

Stability in price for a sustainable future

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In the 1950s, around 55% of India's national income was derived from agriculture, 15 % from industry and 30% from the service sector. Later on this situation has drastically changed and by 2010, the percentage of contribution was 18, 26 and 56 respectively. This shift in percentage is indicative of the economic scenario in advanced countries. But in contrast to the advanced countries, more than 50% of India's population depends on agriculture and their contribution to GDP is merely 18%. This state of affairs demand the country to undertake activities that enhance the income and improve the standard of living of people engaged in agricultural activities. Agricultural sector will prosper only if suitable systems are put in place which will ensure attractive and steady income. Policy decisions are frequently taken by the government to guarantee price stability. Stability of prices of agricultural produce ensures steady

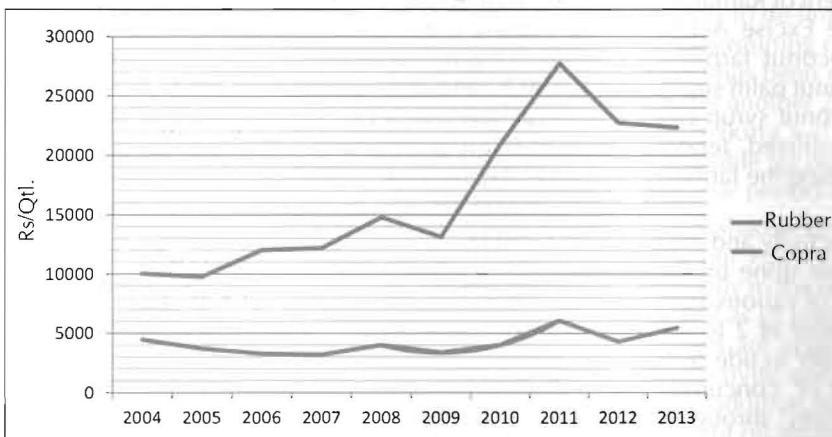


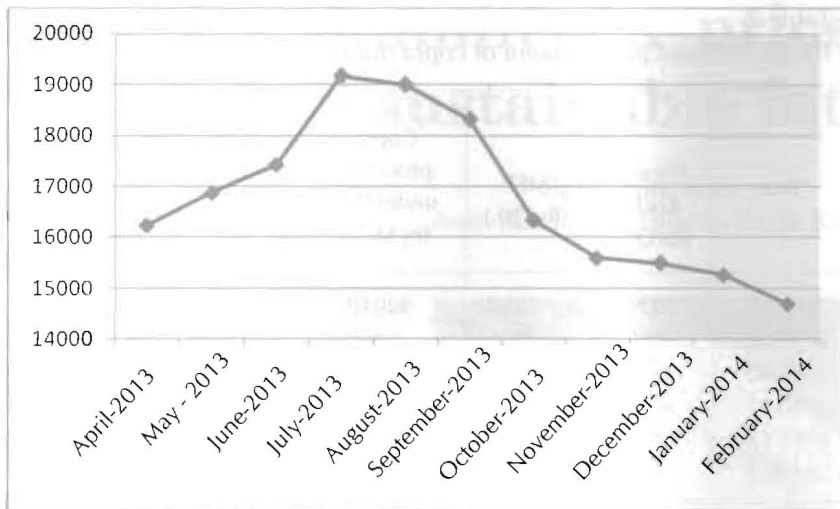
income to the farmers and also sustainability for the industries that depend on agricultural produce for raw materials. Extreme volatility in the price of the produce is one of the major reasons that make farming unattractive. Assurance of steady and sustainable price for their produce, no doubt will boost the confidence

of the farmers. Unfortunately, ensuring stable price for agricultural produce has always been a mighty challenge. A host of measures in the form of support pricing, price stability funds, import-export restrictions etc. are regularly taken by the government for controlling the volatility of agricultural prices, but the desired result is seldom achieved. When we talk about the volatility of agricultural prices, coconut and its products call for top consideration. The average prices for the preceding 10 years for copra and rubber, the main agricultural produces of Kerala is given in Table -I

It can be seen that the prices do not cope up with the inflation index over the period and it was fluctuating wildly. It is therefore, not a great surprise that the farmers find the field unattractive.

Price movement of milling copra (at Kochi) and RSS-4 grade Rubber (at Kottayam) during last 10 years.





if the price increases by more than 20% of the average, the farmer remits Rs.1000/- in the fund. At the end of the point of operation of the fund ie. 10 years commencing from 1st April 2003 the balance outstanding can be withdrawn by the grower including the Trust Funds contribution and the interest earnings. This scheme was withdrawn on 31st March 2013 due to its unpopularity and a revised Price Stability Fund was introduced. According to the new scheme introduced with effect from April 2013, the average of the prices for the preceding five years is worked out and if the price falls below 15% of this average, the farmer is paid

compensation at the rate of Rs.12000/- per hectare with a cap of Rs.60, 000/-. The fall in the rubber-price which is persisting, is an indication that even the new scheme is not helpful in keeping the prices steady.

