CHAPTER-V

MARKETING PRACTICES OF COCONUTS

5.1 Marketing of coconut

5.1.1 Marketing of coconut like that of any other horticultural commodities, notionally has two aspects i.e. the ‘marketing activity’, in which sellers and buyers have mutual Coordination in each other’s activities, where goods and services from producers move through certain channels by conscious application of marketing tools. The other aspect is the ‘marketing promotional activity’, which comprises of gathering information, data, Compilation, analysis, interpretation of the data and passing the resulted valid Information to farmers, traders, business organizations and other concerned agencies to facilitate marketing functions. The tools used for market promotional activities are marketing research, advertising and effective coordination between producers and consumers. While marketing promotional activities play supporting and strengthening role to the marketing activity, however, the later requires professional and commercial skill.

5.1.2 Marketing of coconuts differs from that of other fresh fruits due to natural durability of coconuts, which are sold as fresh tender nuts as well as matured water nuts and dry nuts. Since coconut is mainly cultivated in Southern states viz., Kerala, Karnataka, Tamil Nadu and Andhra Pradesh and nominally in coastal area of Maharashtra, Goa, Gujarat, Orissa and West Bengal etc., the Marketing practices followed are more or less similar in nature. It has been observed that they do not differ much except where the post harvest practices change on account of the form of the coconut and coconut products consumed in that area. Indirect
mode of disposal of coconuts as a strategy is more popular and widely adopted by coconut farmers. This indicates that channels, intermediaries play a major role in both assembling and equalization functions in marketing of coconuts. Coconut farmers who depend on direct channel are those who have comparatively better financial base than other categories of farmers, provided with infrastructure facilities and nearness

5.1.3 Coconut farmers have two channels for disposal of their coconuts. One is the direct channel and the other one, an indirect channel. Indirect channel is the most prominent channel adopted among coconut farmers. Direct channel is very simple while the indirect channel is very complex. Based on their mode of disposal of coconuts, four types of coconut farmers have been observed. They include lesser farmer, opportune farmers and farmer adopting mixed practices. Nearly half of the coconut farmers in general and two third of marginal and small farmers in particular have been observed adopting leasing as the mode of disposal of their coconuts. The financial crises especially the need for money to redeem prior debts and to meet domestic expenses are the prime reasons for leasing coconut trees. The marginal as well as big coconut farmers with sound financial position are free from any such forces compelling them to lease coconut trees. Adoption of mixed practice for disposal of coconuts is found common among big farmers. Location differences of the farm and differences in age and productivity of coconut trees are the reasons attributed for following mixed practices of marketing by farmers. Absence of lease holders, low productivity as well as poor protection to trees in the farm, seasonal harvesting etc. are some of the factors forcing coconut farmers to adopt mixed marketing practices.
5.1.4 Tender Coconut: The tender coconuts are disposed off by the farmers immediately after harvesting, without giving any kind of dressing or grading. It has been observed that tender coconuts Plate – 12 are manually sorted out at the time of retail sale, where the husk of the tender coconut is chopped off with a sharp sickle shape knife to make an opening of about 1 inch diameter to facilitate directly drinking of water. Dehusking of tender coconut is very difficult due to high moisture content of the husk and delicate nature of immature shell. The discarded nuts are cut into halves before being disposed off by natural degradation. Tender coconuts are sent to market within a day or two after harvesting as there is no practice of storage for Tender Coconut Sale longer period. The tender coconuts are kept in shed on the farm till they are lifted by the wholesaler and/or retailer. The wholesalers and retailers store the tender coconuts only for a few day or week, since, the interval between the harvesting and consumption does not exceed more than 10 to 15 days, even at the distant places of consumption. Moreover, prolonged storage makes the tender coconut water insipid and hence is disposed off for consumption at the earliest possible. Tender coconuts have great demand in most of the towns and cities all over the country. Kolkata, Mumbai, Chennai, Bangalore and Delhi are the major consumer markets for tender coconuts.

