

Coconut sector experiencing an all time high price rise

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Coconut farmers are more confronted with market-related difficulties such as low and highly fluctuating prices and difficulty to find favorable market outlets for their products rather than the technological challenges which result in low productivity in the farm. The failure to move up the global value chain and there by resisting the market pressure on domestic prices in an open economy environment was reported as one of the major causes of the price rigidity experienced in the coconut sector for a decade or so. Contrary to this, what we are witnessing in the coconut sector in recent times could be arguably termed as a price rise regime. A soar in prices of coconut and coconut products is observed now. The price of coconut oil is at Rs.223/kg which Rs.-124/kg 10 months ago, in the beginning of the year 2017 or an increase of 77.58 percentage over a period of 10 months. The price rise regime in case of coconut in recent times has certainly caused confusion among all the stake holders of coconut sector. Hence, it is pertinent to seek the reasons behind such a price escalation, especially after having experienced long time price stagnation. A variety of factors have contributed to the persistence of this price rise regime about which not much is still known. A modest attempt has been made to analyze some of these factors attributed to the price rise.

Price rise regime

The coconut market in India is always unstable and uncertain due to frequent fluctuations in prices. Usually fluctuation in price occurs due to change in market conditions created in response to seasonal and annual variation in production apart from competition from other edible oils particularly palm oil. Maximum price is reported in the month of November which is the lean production period and minimum price in April – May which is the peak production period. Both these seasonal variation in prices of coconut and coconut oil are more due to supply factors than due to demand factors. Usually, the magnitude of fluctuation is higher during lean period compared to peak period. As depicted in table.1 the price of coconut in January, 2017 was Rs. 2769 per quintal. The increasing trend continued during the year 2017 and has reached the an all time record price of Rs. 4950 per quintal by January 2018. Normally the price decreases in the peak production period, it is expected that, during

