20. Coconut Marketing: Problems, Prospects and Challenges

PRAFULLA K. DAS

INTRODUCTION

While India's coconut production constraints are fairly known, the problems associated with its processing and marketing are not yet clear to most of those who are concerned with the development of this crop. It is because of the fact that the production problems have been investigated in depth by different R & D organisations and discussed in various forums time and again, whereas there have been very little effort in undertaking organised studies on coconut processing and marketing. Besides this, one has to appreciate that the constraints in those areas are most complex in nature.

Being a smallholder crop, the problems in general could be characterised as non-viable size for processing and marketing, lack of access to post-harvest operations, credit and weak bargaining power to dispose of the produce at fair prices. But the specific problems are to be diagnosed to remedy them.

OBJECTIVES

The objectives of this paper are :

1) To identify specific problems in coconut marketing and processing sectors;
2) To find out various issues in connection with those problems; and
3) To suggest appropriate measures for solving those problems.

SCOPE

Since Kerala is by far the most important state in respect of coconut processing and marketing, the discussions in this paper are based on Kerala experiences. However, these scenarios, by and large, hold good under Indian context barring the places where tender nuts form the major part of coconut marketing.

DISCUSSIONS

I. COCONUT MARKETING:

The major issue is: What is wrong with the existing system? It is estimated that as large as 81 per cent of marketed surplus nuts in Kerala are sold to the middlemen by the farmers at their farm gates. Only 17.5 per cent of marketed surplus find their way through market outlets and the remaining 1.5 per cent are disposed of through the co-operative network. The farm gates are certainly not ideal places for marketing any produce for obvious reasons.

But one question could be raised here that if this system is bad, why has it grown up and why does it continue? It is not difficult to answer this question. One could see from Table 1 that the marketed surplus per holding every two months (after each biennial harvest) is only 110 nuts - a number economically not worthwhile to carry over long distance for disposal. Again with such

a small lot, the farmer finds himself at a disadvantageous position to bargain for fair price with the merchant in assembling market. Other compelling factors like pre-harvest contract and inaccessibility to market give rooms for sales at garden.

Under these situations, the middlemen abuse their positions by resorting to various types of malpractices. They collect, for example, 5 to 8 nuts per 100 nuts towards trade allowances. They also make some sort of arbitrary discounts on agreed rate under the pretext of undersized and immature nuts. It is, however, noticed that unlike other places the exploitation of Kerala farmers by the middlemen does not take any alarming proportion because of the presence of enlightened mass here. Whatsoever it may be, the existing system is inefficient in itself and our goal to improve the farmer's share of the consumer's money calls for a new approach to coconut marketing.

II. COCONUT PROCESSING :

In India, the processing of nuts is mainly confined to milling copra of about 3,50,000 tonnes; and edible cup copra and ball copra of some 50,000 tonnes per annum. Kerala alone accounts for 95 per cent of milling copra production in India. Since coconut is the major source of income for the vast majority of smallholders in Kerala, depending on the exigencies they harvest immature nuts for sale. Such immature nuts when processed produce rubbery, torn and broken types of low grade copra. Moreover, the processing of nuts from the root (wilt) diseased palms yield similar type of inferior copra. This sort of copra obviously fetch lower prices.

Sundrying of split coconut cups being the cheapest and easiest way of copra making, more than 70 per cent of copra arrives the market during post-monsoon months thus leading to glut in the market and consequent decline in copra prices. There is no easy solution to this problem under the existing set up. It is observed that more than 5000 small scale copra makers are engaged in their occupation on traditional lines without much of institutional support, even though the contribution of this unorganised sector to copra market is of the order of some 85 per cent. The remaining 15 per cent of copra come from the coconut growers and their co-operatives. Neither the professional copra makers, nor the growers have access to the requisite working capital to stock copra for demand-supply adjustment. Besides this, copra being hygroscoping in nature, improper storage leads to further deterioration of the quality of copra. One could notice mouldy patched, discoloured, putrid and insect ridden copra in market places largely due to storage problem.

