

ISSN 0973 - 1598 (Print)

ISSN 2321 - 2012 (Online)

# SMART

## JOURNAL OF BUSINESS MANAGEMENT STUDIES

(A Professional, Refereed, International and Indexed Journal)

Vol-15 Number-1

January - June 2019

Rs.500



With Secretariat at  
**Department of Commerce and Financial Studies**  
**Bharathidasan University**  
Tiruchirappalli (India)



**SCIENTIFIC MANAGEMENT AND ADVANCED RESEARCH TRUST (SMART)**  
TIRUCHIRAPPALLI (INDIA)

S  
M  
A  
R  
T



## PROBLEMS AND PROSPECTS OF COCONUT PRODUCER ORGANIZATIONS IN KERALA - AN EXPLORATORY STUDY

**Veerakumaran, G. \***

*Professor, Department of Cooperative Management, Kerala Agricultural University, Thrissur, Kerala.  
g.veeran@kau.in*

*and*

**Vinaikumar, E.**

*Professor and Head, Department of Cooperative Management, Kerala Agricultural University, Thrissur, Kerala.  
kumar.vinai@kau.in*

### *Abstract*

*The State of Kerala is entirely different from other States in India. The unique 'Kerala Model of Development', resulted in the highest 'Human Development Index' in the country. Kerala has the largest area under coconut cultivation in the country but in terms of production, it comes third. Hence the Government of Kerala has been encouraging entrepreneurial ventures, for the production of value added products like desiccated coconut, beverages, shell based products, coconut cream, Neera etc. Under these circumstances, the Coconut Development Board also promotes coconut producers' organizations to support the coconut farmers in Kerala. However, they face many problems and need strong intervention to streamline the functioning of the system. This is an attempt to highlight the problems, faced by the Coconut Producer Companies (CPCs) in Kerala and to examine its prospects. It is an ongoing, funded project and six CPCs were considered for the study. Though the selected CPCs were engaged in production, processing and marketing of coconut products, they have not realised the full potential still. Many federations and societies are non-functional. They mobilized equity share capital and borrowed money to invest in plant and machineries. But they did not follow best practices as far as fund management was concerned. Many CPCs are in the debt trap and need bailout strategy by the State and Union Governments. The Government should train the management committee and other executives, particularly on financial management. If the CPCs are directed to move in the right direction, coconut farmers can double their farm income.*

*Keywords: Coconut Producer Companies, Equity Capital, Operational Efficiency, Neera, Coconut Products.*

*JEL Code: J54, L16*

*Paper Received : 26.11.2018*

*Revised : 05.12.2018*

*Accepted : 13.12.2018*

---

**\* Corresponding Author**

## 1. Introduction

The State of Kerala is entirely different from other States in India. The unique 'Kerala Model of Development', resulted in the highest 'Human Development Index' in the country. Kerala has achieved the highest literacy rate, universal health care, and effective public distribution system ensuring availability of food grains to the downtrodden. The State achieved cent percent financial inclusion. Kerala is known for its significant level of labour migration and depends mainly on repatriation. The State has successfully implemented decentralized democratic governance at all levels. The Coconut Development Board (CDB) is a statutory body, established under the Ministry of Agriculture. The Government of India has introduced the integrated development of coconut cultivation and industry in the country, with focus on productivity increase and product diversification. The Coconut Research Station, at Kasaragod, in Kerala was initially established in 1916, by the then Government of Madras and subsequently, it was taken over by the Indian Central Coconut Committee in 1948. Later on Central Plantation Crops Research Institute (CPCRI) was established in 1970, as one of the agricultural research institutes in the National Agricultural Research System (NARS), under the Indian Council of Agricultural Research (ICAR).

## 2. Review of Literature

Plantation crops and service sector play a pivotal role in the Kerala economy. Cropping pattern in Kerala is dominated by cash crops. It constitutes 62.46 per cent of the total cropped area while food crops, consisting of rice, tapioca and pulses, constitute just 9.35 per cent. Among cash crops, coconut has the largest area under crop cover (30 per cent), followed by rubber

