CHAPTER 1

INTRODUCTION

India’s pulses and spices marketing shows considerable changes during the last one and a half decade. A discerning transformation has occurred in the country’s marketing in pulses and spices. These agricultural products have made dent into developed market economies. India is the major producer as well as exporter of these products. It plays a pivotal role in the overall economic development of the country. As recognition of its obvious significance and relevance to the Indian economy, Government has given special priority to these products in the 10th Five Year Plan for large-scale production and earning foreign exchange through exports. Scientists in India are looking at ways to achieve self-sufficiency in pulses. Their target for 2006-07 is production of 15.15 million tones in total, with Kharif at 5.78 million tones and Rabi at 9.37 million tones. (Indian budget.nic.in) They recognize that a massive effort is needed to develop technologies, both in production as well as post harvest management and transfer these to end users. This source of protein for the poor people is not available in adequate quantities in other countries and so cannot be imported either in adequate quantity. This defect can either be checked by raising the production or by reducing losses during post harvest operations like thrashing, transportation, processing, and storage. The fluctuating nature of production scenario of pulses calls for an increased effort to reduce post harvest losses to a maximum possible extent so that the net availability of pulses could be increased.

Value addition is another area in which the pulses industry needs to strive for effective performance. Value addition can substantially be done in the stages of processing and preservation. Processing is done to make raw commodities edible through primary and secondary processing and ready-to-eat through secondary and tertiary processing. At every stage of processing, value is added to the product. Estimated value addition to raw food materials through primary and secondary / tertiary processing in India are 75% and 25% respectively (Dr. R. R.
Lal, Senior Scientist, “Present Status of Pulses Processing Technology in India”-Presented at CRIDA, Hyderabad, 1999). It shows that primary processing has a greater role to play in improving the economic benefits to the farmers.

Diversification in present uses of rain-fed and irrigated crops of pulses from present day products like dal, besan, feed and roasted snack foods to quick cooking dal, mixed and specialty dal may be considered. Pulses are used in many ways, in the form of spicy snacks for East Indian and sweet for Middle Eastern, dry flour mixes (mostly chickpeas) in appetizers, with rice dishes and in deserts. However, within each cultural segment flavors, textures and preferences vary.

Packaging has also a great potential for value addition in pulses. A properly graded and packed grain fetches a premium price to the marketers and hence can be encouraged as a tool for value addition at farmer’s level to realize more income from the farm produce.

India has also been a home of many spices like pepper, cardamom, garlic, ginger, cinnamon, etc. Spices are used in food, body care and indigenous medicinal preparations. Within the past one decade the international trade in spices has grown by leaps and bounds. An estimated 500,000 tones of spices and herbs valued at 1500 million US dollars are now imported globally every year. An impressive 46% of this supply comes from India. India's exports of spices extracts have shown spectacular growth attaining over 50 percent of the global market within a short span. In recent years, export of Indian Spices has been taking giant leaps. The Indian export of spices in 2005-06 has been 402.94 thousand tones in quantity and 2218.09 in value (Rs. Crores). This remarkable achievement has caused a sea change in the industry scenario. From traditional commodity exports, Indian Spices have evolved into a state-of-the-art industry in aspects like absorbing technology, broad basing its products range, developing value added products, identifying niche markets, forging strategic alliances and clinching global collaborations and joint ventures.
Quality and specifications have played an increasingly significant role in the supply chain and purchasing decisions. Quality is judged according to the appearance, aroma and texture. Over the past decade, the Indian spices industry has made quality the cutting edge of its global game plan. With the growing recognition of importance of spices, domestic growers realize that there is an increasing demand for value added spices. There is a need to develop further processed products ready for use which can be used as ingredients with little or no further processing, or new items, all of which give added value, instead of shipping raw agricultural materials. Value addition drive requires extensive market research to determine the market potential for the value added products. Consumers continue to seek healthy lifestyle; they have to become more sensitive to their nutritional intake. The appeal of natural products like spices is driving the consumer interest in these items. Spices packaging is another area where value addition can be introduced. Exposure to moisture and heat is to be minimized at all times. They should be packed in materials that ensure the optimum quality of a product like glass bottles; plastic bags double bagged in paper, foil laminated pouches. Real value addition in spices occurs in developed countries in the form of processing and packing in attractive packages. Another form of value addition is development of new products and new uses that involve heavy investments in research and development.

Value addition activities in marketing of pulses and spices will create tremendous employment to rural people including women and prevent capital drain from rural to urban areas and thereby narrow down the economic disparity between rural and urban population. The process of industrialization in the country is changing the structure of rural economy. Concentrating on the agricultural produce, processing and value addition and its trade to urban areas will make farmers and rural people not merely the producers of raw materials but will also develop them into the entrepreneurs who add value and provide good living and hence cause prosperity to the whole rural lot.
SCOPE OF THE STUDY

The scope of this study covers all pulses in general but major pulses have been selected and studied on account of their sizeable share in total pulses production and export trade of India. The following major pulses have been included in the study:
1) Chick pea
2) Pigeon pea
3) Mung bean
4) Field pea