5.1.5 The tender coconuts are sorted out at the retailer level according to their size. Since, bigger the coconut higher the price due to consumer preference and belief that it contain more quantity of coconut water. The assembling and distribution of tender coconut throughout the country is almost uniform and involve producer, contractor, itinerary merchants, wholesalers, retailers and hawkers. Farmers of the main coconut growing areas generally sells tender coconuts at the farm or gardens to itinerary merchant, wholesaler or retailer. At some places, the producers take the
tender coconut to nearby mandi or market. The itinerary merchant and wholesaler after procuring either through commission agent or even directly, sell to the retailers. The retailer may directly sell to the consumer or through hawker to consumer. The buyers transport the tender coconut nuts to nearby town and market hatts. It has been observed that 90 per cent of the tender coconut production is handled by itinerary merchants. In Thanjavur traditionally coconuts are used for religious purpose and for consumption; hence, harvesting of fully matured nuts has been seldom practiced. In most cases, nuts of six to seven months, attaining maturity are harvested. The marketing channel in Thanjavur district includes village merchants, commission agents / wholesalers, dealers / re-traders, retailers and consumers.

5.1.6 Increasing awareness among the consumers about the medicinal properties and health benefits of tender coconut water has increased the demand for tender coconuts. The farmers Tender Coconut Sale and wholesalers transport the tender coconuts to College Street for auction through commission agent. The lots of tender coconut are unloaded from the vehicles and stored out into the lots of 150, 200 and 250 nuts according to the size of the coconuts. The commission agent auction each lot and sells to the highest bidder in presence of the farmer or wholesaler. After auctioning the whole produce, the wholesaler or farmer is paid the amount after deducting the six per cent commission and other expenses incurred by the commission agent. During the summer months, nearly 45,000 to 50,000 tender coconuts per day are transacted in this market. The transaction drops to around 25,000 to 30,000 tender coconuts per day during rainy or winter season. However, it was gathered that the arrival in the market has been declined due to large quantities of tender coconuts were being exported.
5.1.7 Thanjavur markets is also an important terminal market for tender and matured Plate – 15 coconuts. Arrival of both types of coconut depend not only in the seasonal demand and consumption pattern in the Northern region but influence the supply from the markets in coconut producing areas. Study of the arrival of coconut in Delhi market for the triennium ending 2004-05 shows the arrival of matured coconut as 60.13 per cent compared to 39.08 per cent arrival of tender coconut. Arrivals of tender coconut has been proportionately Tender Coconut Sale higher during March, April and May due to higher demand for tender coconut water during summer season and decline in arrival during monsoon months. However, arrival of matured coconut appeared higher during the summer and winter season i.e during August, September and October due to festival.

5.1.8 The Coconut Development Board has sponsored the project of adopting integrated approach for marketing of minimally processed tender coconut to provide a sustainable and enhance income to coconut growers. In marketing practices of tender coconut, it has been observed that the supply chain of tender coconut is simple unlike matured coconut, copra and coconut oil but highly unorganized. In the marketing channel of tender coconut it could be observed that no organized efforts are made to ensure the availability of quality tender coconuts on a continuous basis to meet the consumer demand. A substantial share of coconut production could be traded as tender coconuts, if an integrated approach was adopted for marketing of tender coconuts with the active participation of various stake holders. This would in turn help in reducing the dependence of coconut price being decided by trends in coconut oil market.
5.1.9 It has been observed that on a very small scale, tender coconut water is being sold in bottled form, to serve in processed and chilled form. But the venture has not been so popular on account of high cost involved in sophisticated processing technology to preserve the natural taste and flavor of coconut water and establishing bottling plant. Scientists have suggested a viable option to adopt minimal processing technology of serving tender coconut in its natural container itself at a reasonable cost. In this process the bulkiness of husk on the tender nut is removed the partially de-husked coconuts are dipped in a solution of 0.5 per cent Bottled Tender Coconut water citric acid and 0.5 per cent potassium meta-bisulphate for three minutes to prevent discoloration of the outer covering. The partially de-husked and thus treated coconuts can be stored up to 24 days in refrigerated condition at 50C to 70C temperature without loss of white colour of the minimally processed outer most covering of the tender coconut, natural taste and flavour of tender nut water Partially Dehusked Tender Coconut inside. The tender coconut water can be served chilled like any other soft drink. These processed tender nuts would require plastic crates and insulated chill boxes for transporting and storage. This will facilitate distribution and marketing of tender coconut in different segments of market like, super malls, markets, hospitals, hotels, road side shops, kiosks and vending on railway stations and bus stands. Chilling and Storage at the cold storage infrastructure created in the Agricultural Wholesale market
Integrated Way of Marketing of Partially Processed Tender Coconuts

