CHAPTER - VI

SUMMARY AND CONCLUSIONS

Market is a place where buyers and sellers meet and exchange goods or services at a price by transferring the right of ownership. An organised market is one where all the marketing activities are put in order or a system such that they are regulated, controlled and maintained in a systematic order where the interests of all participating parties are protected and respected.

Marketing is a vital function in both profit seeking and non-profit organisations. Marketing divisions are practiced from 1950 and the functions of marketing are broadly divided into product planning, distribution of the product, management of activities, sales promotion and marketing research.

The general aim of marketing is to move a regular flow of goods among the customers with a definite target to ensure the optimum satisfaction of the organisation, customers and society. The marketing system has a major impact on the quality of life and the customers want to make the system work as well as possible.
The goals of marketing are to maximise consumption, maximise consumer satisfaction, maximise choice and improve the quality of life. However, it is recognised that it is not easy to measure the improvement in the quality of life and is subject to conflicting interpretations.

Tobacco marketing has been an important trade activity in India yielding significant amounts of excise and export duty to the government. For the first time, some farmers around Guntur raised tobacco six decades ago.

Tobacco is a leaf crop with a short span of cultivation of about 5 months and it can be processed by a number of grades into which it is graded. No agricultural crop raised in India has so many grades defined for the purposes of marketing.

For the development of the crop the Government of India established the Indian Central Tobacco Committee in 1945. Farmers tended to be very speculative regarding tobacco cultivation and extensive area was brought under this crop. The National Highway No.5 from Guntur to Tangutur – a distance of 150 Km. was known as the tobacco road.
India ranks third among the major tobacco producing countries of the world. Recognising the commercial value of the crop Indian Central Tobacco Committee was established in 1945 to improve and develop this crop. Later in 1956 Tobacco export promotion council was formed and the Central Tobacco Research Institute was established in 1965.

In 1975 Tobacco Board was established to regulate the production, expand marketing in and outside the country. Later the Board was assigned with the functions like the establishment of auction platforms, purchase of tobacco and promotion of research to expand tobacco industry.

In India tobacco is cultivated mainly in the states of Andhra Pradesh, Karnataka and Gujarat. Among them Andhra Pradesh emerged as the largest tobacco producing state. Thus, tobacco markets are found mainly in these three states with smaller markets in West Bengal, Uttar Pradesh, and Orissa.

Tobacco marketing flourished till 1985-86 and received a severe set back afterwards. As a result, the quantity of tobacco exports were high
till 1985-86 and declined later. It is estimated that nearly one fifth of the total production of tobacco was exported to other countries during 1980-89.

In Andhra Pradesh tobacco is raised in Prakasam, Guntur, Krishna, Khammam, East and West Godavari districts. Tobacco products have been marketed in Andhra Pradesh at a set of platforms on auction basis. There are 22 platforms in the state of which one third are located in Prakasam district only.

Marketed quantity of tobacco in the state was never more than 70 per cent of the preceding year. The reasons for this decline are believed to be less remunerative auction prices, quality damaged due to floods and cyclones, unfavourable monsoons etc. However, inspite of the declining tendency of Area and production of tobacco, Andhra Pradesh state continues to be the largest tobacco producing and transacting organised market in the country.

Prakasam district is the lead district that produces and markets tobacco in Andhra Pradesh state. Tobacco and Cotton are the important non-food
crops raised in the district. Prakasam district ranks first in the employment of workers in the state perhaps due to large number of workers engaged in tobacco activities.

Tobacco marketing is confined mainly to Tangutur, Podili, Kandukur, Maddipadu mandals of Prakasam district. The quantity of tobacco marketed fluctuated between years. It was high in the normal years and showed a decline in the drought years. However, Prakasam district continues to be the lead district in the marketing of tobacco products in the state.

The quantity and value of tobacco marketed in Prakasam district since the introduction of auction system accounted for 30-40 per cent of the total value of tobacco marketed in Andhra Pradesh state. Similarly the average price per Kg. of tobacco marketed in Prakasam district has been higher than that of the average price of India.

Tangutur is the adjoining mandal situated 10 Km. to the south of Ongole, the district headquarters town. Tangutur is the biggest village in the mandal with hamlets namely Yelindupalem, Jammalapalem, Butchirajupalem, Katurivaripalem, Venkatayapalem, Ravivaripalem and Alakurapadu.
Tobacco has been raised on 44 per cent of the total cropped area in Tangutur mandal. One quarter of the total population of the mandal are workers in agricultural sector, more in tobacco growing and marketing operations.

There are two platforms No.24 and 25 in Tangutur on which tobacco auction has been followed since 1985 season. The tobacco growers from 51 surrounding villages and hamlets are permitted to sell their tobacco on platform No.24 and another 24 villages are participating in the market operations on platform No.25.

However, larger quantity of tobacco is being transacted from platform No.25 in spite of smaller number of villages are allotted to it. It is found that platform No.25 is the largest among all the platforms in the district and perhaps in the state of Andhra Pradesh.

Tobacco traders from different parts of the country participate in the auction at Tangutur. Among the total 42 traders 16 are found to be traders from outside the state while the remaining are local
agents. It is also found that only the outside traders are exporting tobacco to other countries.

The lead traders participating in the auction at Tangutur are Indian Tobacco Company Limited, Golden Tobacco Company, Anjaneya Enterprises, Indian Tobacco Traders, Bommidala brothers, Chetna Enterprises etc...

The total number of tobacco growers participating in the market at Tangutur was highest in the year in which auction was introduced and showed a decline afterwards. This was partly due to droughts and floods and partly due to decreasing demand for tobacco due to increasing awareness of customers to its harmful effects.

