Chapter - VII

MARKETING OF ARECANUT

The market is the opportunity to buy or sell.

“A market is the sphere within which price making forces act” - Hibbard.

“Markets may be properly described as the entire area within which the forces of demand for and supply of a given commodity or service interact in effecting exchanges and establishing prices. Wherever and whenever buyers and sellers are brought together, whatever the means for achieving communication, markets exist” – Kiekhofer.

In other words, marketing is a comprehensive function, which includes activities like assembling, storing, financing, grading and standardisation, insuring, transporting and selling.

The ultimate objective of any marketing system is to ensure a reasonable rate of return, which represents a fair remuneration to the producers and is within the consumer's ability to pay.

Price movement and Growth in Plantation

“Price” is a matter of vital importance to both the seller and the buyer in a market place. Price denotes the value of a product or service expressed in monetary terms. The exchange activity gets completed only when the buyers and sellers mutually agree upon a price for the produce to be transacted. In a competitive market economy, price is determined by supply and demand.
Price has multifaceted function namely, it regulates business profits, allocates the economic resources, influences consumer's purchase, decisions, reflects the purchasing power of currency and determines the general living standards. In essence, by and large every facet of our economic life is directly or indirectly governed by pricing.

There exists high co-relation between plantation and price. With prices picking up arecanut gained importance as a cash crop in the study area. Increasing prices attracted farmers. Lot of paddy and sugarcane growing areas were converted to arecanut gardens. When prices suddenly picked up, people other than traditional growers also started investing in arecanut plantation. Such price co-relation with crop area and plantation is found in all agricultural commodities. Whenever price increases for any commodity farmers shift to that crop.

Arecanut is a crop whose production is concentrated in a few states but consumption spreads throughout the country. The produce will be brought to the producing centres and is distributed to other areas. The arecanut is marketed in the primary, secondary market and at consuming centres or at terminal markets like any other agricultural commodity.

The primary markets are situated at village level and secondary markets are generally situated at taluk level or at district headquarters. Both assembling and distributing take place in three markets.
Consuming centres/terminal markets are those where arecanut is assembled for further marketing within the state, or outside the state or even for export.

In the present marketing system of arecanut, the intermediaries play a predominant role. In marketing chain of areca up to secondary market the intermediaries like commission agents, primary traders at village level, marketing society, processors and secondary traders are involved.

In distribution chain at consuming centre market commission agent, wholesalers, traders and retailers are involved.

The following major institutions play an important role in marketing of Areca.

1. Agricultural Produce Marketing Committee, Shimoga,
2. Agricultural Produce Marketing Committee, Sagar,
3. Co-operative Marketing Societies.
   i) Malnad Areca Marketing Co-operative Society Ltd. (MAMCOS)
   ii) Central Areca and Cocoa Marketing and processing co-operative Society, Ltd. (CAMPCO)
   iii) Arecanut Processing and Sales Co-operative Society Ltd. (APSCOS) Sagar.

A brief note of each of the marketing society is mentioned below.

1. **Agricultural Produce Marketing Committee (APMC) Shimoga**

   All the marketing activities are controlled by the APMC. Committee established in 1980 under the provisions of the Mysore
Agricultural Produce Market Act 1939 (No XVI of 1939) with Shimoga and Thirthahalli taluks, Koppa, Sringeri taluks of Chickmagalur district as its functional areas.

The administrative office is situated in Shimoga city. The committee has three sub-market yards at Thirthahalli, Koppa and Sringeri.

These sub-markets performing all the marketing functions under the supervision of a head in each yard.

The interest of the farmers are duly represented in the marketing committee.

2. Agricultural Produce Marketing Committee (APMC), Sagar

APMC at Sagar was established during 1959-60 under the Mysore Agricultural Produce Marketing Act 1939. This market has Sorab and Hosanagar taluks as its functional areas and its administrative office is situated at Sagar. In this centre all trading interests are given due representation.

Co-operative marketing societies play an important role in the marketing of arecanut. These societies deal with market arrivals in bulk and assist their members in selling their produce whenever they wish. These societies provide other services also to its members like provision of the credit facilities, storage facilities. They have gained importance in recent years.

i) Maland Areca Marketing Co-operative Society (MAMCOS)

Growers in the sample district (Shimoga) were facing various problems in marketing by mediators, in weighing, in pricing, in finance, in storage and in credit facilities. All these deprived areca
growers from getting a remunerative price for their produce and with the help of deputy commissioner of Shimoga resulted in the establishment of MAMCOS Ltd in 1939.

The administrative office is situated at Shimoga. It covers Sagar, Koppa, Tarikere, Thirthahalli, Sringeri, Birur.