1. **Coconut Garden**
   - Harvesting Tender coconuts from selected palms by Climbers
   - Recycling Husk
   - Minimal Processing, Partial Dehusking Tender Coconuts (Women SHG)
   - Transportation of Minimally Processed Tender Coconuts
   - Chilling and Storage at the cold storage infrastructure created in the Agricultural Wholesale Market
   - Retail Outlets
   - CONSUMER

2. **Homestead Garden**
   - Recycling Husk
   - Minimal Processing, Partial Dehusking Tender Coconuts (Women SHG)
   - Transportation of Minimally Processed Tender Coconuts
   - Chilling and Storage at the cold storage infrastructure created in the Agricultural Wholesale Market
   - Retail Outlets
   - CONSUMER

COCONUT FARMERS
5.2.1 Matured Coconut:

Matured coconuts are generally disposed by farmers in unhusked form for want of Nearby market place. However, farmers located near to market places, dehusk the coconuts and sell them as husked nuts. Farmers, from the areas where the husks is not utilized for retting and coir purpose, store the coconuts for two to three months, particularly the nuts harvested in the monsoon season. In Kerala, Karnataka and Andhra Pradesh farmers keep nuts for several months and sell them as dry nuts for making edible copra. The majority farmers sell the bulk crop as unhusked coconuts, still a considerable quantum of nuts are sold to consumers as husked nuts. Harvesting Tender Coconuts from selected Palms by Climbers Recycling Husk Recycling Husk Minimal Processing, Partial Dehusking Tender Coconuts (Women SHG) Transportation of Minimally Processed Tender Coconuts Retail Outlets CONSUMER

5.2.2 The nuts reaching markets are either partially husked or dehusked as per demand and requirement in distant markets. Coconuts meant for copra making sold in local markets are fully husked; coconuts meant for distant market places are left with some fibres covering the eyes or on all around nuts. Such partially husked coconut minimizes the breakage during transportation and possesses’ longer keeping quality. In Maharashtra state, it has been observed that even when coconuts are fully husked a tuff of husk is left at the end of the nut over the eyes as it is considered to be auspicious and believed to preserve the nuts from spoilage. Some quantities of nuts are slightly husked, only the outer skin is removed and most of the husk is left over the nut-in-shell, and rests are completely husked. Different types of husking in preparation of dry nuts have been reported from the coconut producing areas of Andhra Pradesh, depending upon the trade demand from the consuming markets. The dry nuts which
are completely husked except a tuft of fibers left over the eyes are meant for cities and towns of Maharashtra, Madhya Pradesh and some part of Uttar Pradesh and Bihar state. The dry nuts meant for some markets in Madhya Pradesh are typically husked where in three corners of matured coconuts are completely husked and from inter-space the husk is only partially removed to decorate the nuts meant for religious purpose. The nuts meant for Rajasthan market are partially husked, in some cases matured nuts are husked at the bottom only. The husking charges vary in different states and types of husking carried out in producing areas. Therefore, the wages paid to the labour used for husking widely differs from state to state.

