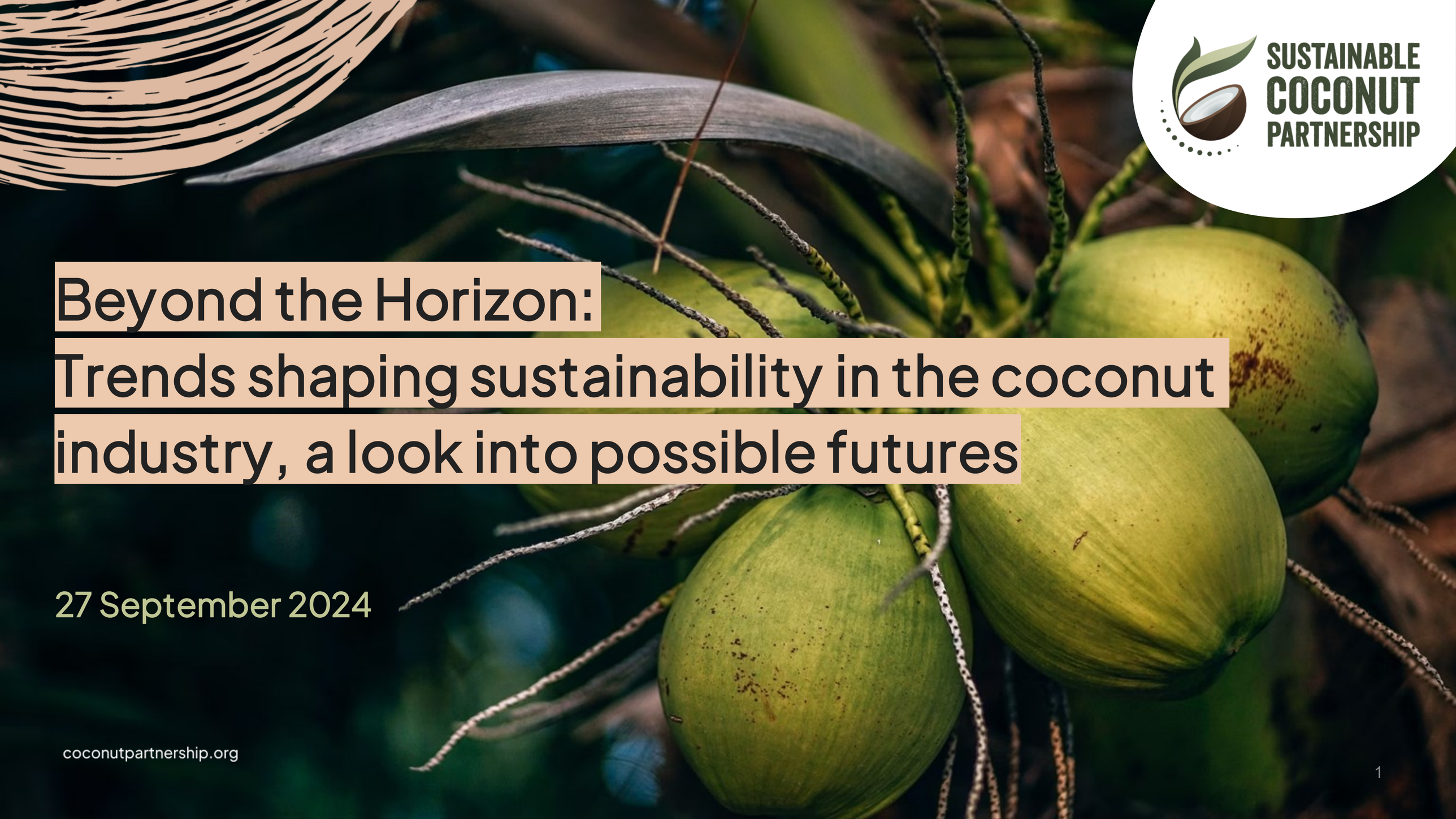


SUSTAINABLE COCONUT PARTNERSHIP

Beyond the Horizon: Trends shaping sustainability in the coconut industry, a look into possible futures

27 September 2024

Trends shaping sustainability in the coconut industry

Growing demand for sustainability

Companies need to ensure regulatory compliance and manage risks in their supply chains

