

---

## Green Fields Coco Products: Seeking a Sustainable Future

One hot day in the summer of 2016, the owner of Green Fields Coco Products, Ernesto Custodio, Jr. was on his way to Baler, Aurora, Philippines to scout for suppliers of cheaper coconut. As he gazed out the window at the landscape, his mobile phone rang.

“Good day, Engineer Custodio. I am interested in bringing your virgin coconut oil to the Japanese market. When can we meet?” the caller asked.

The call had come from one of the many prospective clients whom Custodio had met during a recent trade fair. The buyer had a pet shop chain in Japan that sold virgin coconut oil (VCO). Custodio learned from him that Japanese pet owners believed that adding VCO to a dog’s diet could prevent howling. Custodio was elated; his long-term goal of conquering the international scene with his VCO products was about to materialize. “I would be pleased to discuss it with you at your convenience,” Custodio answered. His reverie was broken when he felt gentle tap on his shoulder, “Sir, we are now in Baler,” his driver said.

Custodio was disappointed when he realized that he had been napping; the phone conversation was only a dream. If only he had the time, his dream deal could have been a reality. When he started Green Fields Coco Products in 2005, Custodio promoted and sold VCO at trade fairs all over the country. However, due to time constraints resulting from the emergence of a product line of starter packages that allowed clients to process their own VCO, Custodio was rarely able to attend trade fairs anymore. Instead, he relied on free online advertisements and email, mostly to market the starter packages. Unfortunately,

sales of his VCO products were plummeting. Custodio had concluded that his promotions plan was not effective. He knew he had to come up with a better plan to create a sustainable future for Green Fields Coco Products.

### The Birth of Green Fields Coco Products

---

Custodio was a licensed electronics and communications engineer who had worked in Saudi Arabia for several years. Upon his return to the Philippines, he was dissatisfied with his salary, so he decided to venture into producing VCO using the coconuts produced by his family's modest coconut farm in Baler, Aurora.<sup>1</sup>

The curious entrepreneur started making VCO in his kitchen, where he used 40 pieces of coconut to produce 3.5 liters of VCO, which he sold in his neighborhood.<sup>2</sup> After a month of processing the product, Custodio was able to produce around 35 to 50 liters of VCO in two days. With VCO inventory on hand, he registered his business with the Department of Trade and Industry (DTI) in May 2005. He began marketing his VCO in Aurora and later, in Nueva Ecija and Bulacan.<sup>3</sup>

Most of the coconut farmers in Aurora rarely added ingredients to their produce, hence coconuts were sold either fresh (young or mature) or as copra.<sup>i</sup> As a result, coconuts were priced very low — Php 5 to 8 (USD 0.11 to 0.17)<sup>ii</sup> per unit of raw coconut and Php 15 to 20 (USD 0.32 to 0.43) per kilogram of copra.<sup>4</sup> But harvesting VCO paid off — VCO products were priced 10 times higher than fresh coconut.

As with the birth of a child, the birth of Green Fields Coco Products instilled a great sense of hope and inspiration not only for Custodio, but also for other coconut farmers in Aurora. Through Custodio's example farmers were inspired to add value to their traditional coconut production. By producing VCO these farmers were able to enhance their earnings and provide more for their families.<sup>5</sup>

Since he did not want to leave his family again to work abroad, Custodio was highly motivated to make his VCO business profitable. He went the extra mile in marketing his new business venture, seeking to become a part of networks of buyers and sellers through attendance at trade fairs and product expositions. His work at the trade fairs helped him to boost sales of his VCO products; around 60-70% of monthly sales were generated through this activity. As a result of this platform and his passion to succeed, Custodio had signed marketing contracts to supply VCO to *pasalubong*<sup>iii</sup> centers.<sup>6</sup>

In 2007, putting his engineering degree to use, Custodio fabricated coconut graters for VCO processing machines, which he offered as part of VCO starter packages to small entrepreneurs and institutional buyers who wanted to produce their own VCO. As part of the starter packages, Custodio offered to buy and market 30% of his customers' VCO in their first year of production. This part of the business did not require as much time as processing and selling VCO himself. Just to sell the VCO products, for example, Custodio would have to spend up to a week attending a trade fair.<sup>7</sup>

