

**UNRAVELLING THE IMPACT OF COCONUT PRODUCTION
DECLINING IN SRI LANKA ON KERNEL-BASED EXPORT
PRODUCTS AND COCONUT OIL**

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ABSTRACT

Coconut is one of the most commercially important crops in Sri Lanka, and the country requires around 3,600 million nuts per year to function properly upon the current demand. However, the current volume of the nuts produced annually is only between 2,500 and 3,100 million nuts. The production data reveals that there is a shortage in nut production. The main objective of this study is to unravel the impact for declining the production of coconut in Sri Lanka on kernel-based export products and coconut oil (excluding export). This study utilized primary data which was collected through a cross sectional survey conducted by interviewing 120 kernel-based exporters, palm oil importers, and dehydrated chips importing millers using three semi-structured questionnaires. Apart from that, secondary data which was gathered from the Coconut Development Authority. The ARIMA (2,1,1) model was used to predict whether coconut production in Sri Lanka would fluctuate between 2500-3000 in the next 5 years. According to the model, nut production will be 2,626, 2,833, 2,978, 2,850 and 2,761 million nuts, respectively. The Friedman test confirmed that there was a significant difference ($P < 0.05$) among the statements which were related to the sustainability of raw material supply and sustainability of final product supply of kernel-based products to export market. According to statistical analysis, production of the kernel-based export companies would be affected with the decrease of annual nut production. However, they would continue to export even when the annual nut production decreases because of their strong supplier base. It was also found that there was a significant difference ($P < 0.05$) among statements which were described the impact of dehydrated chips importation. The findings reveal that due to the influx of most of the existing coconuts switching into the milk industry, millers could not meet the demand for coconut oil as a result of the unavailability of the required raw material. According to the findings, importation of quality palm oil and dehydrated chips would mitigate the impact of declining nut production and help to meet the local oil demand as well as boost the industry.

Keywords: Coconut; Decline; Impact; Production; Unravel