Social

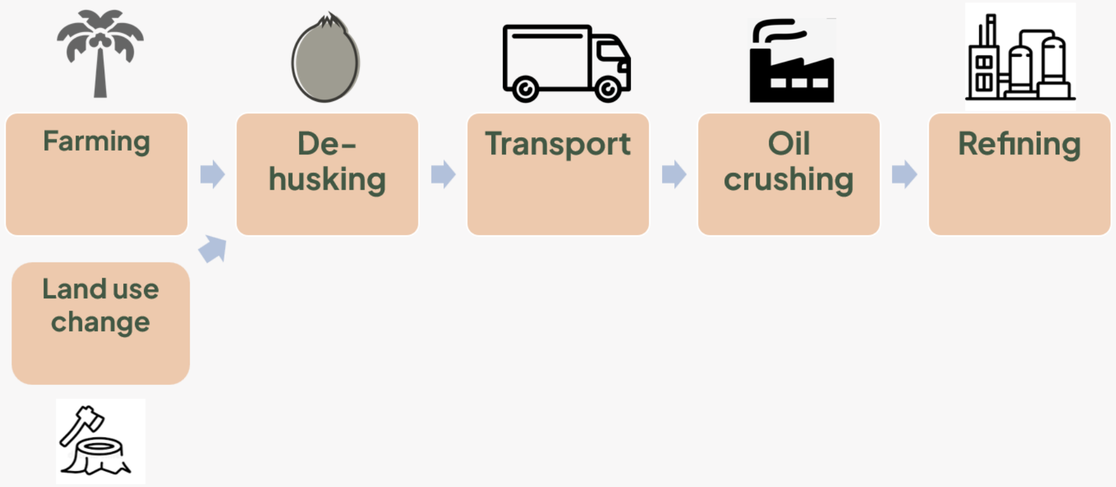
- **Growing international regulatory requirements** for human rights due diligence, such as EU's Corporate Sustainability Due Diligence Directive
- **Companies required to identify, prevent and mitigate** social risks

Trends shaping sustainability in the coconut industry

Growing demand for sustainability

Environmental

- **Many companies have set GHG emissions targets** (under SBTI) and committed to monitor and reduce emissions in their supply chains (Scope 3)
- This includes emissions from **all stages of the supply chain**



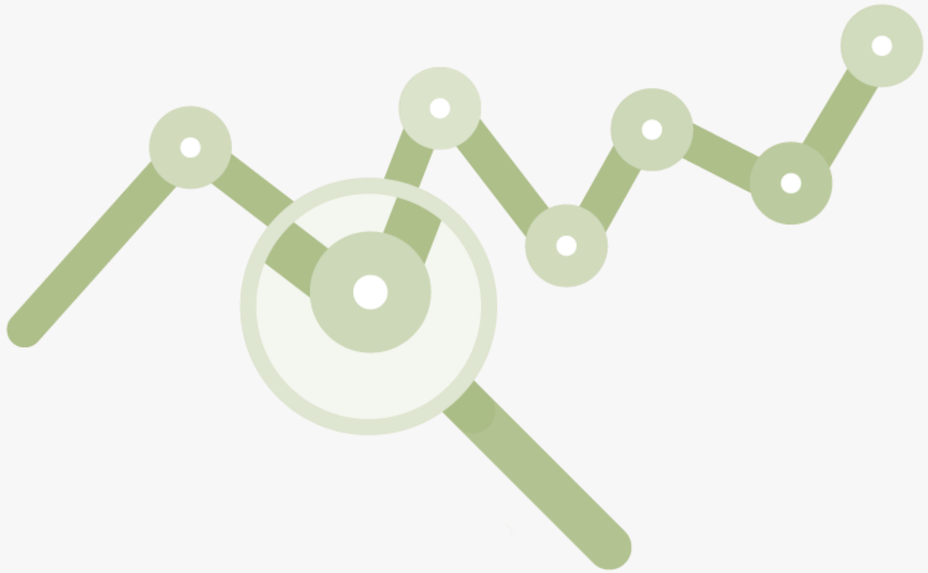
Trends shaping sustainability in the coconut industry

Growing demand for sustainability

Traceability and transparency

Crucial foundation which enables companies to

- **Assess social and environmental risks**
- **Plan well informed actions** to address risks and promote sustainable practices