Lack of facilities for copra making at a lower cost during the monsoon months is another dimension of coconut processing problems. Some professional copra makers take to kiln drying in rainy season, but in order to avoid higher cost of processing they resort to underdried copra with more than 6 per cent moisture. This necessitates further drying at the merchant level before it is sold in the secondary market. Most of the kilns are not designed properly. Hence they result in oversmoked copra which is another undesirable quality for extracting good flavoured oil.

On the other hand, scientifically designed hot air dryers which are available for quality copra making in monsoon seasons are not in demand, because of the absence of incentive for investment in drying epuipment and premium for better quality copra.

As the moisture contents of varying types of copra vary considerably due to the use of nuts at different stages of their maturity and also due to different types of processing and handling the copra merchants take advantage of the situation in absence of proper method of copra moisture determination and make very arbitrary deduction in setting the price for copra.

The Technology Division of the Central Plantation Crops Research Institute (CPCRI), Kasaragod has, however, recently come out with a copra moisture meter to remove this constraint. The Kerala State Warehousing Corporation is now using 30 sets of moisture meters in the field for procuring copra from various agencies under NAFED scheme. This device needs institutional support for popularisation and large scale field application so that the poor farmers with meagre resources could get reasonable price for their produce.

III. COPRA PROCESSING :

Though Kerala produces about 95 per cent of milling copra, only 50 per cent of it get crushed into oil in this State and the rest enter into the interstate trade for milling elsewhere particularly in Bombay, Calcutta and Madras. This is a situation when only 30 per cent of 5,50,000 tonnes available crushing capacity created through 79 small expeller units, 1009 rotary units and a large number of *ghani* or *chekku* in Kerala is presently utilised. It looks strange but it is true because of some of the factors, namely, the shortage of working capital, lack of sufficient local absorption capacity for coconut oil and oilcake, relatively higher operational costs and unfavourable tax structure prevalent in Kerala State. Further, most of the crushing mills in Kerala are now at obsolete stage. Thus the recovery of oil from copra here by and large is lower than that of the new and large expellers and solvent extraction units installed in Bombay and other places. Since the oil recovery is more and labour is cheap, the unit cost of processing is less outside Kerala. The vibrant oil and oil cake markets of Bombay and Calcutta are so uniquely placed that the oil traders happily buy available copra from Kerala markets and transport them to their milling sites for a profitable business. On the other hand, Kerala is deprived of all the advantages of expanding oil industry for no valid reasons.

It is, however, a matter of serious concern that the Bombay millers set the price of coconut oil for India which in turn sets the prices for copra and coconut in Kerala. In other words, the producers of raw materials have no voice in price determination due to faulty policies and counter-productive actions. Table 2 shows the correlation coefficients (r) between average wholesale prices of coconuts, copra and coconut oil during 1970-86.

IV. PRICE INSTABILITY

The instability in coconut oil prices and the consequent instability in copra and coconut prices pose serious problems in coconut development sector. The wide fluctuations in the average annual wholesale prices (Table 3 and Fig. 1) and average monthly wholesale prices (Table 4 and Fig. 2) could be attributed to more than one reason. While the prospects of improved supplies of oilseeds and oils following favourable weather favour the lowering of prices, the apprehensions of unfavourable weather push the prices forward. The edible oil market in India is known for its highly speculative trade behaviour. Being used in both the edible and non-edible sectors, coconut oil price is more sensitive to substitutions. Though the price trend of coconut oil shows a general sympathetic movement with other oils (Table 5) no other reason than the speculation could be attributed to its sudden and violent changes at times. It is now realised that the product diversification can bring price stability in the long run, while the support price or market intervention price programmes can only give short run relief to this problem.

But, as long as the coconut smallholders are distintegrated or unorganised, any attempt to improve the marketing situations could be foiled by the well organised and strongly integrated trade sector for their vested interest. The issue before us now is: What are the policies and programmes that can put an end to the trading abuses? Should we go in for co-operatives or something else?