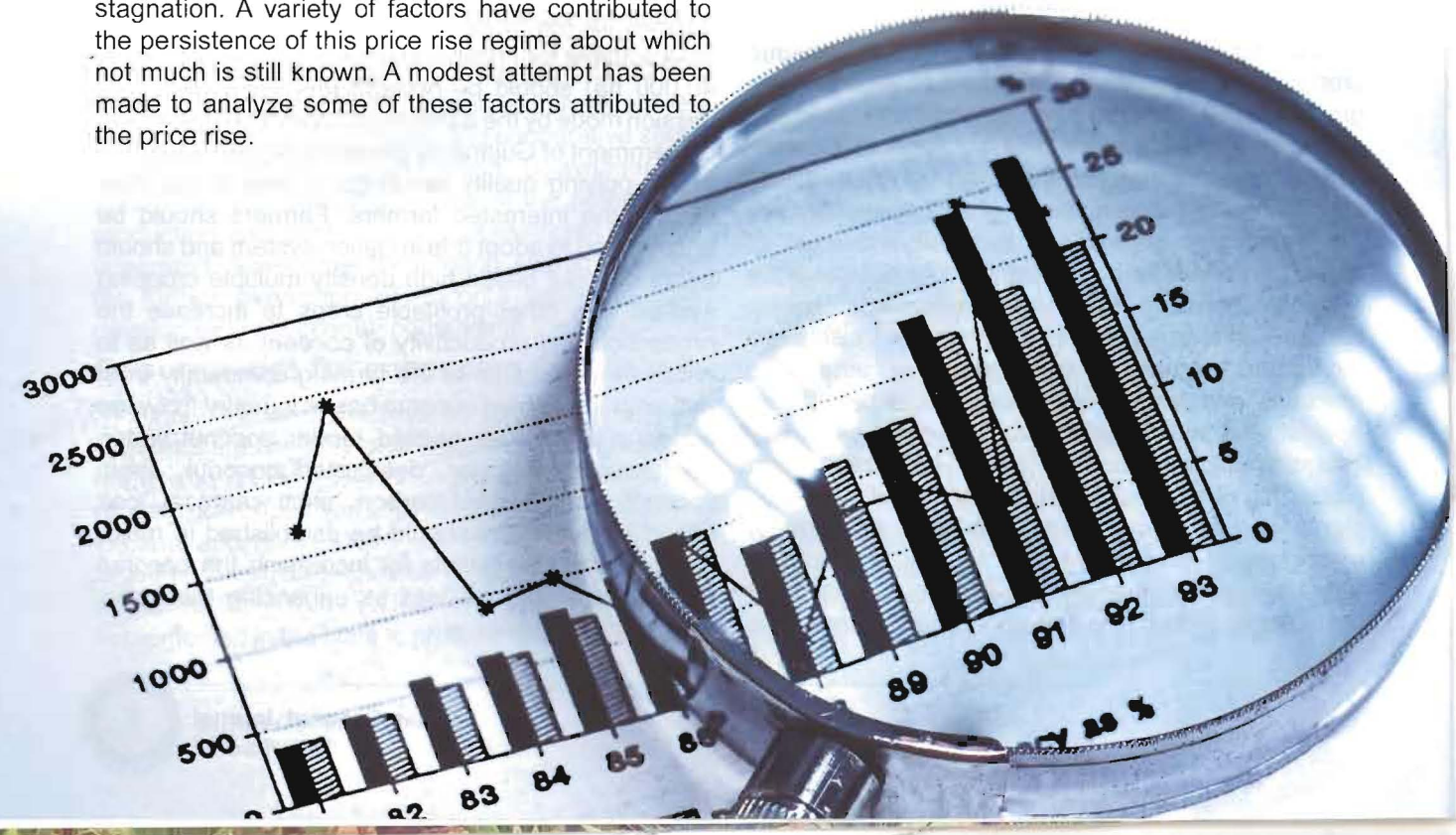


Table 1. Price trend in coconut and coconut oil

Sl. No.	Month	Coconut oil (Rs. per quintal) Kozhikode Market)	% increase in price of coconut oil compared to previous month	Copra(Rs.per quintal) Kozhikode Market)	% increase in price of copra compared to previous month	Coconut (Rs.per quintal) Nedumangad Market	% increase in price of copra compared to previous month
1	Jan-17	12440		8060		2769	
2	Feb-17	13892	11.67	8827	9.52	3375	21.89
3	Mar-17	13415	-3.43	8643	-2.08	3199	-5.21
4	Apr-17	14326	6.79	9163	6.02	3273	2.31
5	May-17	14312	-0.10	9123	-0.44	3210	-1.92
6	Jun-17	14444	0.92	9178	0.60	3150	-1.87
7	Jul-17	14881	3.03	9617	4.78	3150	0.00
8	Aug-17	16258	9.25	10517	9.36	3279	4.10
9	Sep-17	18091	11.27	11741	11.64	3829	16.77
10	Oct-17	18544	2.50	12042	2.56	4163	8.72
11	Nov-17	20179	8.82	13096	8.75	4500	8.10
12	Dec-17	21710	7.59	14158	8.11	4862	8.04
13	Jan-18	22092	1.76	14400	1.71	4950	1.81

the coming peak season, in April-May the decreasing trend is anticipated. The prices of coconut oil are touching the historic mark of Rs. 22092/quintal as the south Indian market is facing supply crunch of copra as well as coconut oil.

Growing demand and short supply have pushed coconut prices up several folds that they are being sold in kilograms and not per piece as it used to be. A kilogram which usually constituted two small-sized nuts is sold for Rs 60/- If it weighed about 600 grams it is sold at Rs35/- Farmers are of the opinion that the price of coconut has continued on upward trend ever since they started to sell it on weight basis. The supply to the market has dropped drastically as farmers were not getting good returns and drought had taken its toll on many thousands of acres of coconut farms in Tamilnadu. The traders say that this is not a phenomenon confined to Tamil Nadu, but even the other coconut-producing states like Kerala, Karnataka and Andhra Pradesh had seen production going down. Traders from these states were also coming to Tamil Nadu for stocks leading to the price hike. A coconut that sold for Rs 17 in August this year has been selling for Rs30 in February 2018 in the retail market. Another problem is that when coconuts are sold by weight, the ones that are not mature enough sell for more.

