but challenges include lack of business pipeline, aggregating farmers to reach critical mass/scale to attract impact investors and fluctuating market prices. Smallholder finance may not be enough: in addition to lack of access to finance, many smallholders are also not investment-ready. Opportunities include digital finance, i.e. mobile payment solutions can help strengthen coconut supply chains by facilitating cash transfers from buyers to “last-mile” farmers, and a price stabilization fund. (“Is there appetite for a guaranteed price?”) **A multi-stakeholder approach is needed to improve farmers’ financial security and livelihoods, while also improving supply security for buyers.** All investors seek investment opportunities and private-sector collaboration.



## SESSION TAKE-AWAY



“Digitizing farms” led by Cropin Technology addressed how data management can help address business inefficiencies stemming from dispersed smallholder producers, multiple middlemen/agents, natural disaster, global market volatility, lack of farmer income diversification and knowledge about good agriculture practices. Cropin’s agriculture technology provides real-time data, allowing, for example, monitoring of plots for deforestation.

## MESSAGE FROM ORGANIZERS



We hope this second meeting has emphasized how though dwindling coconut supply may not yet present a business risk, that without immediate action, supply chain disruption is inevitable due to senile trees, increased climate threats and the long time required for production. Modelling clearly shows: **There are not enough coconuts to sate global product demand, which shows little sign of abating; unsustainably grown coconuts will deplete the environment, taking down entire communities that count on coconuts for survival.** Only by addressing sustainability at the root of the value chain – together – can we maximize returns, while minimizing environmental/social/business risks. It takes a chain to bring coconut products to market, and it will similarly take a chain of actors to keep that supply going. There will be no robust market – no “competition” – without coconuts. A precompetitive alignment along with multiple large-scale collaborations to keep our supply chains flowing is no longer a luxury, but rather a matter of livelihood. We look forward to advancing these conversations – together.



USAID GREEN INVEST ASIA  
PARTNER ♦ CO-INVEST ♦ TRANSFORM

BARRY CALLEBAUT

## ANNEX I: AGENDA

TIME	SESSION	SPEAKERS
13.30 – 13.45	Welcome Remarks and Introduction	Angela Hogg, USAID Regional Development Mission for Asia Gregory Bardies, Barry Callebaut
13.45– 14.00	Mainstreaming Sustainability via Coconut Charter	Gregory Bardies, Barry Callebaut
14.00 – 14.40	Progressing on Sustainable Coconut Sourcing	Jane Tousco, Transitions (moderator) Sophie Persey, Rainforest Alliance Mathieu Chaumont, Harmless Harvest Heini Joensen, Tropical Nutrition Yann Vuillerod, Nestlé
14.40 – 15.10	Driving Sustainability through Sustainable Certified Coconut Oil (SCNO), Develop PPP and InS	Lisa Faust, GIZ Matthias Radek, GIZ
15.10 – 15.35	Networking break	
15.35 – 16.15	Innovative Financing for Sustainable Coconut	Natcha Tulyasuwan, USAID Green Invest Asia (moderator) Aristia Hady Wanjaya, IDH – the Sustainable Trade Isvary Sivalingam, MicroSave Consulting Prasun Kumar Das, Asia-Pacific Rural Agricultural Credit Association Uma Surana, Asian Development Bank
16.15 – 16.35	Digitizing Farms for Transparency, Sustainability and Actionable Insights	Arjun Dutta, CropIn Technology
16.35 – 16.45	Next Steps and Closing	
17.00 – 22.00	Reception (food & drinks will be provided)	Co-hosted by PepsiCo, Barry Callebaut and USAID Green Invest Asia