In 2010, Custodio and his family moved to Bulacan, a province 250 kilometers away from Aurora. Despite his distance from Aurora, Custodio's father had agreed to deliver his monthly coconut requirement to his new processing area in Guiguinto. When there was not enough coconut on the family farm to meet his monthly requirement, Custodio still used coconut from Aurora due to its superior

i Dried coconut meat used to extract coconut oil.

ii The exchange rate as of May 18, 2016 was 1 USD = Php 46.39.

iii A Filipino term for a gift or token.

coconut meat quality. Since the move, however, this strategy had increased his production costs, so to compensate, he began to sell products other than plain VCO and starter packages.<sup>8</sup>

## Green Fields Coco Products: The Business

---

Green Fields Coco Products continued to sell plain VCO and starter packages but added scented massage oil and lip balm to its list of products.<sup>9</sup>

### Organization and Management

Custodio personally managed the production, marketing, and finances of the business. As a micro business, the company had limited human power — just three full-time staff members and five on-call employees. The full-time employees helped Custodio fabricate the coconut graters for the starter packages, while the on-call employees were assigned to VCO production, since it was only produced when there were orders from customers. It was a family business; Custodio was assisted by his wife and children on weekends. The company, however, had no clear-cut policies and procedures for hiring. Most of the time the company recruited new employees through referrals from current employees.<sup>10</sup>

### Operations

The business was engaged in production of two product lines: VCO and VCO-based products and VCO starter packages.<sup>11</sup>

#### *Procurement of Raw Materials for VCO Processing*

Coconut was the primary raw material used for producing VCO. The majority of the coconuts used for the company's VCO came from Custodio's family farm in Baler, Aurora. When there were not enough coconuts on his family's farm, he sourced them from nearby farms in Aurora. On average, the company required 3,000 mature nuts<sup>iv</sup> to meet its monthly production volume. Custodio had slimmer profit margins since his move to Guiguinto due to the higher cost of raw materials because of his production facility's distance from the source.<sup>12</sup>

For scented VCO and other VCO-based products, the company had to ensure input quality, so it procured from reliable companies located in Metro Manila. Packaging materials included polyethylene terephthalate (PET) bottles, labels, and cartons, which were procured from BESTPAK Manufacturing Corp., while scents were supplied by CHEMWORLD Corp.<sup>13</sup>

#### *Sources of the VCO Starter Packages*

Custodio and his team fabricated the coconut graters while the coconut pressers were subcontracted for the processing machines sold as part of the VCO starter packages.<sup>14</sup>

#### *Production Volume*

The plant produced an average of 300 liters of VCO monthly, however, there were instances when the company had produced a smaller amount due to low demand. The company's VCO inventory also included VCO from customers who had purchased one of the VCO starter packages.<sup>15</sup>

#### *VCO Production Process*

Custodio always considered the quality and age of coconuts when selecting nuts for processing. Only fully matured nuts were used in VCO production. The nuts underwent grating and pressing. For the extract, the coconut milk was added to an equal amount of water which was incubated in a clean room at

iv Ten mature coconuts produced one liter of VCO.

37°C and was allowed to settle for 16 hours before the VCO was harvested. The VCO was again cured and sat for about a week. The cured VCO was then filtered in fine nylon mesh and packed and labeled.<sup>16</sup>

### **Marketing Mix**

#### *Products Offered*

Green Fields' VCO was a natural oil from the fresh, mature kernel of the coconut.<sup>17</sup> VCO does not undergo chemical refining, bleaching, or deodorizing and is suitable for consumption without further processing.<sup>18</sup>

Green Fields Coco Products offered plain VCO in two sizes, 150-ml and 250-ml PET bottles (see **Appendix A**). Regular customers took plain VCO as a supplement.<sup>19</sup> Coconut oil was used for diseases like diabetes, heart disease, chronic fatigue, Crohn's disease, irritable bowel syndrome, Alzheimer's disease, and thyroid conditions as well as for energy and boosting the immune system. Although coconut oil had high calorie and saturated fat content, some people used it to lose weight and to lower cholesterol. Coconut oil was also sometimes applied to the skin as a moisturizer and to treat psoriasis.<sup>20</sup> In the Japanese market, pet owners purchased VCO to prevent their dogs from howling at night.

