Global Competitiveness of Indian Coconut oil - an Outlook

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Introduction

Coconut oil is considered as a premium priced oil on account of its unique inherent qualities, varied uses and applications for both edible and non edible purposes. The studies conducted in India and elsewhere in the world revealed that the price of coconut and its varied products are integrated with the price of coconut oil which is influenced by the prices of other vegetable oils and fats . In the major coconut producing countries, bulk of their coconut products are exported and hence coconut cultivation and industry plays a pivotal role for the growth of their economies.

Coconut oil yields obtained are fairly uniform from one country to another and from year to year. Coconut oil is heat stable and an excellent cooking medium frying oil. It has a smoke point of about 360°F (180°C). In Kerala and the adjoining districts of Tamil Nadu and Karnatka coconut oil is widely used as the cooking oil. The current article is the continuation of the article published in April 2011 issue of Indian Coconut Journal.

Consumption pattern

Traditionally, the preferences for edible oils for direct food uses in India vary from region to region, depending mostly on their local availability. As such while groundnut oil is the most preferred oil in the producing states of Gujarat, Maharashtra, Andhra Pradesh and Tamil Nadu, mustard oil in Bihar, Assam and West Bengal, coconut oil is the most preferred oil in Kerala. Coconut oil, a rich source of vitamin A is extensively used in Kerala owing to its palatability, agreeable flavor and easy digestibility. Besides its edible uses, coconut oil is widely applied as hair oil and as skin care body oil. Despite, coconut oil being the predominant oil consumed in Kerala, the post globalization period witnessed a reduction in the demand for coconut oil due to the availability of imported cheaper substitute oils coupled with an anti propaganda linked with health hazards. Apart from affecting the domestic demand of the coconut oil, the availability of cheaper oils gave way to oil adulteration of coconut oil with cheap palm kernel oil. The detection is impossible for want of distinguishing characteristics. The physical and chemical characteristics of palm kernel oil and coconut oil are similar except in its iodine value and the aroma. The pure coconut oil has unique aroma and has low iodine value which generally ranges from 7 to10.

Despite India being the second largest producer of coconut in the world, the country's share in the total world export basket is only minuscule except in case of coir and coir products.

A study by the Center for Development Studies(CDS), Trivandrum, Kerala revealed that the percentage of households consuming coconut oil for culinary purpose is around 4 % both in the rural and urban India. The largest proportion of households using coconut oil is in Kerala and is close to 90 per cent in rural areas and 83 per cent in the urban areas. In Karnataka and Tamil Nadu, only 8 and 5 per cent of the rural households consume coconut oil for culinary purposes. The percentage of households consuming coconuts for culinary purposes in India is 24 % in rural areas and 31 % in urban areas. The consumption of coconut in the states of Tamil Nadu, Karnataka and Andhra Pradesh is widespread, the percentage being 80% in both rural and urban areas. Consumption of coconut oil for culinary purposes in India is rare except in Kerala or where a sizeable Malayalee population resides. The CDS study revealed that the monthly consumption of coconut oil in Kerala is around 1.5 kg by an average family of size 5. Coconut consumption at the all India level is not as insignificant as that of coconut oil. The per capita consumption of coconut at the all India level ranges from 0.32 nuts

in the rural areas to 0.46 nuts in urban areas. In Kerala, the per capital monthly consumption of coconut is around 4.8 nuts which is highest in the country. The study further revealed that with the expansion of coconut cultivation in other states, the consumption of coconut is increasing rapidly. The four southern states produce 91 per cent of the total production of coconut in the country and it also account for the bulk of the total consumption of coconut for culinary purpose in India. The share of coconut in the total coconut and oil consumption is around 80 per cent and the use of coconut in food is not easily substituted unlike coconut oil. This indicates that there exists a consistent demand for coconut and coconut products in the country.