(21.3 per cent), pepper (3.3 per cent) and coffee (3.28 per cent). Rice has the third largest area under crop cover (6.6 per cent). Year on year, there has been a drastic reduction in the area of food crops, area under rice, recording a heavy decline from 1.96 lakh hectare to 1.71 lakh hectare, area under pulses declining by half and that of tapioca declining by close to 1000 hectares (Economic Review - Government of Kerala, 2017). As the name suggests, Kerala is the land of 'Keram', which means coconut and it is the major crop cultivated (7.81 lakh hectares). Coconut palm (*Cocos nucifera* linn) is one of the most useful palms in the world. It is also known as 'Kalpavriksha', meaning 'Tree of Heaven'. Kerala has the largest area under the crop in the country, but in terms of production, it comes third. Hence the Government of Kerala has been encouraging entrepreneurial ventures, for the production of value added products like desiccated coconut, beverages, shell based products, coconut cream, Neera etc. The Coconut Development Board (2013) promotes coconut farmers' organizations, to support the coconut farmers in Kerala. The State of Kerala is a pioneer in establishing Producer Companies, under Section 465(1) of the Companies Act (2013), Part IX A of Companies Act (1956).

## 3. Statement of the Problem

Coconut Producer Companies (CPCs), its federations and the bottom organization, namely, Coconut Producer Societies, have made remarkable progress in terms of number and enrollment of members. However, they face many problems and need strong intervention by the State, to streamline the functioning of the system. This is, therefore, a humble attempt to highlight the problems faced by the Coconut Producer Companies (CPCs) in Kerala and to examine its prospects.

#### 4. Need of the Study

The coconut producer cooperatives quickly adopted the innovative legal form with the support of both State and Coconut Development Board and started many Farmer Producer Companies (FPCs) throughout the State. The cooperative spirit, volunteerism, group dynamics and democratic nature of Kerala community, found Farmer Producer Companies, as a new form of hybrid cooperative organization.

#### 5. Objective of the Study

The main objective of the study is to study the problems and prospects of Coconut Producer Organizations in Kerala.

#### 6. Hypothesis of the Study

**NH-1:** There is no difference between the income of Neera producers before and after tapping.

#### 7. Methodology of the Study

##### 7.1 Sample Selection

In Kerala, as on date (23<sup>rd</sup> October 2018), there are 29 Coconut Farmer Producer Companies, with 464 Federations and 7220 societies, for the development of socio-economic condition of coconut farmers. In this study, only six Coconut Producer Companies, namely, Kaipuzha CPC, Thirukochi CPC, Thrissur CPC, Kodungalloor CPC, Palakkad CPC and Vadamara CPC were considered (Table-1). The required information was collected from 60 farmers, by using the questionnaire.

##### 7.2 Sources of Data

The authors had visited those CFPCs and discussed with the Presidents, Directors and employees. The authors were engaged, in a funded project, on evaluating the CPCs in Kerala and the study is still in progress.

#### 7.3 Period of the Study

The study was conducted in October 2018.

#### 7.4 Tools Used

The percentage analysis was used in the study.

#### 8. Analysis of Data

The impact of farmers, on the changes in the level of income by comparing the farmers' income before joining the society and after joining the society, was studied. **Figure-1** shows the Organizational Structure of Coconut Producers Companies in Kerala. The survey was conducted (May 2016), with 60 randomly selected farmers in the Edathiruthy Federation, which comes under the KCPC Ltd. The sample included 30 Neera producing farmers and 30 farmers, who did not produce Neera. Before the formation of company and society, the farmers had income from nuts alone, which was sold at a rate of Rs.28/kg to local traders. After the formation of the society and company, the farmers sold their nuts, at the rate of Rs.30/kg. Farmers, who got the advantage of Neera tapping, reported an additional income (Neera at the rate of Rs.30/l). The calculated absolute t value was 16.602, at 5% significant level for 29 degrees of freedom. The table value for t-test was 2.05. The calculated absolute t-value was greater than the table value. In other words, there was significant variation in the income of Neera producers, between before and after tapping. Hence **NH-1** (There is no difference between the income of Neera producers before and after tapping), was rejected. Neera producers earned an incremental income of Rs.16,100 whereas the non-Neera producers earned an incremental income of Rs.200 only (Table-2).

Every CPC has adopted its own convenient methods of production and technology, to suit

their budget. Though the Kerala Agricultural University (KAU) and Central Plantation Crops Research Institute (CPCRI, 1916) developed technology for the production of Neera and other byproducts, no uniform pattern was followed. Hence the products, in the market were of different quality, packaging, price, brand and taste. Though there was market for the products of CPCs in Kerala, their market share was very less. Price of products like Neera was relatively higher and attracted only elite consumers. Hence there is need for adopting the AMUL model, for better marketing of coconut products.

