



## Research Article

# MARKETING CHANNELS OF DESICCATED COCONUT POWDER AND CONSTRAINTS FACED BY FIRMS IN KARNATAKA

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**Abstract:** The coconut palm, *Cocos nucifera* is a member of the family Arecaceae (palm family). Coconuts are part of the daily diet of many people. Coconuts are different from other fruits because they contain a large quantity of "water" and when immature they are known as tender-nuts or jelly-nuts which may be harvested for drinking. When mature, coconut can be used as seed nuts, which can be extracted or processed into oil from the kernel, charcoal from the hard shell and coir from the fibrous husk. In Karnataka coconut is cultivated in all the 30 districts of the state. It is grown in coastal belt as well as in interior parts. However, Tumkur, Hassan, and Chitradurga and Dakshina Kannada districts are the major districts cultivating coconut, together accounting for over 75 percent of the state's area. In Karnataka, Tumkur district ranked first in both area (1,10,937 hectares) and production (5474.91 lakh nuts) of coconut. The most important traditional commercial product traded in the country has been the coconut oil. The demand and supply of single coconut product determines the price of raw coconut. Moreover, the market share of coconut oil both in domestic and export market is declining due to tough competition, especially from palm and soybean oil prices. Diversification efforts made by coconut oil industries have yielded limited success. Besides, coconut oil and oil cake, the coconut processing industry traditionally has been confined to copra production, manufacture of desiccated coconut, coir and coir products only. With this background the present study was conducted to know the Marketing channels of Desiccated Coconut Powder and constraints faced by the units. All the entrepreneurs indicated that, they sell their product directly to customers in case of confectionary firms and large bakers. Apart from these two, all other segments of customers are catered through intermediaries. Minor portion of sales comes through commission agents whose rate of commission varies between 0.5 percent to 1 percent depending on the quantity of transaction. Results of Garrett ranking indicate that in all the units limited market for desiccated coconut and inadequate labor supply was ranked first. Market for desiccated coconut has not improved over the years through the industry has a long history in the country.

**Keywords:** Desiccated coconut powder, Market channels, Constraints

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## Introduction

The coconut palm, *Cocos nucifera* is a member of the family Arecaceae (palm family). The coconut is a benevolent crop and a perfect gift to mankind. It has during the span of history represented not only the source of food, beverage, oil seed, fibres, timber and health products but also associated with magic, mystery, medicine and omen in the life of people. The coconut palm tree provides clothing, utensils and dwellings and therefore, remains an important source of earning livelihood to the inhabitants of the coconut producing states in coastal areas. The inhabitants therefore, affectionately eulogized the coconut plant with reverence as "Kalpavriksha", because of its manifold virtues. India ranks third in the world coconut map and in recent times became the largest producer of coconut with the production of 16.9 billion nuts from about 1.89 million hectares. Even though India is the third largest producer of coconut with a distinction of having the highest productivity of 7779 nuts per hectare compared to 3630 nuts per hectare in Indonesia and 3859 nuts per hectare in Philippines. In Karnataka coconut is cultivated in all the 30 districts of the state. It is grown in coastal belt as well as in interior parts. However, Tumkur, Hassan, and Chitradurga and Dakshina Kannada districts are the major districts cultivating coconut, together accounting for over 75 percent of the state's area. In Karnataka, Tumkur district ranked first in both area (1,10,937 hectares) and production (5474.91 lakh nuts) of coconut and Hassan district ranked second in both area (61,098 hectares) and production (2536.83 lakh nuts) of coconut.

