

Analysis of price variations of the retail and wholesale prices of coconut

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Coconut is the most extensively cultivated plantation crop, grown over 439,000 ha, in Sri Lanka mainly in Kurunagala, Puttalam and Gampaha districts. Sri Lanka produced 2559 million fresh nuts in 2004, earned Rs.5967 million of foreign exchange and contributed to 2-3% of the GDP (Central Bank, 2004). Local fresh nut market consists of two major segments as wholesale market and the retail market. The study aimed to understand the behavior of wholesale and retail prices of coconut, to identify the nature of price variations and to compute Price Variability Indexes for retail and wholesale coconut prices for 1984-2004.

Real values of monthly coconut prices were obtained by deflating series from Consumer Price Index (Food) and the average of the series, which could be considered as the long term price expectation, was computed. Deviations of monthly prices from the average and percentage deviations were computed for the each and every data point of the

series. An index named "Price Variability Index" (PVI), which could be used to explain the long term price variations (Herath. A, 2003), was computed by squaring percentage deviations and taking the square root of the aggregate. The procedure was followed for both series.

The average wholesale price for the period was Rs.2.2 per nut which was taken as the long term price expectation since no significant trend was observed. In the behavior of percentage deviations, which include both positive and negative fluctuations, positive fluctuations were more prominent indicating lower wholesale prices in most of the years. It emphasizes that the coconut growers receive lower prices more frequently than they are supposed to get, resulting lower profits. It shows a clear discouragement for the investments in improvements of coconut lands. The PVI was 30% which explains that the prices could fluctuate by 30% positively or negatively around the average. Behavior of retail prices closely followed that of the wholesale prices, with no trend; hence average price was considered as the long term price expectation. Average real price for the period was Rs.2.426. But the percentage deviations showed more frequent and deep fluctuations indicating higher price instability. Higher frequency of positive fluctuations in price deviation series has indicated lower coconut prices to the consumer. It implies that consumers enjoy lower coconut prices in the long run but high risk of instability could imbalance the budget. The 33% of PVI indicates that prices could vary 33% negatively or positively around the average. Findings reveal that both whole sale and real retail prices are stagnating in the long run and consumers may benefit and producers loose in real terms in the coconut industry.