The objectives of the MAMCOS are.

1. To provide good market for arecanut growing members.
2. Financial facilities to its members.
3. Storage facilities.
4. Export of arecanut to other states.
5. Provide financial assistance to control pests and diseases of areca palm to its growers.
6. To inculcate saving habits and cooperation among its members.
7. To open new branches and sales centres for the benefit of the areca growers.

ii) Central Areca and Cocoa Marketing and Processing Co-operative Society Ltd. (CAMPCO)

It is a joint venture of state governments Karnataka and Kerala established in July 1973. When the restrictions imposed on imports of arecanut during the early 60’s and withdrawal of excise duty on arecanut helped the growers to getting remunerative prices for their produce. This resulted in further increase both in area and production.

At the end of 1971, the price of arecanut fell drastically because of increased supply. In order to protect the interest of the growers
both Governments of Karnataka and Kerala created 'The Central Arecanut and Cocoa Marketing and Processing Co-operative Society Ltd'; and this is popularly known as CAMPCO.

The head office is located at Mangalore, South Canara district. It has many procuring centres and sales depots, established and spread in various states in the Country. Such a procuring centre is established in the sample district at Shimoga. First processing centre was established in Sagar in 1973 followed at Shimoga during 1974.

The main objectives of the CAMPCO are,

1. To procure arecanut from members and if necessary from other growers, on outright purchase basis.
2. To arrange for the sale of arecanut to the best advantage of its members.
3. To provide credit facilities to its members.
4. To undertake processing of arecanut.
5. To export the produce.
6. To open branches, depots, godowns, showrooms and factories.
7. To arrange for the procurement and distribution of pesticides, fungicides, fertilisers, seed, implements etc.
8. To render technical guidance and advice to its members.
9. To promote scientific research on planting, growing, harvesting, processing, fermentation, preservation and manufacture of semi-finished and finished products of arecanut.
iii) Arecanut Processing and Sales Co-operative Society Ltd. (APSCOS, Sagar)

It was established during 1973 at Sagar, Sagar and Sorab taluk growers as its members. It has a branch at Nittur at Hosanagar taluk established in 1975. The objectives of APSCOS is as same as MAMCOS and CAMPCO.

Marketing of White Variety

White variety of arecanut is processed from ripe arecanut after sun-drying it for 40-45 days. In almost all regions growers are bringing their produce in de-husked condition (nuts) to the market.

Three or four types of primary grading will be done depending on the arecanut by the growers.

The secondary traders who are involved in the business of inter-state marketing does further grading by size.

The marketing channels of white variety is presented below.

![Marketing Channels Diagram]
Marketing of Red Variety

Red variety of arecanut is produced by boiling tender nuts. Sometime growers themselves do the processing or sell the tender nuts to the primary traders or processors. Growers bring their produce to the market and sell it through commission agents or marketing societies.

Saraku, Bette, Api, Edi and Gorabalu are the types of grading done by the processors while bringing the produce to the market.

Traders do further grading based on quality, size and demand of the markets. Traders in turn sell it to the institutional and consumer markets. Red variety of areca is mainly used for preparation of Gutkha, Panmasala and Scented Supari. Very few quantity is consumed for direct chewing. Direct chewing of red variety is mainly in North Karnataka, part of Andra Pradesh and Tamil Nadu.

The marketing channels of Red variety is presented below:
Procedure of Sales and its Proceedings in APMC Yard

As both the markets at Shimoga and Sagar are governed by the same act, there is no difference in the system of sale between two markets. Until the regulation of arecanut market in the district, the market used to follow a traditional closed tender system. The dealers used to cover their hands by cloth and symbolically quote the prices where the growers stood as mute witness without knowing what actually happens under the closed Tender. The growers were totally under the mercy of the mandi owners who used to extend their loans during pre-harvest period. This practice faded when the Agricultural Produce Market Act. came into existence. The Closed Tender system has given way to open Tender system.

Under the new system, if the growers wish to sell their produce to the commission agents of the marketing society, the produce is displayed in the market yard. The traders and agents go round the market yard and inspect the arecanuts filled gunny bags displayed in rows and quote prices for each variety in tender slips and insert them in the tender boxes kept in the yard. The market committee opens the tender boxes and announces the highest tender prices openly. The highest price for each variety of the day which will be broad casted through All India Radio to enable the farmers to know the day to day prices.

Weighing Procedure

The arecanut arrives in the market in the month of November every year and continues upto the month of February. The peak arrival periods in both Shimoga and Sagar markets are however in December and January. As and when the produce arrives in the
market, the first Weighment is done by the licensed weighmen. A receipt called ‘A’ bill is issued to the grower and a copy of the same is sent to the office of the market committee. Second weighment is made after the sales and a receipt called ‘B’ bill is issued to the grower. Similarly the purchaser is issued a receipt called ‘C’ bill to authenticate the purchase.