Domestic Supply

Coconut is cultivated mainly as a rain-fed crop and is owned by small and marginal farmers. Because of its nature of distribution, cultivation and management, the crop is vulnerable to biotic and a-biotic stress of which drought, cyclone, outbreak of epidemic and endemic pests and diseases often causes havocs and losses. The climate change on account of global warming further aggravated the situation and adversely affected the supply. India annually produces 15730 million nuts of which 35 per cent is utilized for the production of copra which is estimated as 9.5 lakh MT of copra in 2010 cropping season. The major states that are involved in the commercial production of copra are Kerala, Karnataka, Tamil Nadu, Andhra Pradesh and UTs of Lakshadweep and A&N islands. It is estimated that about 7089 million nuts are being utilized from these states for the production of entire quantity of copra. In spite of the fact that coconut cultivation is widely distributed in the country, the growth of the industry is positively correlated with the stability of copra-coconut oil market where the major copra producing states play a critical role. However, the post globalization period witnessed abject economic situations in the whole coconut economy. The trend and indicators point out dismaying situations. The dependency of copra-coconut oil market undermines the growth of the coconut economy in the country due the volatile nature of the market on account of external supply pressure from other vegetable oils and fats.

Table 1. Trend in Area , Production and Productivity of coconut for the last 5 years

Years	Area ('000 ha)	Production (Million nuts)	Productivity (Nuts per ha)
2004-2005	1935.0	12832.9	6632
2005-2006	1946.8	14811.1	7608
2006-2007	1939.9	15840.0	8165
2007-2008	1903.19	14743.56	7747
2008-2009	1894.57	15729.75	8303
Compound Growth rate	**-0.41**	**5.25**	**5.68**

Source: DES, Govt. of India

The violent price fluctuations paradoxically lead to inconsistency in production due to neglect of the gardens and improper management. Even though coconut and coconut products are brought under the sensitive lists, the liberal imports of substitute products like palm oil and palm kernel oil often jeopardize the stability of the coconut industry. However, the timely interventions of the Board and continued support to the farmers and industry, the coconut cultivation and industry are often kept vibrant and sustainable. An analysis of trend in area and production of coconut in the country during the past 5 years indicates that the growth in the expansion of the crop is declining at the rate of 0.41 per cent per annum. However, the production of coconut is increasing at the rate of 5.25 per cent per annum mainly on account of the rate of increase in productivity. The productivity for the corresponding period was 5.68 per cent per annum (see table-1). The productivity of coconut in the country which was 6632 nuts per ha in 2004-05 has reached 8303 nuts per ha in 2008-09. The decelerating growth in area under coconut was mainly on account of area replacement for cultivating more remunerative crops like rubber and other commercial activities like real estate in Kerala. Precisely, the globalization period witnessed stagnant supply and impasses in the coconut oil economy of the country; though it has made some impulses and vibrancy in the total supply to continue to meet the domestic need of the commodity without resorting to any import. The long term trends

Table 2. Trend in the International Prices of Coconut Oil (Us $ Per MT, CIF Rotterdam)

MONTH	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10 year Average	CV
January	319	362	494	573	645	569	731	1285	738	794	**651**	41.84
February	285	376	477	642	646	590	763	1382	671	800	**663**	45.28
March	289	366	441	685	710	577	769	1471	637	911	**686**	48.83
April	293	411	421	736	679	556	828	1443	709	959	**704**	47.02
May	295	240	440	749	648	581	894	1502	842	939	**713**	51.62
June	317	446	459	658	639	566	979	1551	798	950	**736**	48.63
July	358	445	439	669	607	585	929	1436	677	1028	**717**	45.82
August	363	443	421	627	553	595	910	1193	730	1160	**700**	42.49
September	323	410	431	657	559	614	930	1110	705	1190	**693**	42.71
October	307	343	487	642	578	613	1010	856	706	1413	**696**	47.49
November	330	457	515	659	574	649	1131	719	713	1528	**728**	48.37
December	330	482	583	652	553	728	1153	740	756	1693	**767**	50.94
Annual Avg	**317**	**398**	**467**	**662**	**616**	**602**	**919**	**1224**	**724**	**1114**		
CV	**8**	**17**	**10**	**7**	**9**	**8**	**15**	**25**	**8**	**26**		