## 9. Findings of the Study

All the CPCs produce coconut oil and market it under their own brands. Some CPCs have their own fully automated oil mills and others outsource it. The coconut oil produced and marketed, by the selected CPCs, was of high quality and price was always less than that of market price. Considering the growing need for virgin coconut oil, all the selected CPCs produced and marketed Virgin Coconut oil, which fetched premium price and increase the profitability of the Company. Some of the selected CPCs were producing Coconut Chips, Coconut balls (a food item which is a mixer of coconut, sugar and rice flour), Coconut Cookies, Coconut Vinegar, Coconut Hair oil, and Medicinal Oils.

In the selected CPCs, the base level Coconut Producer Societies were either non-functional or engaged only in the identification of farmers for Neera tapping. Only one or two Federations, closely affiliated to the Company, were involved in the production process. Others were literally dormant. In the initial years of its formation, capacity building activities were carried out but later on, it was dropped abruptly. Many respondents felt that the change in

leadership of the Coconut Development Board was the major cause for the failure of this movement because the successors failed to comprehend the vision of their predecessors. The confederation of CPCs in Kerala was still in the infant stage, to lobbying with the political power, to seek their attention for budget allocation and other support, both from the State and Union Governments.

The Coconut Development Board of Government of India has identified Coconut Farmer Producer Companies as an institutional intervention, for the socio-economic development of coconut farmers and hence they promoted a three tier structure, namely, Coconut Producer Societies at the base level, Coconut Producer Federations at the intermediate level and CFPCs at the apex level. These federal organizations were managed democratically. Individual coconut producers (40 to 100 growers with a minimum of 10 palms per person) were members of the Coconut Producer Society (CPS), CPSs (8 to 10) were members of the Coconut Producer Federations (CPF) and CPFs (8 to 10) were members of the Coconut Producer Companies (CPC). Coconut Producer Companies (CPC) were registered.

Cost of labour, price given to the farmers, particularly for Neera were fixed very high at the initial stage, which resulted in the escalation of price of Neera in the market, and it affected its sale. All the sample CFPCs mobilized equity capital and also borrowed from different sources. They also availed subsidy from NABARD for their plants. Almost all CPCs tapped Neera and marketed the same in the nearby cities.

## 10. Conclusion

To protect the autonomy and independence, the Government intervention in

the affairs of the Producer Companies was very limited. However, Coconut Producer Companies presented a dismal picture. The Confederation of Coconut Producer Companies, in Kerala, defeated the vision of the founder of the concept of Producer Companies, by demanded bail out by government. The fact is that the intervention, by the State and Union government, is warranted to keep the ball rolling. The special privilege, given to the Coconut Producer Federations to affiliate Coconut Producer Companies for tapping Neera, gave it a unique status to control the production and marketing of Neera in their respective jurisdiction. The vision of our Indian Prime Minister to double the farmers' income can be achieved, through increasing the availability of Neera, in the soft drink market. Other byproducts have ready market and the CPCs have to explore the full potential through expansion and diversification. The Government should train the management committee and other executives, particularly on financial management.

### 11. Suggestions

There is wide scope for marketing Neera, as a health drink and other products like virgin coconut oil, coconut oil and Neera Honey, throughout the country. The CPCs have installed high quality plants and machineries for processing Neera and other products. The labour problems can be addressed by employing domestic migrants. There is export potential for by products like coconut honey and Jaggery, since they are organic and having medicinal properties. There are agencies such as Coconut Development Board and CPCRI, to support the CPCs technically.

### 12. Limitations of the Study

The study considered only six Coconut Producer Companies (CPCs), out of 29 CPCs in Kerala, for the study.

### 13. Scope for Further Research

Though certain CFPCs mobilized shares at the beginning and borrowed to install plant and machineries, debt servicing had become a hard nut to crack. The technology, used for tapping and preserving, differs significantly. Interestingly, all CPCs were involved in the production of byproducts, namely, Neera Honey and Neera Sugar. Neera production and marketing would increase the income of farmers. Standardized technology would increase the income and prospects of farmers of all the CPCs and this could be studied in detail, in future.