**Major Secondary Markets of arecanut in Karnataka**

There are 8-10 major secondary markets controlling around 80 per cent of the total arecanut arrival of Karnataka.

Mangalore market is exclusively for white variety, whereas Shimoga market is only for red variety. In the year 2000-01, estimated arecanut quantity handled in the Mangalore and Shimoga market is around 36 thousand tonnes and 29 thousand tonnes respectively.

Other markets such as Puttur, Sullia, Belthangadi, Sirsi, Siddapur, Kumta, Yellapur, Sagar, Channagiri and Bhimasamudra are also handling arecanut at marginal quantity.

**Agricultural Produce Marketing Committee (APMC)**

Arecanut is a listed commodity in APMC in Karnataka. APMCs are located at regional levels. In Karnataka APMC is playing a vital role handling about 75 percent of the total Karnataka’s arecanut production.

**Production, APMC reporting and share of Campco.**

In 1996-97, APMC arrival was around 63 percent of the total production and has reached up to 75 percent in 2000-01, Campco’s
share is between 11-13 percent and has come down to 10 percent in 1999-2000.

Table 7.1: Arrivals of Arecanut to Major Markets of Karnataka

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Markets</th>
<th>Arrival</th>
<th>APMC Reporting</th>
<th>Campco’s procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mangalore</td>
<td>35,900</td>
<td>23,350 (65%)</td>
<td>4,177 (12%)</td>
</tr>
<tr>
<td>2</td>
<td>Shimoga</td>
<td>29,470</td>
<td>27,047 (95%)</td>
<td>915 (03%)</td>
</tr>
<tr>
<td>3</td>
<td>Sagar</td>
<td>14,150</td>
<td>12,730 (90%)</td>
<td>973 (07%)</td>
</tr>
<tr>
<td>4</td>
<td>Puttur</td>
<td>12,560</td>
<td>8,160 (65%)</td>
<td>3,600 (27%)</td>
</tr>
<tr>
<td>5</td>
<td>Sirsi</td>
<td>11,700</td>
<td>11,140 (95%)</td>
<td>2,530 (22%)</td>
</tr>
<tr>
<td>6</td>
<td>Sullia</td>
<td>7,460</td>
<td>3,730 (50%)</td>
<td>1,222 (16%)</td>
</tr>
<tr>
<td>7</td>
<td>Bhimasamudra</td>
<td>6,000</td>
<td>3,180 (53%)</td>
<td>882 (15%)</td>
</tr>
<tr>
<td>8</td>
<td>Channagiri</td>
<td>5,790</td>
<td>4,050 (70%)</td>
<td>998 (17%)</td>
</tr>
<tr>
<td>9</td>
<td>Kumta</td>
<td>5,520</td>
<td>3,860 (70%)</td>
<td>350 (06%)</td>
</tr>
<tr>
<td>10</td>
<td>Siddapura</td>
<td>5,400</td>
<td>3,760 (70%)</td>
<td>835 (15%)</td>
</tr>
<tr>
<td></td>
<td>All Karnataka</td>
<td>1,71,000</td>
<td>1,29,490 (75%)</td>
<td>22,030 (13%)</td>
</tr>
</tbody>
</table>

Mangalore, Puttur, Sullia and Belthangadi are the exclusive markets for white variety. Similarly Shimoga is an exclusive market for red variety other markets viz, Sagar, Sirsi, Siddapura, Kumta and Honnavara markets both the varieties, like shimoga, Bhimasamudra, Channagari and Birur markets are mainly for red variety.

The white varieties are mainly dispatched to the consuming centres viz, Mumbai, Ahmedabad, Nagpur, Indore, Delhi, Patna, Cuttak and Kolkata.
Red varieties are mainly sold to institutional buyers located in North and West. Some of the traders directly supply it to the institutional buyers, whereas some sell through agents. Some times, small institutional buyers buy arecanut through agents or wholesalers located at the consuming centres.

When price was high, the wholesalers use to stock more. Later when prices started falling down they reduced their inventory level, which further reflected on price.

**Price Behaviour of Areca nut**

This part covers price behaviour of arecanut in different markets, factors effecting price and reason for fall in price.

The price of arecanut was in proportion to the cost of cultivation till 1970. But from the year 1970, price for Chali (white) variety started falling sharply Rs. 600/- per qtl (price refers to Mangalore Supari) to Rs 300/- per qtl by 1973. The arecanut farmers and their dependents were in panic and many of the traders in different parts of the country went bankrupt. Most of the traders withdraw from the market and the situation worsened further.