5.2.3 The storage practice for matured coconut differs from place to place and in accordance with marketing practice i.e. by the producers, merchants or exporters. The farmers and local village merchants store coconuts in their houses. In markets, coconuts are stored in godowns owned by the wholesalers or commission agents. Since matured coconuts are meant for immediate consumption or crushing for oil, they are not warehoused for longer period. The matured nuts meant for copra making, are stored as unhusked nuts immediately after harvesting, and undergo further ripening to improve the quality of copra obtained. The husk obtained from such nuts losses the quality required for coir making purpose. In places where husks are used for retting and nuts are sold for milling purpose, the matured nuts are not stored but husked immediately after harvesting. The matured nuts meant for consumption of water and kernel, are stored for few weeks to three months by the farmers in their garden itself, as it fetch premium price when the colour of the nuts become brownish. The practice of this type of storage has been observed in some districts of Maharashtra, Karnataka and Kanyakumari district of Tamil Nadu.
ASSEMBLING AND DISTRIBUTION OF MATURER COCONUTS

It has been reported that storage is practiced for preparation of dry nuts in the Godavari districts of Andhra Pradesh, where the trading of dry coconuts was predominant in the market. The coconuts meant for preparation of dry nuts, immediately after harvest are stored in gardens under shade, initially for 5 to 6 weeks, subsequently they are partially dehusked and further stored for 10 to 15 months, on an attic, especially made bamboo platform. The partially dehusked coconuts are dried by applying hot air passed through fire place or hearth underneath the drying
platform, especially for the coconuts harvested during monsoon season. The nuts harvested during dry seasons are sun dried and converted into ball copra and cup copra accordingly. The nuts meant for making copra are also stored for 9 to 12 months before being subjected to sun drying on specially made bamboo platform in the Arcot district of Tamil Nadu. The cost of storage varied from place to place, different conditions prevailing in the producing areas and the form in which coconuts are marketed. When the storage is on the farms the cost of storage might be almost nil. But when stored by the middlemen or wholesalers, near or in the market place, the handling charges and storage cost increase. Obviously, there are certain progressing losses in terms of quality factors and weight loss with the increased period of storage. The losses on storage are influenced by the quality of husk left on the nuts before marketing and processing. The loss in weight is more in unhusked nuts and minimum in completely dehusked nuts.

5.3.1 Village merchant (Copra maker):

In Kerala State, the village merchants are the first purchaser of the nuts from the producers. Traditionally, the price of coconut is determined by the price of coconut oil prevalent in the market. The accepted norms followed in Kerala are that the price of one quintal of coconut oil is considered equivalent to the price of 1000 nuts i.e. the cost of single nuts is equivalent to 100gms of coconut oil. The Copra maker transacts the business on the basis of this conversion. In other part of the state, the prices of coconut are based on two important products of the coconut i.e. husk and the kernel, this practice is followed where the relevance of coir industry is much more and the loss in the sale of copra is compensated by the sales proceeds of husk. In some parts of Kerala, the price is also based on the estimated number of nuts required for making one candy of copra.
when crushed, assuming 62.5 per cent oil, 35 per cent oil cake and 2.5 per cent waste. The sale proceeds of husk and shell is added and cost of production and transportation of copra is deducted. The delivery of nuts is taken, by the village merchant after the sale, at the coconut gardens itself, generally on credit basis. The nuts are de-husked on the spot and the husk is sold to the netter to process it for coir fibre for the coir unit.

5.3.2 Middle man (Copra Merchant) :

The middle men who are also merchants convert the coconut into copra on sun drying or kiln dry or by following both the methods. It takes around 7 days for producing standard quality of copra. In most of the cases, copra is sold at the stage when moisture level is 10 to 12 per cent, commonly known as ‘ghatti’, for which, corresponding amount is deducted by the traders compared to the better quality of copra of 6 to 7 per cent moisture. The price of the copra is calculated on the following basis i.e. (a) The price of oil per candy (b) The price of cake per candy (c) Less Sales Tax crushing changes. Since the Marketing prices of coconut oil always fluctuate specially, the copra makers have to rush to manufacturer of copra by reducing the drying period. In some villages, where drying of copra is carried out in a crude form of copra-kiln, results in manufacture of inferior quality of copra. The small copra makers in village sell their lots to big processors and thus, there would be more than one intermediaries involved before it reaches to the millers.