V. CO-OPERATIVES :

A review of the performance of co-operative institutions in India would reveal that these organisations have met with success or limited success only in some regions. They have done relatively better in the areas of agricultural processing and marketing than in the farming and credit sectors as a whole. The farming and credit societies have failed due to factionalism, but the marketing and processing societies have made some success only in specific regions because of the functional identity of members. This is a general picture of the co-operative movement in this country.

In the case of coconut marketing societies in Kerala the experience is not very much encouraging. A majority of them have become either sick or defunct not because of the lack of institutional supports but due to various other reasons. Despite the provision of fairly adequate infrastructure facilities in the field of processing and marketing of coconut and its products those societies are unable to compete with the private traders who are armed with various manipulative mechanisms of trade. Systematic tax evasion by the private business sector is perhaps the major single contributory factor which makes the co-operatives uncompetitive on the line. Another specific instance can be cited here to make the points clear to the reader. The private traders buy unhusked nuts from the growers, dehusk them for copra making and sell husks to some other private agencies at a much higher rate than that of the government fixed rate prescribed under husk movement order. On the other hand, the co-operative societies are bound by the government rules and regulations and they do not therefore, have the option to dispose of the husk at a higher rate. Consequently the members of the societies get a lower price for their nuts they sell to the co-operatives than what they could have otherwise received from the private traders for the same nuts. In other words, rigid organisational framework has made the co-operatives the institutions of disincentives and discompensation. It is also difficult to make compromises with conflict of interest amongst individuals and groups within a co-operative society, when the operational problems are many as in the case of coconut marketing and processing societies. It is however noticed that the co-operatives have tended to benefit most the resource-rich farmers or better off members who were in positions to take greater advantage of institutional supports and to benefit least the resource-poor or limited resource farmer or disadvantaged sector in the community commonly known as the weakest section. With massive efforts in the mobilisation of resources both from the centre and the state, the share of the co-operative sector in copra procurement in Kerala in the year 1986-87 was of the order of 7 per cent only. What impact this could make in price stabilization front?

VI. A CASE FOR GROUP ACTION :

We recommend group action based on spatial and functional considerations. Group projects are essentially different from co-operative institutions both in the structure and approach though there is uniformity in their philosophy and ideology to certain extent. Unlike co-operatives, group projects accommodate only cohesive socio-economic groups and allow operational and financial flexibilities for the convenience of each individual participant within the group. In essence, group actions are measures adopted by a group to provide its members with common benefits. Individual use of the common good or individual benefit derived from its existence merits its application in several areas of economic activities. As a matter of fact, of late an unprecedented trend towards group projects is observed in some of the developing countries like Taiwan, Thailand and the Philippines.