In order to stabilise the price, the Govt of Karnataka and Kerala jointly formed a marketing organization named Campco, In the co-operative sector. With starting of Campco's operation reasonable growth was observed for the arecanut prices.

During 90's the gutkha and panmasala industry entered the scene. Lot of small unorganised manufacturers started manufacturing gutkha and panmasala in northern and western region of India. By advertising intensively, this industry grown up suddenly. They got very good response from the consumers because
of attractive packing and taste. This sudden growth of industry ultimately reflected on the demand for arecanut, as a consequence the prices started rising. At this time, lot of people invested money in this trade and market improved. During 1998-99, prices of arecanut started picking up and reached the peak level of Rs. 17,100/-per qtl by 1999-2000.

**Factors effecting Prices of Areca Nut**

Prices of arecanut are fluctuating similar to other commodities as per the demand and supply. The various factors including demand, supply affecting prices of arecanut are summarized in following paragraphs.

1. Demand from consuming centres and institutional markets.
2. Supply from the production centres. If supply is in excess to the demand, price automatically falls down.
3. Price is governed by the quality of arecanut supplied, better the quality higher is the price.
4. Availability of money in the market which improves buying power of traders and the institutional buyers.
5. Stocking or holding capacity of growers, primary traders, secondary traders, consuming centres, traders and wholesalers.
6. Demand and support for the value added arecanut products manufacturing industry.
7. Consumption and chewing habits of Indian people.
8. Export demand from other countries.
9. Import of arecanut at cheaper rates.
1. Demand

Demand from consuming centres and institutional market.

The demand for white variety for direct chewing has decreased due to the change in chewing habits of the people. They prefer ready products such as gutka, panmasala, mawa and scented supari etc ultimately this has effected the demand for white supari.

Increased demand and popularity of value added products have resulted into increased demand for arecanut and mainly the red variety. When prices of arecanut picked up suddenly and indigenous arecanut became unaffordable, institutional users started using imported arecanut.

Also these institutional buyers prefer inferior quality of arecanut which was available at cheaper rate. Ultimately this buying practices of institutional buyers affected the demand and hence the price of both the varieties of arecanut has fallen.

2. Govt. policy pertaining to value added products

Ban by certain state govts for value added products such as gutkha has adversely affected the demand for arecanut in turn reflected on the price.

3. Increased production

There is a surplus production of arecanut in the country. Production has been increasing steadily during the past several
years, as compared to production demand for arecanut is not increasing at the same rate.

4. **Stable Supply**

Growers are holding stock at home or at society and sell it in the market as per their need and price movement. Growers are stocking arecanut with husked in packed room. Growers can stock arecanut more than a year. Hence supply has stabilized throughout the year except rainy seasons.

5. **Stocking pattern at Procurement Centre**

After sudden fall in price in 2000, traders at procurement centres also behave similar to traders at the consuming centres. To hold the stock they have to invest more money and have to take proper care of their warehouse. They have to do sulphur fumigation. This is a troublesome exercise for them.

Some of the traders hold stock with growers and buy as per the demand. Considering all the factors have reduced their inventory level. The inventory level maintained by them is based on the order in hand and their expectation of the demand.

6. **Stocking pattern at Consuming Centres**

Earlier days, traders at the consuming centres use to stock more because of non-stability in the prices over a longer period of time. Nowadays prices are stable for longer period of time. Thus traders have reduced their inventory level and place orders according to market demand.
7. **Update on price trends makes it a buyers market**

Traders at consuming centres are updated on the current arrival, prices and holding of stocks through modern means of communication such as telephone, fax, E-mail, Internet. Since they are updated on these issues they are in position to quote the prices accordingly while placing their requirement.

8. **Lack of Financial Facility**

When the prices for arecanut were high, people from other than areca business invested money in this trade through short-term loans to the traders in arecanut business. But after the sudden drop in prices of arecanut, many traders lost their confidence and they were scared to invest money in arecanut trade.

Also the overall economic condition is not healthy. Thus, due to the uncertainty involved in arecanut business investors are not willing to invest their money.

9. **Export demand from other countries**

Higher the export potential, more would be the market for the arecanut produced in the country. Higher export potential could result into balance between the local demand and supply, thus affecting price.

In reality the present export of arecanut from India is meagre. Thus the entire production is available mostly for local supply.

10. **Import of arecanut**

Arecanut imports though negligible in comparison to total production of arecanut in India affects the prices of arecanut.
11. **Natural Calamities, political situation and instability**

Uncertain political situation always affect any trade including arecanut trade. Eg. Gujrat is a major consuming centre and over the last two years, natural calamities (Drought, earthquake) unstable situation (riots) has effected arecanut trade.

