

Starting A Business



**HOW TO MAKE
VIRGIN COCONUT OIL**

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Virgin Coconut Oil (VCO) is oil obtained from the fresh, mature kernel of the coconut either by natural or mechanical means, with or without the use of heat, without undergoing chemical refining, bleaching or deodorizing and which does not lead to the alteration of the nature of the oil. It is an oil which is suitable for consumption without the need for further processing.

Advantages/Benefits of Virgin Coconut Oil

- Cholesterol, chemical, additive free
- Less prone to rancidity
- Loaded with anti-oxidants
- Improves digestion and nutrient absorption
- Can be used as a moisturizing cream, lip balm
- Ideal for aromatherapy massage oil
- Actively builds and strengthens body's immune system due to high lauric acid content

I. ESTIMATED INVESTMENT COSTS

A. Cost of Utensils

Items	Cost
Cheese cloth (<i>katsa</i>)	P 50.00
Measuring cup/spoon for liquid	40.00
Ladle	35.00
Funnel	30.00
Subtotal	P 155.00

B. Cost of Equipment

Items	Cost
Makeshift Grater (<i>kudkuran</i>)	P 1,000
2 pcs. Cooking Pans (Makeshift Double Boiler)	700.00
Mechanical Coconut Grater (optional)	16,000
Coconut Milk Press (optional)	17,000
Subtotal	P 34,700.00

C. Cost of Raw Material/Packaging Material

Items	Cost
Raw Material:	
Mature coconuts (Big)	P 10.00
Packaging Materials:	
250 ml plastic bottle with cap	10.00/pc
Bottle label	1.00/pc
Cap seals (1000 pcs)	140.00
Cap seal blower or Heat Gun (optional)	2,000
Subtotal	P 2,161.00
ESTIMATED TOTAL INVESTMENT COSTS	P 37,016.00

* Estimated investment costs based on March 2009 prices

II. PROCEDURE

(Fermentation Method for 1 liter of VCO)

1. Select at least 15 mature and good dehusked coconuts (12-13 months). Make sure that the dehusked shell is intact and has no breakage and that there is water inside the coconut. To test, shake it.
2. Split the shell into halves, remove the water and grate the coconut meat either manually or with a mechanical grater (*kudkuran*). Or you can have this done in your neighborhood market when you buy your coconuts.
3. Collect the grated meats together then extract the coconut milk by hand or by using a coconut milk press if available.
4. Strain the first coconut milk through a cheese cloth (*katsa*) to separate the sediments then set aside.
5. Do a second extraction by mixing the coconut residue or "sapal" obtained after the first extraction with hot water at a ratio of 2 parts "sapal" to 1 part water.
6. Mix well and extract coconut milk from the mixture again by hand or by coconut milk press.
7. Strain again with a cheese cloth (*katsa*).
8. Mix the coconut milk from the first extraction with that obtained from the second extraction.
9. Let the mixture stand for 36-48 hours to separate the cream from the skim milk. Part of the oil will also start to separate after 6 hours of setting.
10. Separate the cream (top layer and oily portion) from the skim milk (bottom layer and watery portion).
11. Remove the oil by decanting.
12. Filter the oil with the use of filter paper to remove the sediments/impurities.
13. Evaporate moisture at low heat using a makeshift double boiler and simmer for 15 minutes to ensure that all the residual moisture adhering in the surface of the oil will be removed. Let cool.
14. Place the oil in a very dry container for storage.
15. Store in a cool dry place. Avoid direct sunlight for the oil to stay. Shelf life is good for 90 days.

Decantation is a process for the separation of mixtures, carefully pouring a solution from a container in order to leave the precipitate (sediments) in the bottom of the original container.

Rancidity – refers to changes in odor and flavor associated with deterioration of lipids.