### 14. References

Central Plantation Crops Research Institute (1916). <http://cpcri.gov.in/>

Companies Act (1956), (2013) Part IX A of Producer Companies. <http://www.mca.gov.in/SearchableActs/ProducerCompany.pdf>.

Retrieved on 4th December 2018.

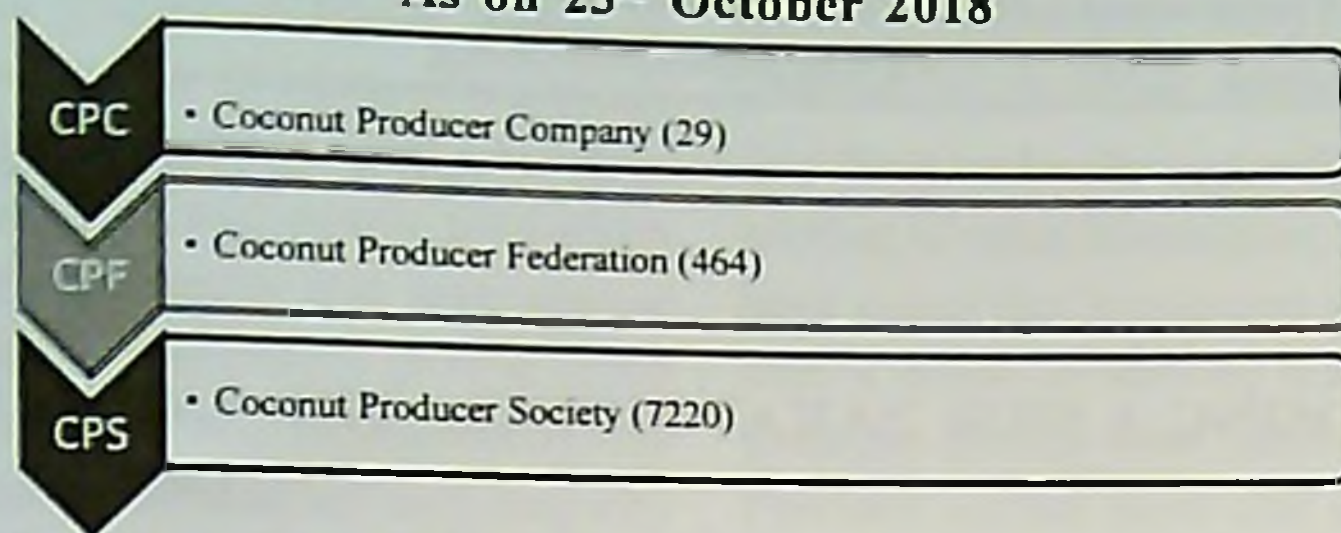
Economic Review, Government of Kerala, (2017). [http://spb.kerala.gov.in/ER2017/web\\_e/index.php](http://spb.kerala.gov.in/ER2017/web_e/index.php). Retrieved on 4<sup>th</sup> December 2018.

<http://coconutboard.nic.in/ProducerSocieties.aspx>. Retrieved on 4<sup>th</sup> December 2018.

G. Veerakumaran and et.al., (2015). Value Chain Perspective of Coconut, *Shanlax Publications*, Madurai.

Progress of Coconut Producers' Society (2018). Federation and Company formation as on 23-Oct-2018.

**Figure-1: Organizational Structure of Coconut Producers Companies in Kerala  
As on 23<sup>rd</sup> October 2018**



Source: Developed by the Researcher (2018).

**Table-1: Technology Used in the Selected Coconut Producers Companies**

Sl. No	CPC	Products				
		Neera	Coconut Oil	Virgin Oil	Honey	Jaggery
1	Kaipuzha	Pasteurization	Oil Mill	Traditional Methods	Evaporation	Evaporation
2	Thirukochi	Pasteurization	Outsourcing			
3	Thrissur	Chilling	Outsourcing			
4	Kodungalloor	Pasteurization	Oil Mill			
5	Palakkad	Chilling	Oil Mill			
6	Vadakara	Pasteurization	Oil Mill			

Source: Primary Data (2018).

**Table-2: Details of Average Income Variation Per Palm Per Year for the Respondents**

Income/Palm/Year Farmer Category	Average Income (Rs.)		
	Before the formation of Company	After the formation of Company	Incremental Income
Neera producers	2300	18400	16100
Neera non-producers	2300	2500	200

Source: Primary Data (2018).