5.3.3 Traders (Millers)

The copra thus procured is brought for further sale to millers by the traders. The transportation involved is either by country boats or bullock carts. Generally, traders are associated with particular miller but can go to other agency if they have not taken any advance payment from
the miller. In Kerala state, most of the units are situated near to the back water, facilitating water transport. The trader takes about 10 per cent of the copra procured as sample to the miller for approval and then bargaining starts. The trader moves from one miller to another for final settlement. The trader ultimately sells the product to miller, sometimes edging price for the copra or sometimes as a distress sale for crushing the whole thing into coconut oil. Since the major demand of coconut oil is from the up country markets, mainly meant for industrial purpose, specially for soap industry. In some cases, this process of the marketing channel is repeated on the same route on credit basis by paying the amount due for the last transaction.

5.3.4 Hatta System (Under cover)

Though dealing under cover is not a healthy marketing practice but still it is prevalent in copra trade. The copra makers take their produce to market and contact the broker with copra samples, commonly called “one eda”, in one basket and moves from one broker to another. The settlement of the price for the produce is determined in secret manner without uttering the price in open. The buyer and the broker engaged by the seller determine the price through pre-determined secret codes of price for every one of the five fingers of their left hand held and hidden under cover of the towel. They touch each finger alternatively by offering the price on their different parts of fingers and position known to both but not to the sellers. When the deal is finalized at the price arrived at secretly, after consultation by the broker with the seller both firmly hold their particular finger under the cover of towel. This practice was in vogue among the copra / coconut oil merchants in Travancore-Kochi. The copra merchant might not get the payment for copra immediately, but get the amount due for the previous consignment, when the next lot is brought to the market.
5.3.5 Deductions

The trader in the trade of matured nuts / copra, practices deductions for immature nuts, mouldy and dis-coloured copra, moisture content etc. The deductions are made arbitrarily by the traders. The same procedure is observed by the traders bringing the lots to the millers and after bargaining with some millers at their site, the lots are sold to the millers. The lots are weighed on beam balance, at this stage also additional copra cups are taken for each weighment. Market charges such as sales tax, cess for coconut committee, brokerage, bonus to cart men / boatmen. Unloading, drying charges etc., are deducted arbitrarily. It has been reported that the growers and coconut processors are fully exploited by various trade practices such as additional nut for every 100 nuts, popularly known as “Vasi”, bunching of small nuts and counting at par with a single nut, besides irregular and insufficient payment, over estimation of allowances, quality disputes etc., are some of the ill practices prevailing in the market.

5.3.6 Grading

Wholesale traders adopt the practice of grading copra based on the quality factors prevailing in the trade. The coconuts are categorized in the two forms, fresh and dry, while copra into edible and milling. The edible copra is classified as ball copra and cup copra, depending on the quality, edible copra is further graded as copra from dry nuts, copra from semi-dry nuts and copra from fresh nuts. Each grade is again classified into different trade name. Such as OfficePass, Rassi, Rajpur, Moong etc. The office pass grade is generally used for milling purpose and sold to miller. The traders grade the copra in the order of its market value. The grading is mainly based on moisture content with maximum limit of 10 per cent, the foreign matter upto 2 per cent and black copra upto 5 per cent. However, the good quality copra ideally should have moisture upto 6 per
cent, oil content 71 per cent, acid value 2.5 per cent, foreign matter 0.5 per cent, mouldy cups 5 per cent, wrinkled cups 5 per cent and black copra 1 per cent. The edible ball copra has different quality parameters to offer price even under price support scheme.

<table>
<thead>
<tr>
<th>Edible Copra</th>
<th>Milling Copra</th>
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<tbody>
<tr>
<td>Size 75 mm (minimum)</td>
<td></td>
</tr>
<tr>
<td>Foreign matter 0.2 %</td>
<td>1.0%</td>
</tr>
<tr>
<td>Mouldy &amp; black kernels 2.0 %</td>
<td>10.0%</td>
</tr>
<tr>
<td>Wrinkled kernels 10.0 %</td>
<td>10.0%</td>
</tr>
<tr>
<td>Chips 1.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Moisture 1.0%</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

The edible copra is selected for export to North Indian states and other parts of the Country for direct consumption or as an ingredient in spices or culinary preparations. The demand for edible copra is seasonal and subjected to fluctuations. Therefore, grading is resorted to by traders depending on demand or even the edible copra is sold for crushing.

