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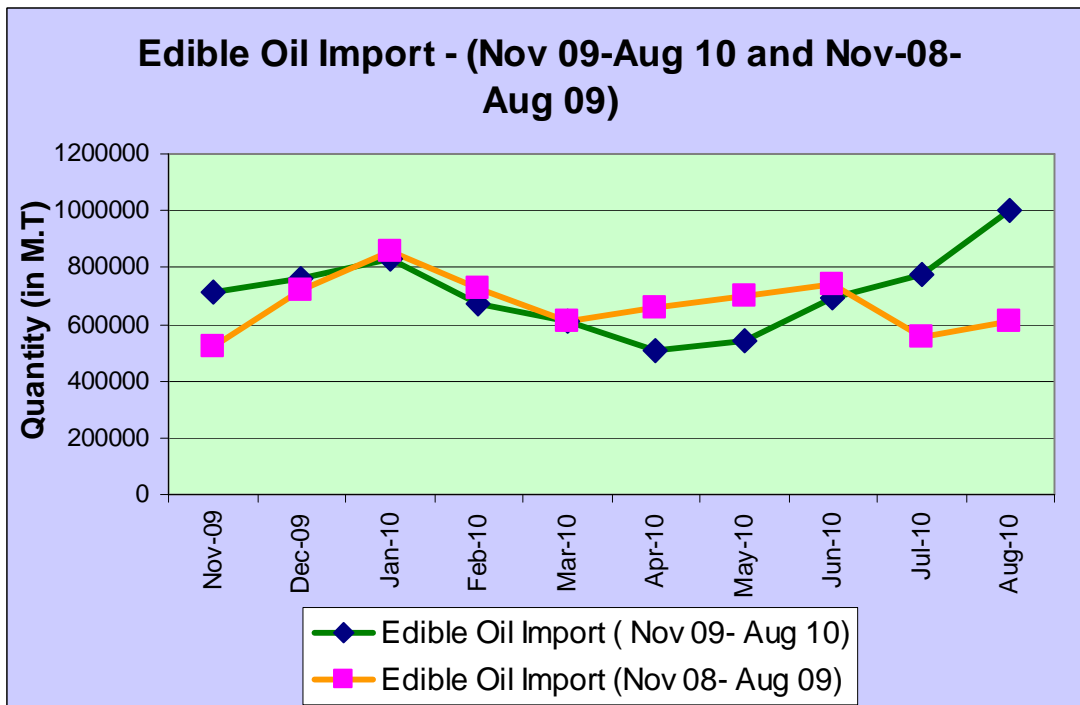
COCONUT PRICES UNDER PRESSURE: SUPPLY CONSTRAINTS AND FESTIVE DEMAND TO KEEP PRICES FIRM

The coconut market in the State has come under tremendous pressure as the prices have dipped as the demand softened due to corporate consumers keeping away from the market. The latest report released by the Agricultural Market Intelligence Centre (AMIC) of Kerala Agricultural University under the ICAR assisted NAIP project today has indicated that the coconut prices in the State may firm up in the long run on account of increasing consumption and low copra arrivals, and predicted an optimistic price level for the coconut sector that had been languishing for a while. The new market survey and analysis conducted by the Centre considers that contrary to the belief, coconut price in the State may remain firm on account of shortfalls in production in all the major southern producing states, pilgrim seasons like *Sabari Mala* and *Makar Sankranti* despite Government efforts to allow liberal import of edible oil to keep the prices in leash till the *Deepawali* season and other festival seasons.

The following are the highlights of the latest market survey done by the Centre:

- The global short fall in coconut availability is now a stark reality, which is likely to be compounded by the climatic changes brought in by the current La Nina factor.
- Contrary to the expectations of the farming community, coconut prices have not come down in Kerala after Onam festival owing to the supply shortage of copra due to the prolonged rains in Kerala and major coconut growing tracts of neighboring Tamil Nadu. The continuous rain from May end has rendered copra making by solar drying difficult in major producing states. Considering the depleted copra stocks, it may take a time lag of 2-3 months for copra availability to match with the current demand.
- Trade sources feel that there is a 10- 15 per cent reduction in the domestic production of coconut during the current season. This is expected to trigger an upward price cycle in the coconut sector.
- These factors have pushed up the prices of coconuts after the Onam festival. This firming up of prices is expected to remain till the middle of January because it is a period characterized by trough production in Kerala. Increased arrivals from Tamil Nadu are expected after *Makar Sankranti*. The *Deepawali* and *Sabari Mala* festival season couples with increased consumption of nuts. This has fuelled a lot speculation in the market, which is reflected in the upward moving future prices of coconut oil.