With customers' increased awareness on the therapeutic value of massage, Green Fields Coco Products had introduced scented VCO massage products which included flower and herbal extracts. The company had many scents to choose from, including citronella, eucalyptus, lavender, lemongrass, sampaguita, sweet orange, peppermint, and ylang-ylang (**See Appendix B**). Each scent was packed in a 100 ml PET bottle and had a specific use. The eucalyptus and peppermint helped to relax tight, stiff, and sore muscles, while lavender enhanced relaxation and improved sleep. Lemongrass was best for its revitalizing effect on the body and mind. Its invigorating scent was helpful in boosting vitality as well as awakening senses. Citronella served as an antiseptic, while sampaguita was useful in maintaining soft and supple skin and was considered an effective antidepressant. Ylang-ylang served as a stress reliever.<sup>21</sup>

Green Fields Coco Products also offered VCO-based lip balm. Made from VCO extract, it was an excellent moisturizer for dry, chapped, and sunburned lips.

The VCO starter packages included a heavy-duty coconut grater and coconut presser (see **Appendix C**); VCO equipment set-up; a manual; a hands-on seminar on VCO production; a list of suppliers for raw materials and packaging; and tips and assistance for acquiring Food and Drug Administration permits.

The coconut grater had a high quality stainless steel blade, which produced finely grated coconut meat. It was driven by a 1/2 horsepower electric motor and had a fan belt, pillow blocks, pulleys, and a magnetic switch. For more efficient operation the blade was not directly attached to the electric motor. The coconut presser was made of high quality stainless steel and included a hydraulic jack.<sup>22</sup> The company offered two types of starter packages; the first had an input capacity of 400 coconuts per day, while the second package had the ability to process 800 coconuts per day.

To encourage his clients to purchase the packages, Custodio promised to help them market their VCO. His clients had the option to sell 30% of their production to Custodio during their initial year of operation.<sup>23</sup>

#### *Price*

The prices of finished goods from Green Fields Coco Products were based on market prices. The firm adopted two price schemes, one for wholesale, and one for retail with Php 20-40 (USD 0.43-0.86) price differentials across all VCO products. Wholesale prices were offered to its *pasalubong* centers as well as to customers buying at least 12 units.<sup>24</sup> VCO was a high-value commodity; its price was 10 times higher than raw coconut.<sup>25</sup>

The VCO starter package with the capacity to process 400 coconuts per day was offered at Php 65,000 (USD 1,401), while the second package that processed 800 coconuts a day cost Php 118,000 (USD 2,543).<sup>26</sup>

#### *Promotion*

The promotion and advertising activities of the firm were limited. Information was disseminated through free online advertisements and e-mail campaigns. These campaigns focused on promoting the VCO starter packages. Custodio also promoted the company when he was invited to speak at seminars.<sup>27</sup>

At market outlets, product labels were the only company identification available to buyers. Custodio used to provide more detail at trade fairs, but in recent years, he had rarely attended the fairs because he could not find the time. There was very little attention paid to VCO products online.<sup>28</sup>

#### *Place of Distribution*

The VCO products were mainly sold in *pasalubong* centers in Aurora, Bulacan, and Nueva Ecija. The products were delivered using Custodio's personal car. The key customers of the *pasalubong* centers were tourists and owners of massage centers. The *pasalubong* centers featuring Green Fields Coco Products had display racks similar to the one shown in **Appendix D**. There were also some buyers who bought directly from the production site in Guiguinto, Bulacan.<sup>29</sup>

On the other hand, the VCO starter packages found their way to markets in the Visayas and Mindanao islands, mainly through referrals from previous clients. The firm had two kinds of customers for the VCO starter packages: institutional buyers like local government units and individual businesses.<sup>30</sup>

#### **Finance**

Custodio started his business with an initial investment of Php 200,000 (USD 4,311), which came from his earnings while working abroad. This was used to purchase equipment and other materials during the start-up period. Driven by his dream to expand the business with the production of starter packages, Custodio availed himself of loans. Fortunately, earnings from the business also helped to pay for the expenses of the expansion.<sup>31</sup>

