

# Price stabilisation in coconut

P.J. Sivakumar

Director (P&ID), Kerafed, Trivandrum

One of the worst problems always faced by the coconut farmers is the violent fluctuation in the prices of coconut and coconut products. The farmers are unable to plan the disposal of their produce in an economical manner and they are at the mercy of the middlemen or traders who in turn exploit the farmers. Though many reasons are attributed to this, the absence of a strong marketing channel for coconut which is the basic product can be identified as the major reason. Unlike most other agricultural products where the raw material price decides the end product price, the peculiar price determination system prevailing for coconut with the end product price determining the raw material price has been a threat to coconut farmers all along.

Time has changed now and the coconut farmers are able to derive a reasonable price for their produce. Criticism like a coconut cannot be exchanged even for an egg is no longer valid. There is demand for coconut, there are channels for marketing of coconuts and there are organised groups of coconut farmers. All these have led to a better and somewhat stable price for coconut, which needs to be sustained.

The coconut procurement programme through Krishi bhavans launched by the Government of Kerala has significantly contributed to the present price situation of coconut. Instead of depending on the local coconut trader, the farmers were able to take their produce to the procuring centres, dispose it as coconut itself and collect payment directly. Once the farmers can directly deliver their produce to an agency that can ensure a reasonable

price, open market demand grows pushing up the price. But such market intervention programmes cannot be expected to be the panacea all the time. It can only be a supplementary effort in the long run.

Organised groups of coconut farmers like the farmer collectives now promoted by Coconut Development Board can go a long way in price stabilisation of coconut. As these farmer collectives are formed by the farmers for their own benefit, commitment levels are higher compared to Cooperative Societies. These clusters can act as collection centres of the coconuts that the member farmers produce. Such collection can even be extended to non-member farmers who are registered with the Krishi bhavans of the respective areas. Since market intervention programmes initiated by the government cannot be expected to go on forever, a regular arrangement has to be put in place and the coconut farmer collectives can play a very crucial role in this regard. Once this system is regularly operated, the control of local traders in deciding the prices could be eliminated. The coconuts thus procured can be traded off as coconuts or converted to other value added products. There is great demand for coconut in the basic form itself in the upcountry markets as well as abroad. The coconut farmer collectives can act as intermediaries for such marketing transactions, so that the price benefit percolates to the farmers directly.

The traditional concept of focusing on coconut oil production alone has to change. As alternatives have emerged, substitution is likely to take place if coconut oil prices rise to

abnormal levels. Technologies have been evolved to produce numerous products from coconut; both for the conventional and non-conventional uses. The capital intensive projects may be left to the industrial houses and those technologies which can be adopted on less capital intensive terms can be taken up by coconut farmer groups. Production of virgin coconut oil, coconut vinegar, coconut chips etc are some such projects worth trying. This can lead to increased demand for coconuts, which in turn can contribute to stable prices for coconuts.

Formation of Farmer Producer Companies in coconut sector is another alternative for the effective scientific adoption and application of processing technologies. Such companies with necessary financial/technical base can venture into capital intensive diversification projects. They can also act as a platform for marketing of products manufactured by the company itself as well as small farmer groups. Even international markets can be accessed by these companies. This can contribute to develop forward linkages in the coconut marketing channel, eventually leading to a constant demand and stable price for coconut.

The price control measures like price support operations and market intervention schemes are unlikely to have lasting effect on price stabilization efforts. The other way through non-price control measures such as creation of demand through new processing technologies, organized processing and marketing initiatives, product diversification and increased investments is hopeful of achieving the objective of price stabilisation to a great extent.