

# How to ensure price stabilization in coconut sector

Maintaining price stabilization in coconut sector is a problem that haunts the sector since long time. We have with us experienced veterans in the field viz. Smt.Minnie Mathew IAS and Dr. M Aravindakshan former Chairmen of CDB and Dr.A Sukumaran, Associate Dean, College of Co-operation and Dr.Philip Sabu, Director, MBA Institute, Kerala Agriculture University who share their views on how to develop future plans for ensuring a stabilized price trend.



**Minnie Mathew IAS**

While discussing about the price stability in coconut sector we have to look back the situation prevailed a few years before. Since there was no other competitor for coconut as an oil seed, the position of coconut was safe in the domestic market at that time. There was no price fluctuation for coconut oil or

copra and there was ample market for coconut all over the nation. Kochi was one of the main markets at that time.

But with the advent of oil palm in India the situation has drastically changed. As a new crop, oil palm was cultivated and protected in very scientific manner, yield also was very high, about five times better than coconut. With this, price fluctuation in the coconut sector slowly started. The import of palm oil from Malaysia also adversely affected the coconut market.

Coupled with this, the negative propaganda on coconut oil relating it to human health by some vested interested groups created awful crisis in the sector. The price graph steeply came down. The coconut market showed drastic fluctuations during this period. The prominence of coconut as a main agro product also got a set back. Farmers lost their confidence in coconut cultivation. A large number of farmers ignored coconut and turned to other crops, which resulted in low productivity. Coupled with this, coconut was greatly affected by pests and diseases. Prices plummeted to low levels. This is what had happened a decade before. Now what we need is a resurrection of the sector.

Coconut can be converted to a very remunerative crop. Leaving the two traditional products, that is copra and oil we must diversify coconut for price stabilization. Tender coconut is a simple and natural

form of diversification. Initially the farmers were not willing to harvest tender coconuts. Only few came forward and CDB extended strong support. It was a grand success. Now, tender coconut is available in each and every city all over the nation. Though it needed high campaign and drive, large tender coconut markets like Maddur and Pollachi were formed. Farmers got a fair price for tender coconut although the coconut market was dull.

There exists huge scope for coconut based agribusiness in India with reference to processing and value added products. The new product neera offers good potential for the coconut sector. Like tender coconut we should propagate neera as a health drink. Simultaneously we have to develop diversified products from neera. This will result in the revival of coconut sector.

Farmers shall also concentrate on value added products like desiccated coconut powder, coconut milk, virgin coconut oil, coconut powder, chips etc. CDB has the technology. By utilizing these technologies, farmers can initiate value addition in coconut and enter the market directly. Let the coconut farmers' producer companies introduce a number of quality brands to the market. Challenges faced by coconut sector can be effectively tackled by the on going coconut rejuvenation program introduced by CDB. This will increase the per hectare productivity and will bring down the cost of production. Thus the farmers can equip themselves to resist the challenges from other oil crops and can ensure a stabilized price.

After long interval, coconut farmers are getting fair price for their produce. This type of wild price fluctuation is not good for any kind of crop. Coconut was fetching a very low price earlier. Now the price has improved but with drastic fluctuations. I think there is no other agro product with such a grave price variation.



**Dr. M Aravindakshan**

In this situation the manufacturers cannot sell their value added products since the market price of coconut is so high. The consumers will abstain from using it. Instead of coconut oil they will start using some other cheaper edible oils. In the long run this may affect the existence of the manufacturing units.

The market of coconut oil is limited. Only Keralites are using coconut oil for edible purpose in large scale. So the promotion of value added products is the only solution for price stabilization. The central government may promote and give subsidy to the manufacturing units when the coconut prices go high. No industry can run smoothly with high price for its raw material. This will result in the closing down of many units in long run and ultimately resulting in rapid plummet of prices. It may take years for another resurrection.

Now the coconut farmers are organised and hence their outlook also has changed. The high cost of production existing in coconut sector shall also be reduced. Coconut is fetching good price now. Coconut oil does have a good market. Copra can be stored for getting better price. But other value added products from coconut are not enjoying this benefit in Kerala. This need to be changed. In Sri Lanka all value added products from coconut has good domestic as well as international market. Our primary objective shall be to make good demand for these value added products in the domestic market. To achieve this a distribution network shall be created through out the nation. Creating consumer acceptance is the next step. Production shall be controlled in accordance with the demand. The products shall also be made available at a fair and stable price.

Thrust shall be given at product diversification. While making value added products each unit may specialize in one product. The present price hike in coconut is due to the severe drought in coconut growing areas in Tamil Nadu. Production of coconut in Karnataka has also come down.

Tender coconut harvesting is another alternative to arrest the price volatility. We should think on exporting tender coconut to international markets. Neera is the latest product with ample potential. We can successfully introduce Neera as a health drink to the international community. We can also manufacture a number of value added products from neera. Its marketing will be easier than other products since it is more organic and natural. Coordinated efforts need to be made for neera production and processing.



**Dr. A Sukumaran**

The coconut farmers cannot cope up with the present price of coconut. Such a deep price gap is existing between the farm gate and consumer now. Price stabilization is needed for reducing this gap.

The canvas of coconut farming is very large in Kerala. Area wise Kerala is first in coconut cultivation. But in production, the state lags behind. Many institutions are engaged in coconut research. Still we failed to face the wild price fluctuation in coconut sector. The price rate between the farm gate and retail distributor varies about 200 percent. How to reduce this gap is a challenge.

Earlier coconut was the main crop of Kerala. At that time there were small, marginal and large scale coconut farmers. Now the number of large scale farmers have come down. So we need separate policies for marginal, small and big farmers. For the small scale farmers we need to form consortiums and give support to them.



**Dr. Philip Sabu**

We should identify the major players in this sector and implement schemes for them. Players means organised business firms, producer companies, branded oil mills etc. It is a fact that the coconut produced in the state is not enough for the processing of these produces. Meanwhile the small scale farmers have no idea on how and where to sell their produce. There is market. But there is no market information system. So in every village we should create a market intelligence and information system. This system will educate each farmer the daily market price of coconut.

The next step is demand oriented production. When production increases price will decrease and when production decreases price will increase. For this we have to apply the forward and backward linkage. A market analysis study and market projection is needed for this.

Finally we should institute a price stabilization fund. It is a corpus fund. Whenever the market price of coconut come down, the farmers will get support from this fund. The producer companies may contribute a certain percentage of profit to this fund. Licensed oil merchants and business community may also contribute a fixed amount as purchase tax to this fund. So there will not be any burden on government. The Board has to supervise the functioning of this fund.