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COCONUT PRICES TO SOFTEN WITH MORE CROP ARRIVALS

The Agricultural Market Intelligence Centre (AMIC) of Kerala Agricultural University under the ICAR assisted NAIP project had released its first price forecast for partially dehusked coconut for the months of February, March and April'10, basing their analysis on price of partially dehusked coconut at Trichur market for a period of 10 years from January 2000 to December 2009. The study had indicated that the coconut prices in the State may firm up on account of low initial arrivals, and predicted a price level as indicated below:

Commodity Form	Month	Price Forecasts (Rs/Kg)
Coconut (Partially dehusked)	February 2010	12.50 – 13.00
	March 2010	10.50 – 12.50
	April 2010	9.50-12.00

A validation of the prediction based on actual prices that prevailed at Trichur market during the period showed that the prices hovered around Rs.12/Kg during the period under reference. Major reasons that averted the softening of prices were the large scale procurement of copra and coconut by NAFED from all the four major South Indian producer States, and the hike in crude palm oil export tax imposed by Indonesia from 3 per cent to 4 per cent from April'10 onwards and Malaysia introducing a plantation tax of 15 per cent whenever crude palm oil prices crosses USD 756.40/MT. It directly influenced the import of palm oil, a close substitute for coconut oil.

According to a communiqué from AMIC, it is time to reassess the coconut situation. The study based on their own analysis of price data, survey and trade inputs indicates the following emerging scenario.

The following factors are expected to play a dominant role in the coconut market on a long run basis:

- According to the Global Price Outlook Conference on Palm and Lauric Oils, which were held at Kaula Lumpur in Malayasia on 8-10 March 2010, economic recovery in the buying countries of US and European markets may stimulate higher demand for palm oil, palm kernel oil and coconut oil for the current year.

- With World bio diesel demand getting stronger, higher demand for coconut based bio diesel (Coconut Methyl Ester) can be expected. This is likely to turn the heat on coconut demand and availability in the major producing countries like Philippines, and thereby its global price.
- With the ongoing El Nino induced drought in Philippines and some parts of Indonesia is likely to affect the production of coconut in the next 12 to 15 months; the global supply situation is most likely to tighten.

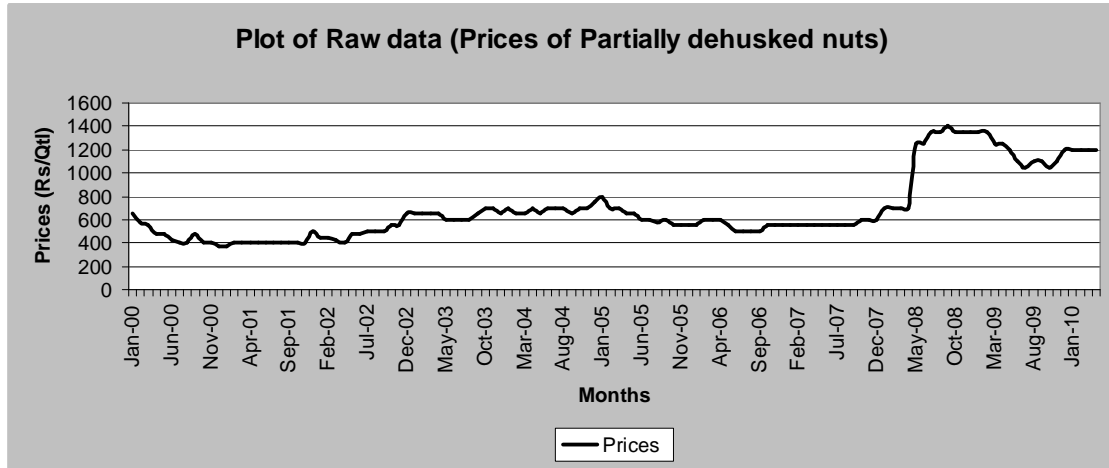
However in the short run, the total demand and supply situations are more likely to prevail. The major elements to be considered in the short run are:

- Past area expansion programme to non traditional areas like West Bengal, Madhya Pradesh, Maharashtra have started yielding results in India, and increased availability of coconuts are reported from these areas.
- The labour shortage in Kerala has altered the harvest pattern of coconut in Kerala. A system of harvest based on availability of labour in the State has led to a staggered availability of nuts through out the year. This coupled with increased availability from neighboring States has altered the seasonality with respect to the availability of nuts.
- According to market reports, NAFED has built a huge copra stock (believed to be over 1,25,000 tone) as part of support price mechanism. According to trade circles, this copra can not be held for longer by the agency due to considerations of quality deterioration and liquidity. Market sentiments are that any massive off loading of copra by NAFED can bring the price of coconut and copra under considerable pressure.

It was under these circumstances that the Agricultural Market Intelligence Centre of Kerala Agricultural University predicts the following price levels for partially dehusked coconut in Kerala for the next 3 months:

Commodity Form	Month	Price Forecasts (Rs/Kg)
Coconut (Partially de-husked)	May 2010	11.50 – 12.00
	June 2010	10.50 – 11.50
	July 2010	10.00 - 11.50

As storage is not likely to result in higher prices in the short run, farmers are advised to sell the commodity after harvest with out resorting to storage.



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