Several grades and classification of edible copra are prevalent in the market. The ‘vadagara’ variety is referred to as ‘Calicut Gola’ in the trade. In ‘vadagara’, the balls are classified into 5 types according to the size. In Karnataka state, four grades of ball copra according to size are designated as “Mysore”, “Madras” “Ras” and “Barik”. The sizes of different grades are not defined in any measurable unit but the balls are classified into the different grades by visual assessment / observation only. Ball copra from Godavari district is referred to as Madras copra which is not as good as Karnataka or Vadagara varieties. The ball copra from vadagara and kozhikode areas is considered slightly inferior to that of Tiptur area of Karnataka.
The three main grades of edible cup copra in Kozhikode are known as ‘Rajpur’, ‘Madras’ and ‘Dilpass’. “Rajpur” copra is considered as the best edible cup copra and is prepared by cutting the copra balls and further drying the halves in the sun for two to three days. It is sorted out into two or three grades according to the whiteness of the kernel. The Rajpur variety comes to the market from September to June. The Madras copra is somewhat inferior to the Rajpur copra and is prepared from nuts in which water has not been fully absorbed. Rejections from Rajpur quality also go as Madras. According to the colour of the skin (testa), Madras copra is classified into two grades. Dilpass is inferior to Madras variety in quality and is prepared from partially dried nuts, stored for three to four months or from fresh nuts.

In Alappuzha the best cups of sun dried copra with good colour and clean appearance are separated out and classified as edible copra. There are different grades according to the size, colour and outer skin etc. which are locally known as Rai, Murgi, Dala etc.

In Kerala state, the best grade of milling copra is known as ‘office pass’. All other inferior quality copra is known ‘Rasi’. ‘Rasi’ is sometimes classified as ‘Thirurassi’ and ‘Kazhippu’. In Tiptur copra rejected from edible copra is called ‘kavathu’. Moisture is an important factor for judging the quality; hence millers sometimes differentiate copra on the basis of number of days taken for drying such as 4 day drying, 7 days drying etc. The term “cutter” dry is used to indicate fully dried copra.
5.7.1 Intermediaries at different stages of marketing of coconut

It has been observed that presence of intermediaries at different stages of marketing of coconut, copra and coconut oil. The structure of coconut trade varies from traditional coconut growing state to non-traditional coconut growing state and region to region. It is a common practice among big farmers to pool his produce along with produce of small farmers of his village/area, convert into copra and sell it to intermediaries or miller directly. The miller in turn sells it to wholesalers in terminal market or to upcountry buyers. Sometimes farmers sell their produce to converters cum traders, who directly sell copra to upcountry buyers for manufacturing of value added products. The number of intermediaries in the marketing channel critically differs in Kerala and Tamil Nadu state. The marketing channel for copra in Kerala is characterized by presence of intermediaries at multiple stages, which is conspicuously lesser in Tamil Nadu and Andhra Pradesh. It has been observed that some farmers sell coconuts to traders who in turn sell the coconut to composite mills, where conversion, drying of copra and its milling into coconut oil is carried out.

The major coconut oil trading centers are functional in the zones where more number of coconut oil mills are located. They are mainly at Kochi (Cochin), Trichur and Trivandrum in Kerala; KankeyamandVellakovil in Tamil Nadu and NorthKanara, Udupi and Mangalore in Karnataka. Though Kochi has been a terminal market, it has been reported that it has been experiencing decline in trading of coconut oil. The reasons attributed to this decline are highlabour wages, grading and transportation cost. The traders in Kochi who have the capacity, started to pool the minimum quantity up to 50 drums of coconut oil in short period of 11 days to economize the loading, grading and
transportation cost. The small traders in Kochi, unable to adopt pooling practice, have been suffering from a low turnover. Further, the buyers have been forced to accept substandard coconut oil deliveries with more than permissible impurities, which the dealer have to purify at their own cost and in their establishment before dispatching it to upcountry buyers or industrial end users.

