

Coconut Pipeline – Danish-Vietnamese Joint Venture

Prosperity Initiative is continuously looking for business opportunities in various sectors in the Mekong region that can have large scale poverty impact.

Prosperity Initiative has identified a joint venture between a Vietnamese partner and a Danish company to set up a coconut fibre processing factory. The venture will consume almost 10,000 Mt of coconut fibre, approximately 10% of the total production of fibre in Ben Tre. The total size of the investment is approximately 10million USD, with the Danish expected to contribute up to 6-7 million USD. Since the Vietnamese partner is unable to contribute the remaining balance, Prosperity Initiative has been helping the company look for another investor to obtain the sufficient amount of investment required.

Prosperity Initiative's assistance so far on this potential intervention includes discussions with the Grassroots Business Fund (GBF), developing a feasibility study on the venture, working with coconut farmers to improve their linkage to the venture to ensure secured long term supply of materials and working with local agencies to develop policies favourable to the business operation.

If an investment partner is secured, Prosperity Initiative predicts that replication will occur in 18 months subsequent to the launch of the venture. Due to the high investment amount required, replication can be achieved by 1-2 businesses with a total capacity of 50% of the first mover. We anticipate that the first mover and replicators will be successful given the cost advantage in fibre processing and the application of high technology in the production process. High demand of fibre should push the coconut price up 10% from 2,500 VND/coconut in 2009.