

How Kerala revived its lost copra & coconut oil market, disrupted Tamil Nadu's Kangayam

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Copra Bazar in Kozhikode. File photo: Manorama/James Arpookara

How Kerala revived its lost copra & coconut oil market, disrupted trade in Tamil Nadu's Kangayam

## HIGHLIGHTS

Coconut oil production drops by 90% in Kangayam, Tirupur district, Tamil Nadu - India's biggest copra and oil market

Kangayam oil mills, saddled with huge debt, on verge of shutting down as coconut supply from Kerala dries up

Kerala rides on small mills to revive industry; 1,077 small oil mills and 1,212 drying units have come up in the 'Year of Enterprises'

The neighbourhood mills buy coconut directly from farmers; people are ready to pay more for unadulterated oil

George Poikayil



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Kozhikode: On the night of May 21, a Sunday, a massive fire gutted Arokya Oil Mill at Savadipalayam, a village in Tirupur district's Kangayam -- the biggest market for copra and coconut oil in India. The mill was run from a rented building; two units of Fire and Rescue Force battled for five hours to douse the fire.

An electrical short-circuit was blamed for the fire that destroyed "several lakhs worth of coconuts and machinery", said a news report. The mill started in 2010 has an insurance cover, Arokya Oil Mill's partner Muthukumar told reporters in Kangayam.

Around two weeks before that, a partner of Surya Oil Mill in Kangayam ended his life after his business incurred heavy losses.

Kangayam, once a flourishing coconut oil hub with a capacity to process nearly 3,000 tonnes of copra every day, is coming to a grinding halt. "There is only one suicide case. But most of the oil mills in Kangayam are in suicide condition (sic)," said N S Natraj, the former president of Kangayam Coconut Oil Manufacturers Association and a former AIADMK MLA. Natraj and his son N Dhanapal, the present president of the association, run the NSN Group of Companies, the biggest supplier of coconut oil and copra.

Kangayam has around 120 coconut oil mills, each with an average capacity to process 20 tonnes of copra every day. "But we are functioning only at 10% capacity," Natraj said. In other words, the mills in Kangayam taluk can process 2,400 tonnes but are now processing only 240 tonnes of copra. The mills installed multi-tonnes expellers with an average investment of Rs 4 crore to Rs 5 crore. Now the mill owners are saddled with heavy debt with few copras to crush. On top of it, their minimum power bill comes to around Rs 45,000 per month because of the dedicated high-tension power supply. "The past two years were bad. Of that, the past one year has been worse. But the last six months were the worst," Natraj told Onmanorama.

He blamed the bad fortunes of Kangayam on Kerafed buying up coconuts in Kerala. The apex cooperative federation of Kerala procured 11,790 tonnes of coconut at Rs 32 per kg when the market price slumped to Rs 25. This financial year till May 16, Kerafed bought another 12,219 tonnes from farmers at Rs 34 per kg. (Market price slipped further to Rs 22.) "That's the only reason for the supply crunch in Kangayam," Natraj said. But that is only half the story.

Kerala's MSME push and Kangayam's slip

In 2022-2023, Kerafed procured coconut from only 30,903 farmers, and in 2023, from 2,395 farmers, said the cooperative federation's chairman Chamunni V. "That is just a fraction of coconut farmers in Kerala," he said.

File photo: Manorama

The copra and oil market in Kangayam was majorly disrupted because of the Kerala government's 'Year of Enterprises' campaign, launched to help start 1 lakh micro, small and medium enterprises (MSME) in 2022-2023.

"In the past year, micro and small oil mills have mushroomed in Kerala, sucking up fresh coconuts from the market," said a Pollachi-based copra trader, who moved out of Alappuzha in the early 2000s because of labour issues.

The state government also created an environment for the small oil mills to flourish in Kerala by relentlessly going after brands selling adulterated oils. Many of the companies in Kerala were buying oil from Kangayam and repackaging in Kerala. The reports of the raids in 2018 and 2019, and the names of blacklisted brands were widely circulated through WhatsApp creating awareness in society, he said. "Now the consumption behaviour of people, especially in rural areas, has changed. They don't prefer unknown coconut oil brands from supermarkets. They buy from their neighbourhood mills, which have an aura of purity around them," said the trader, whose business has also taken a hit.