From the marketing practices followed in the coconut and coconut product trade, it has been revealed that in-numerable intermediaries, channels, functionaries, brokers, assemblers, traders, merchants, wholesalers, institutions and retailers are involved directly or indirectly in the movement of coconut from the point of production to the point of consumption, performing various activities in the flow process, enabling movement of coconut and its products until placed in the hands of consumers. The distribution systems in marketing channels differ from product to product due to difference in marketing environment, marketing composition and marketing situations. It is apparent that they perform one or all the functions of assembling, buying, selling, transportation, storage and warehousing. The auxiliary functions such as grading / standardization, market financing, market risk bearing and market intelligence/information are also performed by these functionaries.
MARKETING CHANNELS OF COCONUT AND COCONUT PRODUCTS

COCONUT FARMERS / PRODUCERS

- From small producer pools copra
  - Convert coconut into copra
    - Intermediaries or Millers
      - Terminal Markets
      - Upcountry Buyers
        - Wholesalers
          - Retailers
            - Consumer

- Coconut product converters-cum-Traders
  - Traders
    - Composite Millers (Milling of copra) and Conversion
      - Coconut oil
        - Terminal Market
          - Wholesalers
            - Retailers
              - Consumer

- Value added products/Manufactures
  - Retailers
    - Consumer
However, in the existing marketing system the functionaries, except the institutional agencies, have not fulfilled the objectives of effective marketing system, towards remunerative price realization, through sale of coconut and coconut products. The price realization reported to be lower than the direct sale by farmers or through farmer’s institutions. Even though every addition of marketing functionaries results in widening of the price spread, the dominance of marketing functionaries in the marketing channels of coconut and its products cannot be denied, due to certain limitations which directly or indirectly affect the farmers and producers / manufactures.

Majority of the coconut farmers have small and marginal holding and have dearth of holding capacity due to financial crisis, lack of credit facilities from the financial or cooperative institution against coconut trees, compel them for forced sale. The coconut farmers are the worst sufferer in the present marketing practices as they need short term credit especially during off seasons and flush season i.e. during summer days. The farmers thus borrow advances from the middle men / traders, especially those who raise coconut palms in grove as monocrop even to meet their expenses for normal production and consumption. Moreover, they do not have storage facility and holding capacity. Fluctuation in prices of coconut forces them to sell these coconuts on farm immediately after harvest. The farmers are unable to take up value addition activities to their produce. This strikingly affects the effectiveness of marketing of coconut and coconut products. The structure of coconut trade varies from traditional coconut growing states to nontraditional coconut growing states and from one region to another, likewise the presence of intermediaries, at different stages of marketing of coconut, copra and the coconut oil.
5.4.1 Future Trading in Coconut

The centralized trading practice in coconut trading, where operating agents practice contracts with standardized specifications with flexibility in prices known as future trading and was in vogue till 1971. Futures’ trading of coconut oil was carried out under two recognized association in 1950’s viz; the Alleppey Oil Millers and Merchants Association, Alleppey and the Oil Merchant Association, Cochin. At Cochin, four consecutive bi-monthly contracts were permitted to recover concurrently according to the bye-law of the association for the purpose of hedging, the due data of the 1st bi-monthly contract being the 15th of the month and that of the second being the last day of the month. It was discontinued later to check excessive speculation in trading activities.

However, it has been reintroduced in the last quarter of 2001 for coconut oil under the first commodity exchange of India at Kochi, after a gap of 3 decades. This brought about a sea-change in the coconut industry and trade. Copra crushing industry which suffered a setback in the past decade also received a boost on resumption of future trading in June 2010. National Multi-commodity Exchange, Ahmedabad, though started future trading in coconut oil during their initial months of operations. However, there is not much activity in copra and coconut oil in this exchange, other commodity exchange such as Multi Commodity Exchange (MCX) and National Commodity Exchange (NCDX) are yet to start trading of copra and coconut oil.