Creates incentives to invest in improving sustainability

Trends shaping sustainability in the coconut industry

Coconut has many positive sustainability characteristics

High carbon sequestration potential

We commissioned a review of research on low carbon and regenerative coconut farming

Tall variety at 25 years: 0.38 t carbon per palm

(Boomiraj et al. 2020)

Large-scale conversion to crops with lower carbon stocks would generate major GHG emissions

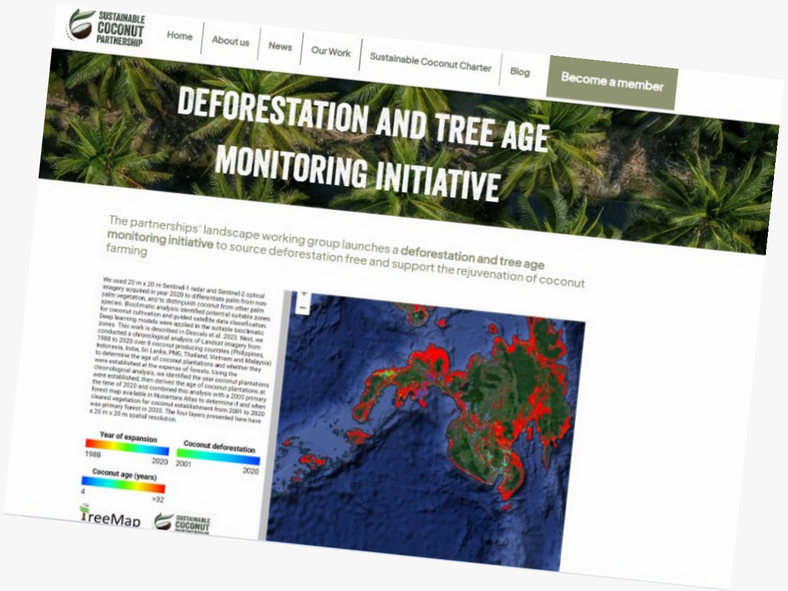
Trends shaping sustainability in the coconut industry

Coconut has many positive sustainability characteristics

We mapped deforestation caused by expansion of coconut production across 8 countries

Our mapping **found minimal coconut-related deforestation:**

0.27% of the mapped area (<5,000 Ha)

