

Market of Indonesian Virgin Coconut Oil

Azwar Annas*

Department of Agribusiness, Faculty of Economics and Management
Bogor Agricultural University, Bogor, 16680, Indonesia

Abstract

Coconuts are tropical plants that can be found in Indonesia. Over the past five years, Indonesian coconut plants produce about 3.1 million tons per year. The majority of coconut plantations are smallholder's plants. Coconut plants had a lot of production in the past, but a few people who using coconuts as processed products. Processed product of coconuts has a high sales value which one of them is Virgin Coconut Oil (VCO). VCO is very easy to produce even by the household scale, but it is only a few of community that produce VCO. This is because the community is not able to know the market. VCO market is very large. VCO which has functions as drugs capable of treating HIV-AIDS disease, Diabetes Mellitus, and Cancer which are diseases that affects many people in Indonesia. In addition, cosmetic needs in Indonesia increase and the people begin selective for choosing cosmetics. The situation is also happened by many countries in the world, so that the VCO export market is still open in overseas too. With the advantages of raw materials from tropical climate, Indonesia should be able to get the high value of the VCO.

Keywords: Virgin Coconut Oil (VCO), market, herbal medicine, cosmetic.

1. Introduction.

Coconut in Indonesia is a commodity that can be found in many areas, especially near the coast. Coconut had been known long ago by the people of Indonesia because Indonesia is an archipelago of tropical climate. Coconut can grow well in hot lowland areas. This is causes a lot of coconut can be found near the beach. Until now, the coconuts in Indonesia are still many in number according to the data from BPS (2015) that in 2012, coconuts production in Indonesia reached 3 187.7 thousand tons slightly different from previous year in 2011 which reached 3 148.8 thousand tons. Similarly, the coconut land area, not much difference between 2012 and 2011 that in the 2012 coconut land area reach 3.75 million hectares and in 2011 coconut land area reached 3.74 million hectares. Not only that, the development of coconut plantation in recent years also did not has any growth according to the data from BPS (2015) as follows.

Table 1. Crop and Area of Smallholders
Plantations for Five Years

Year	Coconut		Oil Palm	
	Crop (000 ton)	Land Area (000 Ha)	Crop (000 ton)	Land Area (000 Ha)
2008	3176.0	3724.1	6923.0	2881.9
2009	3181.6	3731.6	7517.7	3061.4
2010	3126.4	3697.0	8458.7	3387.3
2011	3132.8	3725.8	8797.9	3752.5
2012	3148.8	3740.3	9197.7	4137.6

Source: BPS (2015), processed.

Based on the data, coconut is a commodity that is not has any progress. However, coconut has a large number of

productions for a long time, so if coconuts product used as industrial raw materials, the production will be sufficient. Based on the production in every year, coconut is in second rank after oil palm. Oil palm experiencing rapid growth because many investors consider that has higher value. Although coconut is not much in develop, existing coconut still has high potential that can be the raw material for industry. Moreover, coconut products that turn into new products will have a higher value.

Development of coconut is still few because the industry of processed product is not grows. For Crude Oil and the derivative products, the Indonesian investors prefer to use palm oil products. In many areas, coconut is just used as a complement product for seasoning of foods of community, although much is wasted. So that, the coconut products are needed to be developed into industrial products that have a higher value.

The development of coconut industry in Indonesia is still slow not like the palm oil industry. The coconut industry, processing coconut as raw material into new product which it has high value in domestic and overseas. One of the products that is starting to grow in Indonesia. Although, it is not recorded by the survey institutions yet is Virgin Coconut Oil (VCO).

VCO is one of processed products made from coconut that has many benefits as a treatment for various diseases such as cancer, cholesterol, diabetes, and others. VCO in Indonesia was developed by several companies to fill the domestic market and few of overseas market. VCO is a product that is easy to make, but it has not been developed in Indonesia although the raw material for VCO is too much in Indonesia. This can because the community and smallholders did not know about VCO and its market.

* Corresponding author. E-mail address: e-mail: azw.arannas@yahoo.com

Especially for the area that have a lot of coconut production, must know about it, so that farmers can make VCO to receive the high value of its products and increase the living standard.

2. Methods.

This study uses data obtained from any data resources to discuss of existing market in the domestic and overseas of Indonesian VCO. The type of data that discussed is secondary data from various sources such as survey agencies of the ministry. Primary data is about the observation data. The discussion contains a description of the market that indicated by the data.