Due to globalization and various regional agreements, the government finds itself unable to exert any influence on the prices of commodities through policy decisions. It is seen that the efforts taken for maintaining price levels by promoting exports and by raising import duty do not achieve the desired results.

It is normal to see great volatility in the prices of produce which have seasonal disparity in production. The crash in price will gain further momentum if the produce is sold merely as raw material. Naturally for the nominal and small farmers, who are unable to collect produce to bargain for higher prices collectively or to hold the produce till market conditions become favorable to them, the crash in prices will continue. In the case of coconut, these are the reasons that have led to crash in price. In order to overcome this fluctuating price trend, it is imperative that small and marginal farmers shall be organised together and collectively produce and market value added products. It is noteworthy that even when there was a price-crash for coconuts, the

corporate firms engaged in the sector did not reduce the prices of their products. We have already seen in the recent years that the corporate firms who were using coconut as raw material have made crores of rupees in profits even as the farmers lost crores due to fall in prices. Such firms will not only rake in huge profits at the time of low prices but also will intentionally create conditions so that the lower prices of raw material will prevail. If, the three tier system of Producer Societies, Federations and Producer Companies is formed by the farmers, they would be able to create a situation wherein they would be able to earn sustainable farm price. We already have a few good examples of such groups.

Amul as model

Amul is a model of three tier milk farmer collective established in Kaira district of Gujarat and was instrumental in delivering the poor farmers who were on the verge of suicide from the exploitation of privately owned companies. The ground level group consisted of milk societies. These formed Milk Unions and at the apex level is the Federation. A somewhat similar system is being formed in the coconut sector also. In the Amul model farmers keep for themselves the produce that they need for consumption and the excess milk is given to the milk society in which he is a member. Milk Unions collect the milk from the Societies and do necessary processing in order to add



value or create new products. The products are then marketed by the Federation. The success of the Amul model prompted other state governments to follow the suit. Thus Milma of Kerala, Aavin of Tamil Nadu, Nandini of Karnataka and Gokul of Maharashtra were set up. Thanks to such a system, even a highly perishable produce like milk which has an extremely short shelf life is fetching a fair price consistently to the farmers. Uniform price for a produce in areas of abundant production as well as in areas of nil production will certainly be good proposition for both the producer and the consumer, as evidenced by the Amul model of Gujarat.

To ensure that the small and marginal coconut farmers earn a fair and consistent income from their agricultural operations, it is essential that they should opt for adding value to their produce by manufacturing new products. This is quite possible by procuring and processing coconut through Farmer Producer Organizations (FPOs). It has to be noted that as compared to milk, coconut has greater shelf life and is more amenable to value addition.

Neera is promising

Neera is a product that is expected to bring regular and high returns to the coconut farmer. It will be possible for the coconut farmers to earn regular income from Neera just like the dairy farmers are presently earning from milk in view of the fact that there will be no volatility in the price of the product either as a result of any change in climatic conditions or by any shift in production pattern. As the production of Neera is expected to be controlled by the farmers themselves through Producer Societies, there is no need for worry about any exploitation by middlemen. It is estimated that a farmer can earn at least Rs. 100/- from a healthy coconut tree from Neera



Globally available coconut product brands

tapping. This will enhance the income of the farmer and will boost the economy of the state.

Tender coconut is tempting

Tender coconut is perhaps the next best alternative after Neera to offer the least volatile income to the coconut farmer. Coconut farmers can expect to earn regular and fairly high returns if they come forward to cultivate trees that are suitable for tender coconuts. It will be desirable if farmers give consideration to this factor when they go in for fresh cultivation or replanting.

Value addition is enterprising

Value added products will help farmers to obtain regular and high returns. Coconut chips, desiccated coconut powder, virgin coconut oil etc. are the products that have good domestic as well as export demand.



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Coconut husk, shell, coconut water etc. can be marketed as value added products. Governments are offering attractive schemes for value addition. A quantum jump in the manufacture and marketing of such products is promising. Proactive measures in this direction with the help of Coconut Producer Societies will certainly help to stabilize the income of the farmers.

Conclusion

Earning reasonable, fair and consistent price for the produce is the genuine right of the producer. Farmers are not optimistic in achieving price stability through price support mechanism or Stability Funds or through policy interventions by the government. Attractive and regular income for the farmers can be ensured only through innovative schemes initiated by the farmers themselves through their collectives wherein procurement, processing and marketing are directly done by them and not through intermediaries. It is encouraging to note that positive strides are all over India for such activities through the three tier farmer collectives.