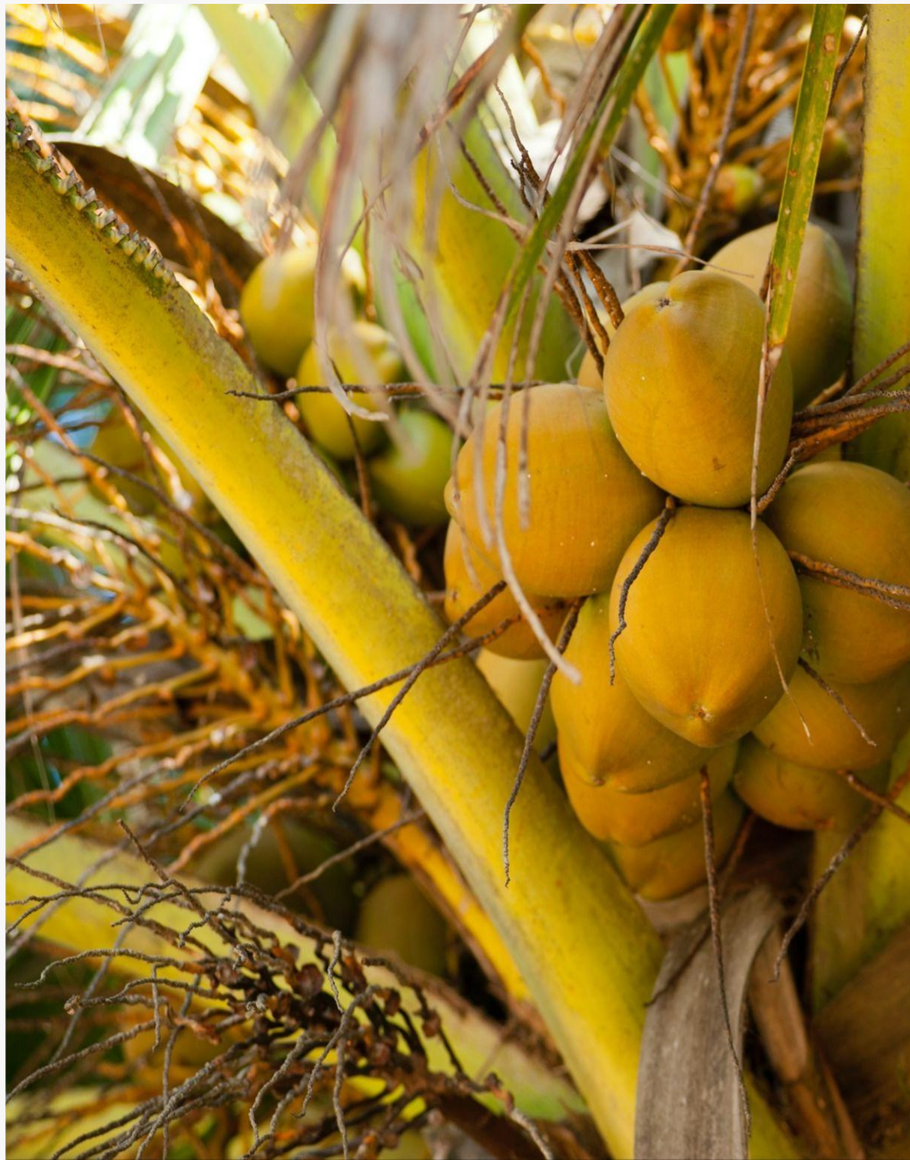


Trends shaping sustainability in the coconut industry

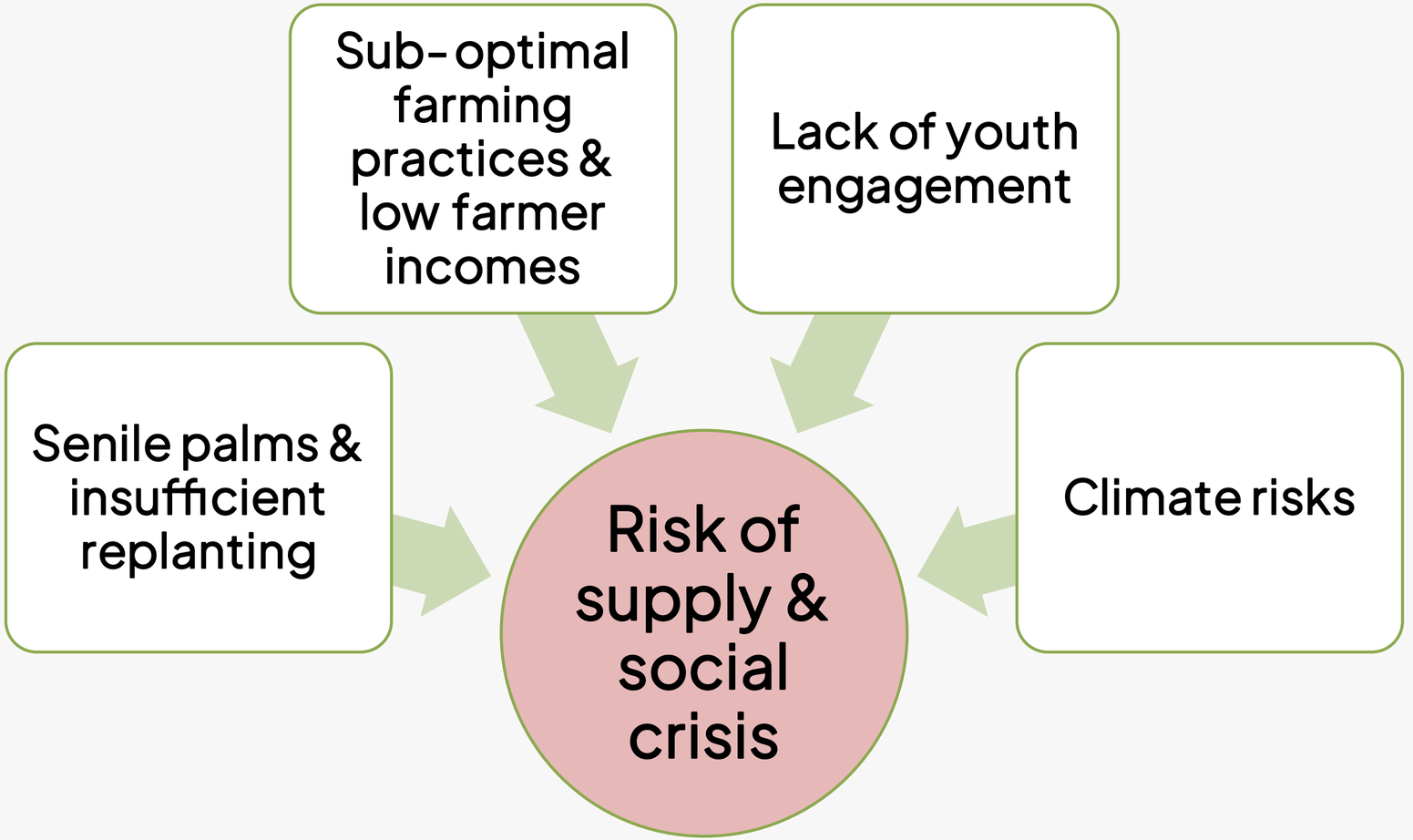
But supply of certified sustainable coconut products is very low

