



Trends in Theinternational Prices of Coconut Oil and Other Competing Oils

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KEYWORDS :

Introduction

Coconut palm is the benevolent provider of the basic needs of millions of people across the globe for their livelihood security. The marketability and the price realization of coconut and coconut products determine the financial security of these people. The price behavior of coconut and its products has a profound influence on the rural economy of many States, especially Kerala. The coconut price always depends upon the coconut oil price. Even if around 35 per cent of the coconut is utilized for making copra and coconut oil and the remaining for various purposes of which more than 50 per cent itself is used for the consumption in the unorganized sector. So a sudden fall in the coconut oil price results in the fall of coconut price.

The magnitudes of the frequent price fluctuations are so high that they will result in unpredictable changes in the daily, weekly, monthly and yearly prices. If there is a sudden and drastic fall in the prices of coconut products, it will adversely affect the millions of coconut growers and processing units. On the other hand if the prices of coconut products especially that of coconut oil are very high compared to other oils, it will affect the buyers, resulting in lesser demand for coconut products. Steps should be taken to protect the existing demand and fresh demand should also be created. By minimizing price fluctuations and encouraging stability in the supply of coconut products, the demand for coconut products could be improved.

Coconut oil

Coconut oil and its products with medium chain fatty acids have a greater role to play in the fast developing functional food sector, particularly baby foods, nutraceuticals, pharmaceuticals, etc. "Coconut Oil is the healthiest oil on earth" says Dr. Bruce Fife, a naturopathic doctor and the author of the book, "The Healing Miracles of Coconut Oil". The oil from the nut is used in cooking and in the manufacture of soaps, cosmetics and toilet requisites, and for making lubricant greases, synthetic detergent, laundering and cleaning preparations as a fatty acid.

Coconut oil is an ideal confectionery fat, widely used in the manufacture of biscuits, chocolates and confectioneries as it provides a moisture barrier and imparts a high gloss for baked items in spray oil use. Refined bleached deodorized coconut oil is used in the production of ice cream, as it completely replaces milk fat, and also acts as a milk replacement in the production of baby food and coffee whiteners (creamers). Coconut oil is an excellent cooking oil, especially for deep-frying as it keeps the food very crisp for a longer period.

Coconut oil is also used for application on hair. The research has thrown up some compelling findings which establish the beneficial effect of coconut oil as a hair damage protectant, a conditioner and a pre-wash applicant.

Hydrogenated coconut oil is an excellent ice cream coating. The product is also ideal for use in all types of confectionery including biscuit creaming, wafer filling and the sugar icing of cakes and pastries. It is extremely stable against oxidative rancidity and has a good resistance against fat bloom.

Trend in the Prices of Coconut Oil

Coconut oil is an important cooking medium in the southern parts of the country, especially in Kerala. Besides, the oil has varied industrial applications. It is used in the manufacture of toilet soaps, laundry soaps, surface-active agents and detergents, hair tonics, cosmetics, etc. It is used throughout the country as hair oil, as it helps the growth of hair. As massage oil, it has a cooling effect on the body.

Owing to these qualities, coconut oil has a potential market in the country. Since the price of coconut oil in the international market is very much lower than the domestic price, the quality and the attractiveness of consumer packs are important factors to compete in the world market.

WTO-Indian Agriculture and Coconut Sector in India.

In the Uruguay round of WTO agreement, many issues were brought into the multilateral negotiations, including agriculture. The idea behind bringing agriculture into multilateral trading system was to make the trade more fair as well as predictable. The agreement dealt with the Liberalisation in the three major areas-market access, export, competition and domestic support with an agreement which was to be implemented in ten years for the developing countries and 6 years for the developed countries. This was from 1995 onwards and therefore by 2004 its implementation was over both the developed and the developing countries. The market access basically means that various types of barriers to trade like quantitative restrictions, ban on imports, etc. have to be removed and need to be converted back into equivalent tariff. All non tariff barriers have to be converted into ordinary bound customs duties. These bound duties have to be reduced over a period of time and the trade becomes more open and hopefully fair. The second important area is the export competition. Export subsidies actually create a lot of distortions in the world market and therefore we should move away from providing export subsidies for the agriculture commodities. The other important issue is the domestic support-the amount of subsidy that we provide for various commodities as well as for non-specific product subsidies like irrigation subsidy, electric subsidy and so on. All these support measures put together should not exceed certain limit, if they exceed, they should be reduced. These were the key aspects of the Uruguay round agreement which was implemented from 1995.

