



Puzzlements in an evolving commodity chain: The case of tender coconut market in Kerala

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Although tender coconut is a delicacy for Keralites from time immemorial, it was never a commercial proposition and there was no market for the product. But of late, due to the fall in prices of coconut, the market for tender coconut is slowly evolving and it is getting into the food and beverage baskets of the population. There exists an emerging market for tendernuts in the tourist centers and nearby places. However, for the last 8-9 years, the market for tender coconut has been spread to most of the urban centers in Kerala. Studies underscore that annual tender coconut demand in the country is around 2300 million nuts, which is approximately 15 per cent of the total nut production in the country (Economic Times, 2009). In this context it is significant to study the tender coconut markets in Kerala essentially for two reasons, 1) there is no statistics available regarding the tendernut markets in Kerala 2) It is another form of demand for the coconut, and the results from the study would be extremely useful for the policy framework on coconut and its products. The objective of the present study was to understand the market margins and market efficiency of the tendernut supply chain and to estimate the tendernut sold per day at the district level.

Kasaragod district was selected for the present study. Complete enumeration of the tender coconut vendors/shops in the district was carried out. It was presumed that tendernuts are sold on the road sides and with this assumption we have covered the entire road ways of the district (including highway and

sub roads). The survey was conducted in a repeated mode during three seasons (rainy, summer and winter) to take care of seasonal fluctuations. For the analysis of market margin and marketing efficiency, the typical price spread methodology employed in the case of agricultural commodities supply chain study was employed (Dhillon *et al.*, 2005; Santhosh and Latha, 2004; Ramakumar, 1998; Yasodha and Padmanabhan, 1996). The survey was initiated by marking the entire outlets of the tender coconut in the district and subsequently the vendors were surveyed in detail. A trace back technique was employed to learn about the middleman and farmer. The intermediaries were interviewed in detail to understand the intricacies related with marketing. Thereafter, the key farmers were also interviewed to understand the issues with respect to production arena.

The approximate per day consumption of tender coconut in the district was estimated to be 10,066 nuts. This figure was estimated by taking weighed average of sales during different seasons. It is important to note that during the peak season the sales per day have almost touched 14,000 nuts (Fig. 1). Season wise repeated surveys were carried out in order to capture the possible seasonal variations of tendernut sales in the district.

The distribution of tender coconut sales across the district exhibits an asymmetric pattern. Kasaragod (town) and Kumbla put together accounts for around 51 per cent of the total sales in the district. Surprisingly in Trikkarippur, which is

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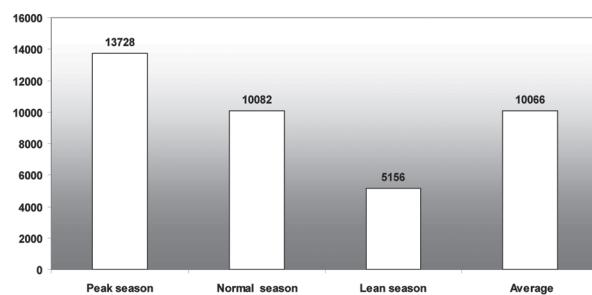


Fig. 1. Consumption of tender coconuts in Kasaragod district (nuts per day) during peak season (March-May), normal season (October-February), and lean season (June-September)

a major township in the district, not even a single tender coconut outlet was found. On the contrary, in a small village hub namely Meeyapadavu a sales turnover of more than 240 nuts per day was observed (Table 1). Therefore, the distribution pattern of the tendernut sales in the district depicts a divergent pattern. While studying the trade patterns of middlemen, it was observed that more than seventy per cent of total supply of tendernuts in the Kasaragod town area was provided by one trader who procures the material from coconut gardens in Tumkur, Karnataka. Therefore it is certain that the assured supply (Distantly resembling the Say's law of 'supply creates its own demand'; Anderson, 2009) of the tendernut in the market is closely associated with demand of the nuts and thereby influences the sales pattern in the district.

The analysis of marketing pattern and marketing efficiency revealed that the producer share in ultimate consumer payment is only 47 per cent (Fig. 2). Since there is no substantial value addition taking place in the chain, this cannot be attributed as a better share distribution. Moreover, the marketing margin accrued to the middleman is

Table 1. Tender coconut distribution pattern in Kasaragod district

Sl. No.	Location	No. of outlets	Nuts sold per day	Share (%)
1	Kanhagad	4	275	3
2	Nileshwar	6	727	7
3	Bekal	6	687	7
4	Badiadka	6	485	5
5	Perla	4	234	2
6	Mulleria	4	263	3
7	Cherkala	7	557	6
8	Kasaragod (Town)	43	3777	37
9	Thalapady	6	545	5
10	Manjeshwar	7	525	5
11	Uppala	8	404	4
12	Kumbla	25	1361	14
13	Meeyapadavu	3	242	2
	Total	129	10082	3

the highest among all stakeholders, which straight away indicates the marketing inefficiency in the supply chain.

The tender coconut market in the district is a perfect example of multiple market formations at different regions of the district. Apparently there were no entry barriers or price discrimination in the market. We could observe the coexistence of all theoretically possible market behavior patterns, which evidently reflects an evolving commodity market. For instance in Kasaragod, major share of the tender coconut supply was found to be provided by three traders, and on the other hand at certain regions we could observe perfect competition in the supply side which enhanced the bargaining position of the retailer/vendor. Above all loyalty based relationship market practices were also observed in some parts of the district.

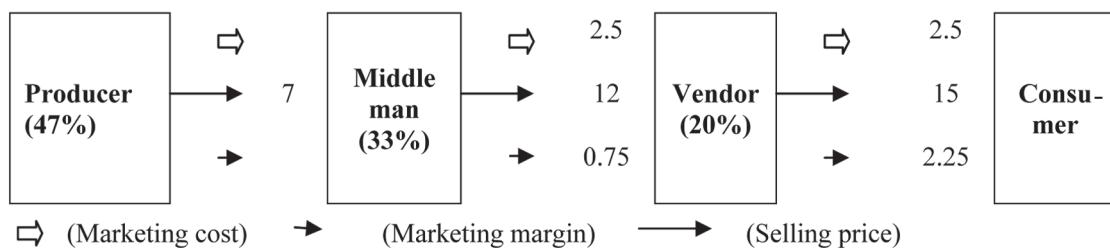


Fig. 2. Distribution of value share (parentheses) in the tender coconut market chain

It was observed that the large suppliers of tender nut were the price leaders of the market, who influences the pricing pattern due to their better bargaining position in the market chain and the local suppliers are the price takers. Multiple mode of procurement was observed with a producer share of 47 per cent in the chain. The individual (vendor) per day sales in the district ranged 30 nuts to 500 nuts. Lack of assured market supply, issues of husk disposal, perishability, scarcity of climbers were the major constraints experienced in the sector. The consumption trend of tender coconut in the district as perceived by the vendors is certainly increased: 1) due to formation of tender coconut producer's society, 2) advocating farmers to keep aside an optimum proportion of production for tender coconuts, 3) awareness campaign among farmers regarding the beneficial aspects on tender coconut harvesting, and 4) workshops on success stories of those ventured into it.

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