

CHAPTER FIVE

MARKETING PROBLEM

The main aspects of marketing in this proposed study are centred on two problems and how marketing machinery can be improved.

INDEBTEDNESS: One major problem that is already apparent is the chronic state of indebtedness of producers who are mostly smallholders. It seems that indebtedness has become a factor which handicaps the ability of our producers especially the smallholders to get fair price.

INCENTIVES: Lack of incentives to produce good quality copra is another problem. This results in big financial loss to the producers as well as to the national economy. While on the other hand, the smallholders also suffer greatly because they sell in small and uneconomic quantities and failure to stimulate competition among buyers. Furthermore lack of accurate marketing information, laws establishing general trading rules and exploitation are further factors that enhance the deficiency of our coconut industry.

WAYS OF IMPROVING MARKETING SYSTEM: Mr. Emanuel Muttukumaru, an FAO coconut economist, had outlined in his paper presented at the Singapore Primary Production Training Centre, the ways of how to improve our marketing method in our coconut industry.

First, he tackled the problem concerning incentive. He pointed that a way to provide our producers with incentives is to improve the quality of the copra, by establishing appropriate standards and grades supported by significant price differentials. But the question of providing incentive by establishing standard and price differentials are not enough. What is needed to go along with this is credit facilities for producers. Creation of credit facilities is necessary because most of our producers are in financial difficulties and have not resources to change their production practices. Hence financial aid is a necessity in order to stimulate incentive among the producers.

Chronic state of indebtedness has already been a common feature among agricultural growers especially the smallholders. Permanent indebtedness does exist in the coconut industry. Since indebtedness has been and still is a very serious problem, Mr. Muttukumaru, believes that the most suitable marketing machinery for any area depends on the existing social and economic environments. Many approaches have been suggested by Mr. Muttukumaru, of eliminating or reducing the seriousness of this problem. One way is to provide services through private enterprise, either voluntary or compulsory group marketing, or state sponsored organisation.

CO-OPERATIVE MARKETING METHOD: The marketing of copra through co-operative endeavour will alienate the middle-man, who are the source of indebtedness among the producers. It is a disappointing fact that government so far has not encourage producers' co-operative for fear that such organisation may bring collectivism. "It has been charged by some that co-operative is so-
cialistic and that extension of the movement is a step toward the creation of a socialistic state"1 Briefly, in examining the doctrine of socialism we can reveal some fundamental differences. Socialism stands on the basis that the state owns and control all the basic means of production and distribution. In other words, it emphasises upon a more equitable distribution of income and wealth. But in contrast with the doctrine of socialism concept of co-operative stands on the basis of improving the distribution of income.

Since, it is found that co-operative works successfully in countries like, India, Ceylon and Africa, hence there is no reason why co-operative should not be adopted in Malaya so as to improve the marketing method here. By using such system we can achieve a far advanced stage of marketing and production as shown by other countries. Co-operative, can regulate trading rules thus bringing advantages to the producers. Co-operative may also able to operate can credit facilities and supervise its use and repayment as well as entering marketing information.

In Ceylon, for example, some co-operatives process members' produce for the manufacturer of copra, coconut oil, desiccated coconut, fibre and shell product. By such means it will improve the quality of the coconut products. Credit advancements are also made at each harvest and the accounts are settled at the time of sales. By this means, indebtedness can slowly be eradicated among the smallholders.

But in Malaya, there is no significant change in improvement of such kinds as noted in Ceylon. Hence it is indeed an ungratifying fact to say that the government does not make any effort to improve the situation in the coconut industry, leaving it alone will only cause further deterioration and untold damages to the economy.

Since our coconut industry had been one of the major contributions to the national economy, our government should do something to improve the present situation to a situation where it had achieved before as one of the greatest exporter of coconut products in the world. Such objective can be achieved through various implementations, one of which is by way of co-operative movement among coconut producers.

1. L. FRED KOLLER: Co-operative in a Capitalistic Economy edited by Harold G. Makrow, in Readings in Agricultural Economics pg.185

ACHIEVEMENT OF THE OBJECTIVE BY STAGES: The necessity of properly planned programs is indeed essential to improve the present condition of coconut industry. Objectives can only be achieved in stages and through careful and progressive development from the first step of primary processing.

Government should give financial and technical aids in processing so as to ensure the productivity and quality of the coconut product. Selling organisation should be centralised by direct legislation in order to assist in stabilising markets for producers. Therefore, to assist and to facilitate the organisation marketing board should be set up to control all export sales.

FUNDS FOR PRODUCERS In view of the fact that price of coconut products like most other primary products are subjected to price fluctuations funds should be set up as a protective measure from violent fluctuation in prices. Funds can be obtained through the operation of marketing board. The board will withhold the difference between the price on the open market and the agreed price of payment to producers in time of high prices. Therefore, the accumulated funds from such arrangement can be used to supplement the need of the producers when the world market for coconut products fall below the 'stabilised' price.

Another way is to set up anti-inflationary scheme as the one we have for rubber. Such funds can only be operative and useful if production of coconut palm can be geared to the stage where our coconut industry has achieved before.

An arrangement of such kinds, described above, would certainly ensure stability and security in the coconut industry, shielding the producers from price fluctuation. Furthermore stability in price is assured and which in turn may encourage a better quality product.

DANGER In a situation where market channels are so contended, that a number of intermediaries are found between producers and buyers, premiums for greater grade should not be returned to the producers. Hence it is best to keep sales as close to the producers provided that sales are not so small as to be dominated by few buyers. The domination of few buyers may create monopsonistic situation where the buyers can get together and agree on prices.

In this chapter, it is noticeable that because of the inherent characteristic of the market for coconut products, there is no magic formula to be applied in solving the problem, although some suggestions are discussed on how to improve the marketing machinery. Suitability of marketing machinery, as many coconut economists believe depend very much on the existing social and economic factors of the country.