In order to provide impetus and stability conducive for foreign trade the Government of India has given thrust to labour intensive export sectors by providing incentives to enable the entire export sectors to enhance their performance, both qualitatively and quantitatively. The new foreign trade policy has decided to give special focus to new emerging markets to make Indian exports more competitive. Additional resources have been made available under the Market Development Assistance Scheme and Market Access Initiative Scheme. The new policy also seeks to promote Brand India through six or more "Made in India" shows across the world every year.

For availing various benefits and concessions envisaged in Foreign Trade Policy (FTP), the exporter is required to register himself with the Export Promotion Council or Commodity Board dealing with the particular product he is exporting and obtain Registration-Cum-Membership Certificate (RCMC). Coconut Development Board has been declared as an Export Promotion Council (EPC) in respect of coconut products except coir fibre and yarn in India. Coconut Development Board after assessing market potential and the scope of emerging markets has proposed to participate in the International Trade Fairs at Canton Fair, Gnanzhzhou, China Anuga, Germany, the USA, and Gulfood and Dubai during 2009-2010 and 2010-2011. Under the Market Access Initiative Scheme, the Ministry of Commerce expenditure to the extent of 65 % in respect of stall hire, product display, advertisement, media and publicity, printing brochures, catalogues, etc. is reimbursed. The attempt of Coconut Board in these participations helped so many manufacturers of coconut products to increase their foreign exchange earnings.

Trend in the Prices of coconut oil and other competing oils:

Coconut oil is considered as a premium priced oil on account of its wide applications for both edible and non edible purposes. Even though coconut palm is widely distributed throughout Asia, Africa, Latin America and the Pacific region, the important countries involved in the international trades for coconut and coconut products are Indonesia, Philippines, Sri Lanka, India, Thailand, Mexico and Vietnam. More than 130 countries import coconut in various forms. The major importers of coconut oil are U.S.A., Germany, The Netherlands, China, Malaysia, Russian Federation, Belgium, France, Italy, Japan, Sri Lanka, Korea Republic, Spain and U.K. Coconut oil is considered as the single largest commodity that determines the market of the primary product of coconut in all the producing countries. Hence the stability of the coconut oil market is important for the growth of the coconut culture and industry. An analysis of price behavior of coconut oil in the international market revealed that the market is characterized by seasonal and annual fluctuations. Between the two, the annual fluctuations are highly volatile than the monthly price variations.(see Table-1)

International prices of coconut oil during the period 2010-2013 (in US\$/ MT)

Months	2010	2011	2012	2013
January	794	2067	1451	840
February	800	2256	1411	867
March	911	1992	1359	815
April	959	2086 2086	1353	800
May	939	2117	1290	818
June	950	1920	1045	912
July	1028	1673	1040	874
August	1160	1523 1523	994	866
September	1190	1317	978	926
October	1413	1165	905	945
November	1528	1409	820	1009
December	1693	1350	890	1268
Average	1114	1740	1128	912

During the year 2010 the yearly average price of coconut oil in the international market was US\$ 1114 and it increased to US\$ 1740 in 2011 and thereafter declined to US\$912 in 2013. The table No.1 shows that international price has attained maximum price in 2011.. While seasonal variations in the coconut oil is directly correlated with the seasonal demand and supply the annual fluctuations of coconut oil are linked with the abundant supply of cheap vegetable oils and fats due to the free movements of the commodities as well as the cyclic variations in the supply. The trend in the international prices of other competing oils since the year 2010 are given in tables 2 to 4.