### **The Virgin Coconut Oil (VCO) Industry**

---

Customers were impressed with the quality of VCO and its many benefits which led to the creation of high value niche market for VCO processors. According to the Philippine Coconut Authority (PCA), in 2015, there were 20 PCA-registered VCO manufacturers/exporters in the Philippines.<sup>32</sup> Data from the United Coconut Associations of the Philippines showed that Philippine VCO exporters were able to generate USD 19.8 million from the export of 4,409 MT in March 2015. Data from the same organization indicated that volume had shot up by 107.8% (2,122 MT) from March 2014. The leading market for Philippine VCO was the U.S., registering 3,339 MT (or a 75.7% share). Following the U.S. were Canada at 457 MT (10.3%), Japan at 235 MT (5.3%), Germany at 183 MT (4.1%), the United Kingdom at 107 MT (2.4%), and a dozen others with a combined volume of 87 MT (2.2%).<sup>33</sup>

## Hampered Growth

---

"I cannot come due to a prior commitment," explained Custodio.

He had been invited by the provincial director of DTI to attend the national trade fair in Manila. But due to his busy schedule, he had to decline yet another invitation. Unfortunately, the growth of the business was put on hold when Custodio had to decline such invitations. He had experienced a substantial decrease in sales of VCO products since 2012. From 2014 to 2015 alone, there was an average drop of 39.43% in sales across all plain and scented VCO products (see **Exhibit 1**). Sales per product during 2014-2015 are shown in **Appendices E and F**.<sup>34</sup>

### Exhibit 1

Sales of Green Fields Coco Products' Plain and Scented VCO, 2014-2015

YEAR	PLAIN VCO (units)		SCENTED VCO MASSAGE OIL (units)	TOTAL VOLUME SOLD (L)
	250 ml bottle	150 ml bottle	100 ml bottle	
2014	1,664	4,198	7,043	1,750
2015	940	2,600	4,350	1,060
<b>Percentage Change</b>	<b>(43.51%)</b>	<b>(38.07%)</b>	<b>(38.24%)</b>	<b>(39.43%)</b>

Source: Ernesto Custodio, Jr. Personal interview. 30 Apr. 2016.

While Custodio knew that he had to do something, his limited budget and preoccupation with the starter package side of the business did not afford him the most cost-efficient promotion strategy for small businesses. He had to sacrifice the prospect of meeting potential buyers who could bring his VCO products to international markets.<sup>35</sup>

Despite its more than 10 years of existence, Green Fields Coco Products had seen no substantial shift in its products' life cycles. The company had not made the leap from the introduction to the growth stage; it was still experiencing marketing challenges.<sup>36</sup> During the past two years, the company remained dependent on the VCO starter packages to sustain its operations.<sup>37</sup>

## On the Way to Recovery

---

Custodio was disappointed that sales of Green Fields' VCO products had declined in the last two years. Instead of exporting to the international community as part of a growing niche market as he had hoped, Green Fields Coco Products was facing a quandary as to how to improve sales in its home country.

What was the root of the declining sales performance of his VCO products? What strategy should be in place to solve the marketing concerns of the company? These were pressing issues in Custodio's mind. He knew he had to act promptly to sustain the operations of his company, but he did not know where to begin. He would roll up his sleeves and devise a better plan once he returned to Guiguinto, Bulacan. Custodio got in the car and gave his driver instructions to drive him back to his processing center. He leaned back and closed his eyes. As he drifted off to sleep, again he was dreaming about export opportunities that had yet to materialize. When would his dream become reality?

## Appendix A

### Green Fields Coco Products' Plain VCO



Source: Green Fields Coco Products

## Appendix B

### Select Green Fields Coco Products' VCO Massage Oil Scents



Source: Green Fields Coco Products



### Appendix C

#### Equipment Included in the Green Fields Coco Products' VCO Starter Packages

##### VCO Processing Equipment



**Coconut grater**



**Coconut presser**

*Source: Green Fields Coco Products*

## Appendix D

### Display Rack at Bulacan Pasalubong Center



Source: Green Fields Coco Products

### Appendix E

Green Fields Coco Products' Monthly VCO Sales by Category, 2014

MONTH (2014)	PLAIN VCO (units)		SCENTED VCO MASSAGE OIL (units)	TOTAL VOLUME SOLD (Liter)
	250 ml bottle	150 ml bottle	100 ml bottle	
January	140	360	610	150
February	180	480	830	200
March	170	504	919	210
April	185	433	688	180
May	130	348	603	145
June	120	252	372	105
July	128	288	448	120
August	100	264	454	110
September	96	238	403	100
October	130	312	507	130
November	125	335	585	140
December	160	384	624	160
<b>TOTAL</b>	<b>1,664</b>	<b>4,198</b>	<b>7,043</b>	<b>1,750</b>