Major factors behind the price rise

Production related factors (Supply deficit)

At the domestic level, the price rise regime of coconut could be very well linked to the decline in production of coconut in major southern states, Kerala, Karnataka, Tamilnadu and Andhra Pradesh. Kerala's share in the total production of copra in the country has been declined to 46% from 90% fifteen years ago. The area under coconut has been shrinking continuously since the year 2000 due to various factors. Area under coconut has declined from 8,98,000 ha. to 7,70,000 ha. in Kerala during the period from 2005-06 to 2016-17. Shift in cultivation to other more remunerative crops, high cost of cultivation and low return from coconut, prevalence of pests and diseases like root wilt, budrot, etc could be attributed as the reasons for the negative growth rate in area and production of coconut in Kerala. It is also noteworthy that, being a land scarce economy with high land prices, Kerala faces the danger of diversion of land resources for other profitable ventures notably real estate and other development initiatives, rapid urbanization undergoing in the state which causes conversion of coconut area for housing and construction of commercial building, roads etc. Hence the magnitude of shortfall in production in



Kerala, the major coconut producing state is much higher than the earlier estimate because of reduction in area.

Constraints hampering production

The coconut sector is confronted with a number of challenges which has resulted in deterioration of production environment and productivity. Fragmented holdings, scattered production, the homestead nature of cultivation, incidence of pests and diseases and the large stock of senile palms are the major constraints in coconut cultivation. Lack of adoption of scientific cultivation practices including balanced nutrient management is one of the reasons for declining productivity trends in some regions of the country. Coconut palm is infested by a number of pests and diseases. Some are lethal in nature while others reduce the production potential of the palm. Root (wilt) disease has adversely affected coconut production throughout Kerala and is spreading to nearby states like Tamil Nadu and Karnataka also. Apart from this, the bud rot disease, pests like eriophyid mite, red palm weevil, rhinoceros beetle and white fly also have adverse effect on production of coconut. The incidence of pests and diseases in coconut is increasing due to the constraint that most of the plant protection operations are to be carried out at the crown. This makes the process tiresome coupled with the old/ senile and uncared palms due to absentee landlordism served as breeding sites for the insects and pathogens.

The fact that coconut sector in the country is dominated by millions of small and marginal farmers and mainly confined to the economically and ecologically vulnerable regions, plays a crucial role as far as the production is concerned. In the long term context, the major challenge is to produce enough to meet the growing demand under changing climate conditions, the dwindling agricultural land/water and other natural resources and skilled labourers. Recurring drought as well as emergence of new pests and diseases in majority of the coconut growing regions, necessitates development of strategies for drought mitigation and pest management. There is a need to develop sustainable production systems along with proper management practices for judicial

utilization of the harvested water in conjunction with the available ground water. It also necessitates identification of genotypes perform well under extreme high and low temperatures.

Non-availability of sufficient quantity planting materials of new and improved high yielding varieties is one of the major problems faced by the farmers who are interested in coconut cultivation. Dearth of skilled labour for farm operations including harvesting, plant protection measures, crown cleaning, etc. are another reasons for lesser productivity. The natural calamities like droughts due to deficit monsoons, cyclones, and climate change affect the coconut production and productivity.

Besides the low price prevailed in the last few years, shortage of labour, high wages and incidence of diseases have caused negligence of this crop by the farmers and resulted in decline in production. The change in climate pattern and shortage of labour had also affected the crop management in the state. Rain fed nature of the crop is considered as one of the major reasons for low productivity of coconut in major coconut growing states. There is ample scope for wider adoption of irrigation system in the country especially in areas where rain fall is scanty and water is the limiting factor and thereby enhances the production and productivity of coconut.