Source: Various issues of Co community, APCC, Jakarta.

in area under and production of coconut in India shows that the states hitherto considered as the group of minor producers doubled their share of area and production for coconut in the country. But the traditional state, Kerala which accounted for 70 per cent of area and production of coconut in the country during 1960 lost its hegemony of supply and reached to the level of 42 per cent in area and 37 per cent in production in 2008-09 because of the competitive nature of crop introduction by other states like Tamil Nadu, Andhra Pradesh etc. Tamil Nadu, and Andhra Pradesh Pradesh have recorded steady increase in area and production of coconut which had 7.6 and 4.8 per cent share in area under coconut increased their share to 20.56 and 5.59 per cent area and 34.11 and 6.17 per cent in production in 2008-09.

Regional disparities in supply of coconut:

Even though coconut is commercially produced in 18 states and 3 Union Territories, differences in productivity of coconut in the county are not static. Huge variation are observed in the

Table 3. Trend in the International Prices of Soybean Oil

(US$ per MT, Dutch FOB Ex - Mill)

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10 year Average	CV
January	306	389	535	656	521	532	695	1251	789	895	**657**	41.61
February	302	358	521	689	497	530	714	1376	758	916	**666**	46.77
March	329	353	508	691	546	539	718	1524	729	935	**687**	50.37
April	321	370	524	671	547	540	761	1415	783	915	**685**	46.16
May	295	397	538	651	538	582	785	1429	902	887	**700**	46.12
June	315	436	541	581	559	601	833	1537	901	853	**716**	48.10
July	409	470	575	597	561	628	885	1554	837	890	**741**	44.79
August	422	503	543	610	549	629	908	1305	907	1015	**739**	38.08
September	382	494	558	585	545	602	974	1320	853	1042	**736**	40.48
October	376	517	624	558	579	615	994	1085	928	1149	**743**	36.37
November	388	577	625	568	560	675	1099	717	902	1267	**738**	36.79
December	423	587	638	567	537	699	1191	743	956	1350	**769**	39.27
Annual Avg	**356**	**454**	**561**	**619**	**545**	**598**	**880**	**1271**	**854**	**1010**		
CV	**14**	**18**	**8**	**8**	**4**	**9**	**18**	**22**	**9**	**16**		

Source: Various issues of Co community , APCC, Jakarta.

Table 4. Trend in the International Prices of Palm Oil

(US$ per MT, CIF Europe)

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10 year Average	CV
January	254	338	458	493	402	424	588	1055	562	780	**535**	43.56
February	240	330	452	535	403	430	605	1121	578	803	**550**	46.35
March	254	338	426	550	435	440	622	1270	597	851	**578**	50.96
April	251	349	412	538	429	439	710	1161	651	823	**576**	46.73
May	234	371	417	524	417	440	709	1197	812	823	**594**	48.48
June	255	411	430	440	419	437	805	1213	742	793	**595**	48.35
July	339	406	411	426	417	460	811	1175	665	808	**592**	45.30
August	362	425	395	432	407	510	821	909	719	901	**587**	43.56
September	310	400	420	439	421	497	825	920	652	930	**581**	43.56
October	277	408	485	431	442	507	857	750	678	985	**582**	38.68
November	318	442	503	433	444	547	945	507	698	1113	**595**	42.26
December	318	466	510	423	428	583	942	496	784	1231	**618**	45.86
Annual Avg	**284**	**390**	**443**	**472**	**422**	**476**	**770**	**981**	**678**	**903**		
CV	**15**	**11**	**9**	**11**	**3**	**11**	**16**	**28**	**12**	**16**		

Source: Various issues of Co community, APCC, Jakarta.

