

Coconut Points for better market and better income

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Coconut, one of the most promising agricultural crops, is providing a wide range of beneficiary means for progress to the agriculture sector of the country. There are several Farmer Producer Organizations (FPOs), functioning in India. FPOs are the collectivization of producers, especially small and marginal farmers, which forms producer organizations, the legal entity that manufacture and market coconut value added products. Once the FPOs start the production of value added products, the next step is to focus on the means to increase and improvise the reach of their products. How to effectively market the products among the customers was the first and foremost dilemma experienced by most of the newly formed FPOs. Coconut Points were the novel concept mooted by Coconut Development Board which is widely accepted by the FPOs

Coconut point is an outlet or kiosk of Coconut Producer Companies (CPCs) or Coconut Producer

Federations (CPF) where they can sell all the coconut based value added products manufactured by the respective CPC or CPF under a single roof. It is more like a retail outlet like supermarkets where all products are made available, all under a roof. But in coconut points, only coconut and its value added products are available.

Coconut Points clearly help both buyer and seller. Customer will get all the products at one place and seller can find a safe market for his products. Coconut points provide the customer with the entire gamut of coconut value added products including neera, coconut oil, coconut neera jaggery, virgin coconut oil, coconut biscuits, neera honey, coconut chips, coconut milk powder, coconut vinegar, desiccated coconut powder, coconut chutney powder, coconut pickle, coconut chocolate, coconut halwa etc.

In business terms, it can be taken of as vertical forward integration which means integrating the business to the next higher level of activity. That means a manufacturer decides to perform distribution and /or retail functions within the distribution channel. This is commonly referred to as eliminating the middle man, as manufacturers may avoid the wholesaler to sell directly to retailers or the retailer to sell directly to customers. Many successful companies like Amul have taken the path of forward integration as a part of their business strategy to take advantage of marketing of the products by themselves.

Forward integration benefits

Forward integration by means of coconut points will be beneficial for FPOs. A common benefit of forward integration is that manufacturers can reduce steps in the distribution process and sell higher up in the distribution process. This can benefit both the manufacturing firm and the retailer or customer it sells to because one step--and one mark-up--has been passed over.

One of the main advantages sought by companies that get into vertical integration is more control over the value chain. When retailers decide to acquire or develop a manufacturing business, they get more control



over the production part of the distribution process. Similarly, when a manufacturer performs distribution or retailing activities, it has more control over the way the product is presented and at what prices it is sold in the market.

Forward vertical integration also offers significant ability to control costs throughout the distribution process. In the traditional distribution process, every step in product movement involves mark-ups so the reseller can earn profit. By selling directly to the end buyers, manufacturers can remove one or more steps of mark-ups along the way. A single entity managing the distribution process also has more ability to optimize the resource utilization and avoid wasted costs.

In the highly competitive market, a manufacturing company entering distribution or retailing field can gain direct access to the customer. It will be easier for a retailer to quickly adapt to changing customer needs if it owns the manufacturing or production firm that makes its products. Most importantly, the implementation of marketing strategy should be closely monitored and customer feedback should be collected on new products and existing products. Companies should always ensure that sufficient products are made available at the store. The feedback from customers collected should be informed or passed on to the processors for modification of processing and packing.

CDB's support for establishing Coconut Points

For setting up coconut points, CDB provide financial support to the FPOs in the form of subsidies. The Board will provide reimbursement of 50% of the cost incurred on infrastructure, purchase of furniture, cupboards, racks, signage, refrigerator, electrical installation etc limited to a maximum of Rs 1.5 lakhs. For availing this subsidy the CPFs /CPCs have to submit a detailed project report that explains in detail about the location of the kiosk, the space and structure of the outlet, the source of coconut products, the mode of operating and monitoring the outlet, the expected daily sales and the economic viability of project.

Way forward

During the initial phase, CDB is planning to establish 1000 coconut points in Kerala and expand the process by establishing coconut points in other states in India as well. CDBs objective is to establish a retail network for coconut and coconut value added products across all the states, so as to make the products available throughout the country. A direct forward linkage of the units producing the products with the retail end will ensure



a shorter supply chain thereby the producer earning a greater share of consumer price.

In the second phase, CDB also plans to establish tie ups with marketing or sales institutional retailing networks like Marketing Federations, Consumer Federations etc to expand the marketability of the products. The added advantage of such a network is that the market development is less difficult since it can be initiated by catering to the stabilized consumer base the retail chain can offer.

The benefits of coconut points are self explanatory on how it is a better strategy for the FPOs. Currently, in India, 117 coconut points are already established with CDBs assistance and the number is likely to exceed by the end of 2016. This is solely because of the fact that coconut points provide a means to FPOs to market their products better and earn more and more income out of it. Evidently, it helps the income to reach the hands of farmers directly. Coconut point provides a wider opportunity for farmers and enables the companies to be mutually benefitted. As the companies can collect and sell the products in other coconut points or outlets of other FPOs on demand basis, the companies can get benefitted by each other.

Analysts say that having its own retail outlets can enhance a company's customer relationship and the value of the company is thereby raised. If extended as retail network, the mutual benefits it brings in are way beyond the expectations. Thus coconut points are the best available and best possible option till date for the overall well being of FPOs. The success story of Amul, which at present is having nearly 10000 retail outlets is also truly inspiring the success journey of coconut points. ■