Market Prospects of Virgin Coconut Oil

- Increase in consumer demand for functional foods and organic products
- Acceptance of herbal/natural medicine as alternative products to complement, if not replace, synthetic drugs

VIRGIN COCONUT OIL

- Increasing demand for safe, efficacious and quality natural therapeutic products
- Growing awareness on the value of food and nutrition in preventing diseases

III. ESTIMATED COSTING AND PRICING (Backyard Production of 1 liter of VCO)

A. Product Costing

Direct Cost

Particulars	Cost
Raw Material (15 mature coconuts)	P 150.00
Packaging Materials (For 1 liter VCO or 4 bottles of 250 ml)	44.56
Labor Cost (P382/day min. / 20 liters of VCO)	P 19.10
Total Direct Cost	P 213.66

Indirect Cost

Particulars	Cost
Transportation Cost	7.50
Water and Electricity	10.00
Contingency Cost (10% of direct cost)	19.45
Total Indirect Cost	P 36.95

* Estimated cost based on 1 liter of Virgin Coconut Oil

Production Cost

Particulars	Cost
Total Direct Cost	P 213.66
Add: Total Indirect Cost	36.95
Estimated Production Cost per liter	P 250.61

Product Pricing (1 liter bottle)

Particulars	Cost
Estimated production cost per liter	P 250.61
Add: 10% markup of the production cost	25.06
Selling Price per Liter	P 276.00
Less: Production cost	251.00
Estimated Net Income (1 liter bottle)	P 25.00

Product Pricing (250 ml bottles)

Particulars	Cost
1 Liter = 4 bottles of 250 ml VCO x Php100.00 per bottle	400.00
Less: Production Cost	251.00
Estimated Net Income (250 ml bottles)	Php 149.00

Assumptions

- 15 fully mature dehusked coconuts = 1 liter VCO
- Selling price per 250 ml bottle is Php 100.00
- Fermentation is 36-48 hours
- Labor cost is computed based on 20 liter/day production of VCO

IV. REGISTRATION REQUIREMENTS

1. Business Name Registration

Department of Trade and Industry (DTI) within NCR

- a) 2/F, Atrium of Makati Bldg. Makati Avenue
corner Paseo de Roxas St., Makati City
Tel. No. (632) 864.0847 / 501.5135
- b) 2/F Park N' Ride, Lawton, P. Burgos Ave., Dr. Basa St.
Ermita, Manila
Tel. No.: (632) 536.7153
- c) G/ F, Highway 54 Plaza, EDSA
Mandaluyong City (across SM Megamall)
Tel. No.: (632) 706.1767
- d) 5/F Araneta Square Mall
Monumento Circle, Caloocan City
Tel. Nos.: (632) 332.0854 / (632) 332.0829
- e) 208, 2F Atrium Building
Makati Avenue, Makati City
Tel. No.: (632)864.0847

DTI office in the province where the business is located
Validity: 5 years

2. Mayor's Permit

Municipality or city where the business is located

3. Tax Identification Number (TIN)

Bureau of Internal Revenue

BIR National Office Bldg.

Agham Road, Diliman, Quezon City

Trunkline: (632) 981.7000 / 981.8888

Email: contact_us@cctr.bir.gov.ph

Website: www.bir.gov.ph

BIR Regional or District office where the business is located

V. FINANCING

1. People's Credit and Finance Corporation

Microfinance Program

2/F, Accelerando Bldg., 395 Sen. Gil Puyat Avenue

Makati City

Email: corcom@pcfc.ph

Tel. No.: (02) 897.8521 loc 291 / 752.3745

Fax No.: (02) 325.0448 / 325.0449

Website: www.pcfc.gov.ph

(retail lending is through partner microfinance institutions)

VI. TECHNICAL ASSISTANCE

1. Department of Agriculture (DA)

Philippine Coconut Authority
Product Development Department
Elliptical Road, Diliman, Quezon City
Email: pca_cpo@yahoo.com.ph
Tel. No.: (02) 928.8741 to 45
Website: www.pca.da.gov.ph

Source:

Philippine Coconut Authority, "Seminar and Techno-Demo on Coconut Processing Technologies"