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**Why the Coconut Craze Isn’t Helping Farmers**

Americans are demanding all-things-coconut, but it's unclear how the boom will benefit farmers in foreign countries.

By [Krista Mahr](http://business.time.com/author/kristamahr/)  Dec. 05, 2012

K.W. Janath Bandaranaika knows a good deal when he sees one. The 49-year-old coconut grower owns some 20 acres of plantation in [Sri Lanka](http://topics.time.com/sri-lanka/)’s Coconut Triangle, where the ubiquitous coconut tree is used for everything from cooking dinner to cow feed to building homes. The fact that the fruit Bandaranaika has been taking care of all his life is now being pressed into jars of certified organic, [fair trade](http://topics.time.com/fair-trade/) virgin coconut [oil](http://topics.time.com/oil/) and sold to wealthy Americans doesn’t make much of an impression. But, he says with a shrug, “If it can be sold at a higher price in the United States, it’s good for Sri Lanka.”

It certainly could be. As demand for all-things-coconut grows in the U.S., coconut-producing countries from Sri Lanka to Brazil are scrambling to supply foreign firms on the hunt for more fruit. In the Philippines, the world’s second largest coconut producer after Indonesia, the government estimates that coconut water exports in the first quarter of 2012 were up 300% over last year as demand in the U.S., Europe and China grew. Coconut oil exports across Asia have also grown 3.3% annually over the past five years, according to the Asian Pacific Coconut Community (APCC), a Jakarta-based industry group.

What’s less clear is how — or if — this boom will benefit the men and women at the heart of this global business. For generations, coconut growers like Bandaranaika have been selling to the coconut industry, which traditionally produces whole coconuts, shredded and dried coconut, and copra, the dried meat that is used for oil. It’s never been a particularly lucrative living, due in no small part to the fact that many coconut growers across Asia sell to middlemen, who then resell the coconuts to factories for as much as 50% more.

Rights groups watching the coconut craze worry that as coconut water and coconut-oil products fetch higher and higher prices in western markets, farmers won’t get their fair share of the profit. “Popularity and an increase in price in the retail sector doesn’t necessarily mean higher wage for poor farmers,” says Ainhoa Galan, a research manager at Fairfood International, a Netherlands-based NGO. Indeed, APCC says that in Asia, the increasing demand for coconut water and oil has yet to translate into higher coconut prices due both to fluctuations in local supplies and, in the case of coconut water, to the fact that the young industry is still dominated by a few large companies.

Some companies are making a conscious effort to ensure that farmers don’t get squeezed out of the deal. In 2007, Dr. Bronner’s Magic Soaps, the cultish California company famous for its “all-one” soaps and eccentric labeling, helped set up the world’s first and only certified fair trade and organic coconut oil operation in the Coconut Triangle. “We noticed that coconut oil was becoming really hot,” says Gero Leson, director of Dr. Bronner’s special operations. “We’ve been behind on production ever since.” Dr. Bronner’s expects sales of its food-grade virgin coconut oil to hit $5 million this year, up from $1.25 million in 2011.

To make sure the benefits of that spike are trickling down, Serendipol, Dr. Bronner’s partner company in Sri Lanka, has cut out the middlemen and pays their coconut growers direct, premium wages, once they have adopted organic practices and get certified. As part of its fair trade mantra, Serendipol has also been funding community projects throughout the region, clearing out irrigation ponds, installing water tanks at schools, and installing electricity lines in rural villages, among other things. “We don’t think we need to keep all the profit ourselves,” says Sonali Pandithasekera, Serendipol’s chief financial officer. The oil factory’s 225 employees, who usher the coconuts along the production line from husking to drying to being pressed for oil, are all paid above-market wages and are on contracts, providing a level of security that’s rare. “We think we need to plough some money back into the country,” says Pandithasekera.

It’s part of the fair trade ethos that satisfying everyone in a supply chain – from the grower to the factory worker to the vegan baker in Berkeley — is ultimately better for business than less equitable systems. Harmless Harvest, a California-based company that produces raw, organic coconut water in Thailand for the U.S. market, is not registered under a fair trade label, but the company follows what its founders call an “ecosystem-based” business model. “It’s in my best interest that a farmer has the best life experience and gets the best advantage out of my experience with them,” says Harmless Harvest co-founder Justin Guilbert. “It’s a very strict business approach.”

In the Coconut Triangle, not everyone is willing to play the long-game. Converting a coconut estate from conventional to organic takes a lot of time and effort, and it has become less financially appealing since Sri Lanka’s government has rolled out subsidies on chemical fertilizers. “When the fertilizer became very cheap, it didn’t make sense for us,” says Nalin Perera, a coconut grower and the representative of the Coconut Growers Association of Sri Lanka in Kuliyapitiya. Perera used to sell to Serendipol, but has since returned to conventional methods and is now selling to other factories in the area. “We just couldn’t do it.”

For others, the choice isn’t theirs to make. B.A. Karunarathana is a second-generation caretaker of a 35-acre plantation marked by tall weeds and weary-looking palms. Like many growers, Karunarathana sells his fruit to a middleman in town. The landowner who employs him lives two hours away in the capital city of Colombo, and won’t invest in the fertilizer or new trees to keep the land productive. As a result, Karunarathana says the trees he tends produce 75% less fruit than they did 30 years ago.

Introducing organic practices like composting and mulching can help improve yields in tropical climates by as much as 30%, says Leson of Dr. Bronner’s. But finding a way around expensive fertilizers won’t be a silver bullet. APCC says coconut plantations across Asia are currently experiencing zero growth, and, in some places, they’re getting smaller as farmers sell their land off or convert it to plant more profitable crops like palm oil.

Curbing the slow decline in coconut yields will be crucial for farmers and investors alike if global demand continues to grow. If not, people will simply leave, and the coconuts will stop coming. Karunarathana says he makes less money doing this job today than he did when he took over this job from his father as a much younger man. “If this land is improved, my son could take over,” he says. “Otherwise he’ll have to find something else to do.”