productivity from garden to gardens, region to regions and state to states. These productivity variations are more pronounced in traditional states and older gardens which are predominantly occupied by old and unproductive palms. The highest productivity of 19630 nuts or 1.963 MT of copra per ha in the country is recorded in the Union Territory of Lakshadweep whereas the productivity of major states; Karnataka, Kerala, Tamil Nadu and Andhra Pradesh are 5193, 7365, 13771 and 9327 nuts per ha respectively. The fact that the higher productivity of coconut is often the result of multivariable inputs such as high rate of investment in the form of adoption of scientific managements like proper application of balanced fertilizers incorporating both chemical and organic manures, adoption of plant protection measures, soil and water conservation and irrigation etc. Among all variables, the market stability and remunerative farm gate price are the driving factors that determine consistency in production and productivity of the farms especially in traditional coconut growing states. A slump or a trough in the prices always results less investment and neglect

Table 5. Trend in the International Prices of Palm Kernel Oil

(US$ per MT, CIF Europe)

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10 year Average	CV
January	304	339	498	562	636	606	652	1229	570	870	**627**	42.36
February	269	359	474	616	641	617	678	1339	575	915	**648**	46.40
March	278	358	436	669	681	591	702	1477	584	990	**677**	51.05
April	281	411	406	727	710	576	795	1421	652	1019	**700**	47.51
May	292	419	421	748	647	566	839	1434	830	1016	**721**	46.60
June	312	441	434	636	639	535	969	1407	767	1040	**718**	46.71
July	252	438	406	620	612	553	924	1318	662	1064	**685**	47.57
August	363	440	396	610	558	572	904	1033	710	1162	**741**	42.36
September	316	412	429	657	577	548	910	1040	700	1300	**754**	42.36
October	289	430	498	643	619	557	992	855	722	1410	**702**	45.74
November	319	456	525	660	614	601	1095	521	739	1605	**714**	52.46
December	315	484	583	656	587	647	1124	554	817	1850	**762**	57.48
Annual Avg	**299**	**416**	**459**	**650**	**627**	**581**	**882**	**1136**	**694**	**1187**		
CV	**10**	**10**	**12**	**8**	**7**	**6**	**18**	**30**	**13**	**25**		

***Source:** Various issues of Co community, APCC, Jakarta.*

Table 6. Trend In The International Prices Of Sun Flower Oil (US$ per MT, CIF Europe)												
Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10 year Average	CV
January	386	606	612	688	699	594	717	1709	815	968	**779**	46.20
February	390	578	595	731	695	595	709	1839	800	948	**788**	50.50
March	430	557	565	712	714	606	713	1863	757	949	**841**	46.20
April	436	552	578	696	695	659	755	1838	842	925	**853**	46.20
May	431	574	595	680	700	675	804	1985	941	920	**883**	46.20
June	443	595	609	632	706	666	916	2045	922	889	**899**	46.20
July	495	602	575	624	708	535	999	1692	840	937	**857**	46.20
August	504	610	543	632	682	666	1114	1319	820	1074	**854**	46.20
September	503	579	545	657	683	669	1190	1176	809	1114	**793**	33.78
October	522	595	615	701	646	666	1358	1130	846	1240	**832**	36.08
November	614	652	628	727	598	722	1401	835	947	1320	**844**	34.71
December	597	632	660	724	602	730	1450	759	995	1327	**848**	36.39
Annual Avg	**479**	**594**	**593**	**684**	**677**	**649**	**1011**	**1516**	**861**	**1051**		
CV	**15**	**5**	**6**	**6**	**6**	**9**	**28**	**30**	**8**	**15**		

Source: Various issues of Co community, APCC, Jakarta.

of the garden which in turn lead to low productivity. Similarly crest in the price always lead to more investment for getting more production and more income.