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### Mills and boon

According to the Directorate of Industries and Commerce, 1,077 coconut oil manufacturing units were started in the 14 districts of Kerala in 2022-2023 as part of the 'Year of Enterprise'. To be sure, Kerala's grama panchayats, municipalities, and city corporations put together come to 1,034. Around 70% of the new coconut oil manufacturing units - a total of 755 - came up in Ernakulam, Thrissur, Palakkad, Malappuram, Kozhikode, and Kannur districts in the past year. Kerala is procuring coconuts from these same districts.

An official of the Industries Department said that nearly 1.4 lakh enterprises in more than 30 sectors were set up last year. "The highest number (16%) of units came up in the food processing sector. Within the food processing sector, most of the entrepreneurs started coconut oil units," said Sajithkumar K, District Industries Centre in Kasaragod. When these numbers were shared with a few coconut merchants in Kangayam, they were taken aback. "One thousand units in one year means more than one new unit in every village. I don't think Kangayam will make a comeback," said a copra trader. But he hoped to get coconuts from Kerala once the monsoon starts.

Copra Bazar in Kozhikode. File photo: Manorama/James Arpookara

But another set of data dashed his hope. When 1,077 coconut oil mills were started, another 1,212 coconut drying units -- mostly electric dryers -- also came up in Kerala in the same period. Unlike the big expellers in Kangayam, which cost Rs 4 crore to Rs 5 crore, the small rotary machines or 'chekku' bought by small and micro enterprises in Kerala costs around Rs 1 lakh to Rs 5 lakh, depending on the capacity, said an executive of Best Engineering Company, a supplier of industrial machines. Many small units are run from kitchens or backyards. Most of the buyers in Kannur and Kasaragod districts have bought steel 'chekku' with 3 hp to 5 hp. In Kozhikode and Malappuram, most of the customers have gone for machines with 10 to 15 hp, and they can crush 60kg of copra in an hour, he said.

### Chekku de Kerala

Shabeera S, a physical education teacher with a private school in Kozhikode's Mukkam, said she shifted to buying oil from neighbourhood mills because of repeated reports of adulteration. "Many local brands available in supermarkets are packaged in Kerala but the oil comes from Kangayam," she said. The copra there is sulfur-fumigated, she said. When asked how she knew these things, she said the frequent raids by the Food Safety Department educated her. "I don't buy big fish from the market either fearing formalin and ammonia content," she said. The chemicals are used to increase the shelf life of fish.

Homemaker Vasantha Kumari (63), too, stopped buying branded coconut oil from shops. "I buy five to 10 litres of coconut oil from a small mill at Palachuvadu," said the resident of Kakkanad in Kochi. Sulfur fumigation is a process approved by the Food Safety and Standards Authority of India (FSSAI)

but Harshad of Al Ameen Traders -- which owns copra drying units in Kasaragod and Kannur districts -- said people of Kerala do not prefer their coconut oil to be extracted from copra preserved using that method.

To be sure, Sulfur fumigation is done to increase the shelf life of copra and maintain its edibility by preventing bacterial and fungal attack and repelling insects.

Earlier, traders and mills in Kerala would buy coconut oil from Kangayam for around Rs 111 per kg (Rs 1,670 per tin of 15 kg), and repackage and rebrand it and sell it as coconut oil from Kerala for Rs 140, said Shijesh K V, president of the Thalassery Coconut Oil Merchant Association. "That market has almost been washed out," he said.

In 2022, Kerala's Food Safety Department banned 42 brands of coconut oil, and in 2018, it banned 166 brands. The coconut oils were mixed with up to 20% sunflower oil and palm oil. According to a paper published in Science Direct in March 2011, palm kernel and liquid paraffin are the other two common adulterants. Consumption of liquid paraffin is extremely hazardous as it can cause liver disorders and cancer, it said. "Up to 20% of paraffin oil can be easily mixed with coconut oil" without altering the smell or colour of coconut oil, the paper said.

New coconut oil manufacturing units started in 2022-2023. Table: Special arrangement

These things led people to gradually shift to milling their own copra or buying coconut oil from neighbourhood mills. Now, every district in Kerala has its own brands and trustworthy mills, said Shijesh, who owns Kera Chandra brand.