**Price Behaviour of Chali variety**

In July 1998, prices of arecanut started increasing. In a span of 15 months, it reached upto Rs, 17,100/- from Rs. 7700/ per qtl.

However from then onwards, it has been declining sharply and at present, (in March 2002) the average price of New Chali Supari and old Chali supari is Rs.4,700 and Rs. 5,740/-per qtl respectively. In last 6-7 months prices are almost fluctuating between Rs. 5,500/- to Rs.7,200/- for old and Rs.3,000/- to Rs. 6,000/- per qtl for the new.

Only in December 2001, price reached upto Rs. 10,050/- for old and Rs. 6,006/- per qtl for the new. This price rise was only for a short period. The reasons for the rise and fall of prices is summarised below:

**Reasons for Sudden Rise in Price**

1. During 1998-99 there was a rumor of short fall in the production. Due to scarcity of supply, traders at secondary market as well as consuming markets started stocking more. Ultimately demand for arecanut increased as a result of this, prices started picking up.

2. Day by day, increase in demand and the price of areca attracted more growers. The growers also started holding the produce at their level.
3. At the same time demand increased from north-eastern states. This was mainly due to the fall in production of Areca in Assam because of natural calamities. The eastern region had to depend on the Southern centres to meet its demand. The other regions, dependent on Assam were also affected by the fall in production of Arecanut in Assam.

4. To attract more and more price traders and growers created an artificial shortage and high demand from consuming end.

**Reason for sudden fall in price**

1. After prices reached up to certain level, consumers could not afford the price, which reflected on demand for arecanut.

2. Institutional buyers and traders shifted to imports (official and clandestine)

3. Demand started falling down.

4. The traders who had purchased arecanut for high price were not ready to sell their goods for lower price. Inventory at secondary market with traders also piled up. Traders could not purchase more than their holding capacity.

5. At the same time the harvested new areca started arriving into the market.

6. After watching the price behaviour of the market, everybody realized that there would not be further increase in demand. Therefore they started releasing their stocks.

7. The arrival of arecanut increased suddenly and supply exceeded the demand.
8. Increased supply with respect to the demand finally resulted in down fall of the prices.

9. Pre-Kargil, lot of clandestine exports were taking place to Pakistan. However post-Kargil, this activity has almost stopped which has resulted in fall in prices.

**Price Behaviour of Red Variety**

Red variety of arecanut is mainly used by institutional market to manufacture Gutkha, panmasala and scented supari. The Gutkha manufacturing industry in the northern region has developed since last 5-6 years. Lot of small, unorganised manufacturers entered into Gutkha manufacturing. Thus demand for red variety continuously went on increasing.

1996-97 saw a peak in prices due to short supply in the market. Nowadays prices for red variety is also witnessing down fall. Some of the reasons given below:

1. Ban on Gutkha in Andhra Pradesh and Tamil Nadu and threat of ban in others states.

2. Increase in production of arecanut.

3. Non willingness of traders at the production centres and consuming centres to increase their inventory level due to fall in demand from institutional buyers and price fluctuation in the market.

4. Non willingness of the manufacturers to increase their inventory level due to threat from Gutkha ban, policy by the various state level and also the price fluctuation.

5. Unstable political situation.
### Table 7.2
Price Spread Effect on Growers, intermediaries and consumers of the study area