Globalization and External Integration of India's Coconut Economy:

Coconut and coconut products command consistent demand throughout the year. The growth of coconut industry in the country is primarily domestic market driven. Till 1995, the coconut industry in the country was enjoying the privileges of a closed economy. The coconut industry in the country during the protected regime marked significant and sustainable growth in production and productivity. Consequent to India became a signatory to the World Trade Organization (WTO) the domestic coconut market is opened to international players. The Globalization has posed multiple challenges to the future of Indian coconut industry. The opening of the domestic market for world

Table 7. Trend in the Domestic prices of Coconut oil in US $ / MT												
Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10 year Average	CV
January	609	766	1138	1424	1647	1026	1194	1348	1175	1085	**1141**	26.49
February	661	741	1198	NT	1620	1117	1165	1348	1094	1107	**1117**	25.82
March	645	697	1165	1385	1399	1073	1072	1450	1027	1097	**1101**	24.84
April	608	778	1132	1356	1281	1052	1126	1519	1030	1117	**1100**	24.03
May	631	791	1103	1371	1174	1056	1202	1392	1019	1075	**1081**	21.71
June	663	883	1082	1471	1194	1046	1157	1458	964	1134	**1105**	22.13
July	660	945	1200	1460	1118	984	1215	1535	977	1143	**1124**	22.69
August	672	970	1283	1514	1108	1034	1226	1483	988	1239	**1152**	21.97
September	631	940	1371	1459	1116	1105	1173	1424	942	1422	**1158**	23.27
October	629	960	1469	1484	1072	1210	1145	1219	946	1559	**1169**	24.54
November	657	1137	1532	1572	1091	1225	1235	1204	956	1662	**1227**	24.71
December	812	1147	1484	1655	1055	1221	1309	1449	1090	1798	**1302**	22.93
Annual Avg	**656**	**896**	**1263**	**1468**	**1240**	**1096**	**1185**	**1402**	**1017**	**1287**		
CV	**8**	**16**	**13**	**6**	**17**	**7**	**5**	**8**	**7**	**20**		

Source: Various issues of Indian Coconut Journal.

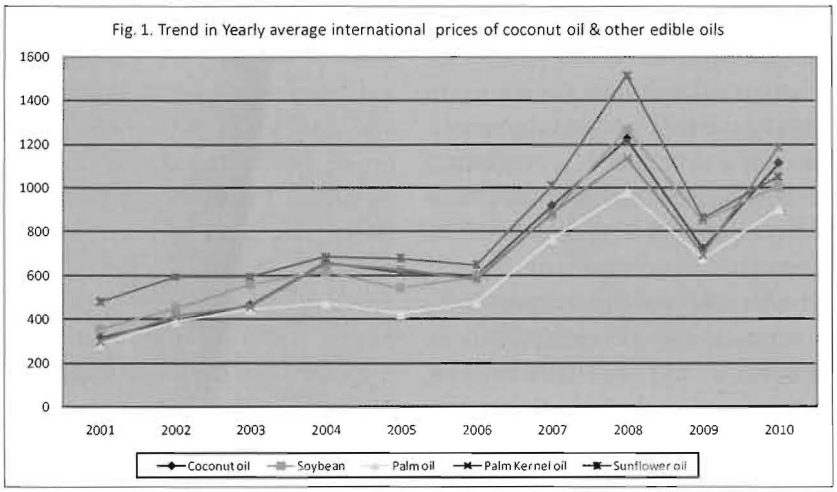
Table 8. Percentage increase or decrease of price of domestic coconut oil with that of other competing oils (10 year average for the period from 2001-2010)

Commodity	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
Coconut Oil (Domestic price)	1141	1117	1101	1100	1081	1105	1124	1152	1158	1169	1227	1302	1148
Coconut Oil (International Price)	651	663	686	704	713	736	717	700	693	696	728	767	704
% Over int. price	75	68	61	56	52	50	57	65	67	68	69	70	63
Palm Kernal oil	626.6	648.3	676.6	699.8	721.2	718	684.9	674.8	688.9	701.5	713.5	761.7	693
% Over PK oil	45	42	39	36	33	35	39	41	41	40	42	41	40
Palm oil	535	550	578	576	594	595	592	588	581	582	595	618	582
% Over palm oil	113	103	90	91	82	86	90	96	99	101	106	111	97
Soybean	657	666	687	685	700	716	741	739	736	743	738	769	715
% Over Soy oil	74	68	60	61	54	54	52	56	57	57	66	69	61
Sunflower	779.4	788	786.6	797.6	830.5	842.3	800.7	796.4	792.5	831.9	844.4	847.6	811
% Over Sunflower oil	46	42	40	38	30	31	40	45	46	41	45	54	42