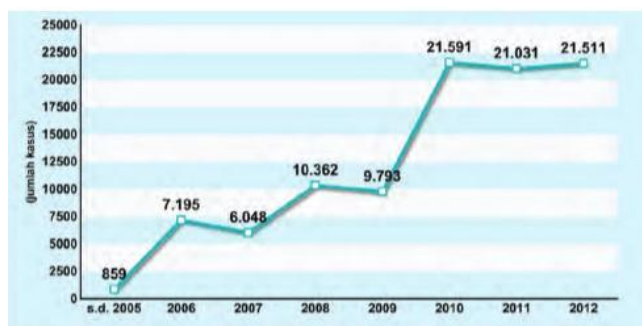
3. Discussion.

VCO is popular with its function as an herbal medicine and cosmetics. As an herbal medicine, VCO contain chemical that can strengthen the body's immune system to cure various diseases. VCO has no bad side effects, so that VCO is suitable for modern diet. In the case of cosmetics, VCO has a content that can beautify the skin, eliminating black spots, and keep the skin moist. VCO can consumed by all ages. Associated with these functions, the market of VCO can be drawn from the various cases of health and cosmetic needs.

Here are some of the data indicated that the disease is now rampant in Indonesia as a cause of high mortality. The disease is HIV AIDS, diabetes mellitus and heart disease, and cancer. After that, move to cosmetic need data and overseas market of VCO.

HIV AIDS

HIV AIDS in Indonesia shows that the case continued to grow each year. This is shown in the following figure 1.



Source: Ditjen PP&PL, Kemenkes RI, 2013

Fig 1. Total New Case of HIV Positive in Indonesia in Year 2005 - 2012.

The graph above shows that a growing number of HIV cases in line with population growth. HIV cases grow more and the accumulation of cases rose in each year. From the

number of HIV cases above can be specified with grouping by age as follows.

Table 2. Age Groups of HIV AIDS Sufferer

No	Age of Groups (Years Old)	Percentages (%)
1	20 - 29	25.20
2	30 - 39	31.90
3	40 - 49	14.81
4	Others	28.09

Source: Ditjen PP&PL, Kemenkes RI, 2013, processed

The table shows the three age groups with the highest percentage of HIV cases. The percentages by that age show that is an age with high sexual condition also the age able to make their own choices. The highest percentage of HIV AIDS cases are found in the age group 30-39 years. At that age should have been able to think when they get involved with a problem, they will be able to determine their own choice to solve a problem.

Diabetes Mellitus and Heart Diseases

The second disease that causes high mortality in Indonesia is diabetes mellitus. Diabetes mellitus is caused by a bad diet. Diabetes mellitus is quite high as a cause of death in both urban and rural area. Below is a table contained percentage and ranking of cause of mortality in certain age groups.

Table 3
The Percentages and Ranks of Cause Mortality by Diabetes Mellitus.

No	Age of Groups (Years Old)	Region	Percentages (%)	Ranks
1	15 - 44	Urban	4.2	6
2	45 - 54	Urban	14.7	2
3	45 - 54	Rural	5.8	6

Source: Riskesdas in Kemenkes 2013

From the data table, diabetes mellitus is cause of high mortality in villages and cities. In the city, Diabetes mellitus is a leading cause of mortality with the rank two. It can be concluded that urban communities should be very wary before contact with the diabetes disease.

The prevalence of heart disease in Indonesia until 7.2%, while based on the diagnosis of health workers is found only 0.9% [6]. Coverage of heart disease cases that have been diagnosed by health workers is 12.5% of all respondents who has subjective symptoms resemble the symptoms of heart disease [6].

Cancer

Cancer is one of diseases that is difficult to handle and also quite a lot of sufferers. There are two types of cancer with the highest sufferers in Indonesia, cervical cancer and breast cancer [6]. Srikandi in [6] shows the data from the years 2005-2007 that the estimated of cancer incidence in children (0-17 years) is 9 per 100 000 children with

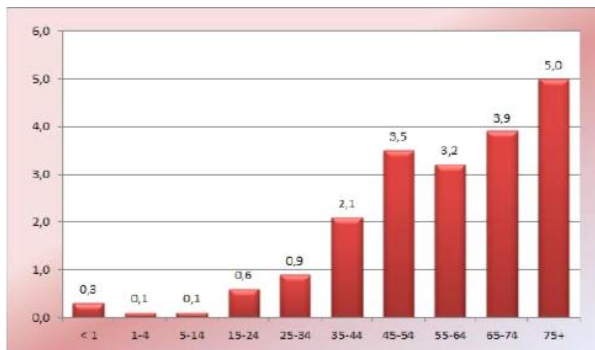
leukemia in highest rank face 2.8 per 100 000 children. The estimation of cancer in children (0-17 years) can be seen in the following table.

Table 4
Cancer Estimations in Children (0-17 years old)

No	Cancer	Estimation incident per 100,000 Child
1	Leukaemia	2.8
2	Retinoblastoma	2.4
3	Osteosarkoma	0.97
4	Lymphoma	0.75
5	Nashoparing	0.43

Source: Srikandi in Kemenkes (2013), processed.