Table - 2 International prices of copra during the period from 2010-2013(in US\$/MT)

Months	2010	2011	2012 2012	2013
January	512	1354	8865	492
800 February	525	1503	945	551
911 March	620	1330	900	560
959959 April	625	2086 1405	888	528
939 May	573	1370	774	541
950 June	620	1255	700	556
1028 July	682	1138	680	561
1160 August	750	1523 860	645	575
1190 September	770	890	626	596

1413 October	942	773	591	638
1528 November	1017	910	588	624
December	1128	875	515	782
Average	730	1139	726	584

Table - 3 International Prices of Palm oil(in US\$ per MT)

Months	2010	2011	2012	2013
January	780	1281	1061	805
800 February	803	1307	1106	855
911 March	851	1184	1152	848
959959 April	823	1165 1165	1165	1181
939 May	823	1154	1085	838
950 June	793	1155	999	845
1028 July	808	1095	1020	835
1160 August	901	1064 1064	1064	993
1190 September	930	1100	997	822
1413 October	985	1000	850	846
1528 November	1113	1054	790	920
December	1231	1005	770	911
Average	903	1130	1000	848

Table - 4 International Prices of Sunflower oil(in US\$ per MT)

Months	2010	2011	2012 2012	2013
January	968	1373	1208	1269
800 February	948	1385	1249	1275
911 March	949	1389	1258	1221
959959 April	925	1405 1405	1324	1201
939 May	920	1411	1275	1227
950 June	889	1461	1192	1228
1028 July	937	1425	1262	1178
1160 August	1074	1435	1300	974
1190 September	1114	1299	1320	980
1413 October	1240	1212	1244	987
1528 November	1320	1353	1243	1003
December	1327	1200	1268	977
Average	1051	1354	1262	1127

The yearly average price of copra in the international market was US\$730 in 2010 and improved to US\$ 1139 in 2011 and thereafter expressed a declining trend and reached at US\$584 in 2013. The international price of palm oil in 2010 was US\$903 and improved to US\$1130 in 2011 and thereafter expressed a declining trend and reached at US\$ 848 in 2013. The price of sunflower oil in the international market was US\$ 1051 in 2010 and improved to US\$1354 in 2011 and thereafter expressed a declining trend and reached at US\$ 1127 in 2013. It could be observed from the data that both the annual and the monthly variations in respect of the prices of all important vegetable oils are in sympathy with each other. Among the major vegetable oils, the fluctuations are more pronounced in respect of palm oil, coconut oil and palm kernel oils. A comparative look at the

annual year average prices of major vegetable oil revealed that sunflower oil commands highest price and palm oil is the cheapest vegetable oil among all vegetable oils. However, the trend in the prices of all the oils is moving in close sympathy with each other.

Slacking Competitiveness of Indian Coconut Oil

The trade liberalization of coconut economies of producing countries coupled with the global economic recessions created set-back in the global competitiveness of coconut oil. India too experienced a similar trend. Even though there exist inelastic demand for coconut oil, the globalization made coconut oil possible for substitution with palm oil in the edible sector and palm kernel oil in the industrial sector. The increase in the production of palm oil and palm kernel oil lead to a decelerating growth in the area and production of coconut in the major producing countries like Indonesia, Philippines and India. In India, the price of coconut oil always rules above the international coconut oil price and hence receives unwelcoming response from the major importing countries.

Conclusion

Among the seventeen major oils and fats in world, Coconut Oil (CNO) and Palm Kernel Oil (PKO) are the only two lauric oils. Between the two, coconut oil has advantage over Palm Kernel Oil due to its medicinal and health benefit besides the benefit of cost advantage for further processing into value added products for industrial application. The high price of coconut oil and the availability of imported palm oil at prices far below that of coconut oil, induced many households and hotel industries in the state to switch over to the consumption of palm oil in the edible sector and PKO in the non-edible sector in India. The opening of the domestic market for world players and subsequent global integration of the domestic markets witnessed a paradigm shift. The monthly variations in the prices of important vegetable oils in India are in sympathy with each other and the fluctuations are marginally low whereas the annual fluctuations are highly volatile. Among the major vegetable oils, the fluctuations are more pronounced in respect of palm oil, coconut oil and palm kernel oils. .

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