** Internationally sunflower oil price rules highest and palm oil at lowest.*

players and the global integration of the national markets witnessed a paradigm shift. The domestic coconut industry is becoming uncompetitive with other vegetable oils in terms of price and consumer demands and has been sliding down from its premier role played in the past. The compulsion of WTO has led to an irreversible process of liberalization of trade, lowering of tariffs and provision of increased domestic access to other countries. Free trade agreements with neighbouring countries in the South Asia and South East Asia have increased imports. The high cost of domestic production coupled with the possibility of cheap imports of coconut and coconut products particularly coconut cake and coconut oil under advanced licensing scheme and coconut oil substitutes like palm oil causes concern and anxiety among the farmers.

The coconut culture and industry suffered a setback due to unhealthy competitions from other competing crops and products. Liberalization of trade barriers have reflected in the trade flows. Trends in imports of leading edible oils into India; like soy bean oil, palm oil, sunflower oil and coconut oil bring out a major policy break. India is depending on edible oil imports to the extent of 70 per cent to meet the domestic need because the domestic production fulfills only 30 per cent. India has emerged as the second largest importer of edible oils in the world. The total annual import of vegetable oil increased to 81.8 lakh MT in 2008-09 from 11.6 lakh MT in 1995-96. The pattern is almost same in case of palm oil. The average annual import of palm oil which is considered to be the cheapest vegetable oil in the world, increased from 2.81 lakh MT during 1988-94 to 48.01 lakh MT in 2007-08, an increase of 24.4 per cent annual compound growth rate during the WTO period. The surge in the import of palm oil and its fractions affected the domestic oil market in the country. The Globalization of coconut market has resulted distinguishing and interrelated developments like; implementation of liberalization policies by all major coconut growing countries, resorting to tariff reductions as well as other trade distorting measures and the preferential trading arrangements such as ASEAN and ISFTA. The cumulative effect of these strands of liberalization has created an atmosphere of free trade within the community of coconut producing nations. The coconut products are now freely traded within the coconut producing nations. The bulk of the primary processing industries in the world are dominated by small and medium scale entrepreneurs and hence buyers determine the price of the commodity. Many of the major exporting countries in the world are equipped with modern and efficient processing machineries and the scales of economy in the operation are significantly high and hence their products are globally competitive. Unlike India, coconut oil is one among many coconut products of export basket of the exporting countries. The domestic demand for coconut in these countries are mainly for cooking oil in the household sector and food industries such as snack foods and instant noodles. In India the primary processing of coconut into copra and to some extent

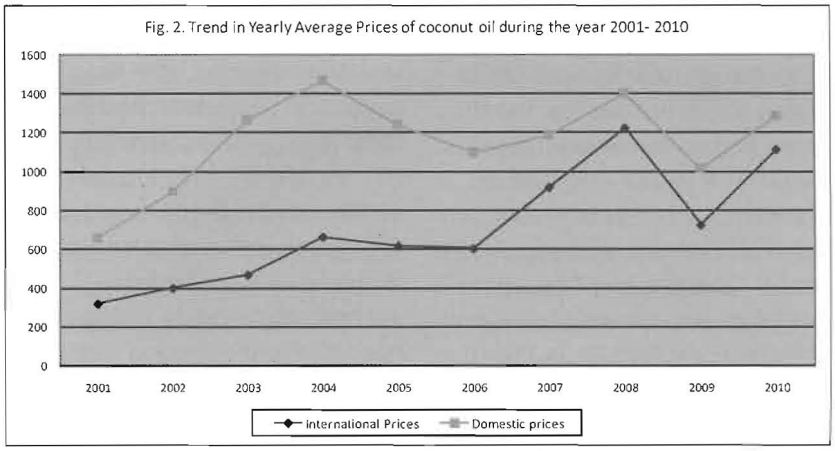


extraction of coconut oil are run by small players and hence the marginal scale returns are inadequate to make them globally competitive.