Cancer in children amounted to 4.7 percent of all cancer cases in all ages. Cancer mortality reached 50-60 percent because in general it is too late to be cure because usually the detected cancer is in last stage. Cancer is the diseases should be treated specially. Cancer can be suffered by anyone even on children. Cancer is also difficult to be known so that must be anticipated early.



Source: Riset Kesehatan Dasar in PUSDATIN KEMENKES (2015).

Fig. 2. The Prevalence of Cancer on Community in percentages unit.

Cancer can attack on all ages. As shown in Figure 2, almost the all age groups of community have a high prevalence of cancer. The highest prevalence of cancer is in the age group 75 years old and above, that is 5.0 % and the lowest prevalence is in children age group 1-4 years old and 5-14 years old that is 0.1 %. Visible increasing of prevalence to be high in the age group 25-34 years old, 35-44 years old, and 45-54 years old. This is shows that the cancer usually known after the community has age after 34 years old.

The three kinds of the disease above are some disease that is not easy to handle. The Ministry of Health in Indonesia has launched a variety of programs to reduce the symptoms include medical improvement and development of human resources at hospital, early examination, and also socialization about the disease to the community. The program held for the disease can be treated early, also increase community awareness about prevention. The development of hospitals and medical post for disease examinations extended and it also collaboration with social organizations to develop the programs quickly.

From the data of the three diseases in Indonesia, indicate that the market is still wide open for VCO in Indonesia. Moreover, the government's program on human

resources development in to community, it can be estimated that more people will concern about health, so its market will wide open.

Cosmetic Market

The chemical content of VCO is good to be used as a cosmetic. VCO as cosmetics can be used directly or as a mixture of any cosmetics product. In Indonesia, the consumption of cosmetics is large enough. According to Nielsen in Felicia (year is unknown), cosmetics consumption in urban Indonesia, grow by 9.4% from 554 billion to 606 billion rupiahs. Whereas consumption in rural areas increasing more than in the urban areas that is 27.5% from 64 billion to 82 billion. In addition, there is an increasing percentage of consumers who choose more than two brands that from 27.1% to 30.2%. The percentages of consumers who buy more than three brands increased from 12.4% to 15.9%. It can be concluded that although many new brands of cosmetic are raise, the cosmetic will still get the customers.

According to [5], that the current development of the cosmetic industries in Indonesia is still solid. It can be seen from the raising sales of cosmetics in 2012, it is 14% from 8.5 trillion rupiahs to 9.76 trillion rupiahs. Association of Indonesian Cosmetic Companies (Perkosmi) in [5] estimate that in 2013 sales of cosmetics can grow up into 11.22 trillion rupiahs, up to 15% compared from the projections in 2012 amounted to 9.76 trillion rupiahs.

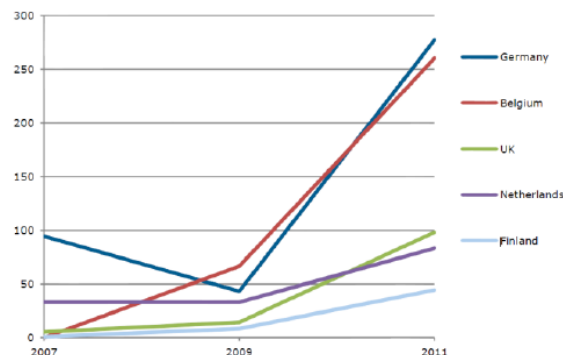
At present, the domestic industry of cosmetics is challenged by imported products of cosmetics on the domestic market. This is due to the high demand for the domestic market in Indonesia. So that, VCO as herbal cosmetic products is still has market on the domestic market too.

Overseas Market

Overseas market of Indonesian VCO is accumulated from the need of herbal medicines and cosmetics in foreign countries. [5] mentioned that the IFT Research Department describes that the Indonesian beauty industry has a great opportunity in the scope of ASEAN. This is demonstrated by the low contribution of export sales of cosmetic products that only 18% of the total sales. The low contribution of export sales shows the marketer of beauty products have not been fully tried to pursue its sales overseas. Similar factors like climate, socio-cultural, and purchasing power in ASEAN potentially making consumers have similar preferences with Indonesian consumers. So that, with the huge support of nature and raw materials, VCO can be a superior product of Indonesia.

Then, the existence of a free trade of ASEAN and China (ACFTA), which it begin in 2015 will be a potential market for Indonesian cosmetic industry that can expand into the Chinese market. Although it also can be a challenge because of the agreement makes Chinese products freely enter the ASEAN market that cause of increasing competition.