There are a number of different types of desiccated coconut used around the world, and availability of this coconut product varies, depending on the region. One of the most common forms of desiccated coconut is an unsweetened, powdery product which is produced by drying shredded coconut and then grinding the shreds. The texture is also an important consideration, as desiccated coconut swells slightly when it is exposed to moisture, which means that shreds and flakes of coconut can grow in the batter for cakes, brownies, and other baked goods, while the powdered version tends to remain relatively stagnant. The export volume of desiccated coconut from important countries such as the Philippines, Indonesia and Sri Lanka in 2010 has increased and prices also increased during the period concerned. The export quantity of desiccated coconut from three countries had an increasing trend of 4.14 percent per month in the same year. The total export of the three countries in 2010 was 182,021 tons which was down from 191,603 tons in 2010 or a decrease by 5 percent. Now-a-days food habits of our people are changing very fast and a number of food items are being introduced every day where desiccated coconut may also find use. So, there is a good scope for new small scale units to come up in this line of manufacture.

## Methodology

The present study was conducted in Tiptur taluk of Tumkur district of Karnataka. A large number of desiccated coconut units are located in Tiptur taluk of Tumkur district of Karnataka.

Table-1 Marketing channel of desiccated coconut units

S	Particulars	Small (%)	Medium (%)	Large (%)	Pooled (%)
1	Agents	20.65	22.5	26.00	23.0
2	Dealers	52.30	53.00	44.00	50.2
3	Producer	3.04	5.75	7.66	5.3
4	Retailers	11.34	5.00	5.67	7.30
5	Consumers	12.67	13.75	16.67	14.2

Note: Figures in the numbers indicate percent

Table-2 Constraints in desiccated coconut production units

S	Problems	Small		Medium		Large	
		Mean score	Garrett's Ranking	Mean score	Garrett's ranking	Mean score	Garrett's ranking
1	Availability of coconut	42	7	47	6	42	7
2	Transportation of raw coconuts	29	9	42	7	36	8
3	Frequent power failure.	52	5	57	4	70	2
4	High price of raw coconuts	36	8	52	5	52	5
5	Non availability of labor	81	1	81	1	81	1
6	Use of obsolete machines due to limited capital	70	2	70	2	29	9
7	Getting finance from banks	57	4	47	6	47	6
8	Working capital requirement	63	3	63	3	57	4
9	Limited market	81	1	81	1	81	1
10	Poor payment	47	6	57	4	63	3

Hence, the present study is taken up in this district. For evaluating the objectives of the study, the primary data was collected through personal interview method with the help of a structured and pre-tested schedule. The secondary data pertaining to the year 2012-2013 was also collected from 10 units. Primary data pertaining to investment pattern cost of processing, return on processing and constraints in the working of processing units were collected from 10 processors. The processors were personally interviewed to ensure that the data made available by them were appropriate, comprehensive and reasonably correct. Secondary data on area, production and productivity of coconut was collected from various published sources like 'Indian coconut Journal' and Institutions like 'Coconut Development Board'. Information on number and addresses of desiccated coconut units in study area were collected from 'The District Industrial Centre's of Tumkur districts. The data obtained were subjected to the Descriptive statistics analysis, Break even analysis, Percentage analysis, Garrett's ranking technique analysis.

## Result and Discussion

### Marketing channels of desiccated coconut powder

Refers to the alternate routes of product flow from the producer to final destiny. Here coconut is marketed in the form of powder. There are different channels in desiccated coconut powder marketing but the channels which prevail in the domestic market are used for the study.

### Channels of desiccated coconut powder

By interviewing the entrepreneurs of desiccated coconut units, 3 major marketing channels were identified in the study region until the produce reached the consumers.

Channel-I: Agents → Dealers → Retailers → Consumers

Channel-II: Producer → Commission agent → Retailer → Consumers

Channel-III: Agents → Retailer → Consumers

All the entrepreneurs indicated that, they sell their product directly to customers in case of confectionary firms and large bakers. Apart from these two, all other segments of customers are catered through intermediaries. Minor portion of sales comes through commission agents whose rate of commission varies between 0.5 percent to 1 percent depending on the quantity of transaction. Marketing of by products like shells and paring was limited to local market. Large desiccated coconut units they sell their produce to the agents (26.00%), followed by consumers (16.67%) and producer (7.66%). Whereas medium sized units they sell their main product to the dealers (53.00%) and small sized desiccated coconut units to the retailers (11.34%). Studies conducted on the price spread in marketing

of coconut in Tamil Nadu with the reference to Theni district. They identified the following three marketing channels [3]:

Channel-I: producer → preharvest contractor → commission agents → wholesalers → retailers → consumers.