Trade liberalization and Global Coconut Oil Market:

The globalization of coconut economy of producing countries has wrought market uncertainties, in coconut oil trade. Many coconut producing countries witnessed negative growth in the export of coconut oil because of competitions from other new entrants in the international market as well as the extravagant growth in palm oil and palm kernel oil. In addition to the new economic order, the liquidity crisis coupled with the economic recession witnessed from September 2008 in both developed and developing countries in the world had depressed the import appetite of many economies in the world as well as distressed the export expectation of important coconut producing countries in the world. The world coconut market witnessed an all time low price for copra and coconut. However the export volume in the major exporting countries had slid down due to export competitions from new entrants as well as the sudden fall in demand on account of global melt down and increased import demand for cheaper vegetable oils. Philippine's export was down by 6.4 per cent and that of Indonesia's by 31 per cent in 2009 than 2008. The desiccated coconut, shell based activated carbon and coir and coir products have recorded marginal increase in 2009. In short globalization coupled with the world economic downturn has created a catastrophic challenge in the world trade of coconut oil.

Globally coconut oil competes with 16 other major oils and fats. Among these soybean oil, palm oil, sunflower oil and rapeseed oil are the major oils; the prices of which are closely integrated with each other. Coconut oil faces tough competition from these oils especially palm oil and palm kernel oil. In recent years, the cultivation of oil palm is increasing at a rapid stride in many countries like; Malaysia, Indonesia, PNG etc. As a result of the increasing trend in area and the production, the palm oil and palm kernel oil are the cheapest oil available in the world market. During 2009, the total world production of crude palm oil was 45.12 million MT and that of Palm Kernel oil was 5.21 million MT from an area of 12.18 million ha recording an increase of 173 per cent and 145 per cent respectively over 1995 production. Indonesia and Malaysia constitute 85.4 per cent of the total production of crude palm oil. During 1995, the share of the palm oil and palm kernel oil in the total vegetable oil pool was 22.68 per cent and 2.96 per cent respectively and that of coconut oil was 4.4 per cent. In 2009, the share these oils reached to 32.86 per cent in case of palm oil and 3.86 per cent in respect of palm kernel oil. The share of coconut oil has shrinked to 2.4 per cent. While the annual compound growth rate (CGR) in the production of total vegetable oil was



4.63 per cent over a period of 14 years the corresponding growth rate in respect of palm oil and palm kernel oil was 7.43 and 6.62 per cent respectively. The rate of growth in the production of coconut oil was only 0.19 per cent which indicates that coconut oil has become minor oil locked up in a competitive battle with other vegetable oils in the world market during the globalization era.

Trend in the prices of coconut oil and other competing oils

Important countries involved in the international trades for coconut and coconut products are Indonesia, Philippines, Sri Lanka, India, Thailand, Mexico and Vietnam. More than 130 countries import coconut in various forms. The major importers of coconut oil are U.S.A., Germany, The Netherlands, China, Malaysia, Russian Federation, Belgium, France, Italy, Japan, Sri Lanka, Korea Republic, Spain and U.K. Coconut oil is considered as the single largest commodity that determines the market of the primary product of coconut in all the producing countries. An analysis of price behavior of coconut oil in the international market revealed that the market is characterized by seasonal and annual fluctuations. Between the two, the annual fluctuations are highly volatile than the monthly price variations. While seasonal variations in the coconut oil is directly correlated with the seasonal demand and supply the annual fluctuations of coconut oil are linked with the abundant supply of cheap vegetable oils and fats due to the free movements of the commodities as well as the cyclic variations in the supply. The trend in the international prices of coconut oil and the competing oils during the past ten years are given in table 2 to table 8. It is interesting to note that the movement of prices of coconut oil and that of palm kernel oil are symmetrical. It could also be observed that the year 2008 witnessed a sudden price crash in respect of all vegetable oils on account of global recession and resulting reduction in the import-appetite of consuming countries whereas the year 2010 witnessed a reverse trend and hence noticed comparatively higher CV in both the cases. A close look at the ten year average prices of major vegetable oil revealed that sunflower oil commands highest price and palm oil is the cheapest vegetable oil among all the oils. However, the trend in the prices of all the oils is moving in close sympathy with each other.(see fig 1). Under the changed economic order, the indiscriminate import of vegetable oils by the importing countries disproportionate to their domestic requirement jeopardized the market behaviour of the native commodities.