VCO also has a good market in countries of four seasons. This is because the countries cannot produce themselves, so it is the benefits of tropical countries like Indonesia. [4] describes that based on the data from Philippines, VCO main export destinations are USA, France, Canada, Germany, United Kingdom, New Zealand, Finland, and Turkey, while Asia includes Hong Kong and Malaysia. America became the main country of export VCO. After that, the countries in Europe are in second ranks. There are some of the European countries with the highest VCO importer as follows.



Source: PCA in CBI (2011)

Fig. 3. The European VCO Importer Countries.

Based on the exports data of Philippines VCO, the highest exports of Philippines VCO is in USA. However, amount of exports in Europe also high reached 774 tons VCO in 2010. As shown in the picture 3, the export of VCO in the highest ranks of European countries is Germany, followed by Belgium, United Kingdom, Netherlands, and Finland. The picture shows the exports from year to year is continue to rise.

From the data above, shows that the market of VCO products is still very high. The market will continue to grow along with the growth of population, the need of herbal medicines and cosmetics, and increasing of awareness about the early prevention of disease. Indonesia as a tropical country has the raw material for VCO should be able to make VCO one of the superior export commodities.

4. Conclusions.

Indonesia has a large number of coconut productions, but the coconut product has not been utilized fully. This is because not many industries use coconut as raw materials. Coconut has a high value when processed by industry into processed products such as Virgin Coconut Oil (VCO). VCO as one of coconut processed products have a fairly large market. VCO market is as herbal medicines and also as cosmetics.

VCO has some chemical contents that can boost immunity in human body. Therefore, VCO has the treatment function of various diseases and even deadly

diseases such as HIV AIDS, diabetes mellitus, and cancer. The sufferers of the three kinds of those diseases continue to increase with the growth of population. So that, VCO, with its chemical contains has a function as a medicine, has a high value to cure the diseases.

VCO is also known that have a function as a cosmetic. VCO can be a mixture material of cosmetics or used directly without mixing. In Indonesia and overseas, market of a good cosmetic is increasing. VCO as a material that has good content and without side effects will get a good market.

Overseas markets of VCO can be referenced by using Philippines export data. The export market is still open to some countries and continues to increase. Export destination countries of Philippines VCO are USA, Germany, Belgium, Netherlands, UK, Finland, New Zealand, Turkey, Hong Kong and Malaysia. Therefore, Indonesian VCO can fill those markets.

Based on the data, it can be said that market of Indonesian VCO is still wide open for supplying the needs of health and beauty. Otherwise, it also can supply the needs that exist in other countries. Therefore, the Government of Indonesia should be able to mobilize the community for begin to pay attention and make the VCO processing industry in various regions. The government should provide any support so that the industry can be developed very well. With the development of VCO processing industry at the community, it could be way to increasing the distribution of welfare because the coconut plantations can be found in various areas as industrial raw materials.

References

- [1]. Badan Pusat Statistik. 2015. Luas Areal Tanaman Perkebunan Rakyat Menurut Jenis Tanaman, 2000-2013. File. <http://www.bps.go.id/linkTabelStatis/view/id/1669> [March 18th, 2015].
- [2]. Badan Pusat Statistik. 2015. Produksi Perkebunan Rakyat Menurut Jenis Tanaman (ribu ton), 2000-2013. File. <http://www.bps.go.id/linkTabelStatis/view/id/1670> [March 18th, 2015].
- [3]. Ministry of Foreign Affairs. 2011. CBI Product Factsheet: Virgin Coconut Oil in The EU and EFTA. Article. www.cbi.eu [November 12th, 2014]
- [4]. Food and Agriculture Organization of the United Nations and [APCC] Asia Pacific Coconut Community. 2013. Report of the FAO High Level Expert Consultation on Coconut Sector Development in Asia and The Pacific Region. Bangkok: The FAO Regional Office for Asia and The Pacific.
- [5]. Indonesia Finance Today. 2013. Indonesia lahan subur industri kosmetik. Article. <http://kemenperin.go.id/artikel/5897/Indonesia-Lahan-Subur-Industri-Kosmetik> [March 15th, 2015].
- [6]. Kementerian Kesehatan Republik Indonesia. 2013. Profil Kesehatan Indonesia 2012. Jakarta: Kementerian Kesehatan RI.
- [7]. Pusat Data dan Informasi Kementerian Kesehatan Republik Indonesia. 2015. Stop Kanker. Infodatin. Jakarta: Kementerian Kesehatan RI.
- [8]. Felicia, Nadia. Year is unknown. Riset: Pasar Kosmetik di Indonesia Terus Bertumbuh. Artikel. <http://www.beritasatu.com/gaya-hidup/141520-riiset-pasar-kosmetik-di-indonesia-terus-bertumbuh.html> [March 15th, 2015].