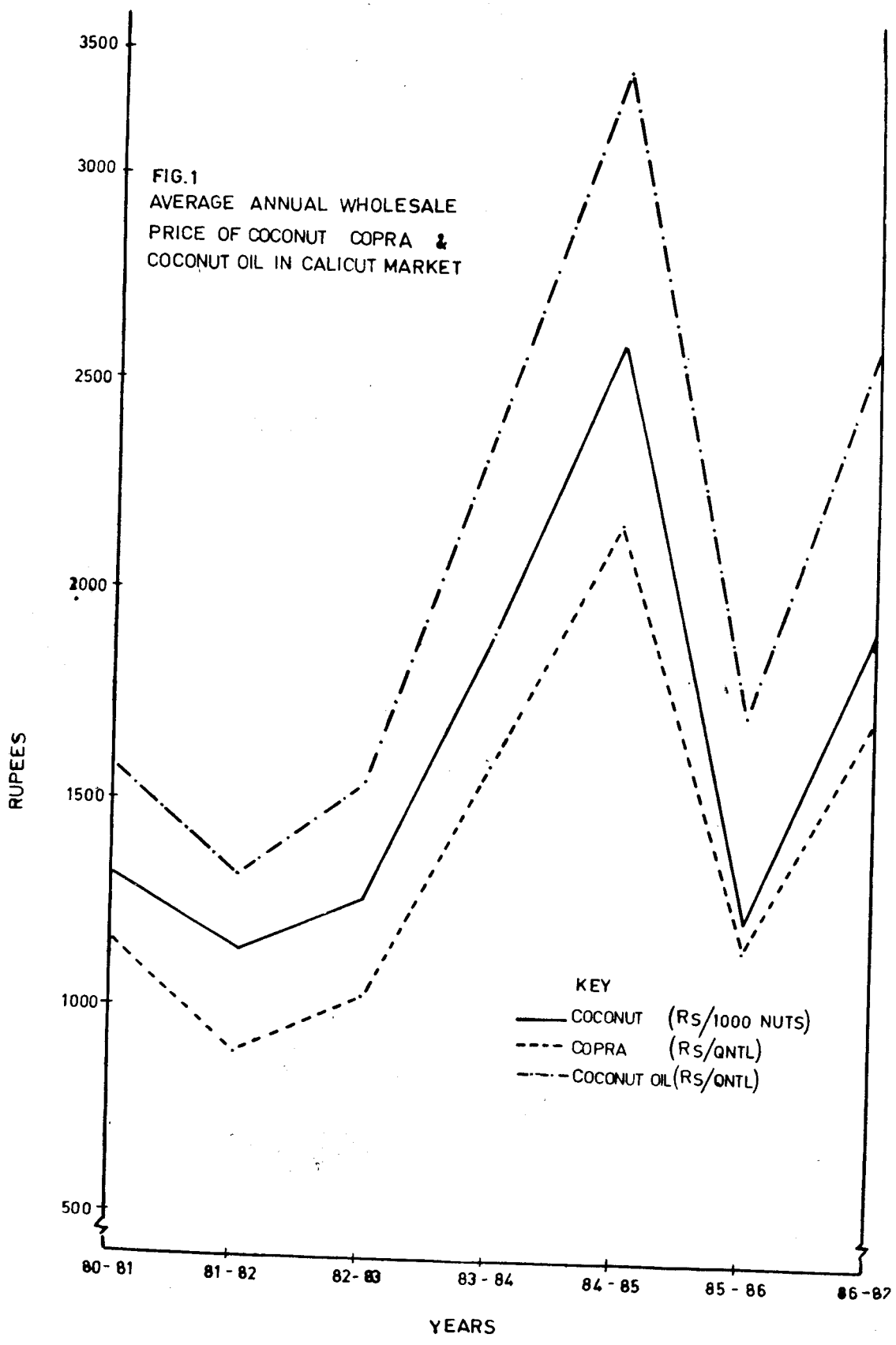
FIG.1
AVERAGE ANNUAL WHOLESALE PRICE OF COCONUT COPRA & COCONUT OIL IN CALICUT MARKET
RUPEES
3500
3000
2500
2000
1500
1000
500
KEY
COCONUT (Rs/1000 NUTS)
COPRA (Rs/QNTL)
COCONUT OIL (Rs/QNTL)
80-81
81-82
82-83
83-84
84-85
85-86
86-87
YEARS