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Item</th>
<th>Sagar Market</th>
<th></th>
<th>Shimoga market</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Cost and Margin</td>
<td>Market Price (Per Qtl)</td>
<td>Cost and Margin</td>
<td>Market Price (Per Qtl)</td>
</tr>
<tr>
<td>1</td>
<td>Net Price Received by the Grower</td>
<td></td>
<td>11,300 (88.21)</td>
<td></td>
<td>11,100 (87.79)</td>
</tr>
<tr>
<td>2</td>
<td>Cost of Transportation</td>
<td>12.00 (0.09)</td>
<td>12.00 (0.09)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Weighment Charges</td>
<td>1.25 (9.76)</td>
<td>1.25 (9.89)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Handling Charges</td>
<td>4.00 (0.03)</td>
<td>4.00 (0.03)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Price to the Trader</td>
<td>17.25 (0.13)</td>
<td>11,317.25 (88.34)</td>
<td>17.25 (0.14)</td>
<td>11,117.25 (87.93)</td>
</tr>
<tr>
<td>6</td>
<td>Sales Tax at 6% on Traders Price</td>
<td>679.03 (5.30)</td>
<td>667.03 (5.27)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Turn over Tax at 1.25% on Traders Price</td>
<td>141.46 (1.10)</td>
<td>138.96 (1.10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Market Cess at Re 1 per Rs. 100</td>
<td>113.17 (0.88)</td>
<td>111.17 (0.88)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Handling charges at Rs.0.30 per Qtl</td>
<td>0.30 (2.34)</td>
<td>0.30 (2.37)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Commission at Rs 2 per Rs.100</td>
<td>226.35 (1.77)</td>
<td>222.34 (1.36)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Transportation Cost</td>
<td>3.00 (0.02)</td>
<td>3.00 (0.02)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Profit Margin</td>
<td>175 (1.37)</td>
<td>200 (1.58)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Price to the Retailer</td>
<td>1338.31 (10.45)</td>
<td>12,665.87 (98.87)</td>
<td>1342.80 (10.62)</td>
<td>12,460.05 (98.56)</td>
</tr>
<tr>
<td>14</td>
<td>Transportation Cost</td>
<td>3.00 (0.02)</td>
<td>3.00 (0.02)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Profit Margin</td>
<td>142 (1.11)</td>
<td>180 (1.42)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Consumers Price</td>
<td>145 (1.13)</td>
<td>12,810.56 (1.45)</td>
<td>183 (1.45)</td>
<td>12,643.05</td>
</tr>
<tr>
<td></td>
<td>Price Spread</td>
<td>1510.56</td>
<td>1543.05</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Figures in parentheses are percentage share of intermediaries and the Grower in the Consumer's Rupee.
The difference between the price ultimately paid by the consumer and the price received by the grower referred as the price spread.

The price paid by the consumer includes the respective share of grower, trader and the retailer.

At Sagar and Shimoga markets the grower receives 88.21% and 87.79% respectively out of the price paid by the consumer and the rest includes traders, retailers profits and their respective marketing costs.

It is evident from the table that the price spread from grower to consumer is less in Sagar market as compared to Shimoga market because the profit margin quoted by traders and retailers is lower than the Shimoga counterparts.

Farmers Opinion on the Marketing system in the Study Area

Majority of the farmers sell their produce to APMC's of the respective taluks in the study area. Some small farmers will sell to the big farmers or some intermediaries.

Almost all farmers have good opinion about present co-operative marketing societies.

As the system is good and price will be fixed by tenders hence there is no problem regarding price fixation. The procedure adopted for price fixation is good.

Farmers informed at the time of survey that they will get all information regarding marketing arrivals, sales, stocks, loan facility, warehousing facility.
If the price of areca falls below certain level the farmers of Sagar informed that they will wait as there is no alternative way for them as it is their livelihood crop and they will go for mixed cropping whereas the farmers of Shimoga has informed that as the majority of the farmers are absentee landlords and they are having one or the other business. They told that at the time of survey that they donot go for further expansion of area, and they will give more prominence for intercropping.

About the Govt. policy the farmers of Sagar taluk informed that the govt should make an amendment regarding the expansion of area under arecanut in non-traditional canal irrigated area. Because irrigation facility given to non-traditional farmers is basically to help paddy and sugarcane cultivation and the crop loan is misused by farmers of non-traditional area.

Regarding this farmers of Shimoga taluk no comments.

The farmers of the study area informed that there is an urgent need for the research related to

i) Least cost cultivation with profit maximization.

ii) Innovative equipments in the arecanut cultivation as well as in processing.

iii) On Diseases control measures,

iv) On Alternative uses of Arecanut

v) By products of Arecanut.
Export of Arecanut

The bulk of production of arecanut in India is consumed within the country. However, small quantity of arecanut is exported, mainly meant for the Indian settlers abroad. As per the DGCIS statistics, export is ranging between 100 to 800 tons over the span of 50 years. During 2000-01, India exported about 639 tons (Rs 62.9 million) of arecanut, mainly to the UAE, UK, Maldives, South Africa and Canada, Afghanistan, Australia, Pakistan etc.

Table 7.3
Country-wise Exports of Arecanut (2000-01)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Canada</td>
<td>5%</td>
</tr>
<tr>
<td>2</td>
<td>Singapore</td>
<td>2%</td>
</tr>
<tr>
<td>3</td>
<td>Bangladesh</td>
<td>2%</td>
</tr>
<tr>
<td>4</td>
<td>USA</td>
<td>2%</td>
</tr>
<tr>
<td>5</td>
<td>Others</td>
<td>5%</td>
</tr>
<tr>
<td>6</td>
<td>UAE</td>
<td>46%</td>
</tr>
<tr>
<td>7</td>
<td>South Africa</td>
<td>6%</td>
</tr>
<tr>
<td>8</td>
<td>Maldives</td>
<td>15%</td>
</tr>
<tr>
<td>9.</td>
<td>UK</td>
<td>17%</td>
</tr>
</tbody>
</table>