- Very low proportion of coconut volumes (1%) certified under any sustainability assurance programme

- **Certification clustered in a small number of products**, such as virgin coconut oil, coconut water, coconut milk



Looming supply & social crisis, with many causes



Looming supply & social crisis has several causes

We mapped tree age across 8 countries:

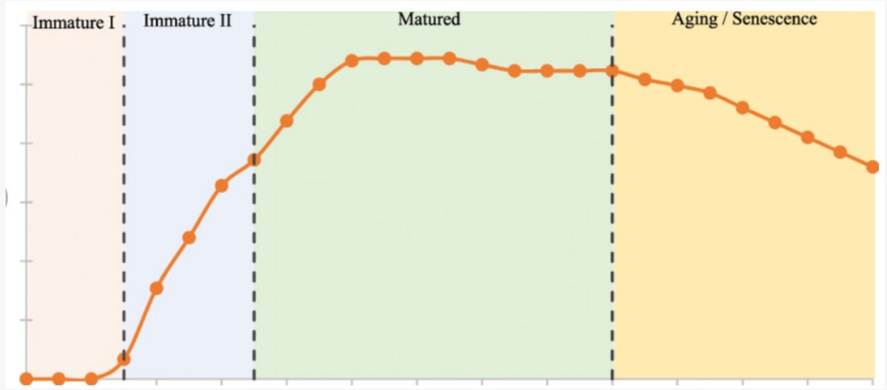
90% of mapped coconut plantations > 32 years old

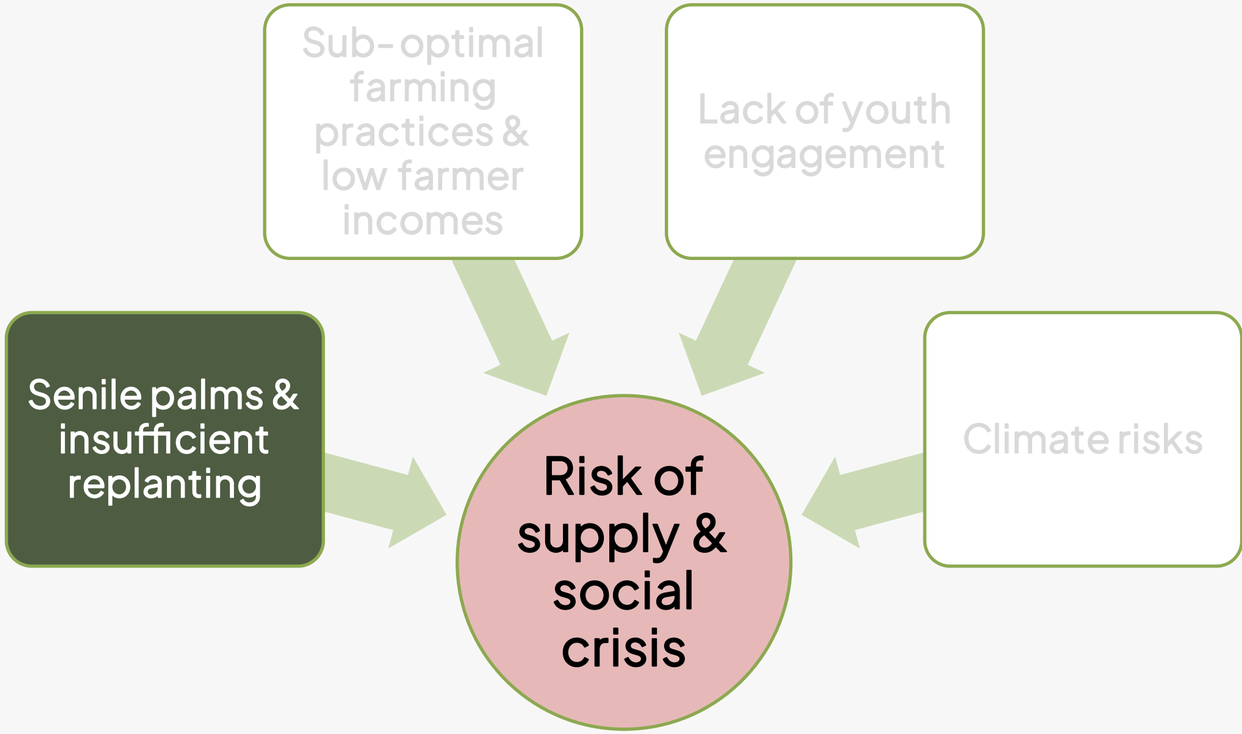
For tall varieties:

- Production declines after 30–40 years old
- Economic life ends at 60–80 years

Major need for replanting over the coming decades

But there are **insufficient volumes of planting materials** in most producing countries



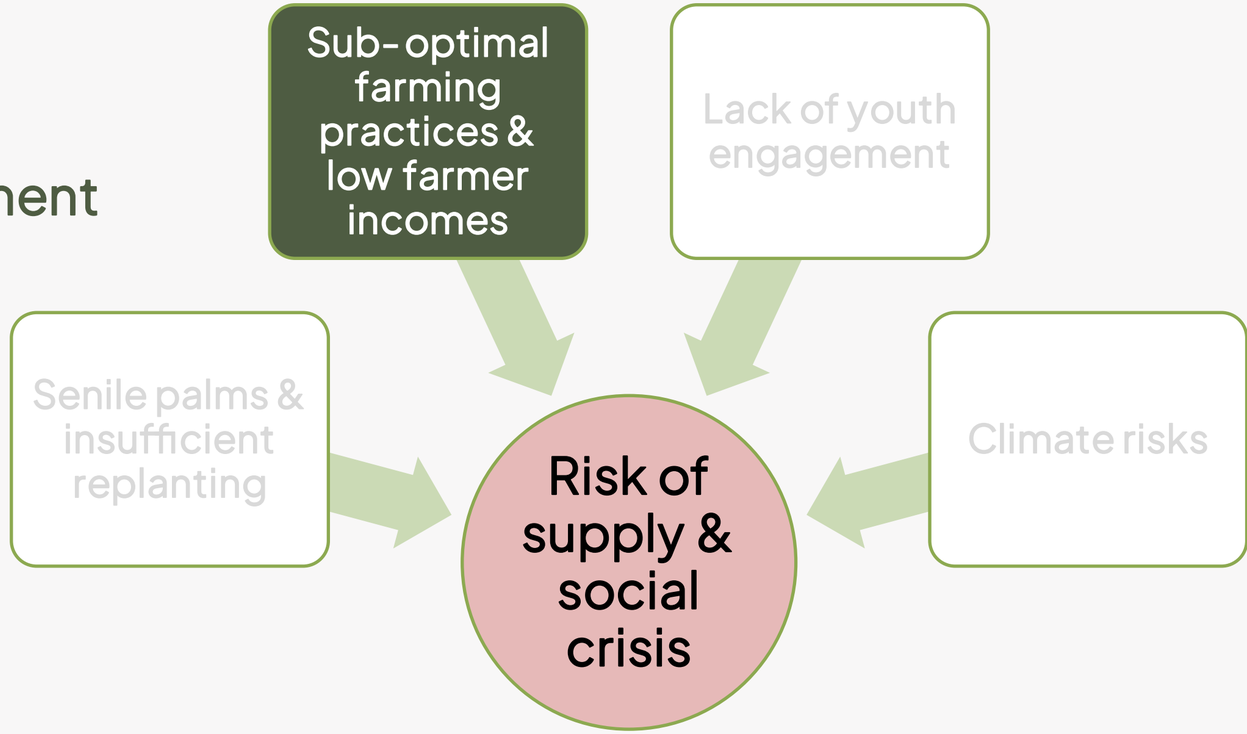


Looming supply & social crisis has several causes

Philippines National Coconut Farmers Registry System (NCFRS, 2018)