Channel-II: producer → commission agent's → wholesalers → retailers → consumers.

Channel-III: producer → wholesaler's → retailer's → consumers.

The channel III was the most favored channel as maximum (47 %) quantity was passed through this channel. The producer's share in the consumer's rupee was the maximum in the channel III (58.73%) followed by channel II (58.32 %) and channel I (50.20 %). It revealed that the marketing efficiency was higher in channel III (3.17 %) followed by channel II (2.87 %) and channel I (2.81 %).

### Constraints in desiccated coconut production units

The results of Garrett ranking indicate that in all the units limited market for desiccated coconut and inadequate labor supply was ranked first. Market for desiccated coconut has not improved over the years through the industry has a long history in the country. Following are important reasons for limited market.

- Consumer preference to fresh coconut compared to desiccated coconut powder
- Lack of awareness of availability of desiccated coconut powder
- Entrepreneurs lack of knowledge of desiccated coconut market
- Lack of aggressiveness among entrepreneurs to promote the product
- Inadequate efforts to expand the market, to conduct market research, publicity, and promotion have led to stagnation of industry.

The study reveals that entrepreneurs are constrained by shortage of skilled labor. The important reasons are:

- Labor switchover: because of low wages in desiccated coconut units the laborers' switchover to other industries whenever opportunities arise or prefer to work as agricultural laborers as they get better wages and also fringe benefits like lunch. The desiccated coconut units get adequate labor only during agricultural off seasons.
- Benefits: Except wages, laborers are not provided with any other benefits like PF; leave facilities, medical benefits etc in most of the desiccated coconut units. As a result, the labor to seek employment elsewhere.
- No formal training is available to laborers to induce skills in coconut processing

Use of obsolete machineries due to limited capital is ranked second among the constraints in case of small and medium sized units. Whereas in large units it is ranked ninth because 2 out of 5 large units are using modern machineries.

Study reveals that most of the entrepreneurs are using obsolete machineries because,

- Modern machineries are prohibitively expensive and not all entrepreneurs can afford to buy them. Even raising a loan from financial institutions is difficult because entrepreneurs are not in a position to offer adequate security to such a huge amount of loan.
- Another reason for sticking to obsolete machineries is scale of production. Modern machineries come with large production capacities. Since desiccated coconut entrepreneurs are not able to utilize their current installed capacities completely, they are reluctant to invest on modern machineries.