Surging industrial demand

Low level use of coconut for value addition is another challenge faced by coconut industry in India. Out of the total production of coconut in the country, about 45 percent is used as mature nuts, 39 percent is used for copra and 16 percent is consumed in the tender form for drinking purposes. Ninety percent of the mature raw nuts are consumed for domestic purpose and a meager ten percent is absorbed by the industry for converting into value added products like desiccated coconut, coconut milk/cream/powder and other products. In order to upgrade into a commercially vibrant sector, there is an urgent need to restructure the existing consumption pattern through providing more emphasis on value added coconut products.

The introduction of Technology Mission Programme on coconut by Coconut Development Board since 2001-02, has given adequate emphasis on product diversification and market promotional activities in coconut sector. 439 new coconut



Table - 2 : Coconut Processing units assisted under TMOC (2002-2016)

Sl. No.	Product	No. of units	Capacity (Million Nuts per year)
1	Copra & Coconut oil	105	1221.07
2	Desiccated coconut powder	103	1011.45
3	Virgin Coconut Oil	54	216.56
4	Ball copra	47	20.94
5	Activated Carbon from Coconut Shell	31	75904 MT/Year
6	Tender Coconut processing unit	25	138.6
7	Coconut Shell charcoal	25	43115 MT/Year
8	Neera processing unit	11	22260 Kilolitre/year
9	Coconut Shell Powder	18	60976 MT/Year
10	Coconut Chips & other products	11	3.09
11	Coconut Vinegar	06	19860 Kilolitre/year
12	Coconut Milk & Milk Powder	03	16.50
Total		439	2628.21 Million nuts/year



processing units with capacity to process more than 2600 million nuts per year has been established under the programme for value addition and by product utilization and thereby extended opportunities for diversification of coconut products. 25 tender coconut water preserving and packing units were established with capacity to process 138.6 million tender nuts per year. More over, 103 desiccated coconut powder units with capacity to process 1221 million nuts per year, and 54 virgin coconut oil production units with capacity to process 217 million coconut per year have also been established. These kernel based products have undoubtedly helped to improve the price of coconut to a certain extent by shifting the normal pattern of pricing depending on coconut oil (Table- 2). The increase in consumption of tender coconut water could be attributed as another reason for increase in trend in price shown during the last peak season. Aggressive promotional activities have also created awareness on the health aspects of coconut products and as a result, enhanced market potential for coconut products both in domestic and international markets.

Coconut oil production happens to be the major area which depends on the annual coconut production. With the development taken place as a result of implementation of TMOC scheme, production and export of dedicated coconut, multi-filtered packed and branded coconut oil production, Virgin coconut

oil, ball copra, coconut milk powder, packaged tender coconut water have increased many fold during the last five years. Currently it is the buying support from the branded coconut oil segment which is keeping the prices at reasonably higher level. Many consumers have moved from loose to branded oil for purity and safety. This could be another reason for rise in demand of copra and coconut. Short supply and a sharp rise in demand have led to increase in prices of coconut oil which to a large extent determines the prices of coconut.

Through this paper an attempt is made to characterize the price rise in coconut sector during the past one year and also delineated the major possible reasons behind the price rise regime. The analysis revealed that steep rise in coconut price associated with less supply due to decline in productivity and high demand for export and processing units within the country. In a nut shell the major reasons could be attributed to the recent price escalations that are the supply deficits and surging industrial demand. Nevertheless, the insufficient stock to cater to large industrial demand and delicate demand-supply balance will keep the prices firm at least for a short period. However a systematic study on the various factors associated with the rise in coconut price is required to prove the extent to which the above factors affect the magnitude of rise in price of coconut and its sustainability. ■