

CONSUMER DEMAND FOR COCONUT OIL

Coconut and Coconut Oil Consumption

Coconut and coconut oil are important constituents in the Sri Lankan diet for many years as essential ingredients of many food recipes. Coconuts provide about 10-20% of the total calories in the average Sri Lankan diet and is second only to rice in terms of contribution to consumption of energy. Coconut and coconut oil are the main source of dietary fat mainly for low-income groups in the country. Annually about 1,900 million coconuts are consumed locally as fresh nuts, oil, beverages and other forms.

Coconut oil is an important commercial product of the coconut palm obtained by direct processing of wet kernel or by crushing good quality copra. This colorless to pale brownish yellow oil is used primarily as a household-cooking ingredient. In common with other edible fats and oils, it is a mixture of chemical compounds known as glycerides. In major coconut growing countries, coconut oil is preferred for consumption due to its unique qualities such as taste, stability, long shelf life and functionality. Commercially, coconut oil is used in manufacture of soap, margarine, biscuits and confectionery products.

Statistics have shown that per capita consumption of oils and fats during the last 15 years nearly doubled from 6.5 kg to 11 kg per year in the Asian region. But, on the basis of

S Samarajeewa¹ and H M Gunathilake²

¹Agricultural Economist, Coconut Research
Institute of Sri Lanka

²Senior Lecturer, Dept. of Agricultural Economics,
University of Peradeniya of Sri Lanka

various consumer finance surveys, the per capita consumption of coconuts and coconut oil shows significant differences among different income categories. According to the consumer finance survey conducted by the Central Bank of Sri Lanka in the year 1996/97, an average Sri Lankan consumer spends 7.3% of his food expenditure on fresh coconuts and 1.6% on coconut oil. The survey also revealed that there are notable differences in the amount of expenditure on coconut oil and other cooking oils and fats among different sectors (see Table 1 and 2). Especially in the urban sector, there is an increasing trend for consumption of other edible oils.

Coconut oil and the heart disease

Many people are of the view that consumption of coconut oil and kernel elevates serum cholesterol and thus promotes coronary heart diseases. The basis of this belief is that coconut oil contains more of saturated fats and the view held since 1950's that all saturated fats increase blood cholesterol. Supported by this view, there is a million-dollar advertising campaign waged by various multinational companies to promote the sale of other vegetable oils by exaggerating the health hazards of coconut oil.

Table 1. Expenditure on coconut oil and other cooking oils and fats by different income groups (as a percentage of monthly total food expenditure)

Income group (Monthly income in Rs)	% expenditure on coconut	% expenditure on coconut oil	% expenditure on other cooking oils & fats
0-600	7.57	1.33	0.48
601-1800	8.45	2.13	0.16
1801-3000	8.71	2.17	0.08
3001-6000	8.08	1.95	0.08
6001-9000	7.43	1.72	0.20
9001-15000	6.94	1.50	0.42
15001-30000	5.97	1.17	0.80
> 30000	4.97	0.84	1.31

Source: Consumer Finance & Socio Economic Survey 1996/97

Table 2. Average monthly expenditure on coconut oil and other cooking oils by sectors (as a percentage of total food expenditure per person)

	% expenditure per person		
	Urban	Rural	Estate
Coconut oil	1.3	1.7	2.2
Other cooking oils	0.9	0.2	0.1

Source: Consumer Finance and Socio-economic Survey 1996/97

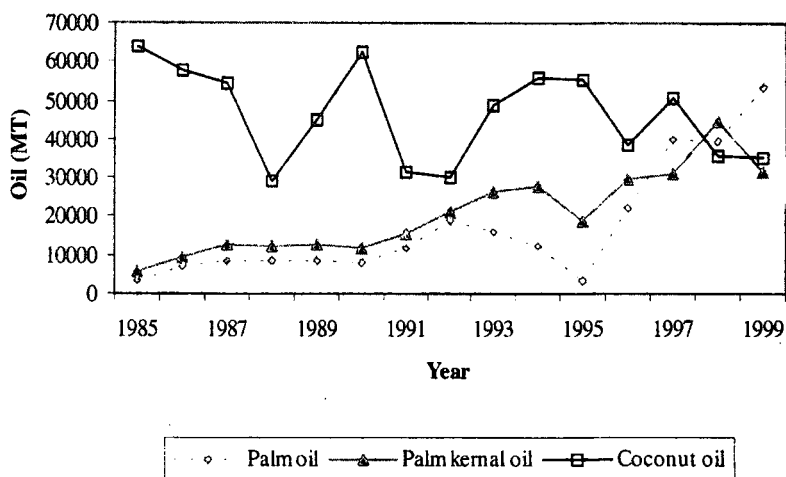
The link of coconut oil industry in anyway with coronary heart diseases is unfortunate as it adversely affected the consumer demand for coconut oil. This indirect affirmation can possibly lead to eventual loss of a major part of the market share for coconut oil globally and domestically. At the same time the situation was further aggravated by flooding international markets with other edible oils such as Palm and Palm kernel oil, Sunflower, Soy, Corn oil etc. under reduced tariff.

Import of vegetable oils to Sri Lanka

The importation of various edible oils to Sri Lanka during the last two decades has been increased

tremendously due to progressive removal of trade barriers under the open economic system. Palm oil and Palm kernel oil are major imports in terms of quantity (see Fig.1) and higher volumes of edible oil imports were associated with rising domestic coconut oil prices, relative to world oil prices. Consequently, many industrialists have now shifted to use more of other vegetable oils in their industries instead of coconut oil. The local consumer demand for coconut oil is very likely to be affected by the presence of these substitute vegetable oils, added by the fear for proneness to heart diseases even though it has used in Sri Lanka for over thousand years.

Fig 1. Availability of vegetable oils in the local market



Market Demand for coconut oil

Market demand for a particular product depends on a multitude of factors such as price of the commodity, consumer income and taste and the price and availability of substitutes. In general, when the price of a commodity rises people tend to buy less and when consumer income rises they tend to buy more of that commodity. Thus, the demand for a good or a service has a negative relationship with its own price and a positive relationship with consumers' income.

In this context, the pattern of demand for coconut oil in Sri Lanka was evaluated using twenty years data from 1978 to 1997, on coconut oil consumption. The results of this study revealed that, when the consumers' income increases, they tend to reduce coconut oil consumption. For most products, rising incomes lead consumers to buy more of that product. For some relatively undesirable products, rising incomes

reduce demand by enabling consumers to switch to higher quality products. This hints that the coconut oil is an inferior commodity to the consumers. With rising living standards and increase in per capita income people may consider coconut oil to be an inferior commodity for their consumption.

This is a negative market signal for the domestic coconut oil industry, which has already been affected by the tariff concessions given for other imported edible oils. Therefore, there is a timely need for a counter campaign to promote coconut oil consumption substantiated by scientific facts on beneficial effects of coconut oil against other vegetable oils, for the betterment of the industry. In the mean time, measures should also be taken to increase the competitiveness of the industry by reducing the cost of production.