Slacking competitiveness of Indian coconut oil

The trade liberalization of coconut economies of producing countries coupled with the global economic recessions created set-back in the global competitiveness of coconut oil. India too experienced a similar trend. Even though there exist an inelastic demand for coconut oil, the globalization made coconut oil possible for substitution with palm oil in the edible sector and palm kernel oil in the industrial sector. The increase in the production of palm oil and palm kernel oil lead to a decelerating growth in the area and production of coconut in the major producing countries like Indonesia, Philippines and India. In India, the price of coconut oil always rules above the international coconut oil price and hence receives unwelcoming response from the major importing countries. The trend in the international and the domestic prices of coconut oil indicates that the domestic oil price always rules above the international price (see Fig-2). It could be observed from the fig that the movement of price of coconut oil in both domestic and international markets is in close sympathy with each other. Its inherent qualities, clean and hygienic method of copra processing and oil extraction coupled with the inelastic demand in certain sectors and the domestic demand make the industry sustainable.

Conclusion

Among the seventeen major oils and fats in the world, coconut oil (CNO) and palm kernel oil (PKO) are the only two lauric oils. Between the two, coconut oil has advantage over palm kernel oil due to its medicinal and health benefits besides the benefit of cost advantage for further processing into value added products for industrial application. The coconut industry in the country was enjoying the privileges of a closed economy and hence received better patronage and protected the industry from the market induced uncertainties. The opening of the domestic market for world players and subsequent global integration

of the domestic markets witnessed a paradigm shift.

The tremendous growth in area and production of oil palm during the post WTO era has made the palm oil and palm kernel oil occupying a dominant position in the total vegetable oil pool in the world. The monthly variations in the prices of important vegetable oils are in sympathy with each other and the fluctuations are marginally low whereas the annual fluctuations are highly volatile. Among the major vegetable oils, the fluctuations are more pronounced in respect of palm oil, coconut oil and palm kernel oils. The domestic price of coconut oil always rules above the international price and hence receives unwelcoming response from the major importing countries.

Notes :

i. For details see, Thomas Mathew,M "Trend and Seasonal Fluctuations in Arrivals of coconut, copra and coconut oil in Kerala" PLACROSYM-XI.

ii. Thomas Mathew,M" (1997) "Long run relationship of coconut markets in Kerala: A co-integration Analysis" Agricultural Situation in India, February 1997.PP 777-780.

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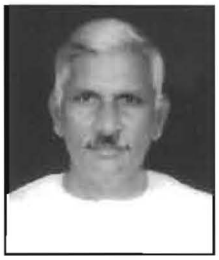
OBITUARY



Shri. Sundara Ramaraju, former Vice Chairman of the Coconut Development Board and President of National Coconut Growers Federation, India passed away on 18th October 2011. He was a progressive farmer and a guiding force of coconut farmers in the country with years of experience in coconut cultivation and breeding. He possessed diverse germplasm of coconut and ornamental plants. He maintained a well established coconut nursery at Tadepalligudam in Andhra Pradesh. He was the member of several Research Advisory Committees in ICAR Research Institutes. He was the member of the Technical Advisory Committee, DSP Farm, Vegiwada of the Board. The East Coast Coconut Hybrid Centre established by him is recognised as one of the best Nucleus Seed Gardens in India. He was the recepient of the Best Coconut Farmer award of the Board in 2006.

* *CDB, Kochi-11*