

# Colombo Auction: Highest Monthly Average (July) Price per Coconut Recorded

## Matching the traded market is an issue

The Coconut auctions in Colombo is a price setter for the coconut industry in Sri Lanka and can be considered as a predictor of the coconut product price behavior in international markets. In July 2020, the monthly average price recorded was LKR. 51.76 per nut while it was 21.60 in July 2019. The months of May, June, July and August are the most 'coconut available' months of the year i.e. seasonality, and hence the recorded low prices compared to the rest of the months. The current year's pattern has altered due to an unusual dimension and has deviated from the general pattern recorded

so far, with alarming high price indications for the rest of the year.

### Forecast

The coconut price at the Colombo Auction for month of August, 2020 will be around LKR.51, 959 per 1,000 nuts with the possibility of rising up to LKR. 53,167 per 1,000 nuts due to the potential demand for Virgin Coconut Oil (VCO) and other coconut based products in the European markets and as a result of product shortage. The referred shortage is due to the impact of the Covid 19 pandemic.

Sri Lanka based international traders who have already offered and agreed for forwarding sales (forward trade agreements) have been affected severely and may even result in withdrawing from future sales. Sri Lanka may thus be losing the global market share, mainly in coconut-based commodities such as the desiccated industry, being the most vulnerable.

Colombo Auction Prices LKR per 1000 nut  
Month of July 2011-2020

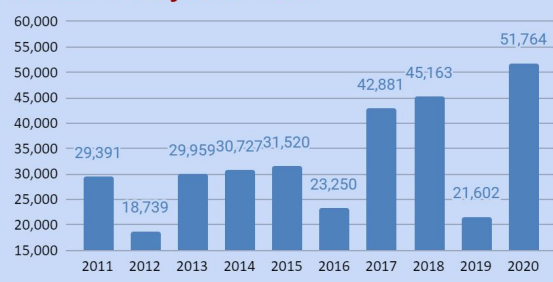


Fig1: Colombo Coconut Auction prices related to the month of July from 2011 to 2020

Fig.1 indicates that price fluctuations occur every 3 to 4 years apart from the variation within the years, based on the harvest quantum. Fluctuations within the years are mainly due to water availability in the

cultivation area and variation in every 3-4 year period is based on changes in climatic factors. This is more or less the natural scenario.

According to the coconut price forecast, based on historical data, an annual price increment can be observed from 2011 onwards. It is LKR 38,629 for the month of July 2020. However, the actual price was LKR 51,764, an increment of LKR 13,155.

comparatively higher positive value in 2018 and a higher negative value in 2019 and continues as such in 2020. Does this augur an inquiry as to whether these changes are purely due to the impacts of weather or are there any other reasons? In the latter part of 2017 and 2018, it may be a result of low yield. But in 2019 and 2020, it is the impact of the policy deployed towards the coconut industry. The policymakers and responsible institutes have failed to address the real problems through their policies except for just 'sketching' the issue. In the long term scenario, neither the coconut planters nor the coconut industrial processors will be benefitted.

Auction Price and Predict/Forecast

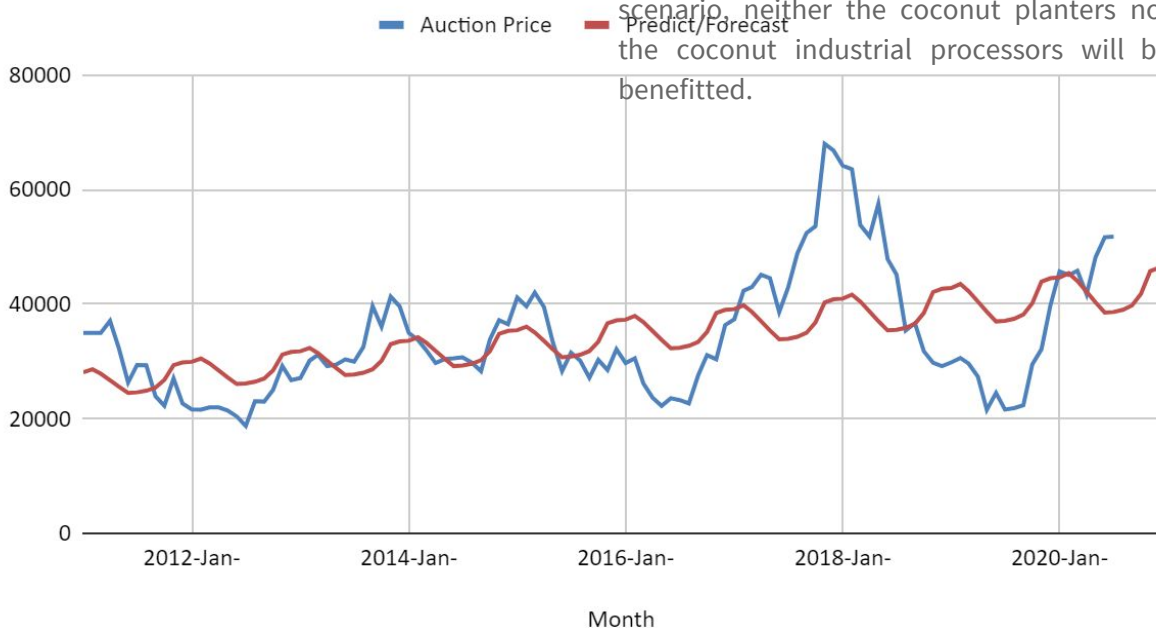


Fig2: Coconut prices forecast and actual prices at the Colombo Auctions from 2011 - 2020

As shown in fig 2, the forecasted (red line) coconut price has a comparatively smooth line even though annual deviation due to weather patterns related to rainfall. In the first part of the current decade, the deviation from the forecast was limited to -8909 to 11056. But in the latter part of 2016 onwards, the deviation from forecast recorded remarkably higher values as shown in Table 01 with some values indicating an almost two-fold change. It indicates a

Table1: Highest Price (LkR) deviation from the forecast

Year	Max Negative Deviation	Max Positive Deviation
2016	-11627	
2017	-1748	27685
2018	-13497	23196
2019	-17122	

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The policymakers should be able to identify the real problems and address them through the policies which will ensure the sustainability of the industry.