On the other hand, the number of traders marketing tobacco products in Tangutur showed a gradual increase since 1984-85. This might be due to the remunerative and commercial characteristic of tobacco crop. The number of auction days, on an average, in Tangutur market was 60 during 1984-90. It ranged from 38 in 1987-88 to 76 in the preceding year, a year of good harvest.
It is interesting to note that platform No.25 with less number of villages allotted to it always had large number of traders participated in market operations. The number of auction days were also more on platform number 25 compared to platform No.24.

Further, platform No.25 accounted for 55 per cent of the total out-turn of tobacco marketed during 1984-90 while the remaining was traded on platform No.24. Similarly, the average price per Kg. tobacco marketed was little higher on platform No.25 compared to platform No.24.

An analysis of time series for the data on the value of tobacco marketed in Tangutur market during 1984-89 showed that it increased at an annual rate of Rs.1.11 crores. Further, it is found that the average price per Kg. tobacco marketed in Tangutur is more than the average price of Prakasam district and it was very close to the average price for Andhra Pradesh during 1984-89.

The tobacco cess has been collected from the Tangutur market by the Tobacco Board at a rate of Rs.1.00 per quintal tobacco marketed. In accordance
with the quantity of tobacco marketed the amount of cess collected is also high from platform No.25.

Service charges from growers and sellers each at a rate of 1 per cent of the value of tobacco transacted has been collected by the Board. The amount of service charges collected relates to the price and quantity of tobacco marketed. It is found that 60 per cent of the total service charge amount was collected from platform No.25.

There is no significant difference in the charges fixed for handling labour between the platforms in Tangutur. Thus, the tobacco marketing in Tangutur has been functioning without much deviations from the scheduled norms and guide lines framed by the Tobacco Board inspite of the fact that there are serious marketing problems affecting sellers and labourers participating in the marketing operations.

The problems of the sellers can be attributed to natural and human factors. Untimely and uneven monsoons, natural calamities like floods and cyclones are natural causes that affect tobacco production and out-turn marketed.
Besides, there are problems like dependence on the nurseries at Rajamundry for seedlings, loss or damage to the seedlings in transportation and inadequate warehousing facilities in villages affect the production of the crop severely.

In mandals like Podili, Kanigiri, Giddalur etc., where crop is harvested and made available for sale from December suffer loss due to the starting of the market season from February month of the year.

Anomalies in the auction system are permitting export and big traders to participate in the auction all the days in the week and restricting the small traders to one day in a week. A compromise among the big traders did not allow the price to go up and hence the sellers of tobacco are exploited by the buyers. It is found that under the existing system export dealers in Andhra Pradesh and Karnataka earn an amount of Rs.30 crores in a season.

As a protest against this, the tobacco growers went on strike stopping the auction in some markets and formed into growers association to protect themselves from the exploitation of traders.
It is unfortunate to note that the Board failed to construct pucca platforms in many markets even three years after the funds are sanctioned. The farmers and sellers complain that even minimum facilities are not there on the platforms inspite of the service charges collected by the Board are large in amounts.

It is deplorable to observe that the warehousing facilities at the platforms are highly inadequate and hence the sellers suffer great inconvenience to store their rejected bales in times of rain and other natural calamities.

The problem of under payment to the workers engaged in barns is more serious and there is none who can look after their welfare. The negligence of Tobacco Board Officials, indifference of the government resulted in the exploitation of workers engaged in handling work on the platforms.

The workers at the market are forced to work for longer hours in a day and are paid wages less than the minimum wages prescribed by the government. All this led to labour unrest and forced the labourers to seek legal Justice.
In order to avoid confrontation, stains and pressures and to facilitate proper functioning of the market system the following remedies are suggested. The Agricultural Research efforts of the Tobacco Board are to be intensified to find out suitable methods of raising tobacco nurseries and seedlings in black cotton soils.

New methods of cultivation that are being followed in Zimbabwe, South Korea etc., are to be followed in India so as to increase the yield of tobacco. For this purpose training programmes and exhibitions through audio-visual net work are to be communicated.

In order to improve the quality of leaf so as to match the export quality, the skills of labour employed in curing process are to be promoted by conducting special training and coaching classes to them.

To facilitate the process of curing coal is to be supplied to the barns directly eliminating the middle men. In order to reduce the financial bruden on the growers, they are to be allowed to bring their tobacco stocks to the market at a time for sale.
Adequate warehousing facilities are to be created on the platforms to enable the farmers to store their unmarketed tobacco bales. Purchasing centres are to be opened in December on one or two platforms closer to the places where tobacco crop is ready for sale.

In order to save the growers from the exploitation of traders, all tobacco dealers are to be permitted to participate in the auction every day. Therefore, competition among traders develops and sellers get remunerative price for their tobacco.

Registration of tobacco farmers is to be regulated and in years of low demand they are to be informed about the cancellation of their registration well in advance so that they can grow another crop.

Construction of pucca buildings to the markets are to be insisted by the government and adequate facilities are to be provided from the amount of service charges collected.

Since Andhra Pradesh has been contributing for 95 per cent of the tobacco business in the country, expansion of cigarette industry in Andhra Pradesh is
to be given preference over other units in other states. To earn adequate foreign exchange revenue Government can think of nationalising the Indian Leaf Tobacco Division - a leading tobacco trading company.

Government have to implement the minimum wage legislation and ensure reasonable wages to the labourers working in barns and handling operations at the markets. It is to be ensured that the maximum working hours of a worker is 8 hours a day and additional wages are to be paid to them for additional hours of work at the markets.

In addition to these, arrangements for crop insurance, barn damage insurance and regular and timely payment to farmers are to be made by the Government and Tobacco Board.

It is also suggested that Government may create corpous fund by collecting 1 per cent each of the value of the tobacco transacted between the buyers and sellers so as to aid them in times of need and unexpected situations.