Higher requirement of working capital is ranked third in case of small and medium sized units whereas it ranked fourth in case of large sized units. Study disclose that more than 78 percent of working capital is required to purchase raw material. depending on the scale of production, entrepreneurs require lakhs of rupees towards their working capital (ranging from Rs.12,660,64 per tonne of coconut processed in case of small units to Rs. 12,103,13 per tonne of coconut processed in case of large sized units). Price of coconut and requirement of working capital are directly proportional. Every instance of increase in price of coconut adds to burden of entrepreneur with respect to working capital, moreover, entrepreneur cannot rotate their working capital effectively. Because they cannot sell their produce on day-to-day basis. This affects short term and long-term financial condition of entrepreneurs. Non-availability of finance from the bank is ranked fourth in case of small sized units and ranked sixth in both medium and large sized units as an entrepreneur complain about bureaucracy and corruption as hindrance in availing timely and adequate financial assistance from financial institutions. Power shortage is ranked fourth in case of medium sized units and second in large sized units whereas it ranks fifth in small sized units. Irregular supplies of electric power of their size are suffering from lack of continuous and quality of electric power. This is one of the reasons for hesitation among the entrepreneur to modernize their units. Poor collection of payments is ranked third, fourth and sixth in case of large medium and small sized DC units respectively. In existing market condition, entrepreneurs have to offer their product on credit. The usual credit period is thirty days. In practice, rarely entrepreneur receive their dues in thirty days. Since buyer is located in far off places, entrepreneur cannot always pay personal visits to them to collect dues. This worsens the financial condition of the entrepreneurs and adds to their woes. Non-availability of coconuts is ranked seventh in case of small and large sized units whereas it ranked sixth in case of medium sized units. Coconut is grown in coastal areas and in interior areas in our country. In Karnataka coconut season lasts from June to December. Though coconut is grown in all the twelve-month yield decreases between January and June months. In June- December seasons, desiccated coconut industries (especially in Tiptur) get coconut directly from farmers of the taluks of Tumkur districts, in small quantities as farmers prefer to convert into ball copra and sell it hence major source of coconut for these units are neighboring districts and coastal Karnataka. Entrepreneurs go directly to farmers and to shandies in search of coconuts. Important locations of shandies are Channarayapatana, Kunigal, Kikkeri, and Pandavapura. Shravanabelegola and Arsikere. In addition to this, there are many agents who source coconuts from different parts of the country through APMC's and shandies and supply to the doorstep of entrepreneurs. Coconut season starts in Kerala from January and ends in May whereas in Tamil Nadu it starts from April and ends in August. Hence, in January-June season, coconut is sourced from Kerala and Tamil Nadu in addition to this coconut is also sourced from coastal Karnataka, but in less quantity. Fluctuation in price of raw nuts ranked fifth in case of medium and large sized units and it ranked eighth in case of small units. The peculiarity in coconut pricing is that, price of raw coconuts is ruled by price of coconut oil in Kerala market. One quintal of coconut oil price is equivalent to price of price of one thousand coconuts. As the prices of coconut oil fluctuates, price of raw nuts follows the same. Since the price of coconut oil is increasing over the years, price of raw nut is also increasing accordingly [1]. Problems during transportation of raw nuts ranked ninth, seventh and eighth in case of small, medium and large sized units respectively. Since the raw material has to be procured from far places, cost of transportation incurred will be high,

which inflates the cost of production. Increasing trend of transportation cost combined with increasing cost of coconuts may result in losing the locational advantage for Tiptur taluk. Transportation of raw material from far off places involves uncertainty, in terms of damage in transit, delay in arrivals of raw material due to natural calamities, strikes etc. Research study identified the factors affecting the coconut industry from benefitting the indigenous communities of Kilifi district, Kenya. The results indicated that low prices of the coconut products, unclear legal framework, lack of proper markets, poor farming methods, low productivity and lack of financial support from the government and financial institutions are some of the factors that hinder the indigenous community from benefiting from the coconut products in the region [2].

## Conclusion

All the entrepreneurs sell their product directly to customers in case of confectionary firms and large bakers. Apart from these two, all other segments of customers are catered through intermediaries. Minor portion of sales comes through commission agents whose rate of commission varies between 0.5 percent to 1 percent depending on the quantity of transaction. Marketing of byproducts like shells and paring was limited to local market. The major constraints faced by the entrepreneurs were non availability of coconut, non-availability of labor, limited market for desiccated coconut, high working capital, use of obsolete machines due to limited capital etc. Hence, modernize the processing units and thereby increasing the production efficiency and improve the economies of scale to make desiccated coconut price competitive both in domestic and international market.

**Application of research:** To modernize the processing units and thereby increasing the production efficiency and improve the economies of scale to make desiccated coconut price competitive both in domestic and international market. An uninterrupted quality power supply will enhance the efficiency of desiccated coconut production units.

**Research Category:** Post Harvest Technology

**Sample Collection:** The secondary data pertaining to the year 2012-2013 was also collected from 10 units. Primary data pertaining to investment pattern cost of processing, return on processing and constraints in the working of processing units were collected from 10 processors

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