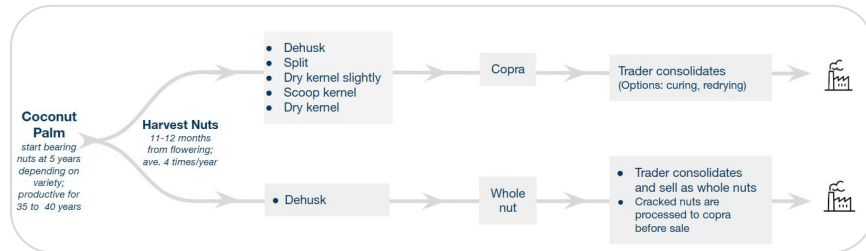


Copra Supply Chain Challenges

Smallholder Farmer Perspectives and Sustainable Coconut Project Interventions

The copra value chain is central to global coconut oil production, with the dried coconut kernel serving as the primary input. Coconut oil has a diverse range of applications: it is consumed as a cooking oil in many parts of Asia, used extensively in the global food and beverage industry. According to the U.S. Department of Agriculture, global copra production reached 6.21 million metric tons in 2023, up from around 6.0 million metric tons in 2022, with volumes typically fluctuating between 5.6 to 5.8 million metric tons annually over the past decade. Copra originates mainly from coconut-producing countries, with Indonesia, the Philippines, and India accounting for around 72% of global output and dominating exports.

(Source: <https://pmarketresearch.com/hc/copra-market/>)



Copra Smallholder Farmers' Challenges Out of the 10,000 farmers engaged under the Sustainable Coconut Project (SC Project), Grameen's Baseline Study in 2022, found that at least 75% experience each of these challenges annually.

Challenge #1: Low and Volatile Prices: Raw copra is often bought from farmers at fluctuating, low farm-gate prices. Selling to local traders or middlemen is usually on informal terms with little market transparency or quality control. These informal arrangements limit bargaining power and reduce incomes.

SC Project intervention: All 12 partner copra cooperatives have strengthened their capacity to procure directly from farmers at farm-gate, reducing reliance on middlemen. The SC Project facilitated the formation of formal business-to-business (B2B) relationships between cooperatives and oil mills which enhanced the cooperatives' capacity to negotiate for competitive pricing arrangements and created direct market linkages for copra farmers. The B2B partnerships also led to an increase in copra quality and quantity in the value chain due to the quality incentivization schemes promoted by a number of cooperatives. By 2025, more than half (5,700) of the SC Project farmers have sold 34% more volume to cooperatives than when the project started.

Challenge #2: Inaccessible Production Inputs and High Post-Harvest Costs. Inputs for production such as fertilizers and assets for post-production such as drying equipment and storage facilities, are limited or unaffordable for coconut farmers. Although salt fertilization for coconut trees is recommended by the Philippines Coconut Authority (PCA), most smallholder farmers in Davao are unable to access an adequate amount of fertilizer for productivity. Additionally, with the lack of proper dryers and storage facilities for copra, farmers often resort to individual traditional drying methods that lead to inconsistent quality and high moisture content; therefore higher price reductions and lower income.

SC Project intervention: Aided cooperatives to gain assets such as drying facilities in collaboration with Barry Callebaut, partner oil mills, and other supportive organizations such as the Rabo Foundation.



Challenge #3: Climate Risks. Droughts, pests, and declining soil fertility directly impact copra quality and yields

SC Project intervention: Trained 5,075 farmers on enhancing copra quality to reduce income losses; trained 3,184 farmers on Good agricultural practices (GAP) to improve productivity, soil quality, 656 farmers received awareness orientation on agro-chemical proper handling - discuss new curriculum that involved quality copra and aspects of regen agriculture such as mulching, GAP, etc.



From the Oil Mill's Perspective

- **Inconsistent Supply:** Mills face irregular volume supply but sourcing from dispersed farmers and small cooperatives raises transport and transaction costs.
- **Poor Raw Material Quality:** High-moisture or contaminated copra leads to higher processing costs and lower oil extraction efficiency.
- **Low Processing Margins:** International competition and volatile global oil prices reduce profitability, leaving little room to invest in upgrading or sustainability.
- **Untraceable sources:** Local traders prioritize volume consolidation; type and quality of source come secondary.

Copra Cooperative's Challenges

Challenge #1: Lack of financial access leads to capacity constraints. Cooperatives often lack access to financing to aggregate copra from smallholder farmer members, and procure assets such as storage, drying and transportation facilities to strengthen their operations.

SC Project intervention: Supported Cooperatives in formulating their Capacity Development Plans; linked Cooperatives with Financial Service Providers (FSPs); and facilitated cash advance support from a partner oil mill to the cooperatives.

Challenge #2: Weak Negotiating Power. Smaller cooperatives and farmer associations are unable to secure formal buying agreements with favorable terms with mills, making it difficult to pass on better buying prices to farmer-members. Traders and middlemen tend to take advantage of this gap by offering competitive buying prices even with small volumes. Smaller cooperatives and associations in turn often shift to middlemen to make the most of short-term advantages, thus weakening their relationship with institutional buyers.

SC Project intervention: Instituted a gain-sharing system where B2B relationships are established between partner cooperatives and mills. Cooperatives benefit from having priority delivery lanes, direct price negotiation and booking advantages and receive non-monetary benefits such as copra dryers and medical missions for the cooperative's community. Partner oil mills now have trust-built relationships with cooperatives ensuring them of a regular and improved quality copra.

Challenge #3: Governance Challenges. Issues with management skills and internal accountability within many of the cooperatives can generate friction especially when strategizing and streamlining copra-centered operations..

SC Project intervention: The cooperative's CDPs identified pain points and opportunities to create action plans. Bankers without Borders (BWB) volunteer experts' provide technical support based on the specific needs of the