Base: 639 Tons

The survey conducted by DGCIS, and reported that arecanut is exported to Bhutan and Bangladesh from Fuentsholing town, a border town of West Bengal and Assam. Considering this export the estimated export of arecanut from India during 2000-01 was about 4000 tons (Rs.390 million).
Imports of Arecanut

During the 50's arecanut production in the country was not sufficient to meet the internal requirement. This is reflected in the huge quantities that were imported during the fifties. The imported arecanut were in the form of betelnut whole or betelnut split. Thereafter the import gradually began to decline year after year due to the decision of the Indian Govt to restrict the import to protect the interest of domestic industry and farmers.

From 1974-75 there was no official import of arecanut. Since 1994-95, India started imported arecanut due to the increase in domestic consumption. However, compared to the total Indian production, arecanut import is negligible. As per the DGCIS statistics about 29,227 tons (Rs.850 millions) of arecanut was imported during the year 2000-01.

Imports are taking place mainly from Indonesia, Thailnad and Mayanmar. Based on the survey conducted by DGCIS, estimated imports (Official and clandestine) in the year 2000-01 is around 44,290 tons (Rs. 1330 million) which is 12% of the total Production of India.

<table>
<thead>
<tr>
<th>Table 7.4</th>
<th>Country-wise Imports of Arecanut (2000-01)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Malaysia 1%</td>
</tr>
<tr>
<td>2</td>
<td>SriLanka 1%</td>
</tr>
<tr>
<td>3</td>
<td>Indonesia 39%</td>
</tr>
<tr>
<td>4</td>
<td>Nepal 33%</td>
</tr>
<tr>
<td>5</td>
<td>Singapore 1%</td>
</tr>
<tr>
<td>6</td>
<td>Bangaldesh 1%</td>
</tr>
<tr>
<td>7</td>
<td>Mayanmar 9%</td>
</tr>
<tr>
<td>8</td>
<td>Thailand 15%</td>
</tr>
</tbody>
</table>

Base 44,290 tons
About 17 thousand tons of arecanut has been imported from Indonesia during the year 2000-01. Nepal is second major country after Indonesia due to re-export of arecanut to India through unofficial routes.

It has been observed that quality of the imported arecanut is inferior and tasteless therefore it is mainly used by gutkha and panmasala manufacturers. Also some of the traders mix the inferior imported arecanut in chali white variety and sell it in the open market.

Increased import duty has reduced the price difference between the indigenous and imported arecanut. However clandestine imports still would continue. When prices suddenly picked up in 1999-2000, prices become unaffordable to the Indian consumers and mainly for the price sensitive value added products manufacturers. This was the start of clandestine imports. Though the imported arecanut is inferior compared to Indian quality it is very cheap and is mainly used for manufacturing gutkha. To protect the interest of domestic industry the Govt of India took major initiatives by rising duty on arecanut from 35% to 100% Thus the traders are using unofficial ways of import.

Imported arecanut from Indonesia, Malaysia, Mayanmar, Singapore arrives at the Kolkota port for exports to Nepal. During last 2-3 years, this arecanut is moved to Nepal by road and is again brought to Kolkata market or siliguri market through Dhalbahi border. The estimated imports from Nepal border for the year 2000-01 is around 14,500 tons. The imported arecanut is supplied to Kolkata, Uttar Pradesh, Bihar and Siliguri market.
Conclusions

The major conclusions of this study are outlined below:

1. Arecanut is an important cash crop in Shimoga district and the livelihood of the growers is entirely dependent on this crop in Sagar taluk.

2. As most of the areca cultivators are small and medium category of farmers with limited resources and holding power, they are forced to market the produce immediately after the harvest because of urgency for money.

3. Most of the areca growers do not follow any scientific method of grading and as such they will do grading by themselves, which was followed by their ancestors and it is the usual customary method, hence the benefits of grading are received by the traders only.

4. Commission agents, wholesalers, co-operative societies and other marketing agencies are playing a significant role in the marketing of arecanut, both private agencies as well as co-operative agencies are equally popular among the growers in the marketing of their produce.

5. Though arecanut prices are increasing in recent years they are subject to wide fluctuation, and there is no stability and certainty in the market.

6. Majority of the farmers will sell their produce to the marketing agencies and some of the farmers will sell their produce in the villages to the village traders.

7. Mainly two varieties of arecanut i.e., red areca and white areca is marketed in Sagar and exclusively red variety of areca is marketed
in Shimoga market, the main consuming centres for both varieties are northern parts of Karnataka and northern parts of India.