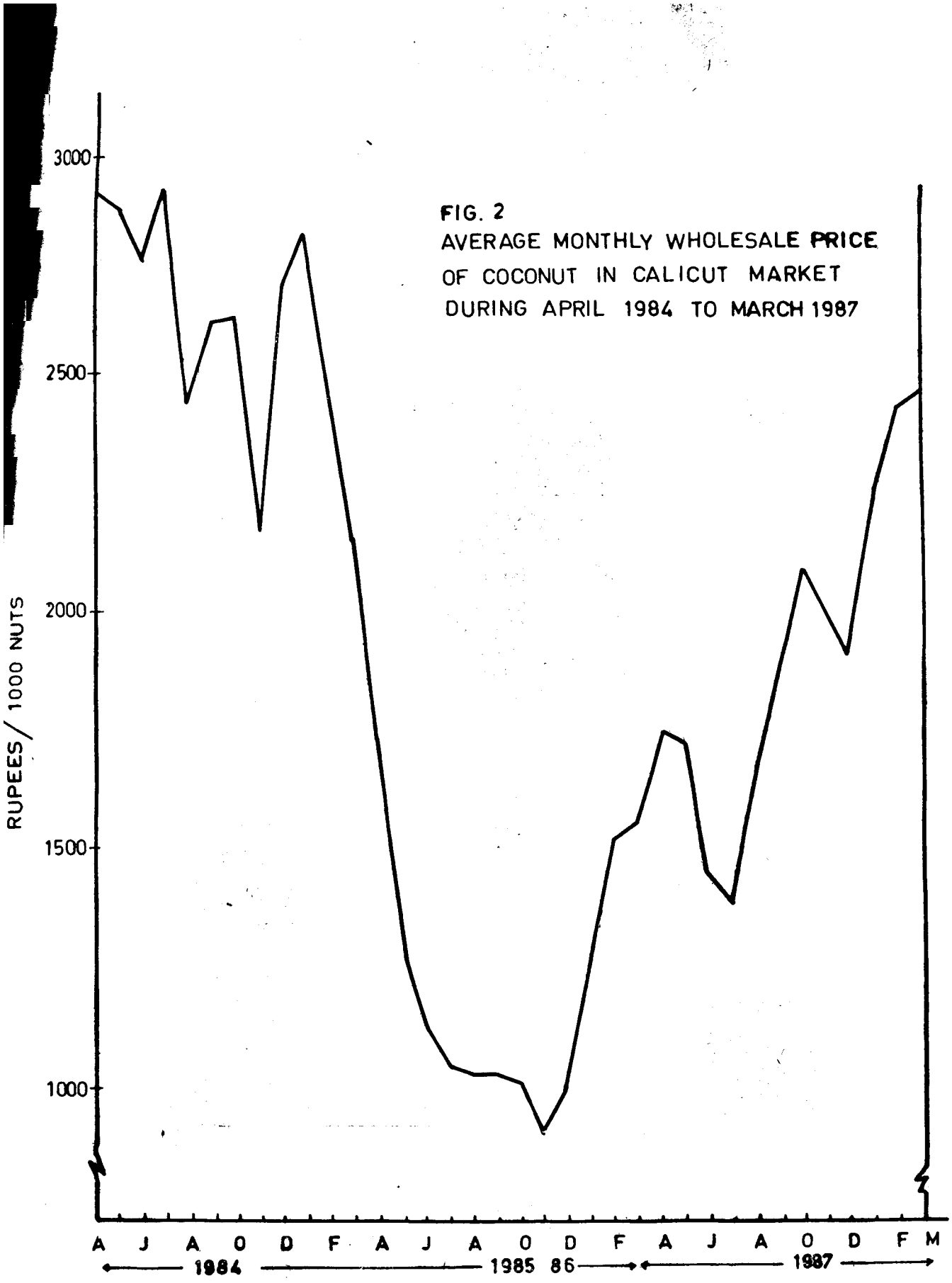

FIG. 2
AVERAGE MONTHLY WHOLESALE PRICE OF COCONUT IN CALICUT MARKET DURING APRIL 1984 TO MARCH 1987

We may like to study the relevance of group projects in the context of coconut processing and marketing. Considering them, let us see the appropriateness of CPCRI Copra Dryer in coconut service sector. The CPCRI has developed a 400-nut capacity dryer. This dryer is simple in design, locally manufactured from readily available fabricating materials, easy to maintain and handle, uses agricultural wastes as fuel and is capable of drying other commodities. It gives better quality copra than that of kiln which is conventionally used during the monsoon months. For an individual coconut farmer the 400-nut capacity dryer becomes too big and for a viable co-operative society the same one becomes too small.

But as could be seen from Table 6, this technology could be appropriate and relevant when 40 farmers join in a group for common benefit of copra making during rainy season. Here, there is no complication of pooling nuts of different sizes contributed by different members as it happens in a society. Each member gets his nuts when his turn comes and after making copra he takes his produce for sale at his choice. This approach makes processing cost relatively cheaper by distributing the overhead over 40 participants, the technology becomes viable because of the economics of scale, the wet season copra quality improves through the adoption of technology and the farmer gets additional profit for his value added product. Besides those economic advantages, the group participants also develop participatory skill, and reduce dependency syndrome. Depending on the circumstances and felt needs the group projects can be developed for each of the economic activities within the coconut processing and marketing sectors.

