

— Eco-Innovation success story from Sri Lanka —

Coconut innovator targets new, high-value production

Sri Lankan company Asian Agro Products has taken big steps through eco-innovation, making a smart switch from its traditional business model to the direct sale of new, high-value produce to international markets – and it’s also good news for the environment.



In Sri Lanka, producers of coconut-based goods face tough competition from around the country. In particular, manufacturers of desiccated coconut are trying to increase export revenues in a competitive sector where middlemen hold the keys to international markets.

For one company, Asian Agro Products Ltd., this traditional business model used to be the norm. But processing coconuts into desiccated produce and exporting via middlemen didn't tick the right boxes; in economic or environmental terms. High energy bills and high levels of waste, as well as the fierce level of competition among desiccated coconut producers all stunted the company's growth. That is, until the Eco-innovation Project.

Asian Agro Products has seen big changes in the past year. First, the company now produces higher-value organic virgin coconut oil instead of desiccated coconut. The product offers a greater profit margin and is in higher demand on the global market. What's more, the company is still exporting internationally, but has cut out the middleman.

"With this project, we realized the importance of sending our products to the international market directly," says Asian Agro worker Jacob Fernando. "We didn't have direct shippers to send our products to the international market."

The company says the production of virgin coconut oil now comes from organic coconuts, ensuring a market for organic coconut growers in Sri Lanka and a final product free of any inorganic chemical substances.

"We have also minimized our wastes in our factory," says Fernando, adding that Asian Agro is aiming for a zero waste future with far greater resource efficiency. Even coconut water, previously discarded as waste during the industrial process, is now being diverted into the production of a high-demand consumer product. This product diversification might also see the production of healthy coconut snacks in future; all with the international consumer in mind.

"Our business model has changed and the production process has also changed a lot," adds Fernando. Improved efficiency is now the by-word for Asian Agro, with energy savings of 20% already achieved through an improved coconut drying process – in particular, these savings have caught the eye of the factory owner. There are also plans for a 50% reduction in water consumption when a steam conveyer comes online to clean the coconuts more efficiently. And as for the coconut husks and shells, they are sold on to other processing companies at a profit.

All changes considered, Asian Agro's zero waste ambition is looking like a realistic target.

At the core of the company's success is "hotspot mapping" – an approach it initially used to identify areas for improvement in both the production process and the overall business model. The company says it decided on key changes to the company only after a thorough hotspot analysis of the whole value chain.



And with its new organic virgin coconut oil now in production, the company sees a brighter future and an opportunity to move forward with new value adding products and a sharper brand name. Even employees on site are enjoying improved working conditions with more efficient machinery and an upgraded production floor. In economic, environmental and social terms, eco-innovation has proved a smart switch for Asian Agro Products.

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