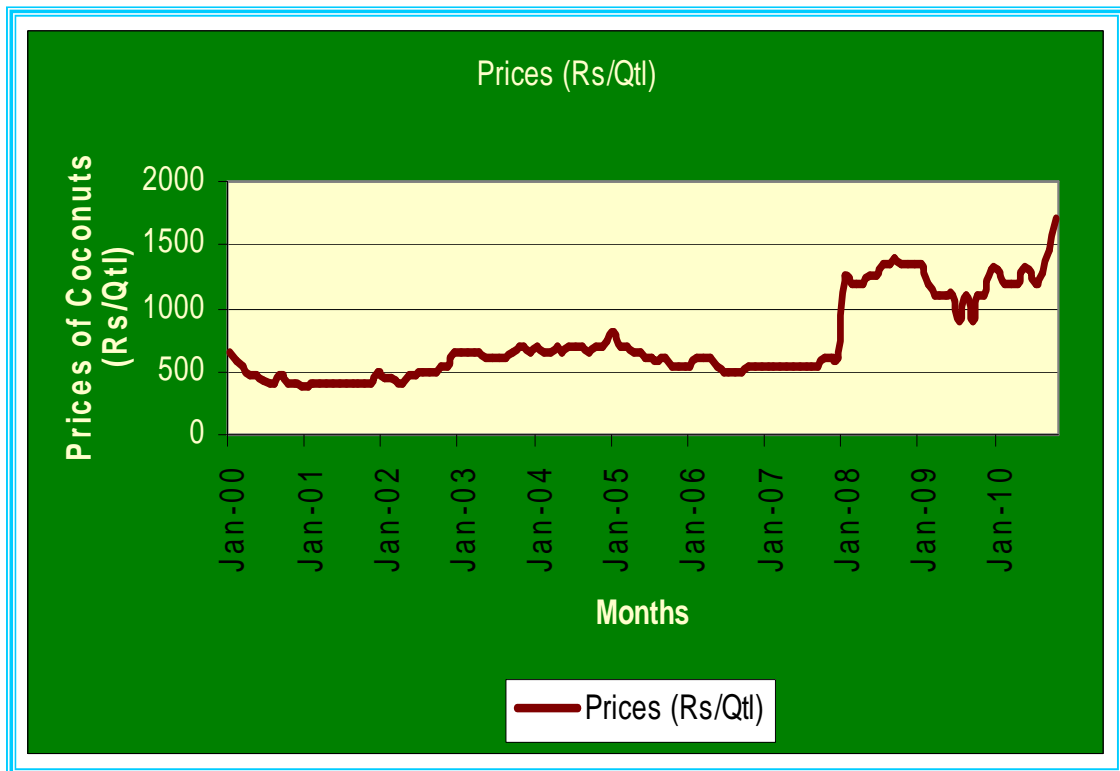
- With the good monsoon behind, the early estimates from the ministry of Agriculture indicates that India's *kharif* oil seed production is estimated to be 17.27 million tones as compared to 15.66 million tones last year, which would mean an increase in production by 10.28 per cent.
- However, the widening gap between demand and supply of edible oils would compel India primarily to have higher import of soybean and palm oil, especially during the festival seasons ahead, and to honor other trade commitments. India, which overtook China as the world's number one edible oil importer in 2009, has already imported a record 10 Lakh Tonnes edible oil in August'10, out of which 6.92 Tonnes imported was different forms of palm oil. Though this could have a softening effect on price of coconut oil and copra, the physical constraints in copra availability is expected to keep the coconut prices on the upper side in the State.



(Source: SEA Website)

- Reports from Malaysia indicate that its palm oil production would come down during this year due to unsavory climate. This along the increasing Chinese demand for soybean and palm oil would mean that the price advantage enjoyed by palm oil may diminish by November, December deliveries. It is to be read along the La Nina phenomenon in Brazil, Argentina, and Philippines which could hurt the plantation sector in those countries very deep. This coupled with ever growing use of Palm and Lauric oils for coconut based bio diesel (Coconut Methyl Ester) is expected to keep the coconut prices perked up till mid January.

Based on the econometric analysis and considering the ruling market sentiments, the Agricultural Market Intelligence Centre of Kerala Agricultural University, Vellanikkara considers that a price range of Rs.14.50 – Rs.17.50 per kg may prevail for partially dehusked coconut till mid January in the state, which is around 30 per cent higher than the corresponding price during the same period last year. Farmers who are holding the stock are advised to synchronize their sale to reap advantage of the market cues.



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