



Short communication

Price spread of coconut in the central region of Kerala

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Abstract

To understand the nature of the marketing channels, marketing costs, margins, price spread and producer's share in the consumers' price of coconut, a study was conducted in central Kerala. Results indicate that about 51% of the respondents sold coconuts in the non-husked form. Furthermore, most farmers (86%) traded it on-farm, and only about 14% of the respondents sold it outside. The most common marketing channel identified was the 'producer—copra maker—oil miller—wholesaler—consumer'. The concept of concurrent margin, employed to find out the marketing margin showed that the producer's share in consumer's rupee was only 60.58%, implying a high price spread. Value addition at the farm-level, however, may help the producers to secure a higher proportion of the final product price and reduce the price spread.

Key words: marketing channel, marketing margin

Marketing plays a vital role in agricultural development. Identifying the most efficient marketing channel is, thus, critical to optimize the marketing costs/margins and to ensure remunerative prices to the producers. Studies on price spread assumes significance, as they reveal many facets of marketing and price structure as well as the efficiency of the system. Although a number of investigations on price spread and marketing strategies of coconut have been conducted in Tamil Nadu and Karnataka (Haridoss and Chandran, 1996; Yasodha and Padmanabhan, 1996), such studies are rare in Kerala. Yet, in a lone study on coconut conducted in the Calicut region (northern Kerala), Nair (1987) found that the price spread is 23.5% of the retail price of oil. In view of the limited nature and scope of such studies, an attempt was made to study the marketing costs, margins, price spread and producer's share in the consumer's price with respect to coconut in central Kerala.

Fieldwork was conducted in the Ernakulam, Palakkad and Thrissur districts, which accounts for about 21.53% of the total cultivated area under coconut in the state

and contributes approximately 21% of its production. The study included 142 farmers selected randomly. Additionally, a survey on marketing strategies using a random sample of 24 village traders/copra makers, 8 oil millers, 12 wholesalers and 12 retailers was conducted. The data relate to the period of February to June 2000 and were collected through personal interviews using a pre-tested schedule and was followed by percentage analysis. A separate schedule, however, was used for data collection on marketing aspects.

Results suggest that about 51% of the sample farmers sold unhusked nuts and only 21% sold nuts in the husked form, preference of the local traders being the pre-disposing factor in this respect. Selling nuts after splitting it into halves and pricing it on weight basis, however, is gaining popularity especially after the coconut eriophyid mite infestation became severe in many parts of the state recently. This probably helps the farmers to get some returns through the sale of the deformed and small nuts resulting from mite attack. However, only 23% of the farmers sold split nuts,

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Table 1. Distribution of respondents according to type of buyers and products

Items sold	Copra makers	Village merchants	Itinerant traders	Oil millers	Total
Coconut ¹	107 (75.35)	3 (2.11)	12 (8.45)	0	122 (85.92) ³
Coconut ²	13 (9.15)	0	0	1 (0.70)	14 (9.86) ³
Copra ²	0	0	0	4 (2.82)	4 (2.82)
Oil ²	0	2 (1.41)	0	0	2 (1.41)
Sub total ²	13 (9.15)	2 (1.41)	0	5 (3.52)	20 (14.08)
Total	120 (82.39)	5 (3.52)	12 (8.45)	5 (3.52)	142 (100)

¹On-farm sale; ²Outside farm sale

³Coconut sale (on-farm+outside farm= 95.78%) includes 51.4% unhusked nuts, 21.13% husked nuts and 23.24% split nuts) Parenthetical values indicate percentages

another 2.8% sold it as copra and a still modest 1.4% of the respondents marketed it as oil.

Our analysis further revealed that as much as 86% of the farmers sold nuts on the farm compared to 14% outside it (Table 1). Farmers found it convenient and easy to sell the nuts on the farm itself rather than selling it in the local markets. Moreover, they benefited from the higher bargaining capacity of such on-farm sales, especially in view of the fact that they can exercise the option of not selling the produce if the price offered is below expectations. While about 82.4% of all

respondents (on-farm+outside farm sale) sold nuts to the copra makers, only 8.45% of the respondents sold it to the itinerant traders. Village traders and oil millers accounted for 3.52% each. None of the respondents, however, sold the nuts to itinerant traders outside the farm.

Although four marketing channels were recognized in the study area (i.e., producer—copra maker—oil miller—wholesaler—consumer, producer—oil miller—wholesaler—retailer—consumer, producer—oil miller—consumer and producer—itinerant traders—wholesalers—oil miller—retailer—consumer), the first

Table 2. Margins and costs of various intermediaries for coconut marketing in central Kerala

Particulars ¹	Rupees	%
Price received by farmers	310.33	60.58
Selling price of copra maker/buying price of oil miller	415.25	81.06
Marketing cost of copra maker	33.60	6.56
Copra makers' realization from by-products	9.53	1.86
Net margin of copra maker	80.85	15.78
Price paid by wholesaler/selling price of oil miller	431.0	84.14
Milling and marketing cost of oil miller	16.00	3.12
Oil millers' realization from by-products	25.25	4.93
Net margin of oil miller	25.00	4.88
Marketing cost of wholesaler	0.50	0.10
Price paid by retailer	459.00	89.6
Net margin of wholesaler	27.50	5.37
Marketing cost of retailer	2.12	0.41
Net margin of retailer	51.13	9.98
Price paid by the consumer	512.25	100.0
Price spread	201.92	39.42

¹ per 100 nuts

channel being predominant, further analysis was confined to that. Coincidentally, the third channel was applicable only to those farmers who traded copra directly.

The marketing margin and cost were worked out assuming that 100 nuts yield 15.5 kg of copra and one kilogram of copra contains 63% oil. Our study revealed that the price received by the farmer was Rs. 310 per 100 nuts, while the price paid by the consumer for the same quantity was Rs. 512 (Table 2), implying a price spread is Rs. 202 per 100 nuts. This means that the producers' share in consumers' rupee is 61% of the price paid by the final consumer and the price spread accounts for a sizeable 39%. Besides, this is certainly higher than the price spread of 24% estimated by Nair (1987) for Calicut and 19% by Haridoss and Chandran (1996) for Tamil Nadu. Higher price spread indicates a lower share of the final price to the producer, which is not a desirable trend. Since there has been wide fluctuations and instability in the prices of coconut in recent times, presumably the traders are adopting a pricing strategy aimed to minimize their risks. Also, implicit in the higher price spread is probably a proliferation of the intermediaries in the marketing channels, which may act as an impediment in securing a fair share of the final product price to the farmers. Nevertheless, it should be

noted that intermediaries are not always counter-productive. They add and create time, place, form and possession utilities of the produce. Producers, however, can adopt value addition technologies either at the individual level or on a collective/co-operative basis to reduce the role of intermediaries and thereby reduce the price spread.

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