

## Coconut Prices to Remain Firm & Steady till January 2012: AMIC KAU

A recent market study conducted by the Agricultural Market Intelligence Centre of the Kerala Agricultural University attached to the Department of Agricultural Economics, College of Horticulture, Vellanikkara revealed that certain push and pull factors are operating in the edible oil sector currently. The following push factors are favorable to the firming up of coconut prices:

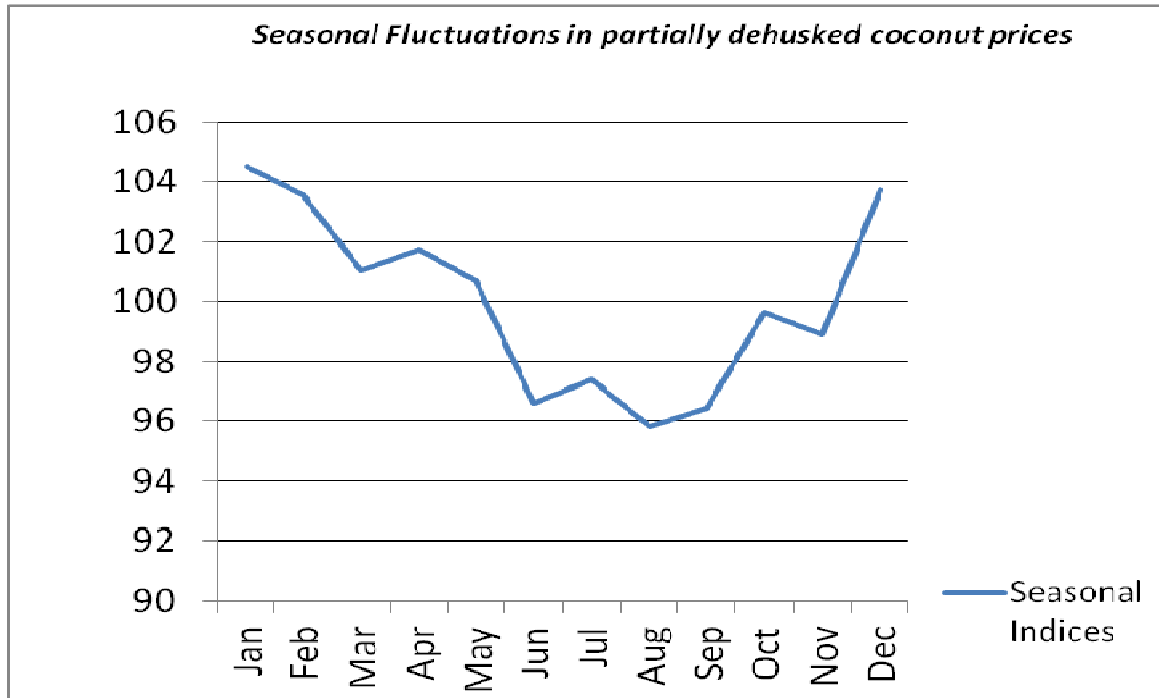
- According to the United Coconut Association of Philippines, coconut oil exports from Philippines from the period from January 2011 to September 2011 dropped by 42 to 49 per cent because of the tight supply of copra in the domestic market. UCAP attributes it to fatigue to the trees after three years of successive good production, which stressed the coconut trees. Reports emanating from Philippines indicate that delivery of copra to mills nationwide has been severely affected by two typhoons that affected Philippines in September 2011. Country wide shortage of coconut due to drought and widespread coconut hispine beetle infestation in the heart of Thailand's coconut belt has hit the coconut economy so hard that the price of coconuts has skyrocketed from seven baht in July 2010 to 20.5 baht now, compelling imports from Indonesia. Thus, barring Indonesia, coconut production in most coconut producing nations is reeling, resulting in global demand-supply mismatches, the full impact of which is to be felt soon.
- The area under coconut cultivation has been drastically declining in Kerala, the major coconut producing state in India, from 2000-01 onwards due to a host of factors like unsteady price for nuts, high wage rates coupled with shortage of labour especially for the timely harvest operations reducing the number of harvests, high incidence of diseases and pests, declining crop productivity, coupled with less relative profitability vis-a vis competing crops like rubber and higher extent of coconut land being utilized for urbanization needs.
- The increasing per capita demand for edible oils in face of higher purchasing power is another driving force. The demand supply gap has been widely met from heavy arrivals of nuts, copra and coconut oil from the neighboring Tamil Nadu. The advancing North East monsoon in the major coconut growing districts of Tamil Nadu and Karnataka will hamper the harvest operations there. The intermittent rains are likely to reduce the conversion process of nuts to copra. The labour availability is also likely to be affected by the commencement of the Sabarimala season. With the supply from Tamil Nadu coming under pressure, the prices are likely to firm up in Kerala till January end when the next season is expected to start.
- The corporate buyers have been keeping away from the market during the last three months on a calculated strategy. Increased demand for shampoo and cosmetics as advancing winter season would hike up its consumption is another push factor.

- A stronger dollar is a deterrent to large scale import of edible oils into India, especially in view of robust estimates for most Rabi edible oil crops in the country.
- However, there are a few pull factors also, the most important being the tight global macro economic situation signaled by a weakening Euro Zone. Recessionary trends are more visible in India also.
- The higher preference shown by the bio-diesel industry for soybean oil based diesel in preference to coco- diesel, especially in view of good soybean crop in the US and its weak export demand.
- A price differential with palm oil price encouraging low and middle income households to changing loyalties for their cooking oil. The higher price difference is encouraging wide spread adulteration of coconut oil with cheaper substitutes, which would result in a slow down of demand from the household sector.
- The demand for tender coconut completely waning on account of advanced winter season would reverse the availability of nuts in the short run.

The model price of partially dehusked coconut in Trichur market was ruling around Rs.17 per kg in October 2011, which is more or less same during the last year at this period of time. In view of the above prevailing market sentiments, the Agricultural Market Intelligence Centre (AMIC) of Kerala Agricultural University under the ICAR assisted NAIP project conducted an econometric analysis of monthly prices of partially dehusked coconut at Trichur market during the last 12 years from January 2000 to October 2011, which indicated that the following price pattern is most likely to prevail in the next three months as indicated below:

<b>Commodity Form</b>	<b>Month</b>	<b>Price Forecasts (Rs/Kg)</b>
Coconut (Partially de-husked)	November 2011	19.00 - 21.00
	December 2011	20.00 - 23.00
	January 2012	19.00 - 22.00

The analysis indicates that the coconut prices are likely to firm up in the short run, and may remain steady in a capped range of Rs. 19 to Rs. 23 in the coming months due to supply demand mismatch and recessionary signs.



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