The trading in the above markets is conducted simultaneously for three contracts only. These contracts are required to commence three months in advance and the period of hedging is four months. The trader who trades in the exchange are bound to pay margin and special margin
money as fixed from time to time by forward market commission (FMC). Further, the members have to deposit a security with the exchange. The limit on open position is fixed with the sanction of Forward Market Commission. Trade in exchange is carried on line. The trading of coconut oil and copra is in two tones and multiple there off. Minimum price movement for coconut oil and copra is 5 kg. / 100 kg. The maximum price fluctuation for a day is Rs.100 and as per bye-law of the exchange delivery can be made anywhere in India.

The prices at Kochi in 2005 given in Table-14, revel that the future prices, vis., actual prices, vis., delivered prices of coconut showed using trends during to 15th half of March, 05. By the second half of March and beginning of April, 05 the actual price showed decline with respect to future price in respect to the month of January and February where the actual prices were much higher than that of the future market. However, during May, 2010 to December, 2010 the prices on future market trading were higher than that of the actual prices. However, it is seen that the actual delivery prices were always less than that of actual and future prices except in case of the months of January and February.
Table No.5.1

Future Price V/s. Actual Price V/s delivered Price of Coconut Oil at Kochi Market(Rs.)

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<td>Actual</td>
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<td>Future</td>
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<td>5935</td>
<td>5709</td>
<td>5702</td>
<td>5517</td>
<td>5399</td>
<td>5217</td>
<td>4888</td>
</tr>
<tr>
<td>Delivered</td>
<td>6920</td>
<td>6870</td>
<td>5650</td>
<td>5780</td>
<td>5240</td>
<td>5300</td>
<td>4940</td>
<td>4905</td>
<td>4700</td>
<td>4720</td>
<td>4500</td>
<td>4560</td>
</tr>
</tbody>
</table>

Table – 1 shows the volume of coconut oil traded and delivered under future trading it is clear from the figure that though the total volume traded had increased from 21,628 to 1,24,244 during the year 2010-2011. However, the quantity delivered at the same time was very less, though it had also kept the increasing trend as per the volume traded. Though the contribution of the system is very negligible, however, active involvement of farmers / traders will help to increase the trade in future market. It was expected to avoid violent fluctuation in price to bring transparency in marketing of oils and oil seeds, and provide option to farmers / traders to sell their products at a favorable price, three months in advance. Future trading practice could be used as a tool to stabilize price. However, contrary to this expectation from future trading it was reported that in the year 2010, future trading in coconut oil has failed to achieve the expected results due to alleged anomalies in the trading. It has been observed that there was lack of transparency in trading and pricing in the spot market and hence the future market was unable to perform its function. Unfortunately, the spot markets of coconut oil were influenced by the supply and demand factors in particular regions, and future prices were driven by a very small section of operators in the future exchange which was not observed as healthy trend in future trading. The spot
market in coconut oil failed to meet the required conditions in absence of proper dissemination of market information and fragmentation of markets in different regions. It was observed that the speculators were responsible for wild fluctuations of coconut oil prices. Some traders were manipulating the prices by taking comfortable short position in futures market. This has resulted in default in payment amounting to about Rs.2 millions thereby forcing the market to suspend trading for a few days in the year 2010. This kind of artificial fluctuation is certainly detrimental to the coconut farmers and consumers.
Chapter VI

COST AND RETURN ANALYSIS

An analysis of cost and return is plays a significant role in the profitability aspect. Coconut being a perennial crop requires establishment and maintenance cost. This chapter attempts to find the cost and return structure of growers to find the cost and return structure of growers cultivating coconut in Thanjavur District.

6.1 Establishment cost:

The establishment cost included both variable and fixed cost incurred during the first five years till the plantation comes to commercial yielding of coconut. All the pre-bearing cost incurred in the establishment of coconut grove up to the bearing stage was termed as establishment cost. This included the cost incurred in the establishment of coconut plantation such as cost of digging pits, cost of planting material cost of manures cost of fertilizers, cost of irrigation, cost of labours and other cost which included in the interest on land value, land revenue up to bearing stage, depreciation on building and equipments and interest on working capital up to bearing stage.