The major challenge in group action is to change the attitudes of resource-poor coconut smallholders about themselves. They lack self confidence. All the agencies—government and non-government (voluntary)—associated with coconut development should, therefore, first build the smallholders' confidence and motivate them sufficiently towards group action. These institutions and organisations should make the smallholders aware about their common problems which can be tackled by group actions, then organise them into viable functional groups. There should be massive efforts to train the coconut smallholders in gaining their technical competence and functional skills. The group projects are also to be linked with service systems. In the nutshell, the coconut farmers need to be invigorated for group action rather than mere participation.

TABLE 1

ESTIMATED MARKETED SURPLUS OF NUTS FROM COCONUT HOLDINGS IN KERALA

No. of palms / holding	:	45
Bearing palms / ,,	:	34
Rounds of harvest / year	:	6
Nuts harvested / round	:	173
Nuts ,, / year	:	1038
Nuts utilised in the holding	:	378
Marketed surplus / year	:	660
,, ,, / alternate months	:	110

Source: Survey of coconut holdings in Kerala conducted by the CPCRI during 1986-87

TABLE 2

CORRELATION COEFFICIENTS (r) BETWEEN AVERAGE ANNUAL WHOLESALE PRICES OF COCONUT, COPRA AND OIL (1970 - 1986)

	Coconut	Copra	Coconut oil
Coconut	1,000		
Copra	0.9938	1.0000	
Coconut oil	0.9952	0.9953	1.0000

TABLE 3

AVERAGE ANNUAL WHOLESALE PRICE OF COCONUT, COPRA & COCONUT OIL IN CALICUT MARKET

Year	Coconut Rs./000 nuts	Copra Rs./Qtl.	Coconut oil Rs./Qtl.
1980—81	1325	1160	1580
1981—82	1135	890	1320
1982—83	1260	1020	1545
1983—84	1905	1590	2385
1984—85	2605	2185	3250
1985—86	1215	1152	1710
1986—87	1920	1706	2592

TABLE 4

AVERAGE MONTHLY WHOLESALE PRICE OF COCONUT IN CALICUT MARKET DURING 1984-85 TO 1986-87

(Rs. / 1000 Nuts)

Months	1984 – 85	1985 - 86	1986 – 87
April	2874	1726	1750
May	2848	1283	1720
June	2734	1126	1450
July	2889	1042	1380
August	2440	1025	1669
September	2609	1023	1877
October	2618	1005	2086
November	2170	900	2000
December	2675	1010	1900
January	2792	1300	2248
February	2423	1520	2430
March	2151	1560	2478

TABLE 5

AVERAGE WHOLESALE PRICES OF COCONUT OIL, GROUNDNUT OIL, SESAMUM OIL AND MUSTARD OIL (Rs./Qtl.)

Year	Coconut oil	Ground-nut oil	Sesamum oil	Mustard oil
1970	700	483	487	508
1971	540	414	449	480
1972	565	435	512	517
1973	1020	727	720	663
1974	1115	832	835	942
1975	800	698	745	583
1976	1055	542	695	595
1977	1100	829	836	1028
1978	1180	704	727	953
1979	1220	866	838	974
1980	1580	1006	1139	1240
1981	1320	1380	1271	1300
1982	1545	1374	1295	1190
1983	2385	1564	1465	1393
1984	3250	1678	1624	1438
1985	1990	1529	1564	1215
1986	2130	1923	1855	1663

TABLE 6

GROUP ACTION FOR THE USE OF HOT AIR DRYER FOR COPRA MAKING IN RAINY SEASON
(400 Net Capacity/Batch)

Particulars		
1. Nuts required for feeding 60 batch	(no)	24000
2. Average nuts expected/palm during rainy season	,,	15
3. No. of palms required to get the required nuts	,,	1600
4. Area required to produce the required nuts	(ha)	8.00
5. Average size of holding in Kerala	,,	0.20
6. Average number of palms / household	(no)	40
7. No. of households required to supply nuts		40