83% of farmers earn less than PHP 50,001 (988 USD) per year

Low incomes = low investment in farm improvement



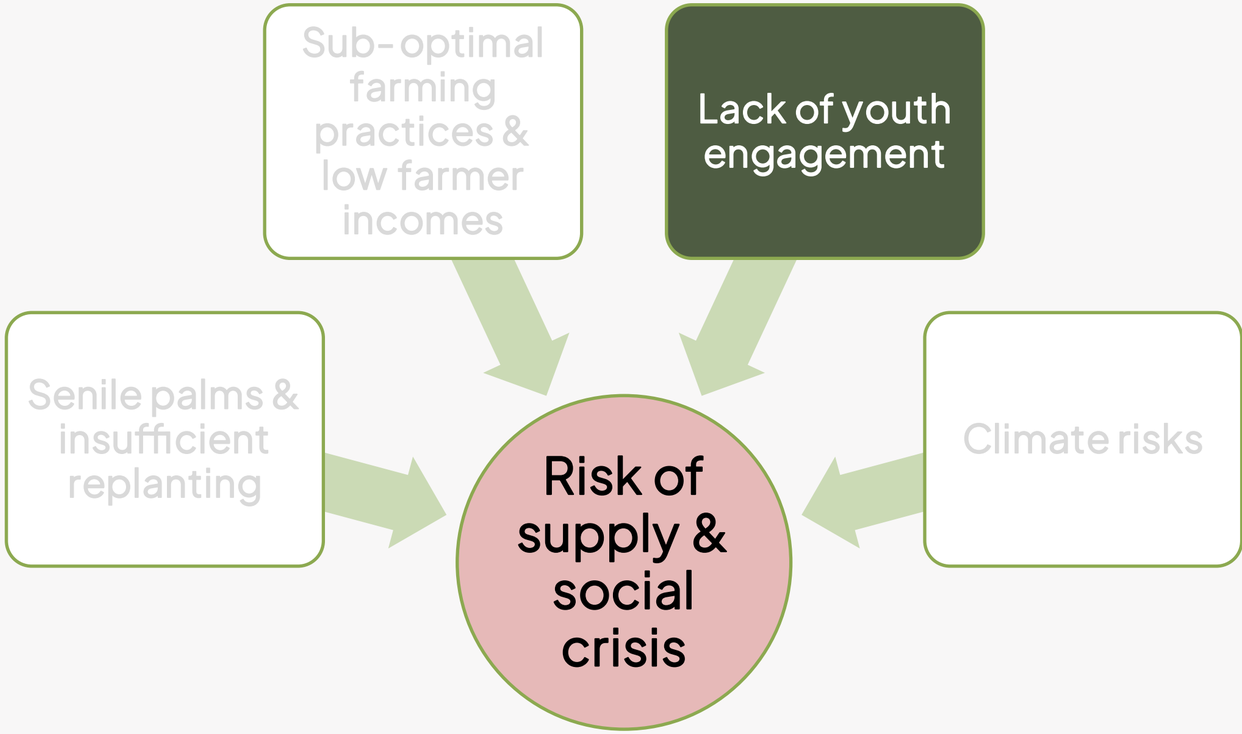
Looming supply & social crisis has several causes

Philippines: 2.8 million coconut farmers are registered on NCFRS

Of these farmers:

73% over 40 years old

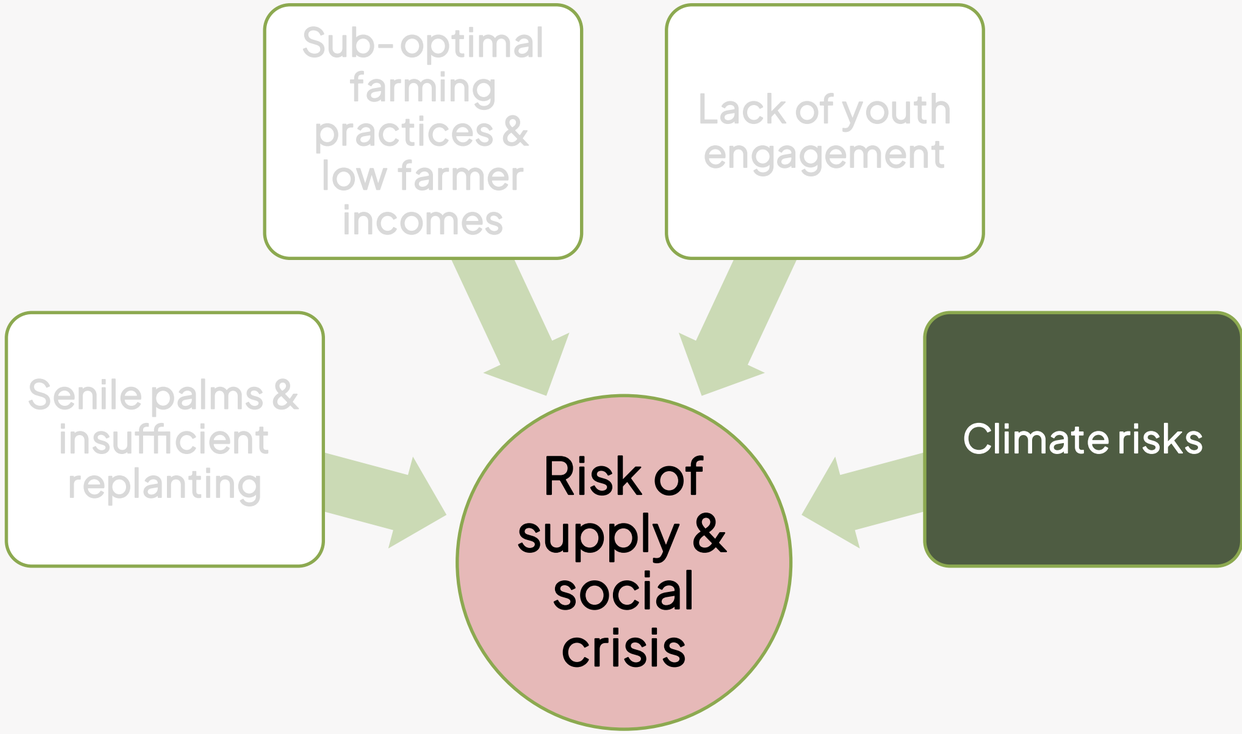
32% over 60 years old



Looming supply & social crisis has several causes

Although country-specific, **climatic shocks and stresses are increasing** in many coconut-producing countries, including:

- Typhoons
- Droughts
- Intense rainfall events



Where will the coconut industry be in 2050?

- **Supply increases**, driven by successful public-private sector initiatives on **replanting and farm productivity**
- **Farmers incomes improve,** youth engagement increases
- **Profitability and investment** at all levels
- **The industry seizes growing market opportunities** for sustainable products
- **Markets reward environmental and social sustainability** and risk mitigation
- **Strong environmental and social compliance across the supply chain**

- **Supply decreases rapidly** and intense competition for volumes drives prices up
- **Farm productivity and farmer incomes remain low**
- **Youth engagement decreases** further
- **Profitability and investment decreases** at all levels
- **Lost market opportunities** for many players
- **Markets do not reward environment and social sustainability**
- **Poor environmental and social compliance** across the supply chain

Trends shaping sustainability in the coconut industry

In response to a limited resources on coconut sustainability, we have initiated a landmark report on sustainability in the coconut industry

This collaborative publication will showcase:

- **Material issues, challenges and innovative solutions**
- **Commitments and accomplishments**
- **Data from scientific, industry and public research**
- **Survey responses from stakeholders of the industry** focusing on South-East Asia first and expanding in future editions

Coordinating authors are already working on it and we expect a first release in 2025

Call for contributors is publicly available on our website…

Throughout today we will hear about innovative solutions to drive the industry on a positive pathway

- Fit for purpose **Assurance system**
- Growing number of industry aligned **traceability and transparency tools** available
- Approaches to **engage young people** in farming
- **Scaling up replanting** through public and private partnerships
- **Leveraging development and climate finance** to drive change

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Thank you!