Suneer U K, an NRI who returned from Saudi Arabia, started a small mill with a capacity to crush 30 kg of copra every hour at Mukkam, 30 km east of Kozhikode. Ten to 15 families buy 30 to 40 litres of coconut oil from his mill every day. "The sales will increase during the rainy season," he said.

Suneer has recently installed an electric dryer too with a capacity to dry 400 coconuts at a time. "Now, my mill gets coconut round the year," he said.

After Suneer started his unit, eight new coconut oil mills have come up at Mukkam. "They all have good business because they installed dryers. We just have to ask farmers for coconut and they deliver," he said.

One of the biggest coconut oil manufacturing units to come up in the past two years is run by the CPM-controlled Kodyathur Service Cooperative Bank at Kodyathur, 6 km from Mukkam.

It started as an oil mill in 2000 with a capacity of 3,000 litres per day. But it could not keep up with the demand. In 2021, it closed the old unit and set up a bigger mill with a daily capacity of 10,000 litres with an investment of Rs 7.80 crore, said mill secretary T P Muralidharan. "We have touched a peak of 9,000 litres per day but our average production is around 5,000 litres per day," he said.

The bank sells its oil under the brand 'Velli Velichenna'. "Our customer base is increasing and our market is expanding because of the quality of our product. We procure coconut directly from farmers by paying them Re 1 more than the market price," he said.

Kangayam, collateral damage of Kerala's policy

Kangayam does not have coconut plantations but the place is an oven, ideal for drying coconut, said a coconut merchant. Daytime temperatures hover around 36 degrees Celsius, with humidity lurking below 50%. "If you pour a bottle of water on the ground, you can see it disappearing before your eyes," said a copra trader in Kangayam.

Sometime in the 1990s, copra and coconut oil units in Kerala started shutting down because of several issues such as weather (six months of rain) and high labour costs and strife. By 2000, the industry vanished. Tirupur's Kangayam taluk, which was earlier a transit point, latched on to the opportunity early. Traders installed powerful expellers and large dryers and started sourcing fresh coconuts from Pollachi and Kerala. By early 2000s, it had established itself as the biggest copra and coconut oil market in India.

Representative image: IANS

Natraj said 40% of coconuts were sourced from Tamil Nadu, and 30% each from Kerala and Karnataka. But traders prefer coconuts from Kerala because of the better coconut-to-copra conversion ratio and yield. Kerala coconut's conversion ratio is 32% (that is if you dry 1 kg of coconut, you will get 320g of copra), and Tamil Nadu's coconut's ratio is 27%, said merchants in Kangayam. The coconut yield is also higher by 1% to 2%. When crushed in expellers, Kerala copra's yield is 64% and Tamil Nadu copra's yield is 62%, they said.

"Till two years ago, around 125 trucks with a capacity of 20 tonnes would reach Kangayam with coconuts from Kerala," said the Pollachi-based trader. Now only 30 trucks come to Kangayam. The trader said he used to buy one truckload of coconuts, mostly from Kasaragod or Kannur, every day. "But for the past year, I have not bought even a single load from Kerala," he said.

Anyone who touches copra will burn their fingers because the market has been inversed, said merchants. "Now, coconut oil is cheaper than copra, which is cheaper than coconut," said a coconut merchant.

In today's market, coconut is priced at Rs 24.75 per kg. Considering the conversion rate of 32%, the price of copra should be at least Rs 77.35 ( $24.75/32 \times 100$ ). But copra in Kangayam is priced at Rs 76.50 per kg.

If copra is at Rs 76.50, the cost of producing coconut oil cannot be less than Rs 120/kg (considering the yield is 64%). But the price in Kangayam is Rs 108/kg.

Oil merchants in Kerala said shipping coconuts to Kangayam and then buying back coconut oil increases the cost by Rs 4 to Rs 5 per kg on transport. Add to it the 5% GST, and the oil price would be Rs 118 to Rs 120. "We provide customers sulfur-free unadulterated coconut oil at a price little more than that. And we maintain a margin of Rs 8 to Rs 10 per litre," said Suneer.

Many local brands available in supermarkets are packaged in Kerala but the oil comes from Kangayam. The copra there are dried using sulphur  
Shabeera S, Physical education teacher, Mukkum

In the process, Kerala too might have revived its copra market, lost to Kangayam three decades ago.

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## Business

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