8. After the establishment of APMC, MAMCOS, CAMPCO, APSCOS, malpractices and exploitation by local traders, commission agents and other intermediaries are reduced significantly.

9. The problem faced by the farmers of the study area are lack of skilled workers for plucking the arecanut, lack of knowledge about scientific method of cultivation and also about scientific grading, substantial loss due to diseases, pests and forest animals, difficulty in transporting facility and uncertainty in prices.

10. It can be concluded that the overall marketing system of arecanut is well organised and the market functionaries are operating well.

Suggestions

In the present study the overall marketing system of arecanut is well organised. Some concrete and practical suggestions are made to improve still further, the existing marketing system for the benefit of areca growers and to all concerned.

1. Alternative uses of arecanut and its by products,

2. Since self sufficiency is achieved in arecanut production, the lack of any alternative uses of arecanut at present tends to bring down the market price down to some extent. Hence the alternative uses of arecanut and its by products is to be taken up by the marketing societies. It will help the areca growers substantially.
For eg.

- Use of chogaru for tanning of leather (the liquid obtained while boiling the tender arecanuts).
- Use of arecanut for the preparation of a suitable beverage.
- Extraction of fat from arecanut
- Extraction of alcohol.
- Use of arecanut in manufacturing of toothpaste and chewing gums.
- Use of arecanut in medicines.
- Use of arecanut husk in the manufacture of hard board, wrapping paper etc.
- Use of arecanut husk as poultry litter
- Use of arecanut leaf sheath for various industrial purpose etc.

2. Provision of knowledge about scientific method of cultivation.

Most of the arecanut growers are ignorant about scientific and planned method of cultivation. It reflects on the yield and returns. Hence, it is advisable to provide knowledge about the scientific and planned method of cultivation through proper institutions.

3. More research work should be done in plant protection and the diseases.

There will be substantial loss of production of arecanut due to diseases pertaining to areca palm, hence research work on damage causing diseases should be intensified and proper remedial measures
to be important to the areca cultivators. It will promote the yield and returns.

4. Due to irregular monsoons the productivity is decreasing therefore financing agencies should provide liberal financial assistance for all categories of farmers for irrigation infrastructure like digging of open wells, pumpsets, sprinklers etc.

5. Designing mechanical equipment for plucking of arecanut in harvesting.

The arecanut growers are facing problem of skilled labourers for the plucking of arecanut in the harvesting season, therefore it is necessary to design a suitable mechanical appliance for harvesting the arecanut. It will save time and precious life.

6. Due to drought, pests and diseases etc it will affect on the yield of the crop and also returns. Hence, it is desirable to introduce and popularise the crop insurance scheme.

7. Areca growers are facing difficulty in transportation of their produce from their village to the market place, hence the marketing agencies should take the necessary steps to improve the transportation facilities.

8. Encouragement of scientific grading system.

Areca cultivators grade the produce arbitrarily, and customarily by themselves at their level, as a result they will get low prices. It is therefore necessary the marketing agencies should undertake necessary steps to encourage scientific grading of the produce by the growers so as to receive good financial benefit.
9. Introduction of centralised tender system at the marketing yard.

The tender box is opened in the respective commission agents mandi, immediately after the business and the prices quoted by traders, are announced. This will have an adverse effect on the prices quoted by the traders in the remaining mandis, later in the same day. Therefore centralised system to be followed properly and the prices quoted should be announced at a time. Though the central system is followed but it should be improved still.

10. Encouragement for export of arecanut.

At present small quantities of arecanut is exported to other countries, compared to the production in India. It is therefore necessary to see that both central and state governments encourage exports by providing necessary assistance to export agencies and traders.

11. Fixation of minimum price for arecanut by the government.

Arecanut price is always subject to wide fluctuation and there is no stability and certainty. Even the growers irrespective of the category of farmers in the study area opined that government should fix minimum price for arecanut in the procuring season. Hence the government must fix the minimum price for arecanut for this produce so as to protect the interest of the arecanut growers from the uncertainties.

12. Vigilance is necessary on the working of the co-operative societies.

Though co-operative marketing societies are playing a significant role in arecanut marketing, the cases of misappropriation are often common. The government must exercise strict control upon
the working of co-operative societies, the board of directors must be vigilant, sincere, prompt in discharging their duties. Thereby safeguarding the interest of the grower and also the respect of the co-operative society.

13. Establishment of 'Arecanut Publicity Board' by the Government.

For popularising arecanut both within and outside the country it is essential to establish a publicity board and it must make efforts to popularise arecanut in foreign markets either as scented supari form or in any other form acceptable for the consumers without blending harmful ingredients with good packing and marketing infrastructure. Thereby it boosts the arecanut growers economy.