Source: Green Fields Coco Products

**Appendix F**

Green Fields Coco Products' Monthly VCO Sales by Category, 2015

MONTH (2015)	PLAIN VCO (units)		SCENTED VCO MASSAGE OIL (units)	TOTAL VOLUME SOLD (Liter)
	250 ml bottle	150 ml bottle	100 ml bottle	
January	90	286	346	100
February	90	240	415	100
March	110	290	490	120
April	120	270	395	110
May	105	249	464	110
June	70	156	391	80
July	58	172	297	70
August	60	184	374	80
September	56	220	430	90
October	60	200	350	80
November	58	150	230	60
December	63	183	168	60
<b>TOTAL</b>	<b>940</b>	<b>2,600</b>	<b>4,350</b>	<b>1,060</b>

Source: Green Fields Coco Products

## Endnotes

---

- 1 Custodio, Ernesto, Jr. Owner of Green Fields Coco Products. 30 Apr. 2016.
- 2 Custodio. 30 Apr. 2016.
- 3 Dela Cruz, Anne Ruth. "Virgin Coconut Oil: Why it's Hot?" *Entrepreneur Philippines Magazine*. Dec. 2006.
- 4 Custodio. 30 Apr. 2016.
- 5 Custodio. 30 Apr. 2016.
- 6 Custodio. 30 Apr. 2016.
- 7 Custodio. 30 Apr. 2016.
- 8 Custodio. 30 Apr. 2016.
- 9 Custodio. 30 Apr. 2016.
- 10 Custodio. 30 Apr. 2016.
- 11 Custodio. 30 Apr. 2016.
- 12 Custodio. 30 Apr. 2016.
- 13 Custodio. 7 July 2016.
- 14 Custodio. 30 Apr. 2016.
- 15 Custodio. 30 Apr. 2016.
- 16 Custodio. 7 July 2016.
- 17 Custodio. 7 July 2016.
- 18 Philippine Coconut Authority. "Coconut Processing Technologies: Virgin Coconut Oil Processing." Accessed 7 July 2016. <[http://www.pca.da.gov.ph/pdf/techno/virgin\\_coconut\\_oil.pdf](http://www.pca.da.gov.ph/pdf/techno/virgin_coconut_oil.pdf)>
- 19 Custodio. 30 Apr. 2016.
- 20 Web MD. "Coconut Oil Overview Information." Accessed 19 July 2016. <<http://www.webmd.com/vitamins-supplements/ingredientmono-1092-coconut%20oil.aspx?activeingredientid=1092>>.
- 21 Custodio. 30 Apr. 2016.
- 22 Custodio. 30 Apr. 2016.
- 23 Custodio. 30 Apr. 2016.
- 24 Custodio. 30 Apr. 2016.
- 25 Custodio. 30 Apr. 2016.
- 26 Custodio. 30 Apr. 2016.
- 27 Custodio. 30 Apr. 2016.
- 28 Custodio. 30 Apr. 2016.
- 29 Custodio. 30 Apr. 2016.
- 30 Custodio. 30 Apr. 2016.
- 31 Custodio. 30 Apr. 2016.
- 32 Email from Philippine Coconut Authority. 29 Sep. 2015.
- 33 United Coconut Associations of the Philippines. "Performance of PH's Top Non-Traditional Coco Exports in March." 13 Aug. 2015. Accessed 18 May 2016. <<http://ucap.org.ph/news-and-events/performance-of-phs-top-non-traditional-coco-exports-in-march/>>.
- 34 Custodio. 30 Apr. 2016.
- 35 Custodio. 30 Apr. 2016.
- 36 Custodio. 30 Apr. 2016.
- 37 Custodio. 30 Apr. 2016.