India is the world’s largest producer of pulses, which are an integral part of the Indian diet as they provide much-needed protein. Pulses are grown in both kharif and rabi seasons, with 60 percent produced in rabi. According to Government of India’s Second Advanced Estimates in 2006-07, pulses production is expected to be lower at 14.5 million tones during 2006-07 against 13.4 million tones in the previous year (Ministry of Agriculture, Government of India, 2nd Advanced Estimate). India is the leading producer and consumer of chana (Chickpea) in the world. Normally chana accounts for around 40 percent of India’s total pulses crop production of 12-15 million tons. Major producing states are Madhya Pradesh, Uttar Pradesh, Rajasthan and Maharashtra. The total area under Tur (Pigeon pea) is estimated at 3.75 million hectares. The main centers of Tur output in India are Maharashtra, Uttar Pradesh, Karnataka, Madhya Pradesh and Gujarat. Tur contributes nearly 20 percent of India’s total pulses crop production of 12-15 million tons per year. India is rated as the fourth largest producer of Yellow Peas (also known as Dry Peas) in the world with an output of nearly 800,000 tons per year. India is also the largest importer of the crop accounting for around 700,000 - 800,000 tons. Uttar Pradesh is the main producing centre in India with 60 percent of the country’s total output. Other major producers are Madhya Pradesh, Bihar and Punjab.
The minor pulses have not been included in my study on account of being insignificant in terms of its share in the total pulses production and share in foreign trade. Among spices, the following main crops have been included:

1) Black pepper
2) Chilli
3) Ginger
4) Garlic
5) Cardamom

India is traditionally known as the spices bowl of the world. According to the Bureau of Indian Standards (BIS), about 63 spices are being grown in India. Pepper, Cardamom, Chilli, Coriander, Cumin, fennel, Turmeric, Garlic, Ginger and their value added forms are among the important spices produced and exported from the country. Black pepper, Cardamom, Ginger, and Chillies are included in the major spices and the rest are considered as minor spices. The Cardamom output in India during 2005-06 (Apr-Mar) is estimated to be around 12,000 - 13,000 ton. Production in 2006-07 is expected to be 10-12 percent lower than the same period a year ago due to adverse climatic conditions in main growing areas. Kerala accounts for over 70 percent of the total output while Karnataka and Tamil Nadu contribute 20 percent and 10 percent respectively. India was the largest pepper producer and exporter in the world till the 1990s. Vietnam emerged as the major pepper producer and exporter by the turn of last century and dislodged India’s leadership in global pepper trade. The total output in India during 2005-06 was estimated at 45,000 - 50,000, 35 percent down compared with the previous year. In 2006-07, the production of pepper is estimated to be lower than that of the same period a year ago due to adverse climatic conditions and diseases to pepper vines in major production centers. India is the largest producer and consumer of chillies in the world with a contribution of nearly 25 percent of the global output. The average production in India is estimated to be around slightly above one million tons per year. During 2006-07, 7,500 tonnes of ginger valued at Rs.39.75 crores was exported as against 9,411 tonnes valued at Rs.42.96 crores in the
previous year. During 2006-07, garlic exports totaled 11,500 tonnes valued at Rs. 21.28 crores as against 34,688 tonnes valued at Rs. 47.98 crores in 2005-06. This significant decline in volume was the result of reduced import by Bangladesh in 2006-07. As against their last year import of 21,197 tonnes import during the year was only 5827 tonnes. The decline in the production of garlic in China, the largest producer in the world, resulted in a short supply in the market in 2005-06 and Indian garlic was more in demand that year.

The major spices have been taken up in the course of this study on the basis of its important role in total spices’ production and export. Covering all spices was also beyond time and cost resources. In this backdrop, the need for a comprehensive and systematic study of India’s pulses and spices sector and their marketing operations is imperative. The present study will certainly go a long way to comprehend the varied marketing problems of pulses and spices sector in India and help in improving the efficiency and performance of this sector substantially.

The study is mainly exploratory in nature in the sense that it is mostly directed towards identifying the various ways of adding value to the products under study to improve their marketing. The exploratory nature has necessitated keeping the coverage of the study broad enough to include the varied marketing aspects. An attempt has been made to relate each aspect of the study with a managerial line of action based on it. This enhances the value of the project beyond the pure academic level. Taking into account the secondary as well as primary data (obtained by an elaborate consumers’ survey in four cities of the country) an effort has been made to sense the pulse of the market.

The study specifically aims at obtaining information on the following aspects of pulses and spices in Indian context:
1. Demand and Supply position.
2. Quality standards for promoting the products.
3. The post harvest losses in marketing.
4. Packaging, branding and labeling in marketing.
5. Consumer’s usage pattern of different forms and variants of products.
6. Exports and imports marketing position.
7. Different ways of adding value to products in processing stage.
8. New product development.
9. The effectiveness level of various promotional tools in marketing.

The presentation of this thesis has been made into thirteen chapters.

The first chapter gives the justification to the project giving briefly the dimensions, direction as well as the scope of the study.

The second chapter presents the review of literature that has been arranged chronologically.

The third chapter covers the objectives, hypotheses and methodology used in the study.

The fourth chapter and fifth chapter provide an overview of the role of pulses and spices industry respectively in economic development. It also covers the problem statement and throws light on how significant the sectors are in the Indian economy.

The sixth chapter and seventh chapter deal with the marketing scenario in pulses and spices respectively. Domestic consumption, demand-supply and critical problems for pulses and spices are dealt with in these chapters.

The eighth chapter throws light on the quality issues involved in post harvest activities and the attributes that consumers expect in meeting the quality standards in marketing of pulses and spices.

The ninth chapter includes the different packaging methods used and the branding and labeling issues involved in pulses and spices.

The tenth chapter finally analyses the distribution channels and promotional tools used and their effectiveness in the marketing of pulses and spices.

The eleventh chapter and twelfth chapter are related to the value addition process in pulses and spices respectively.

The thirteenth chapter summarizes the conclusions and recommendations of the whole research.

Some Annexures have also been included.