

Co-operative Marketing of Arecanuts in Kerala State

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Introduction

In the case of an agricultural crop, the cultivation of which is generally done in small holdings, by growers with limited resources, the problems of marketing become more complicated than those of production. Since they are normally in need of money for the cultivation and other expenses, the cultivators are anxious to sell their produce not only before it is properly processed but sometimes even earlier to the harvest. A number of intermediaries exploit this situation to their maximum advantage, by meeting all requirements of the growers in cash and kind in advance and binding them to sell the produce to them. It is, therefore, obvious that a substantial portion of the price paid by the consumer for the produce in the market goes towards profits for handling of the produce by these intermediaries. Even though the producers cannot handle all the functions right upto the stage of the produce reaching the consumers, the number of intermediaries can be reduced considerably and better efficiency in the marketing of the produce effected by producers alone if they can organise themselves into an association and take up the functions of harvesting,

assembling, processing, grading, transporting and marketing of the produce.

Such an Association normally known as a Co-operative Marketing Society can, in addition, act as agent of the producers and also collect and supply accurate market intelligence to the member growers. Besides this, the other domestic requirements of the members can also be attended to by this society.

In the present article, an attempt is made to describe, in brief, the problems of areca growers, need for co-operative marketing, its functioning and a review of the progress of the existing co-operatives for the last 10 years 1960-61 to 1969-70 in Kerala State.

Need for co-operative marketing

The cultivation of arecanut, one of the important commercial crops in India, is largely confined to the States of Kerala, Mysore, Tamil Nadu and Maharashtra in the South and West Bengal and Assam in the North-East of India. Kerala is the major arecanut growing State in India and according to the latest available statistics,

it accounts for about 52 per cent of the total area of about 1,60,800 hectares under arecanut in India producing about 52,000 tonnes of arecanut which comes to nearly 38 per cent of the total production in India (The average per hectare yield in Kerala is about 620 Kg. as against 1,313 Kg. in Mysore which is the second biggest arecanut growing State). In Kerala, arecanut cultivation is spread throughout the State in small holdings. The cultivators of arecanut in Kerala are generally poor. Since the processing of arecanuts requires capital and skilled labour, and the growers are in need of money to meet the immediate requirements for cultivation and their day-to-day expenses, they sell their produce immediately at the stage of tender or ripe arecanuts (raw) to the professional curers-cum-merchants, as these raw nuts cannot be preserved for many days. In the case of growers who are having comparatively larger holdings, the crop is usually leased out to the traders well in advance of the harvest of their produce for securing ready cash from them to maintain their gardens and also for other family expenditure. The producers, since they themselves cannot take up the functions of collecting, processing, grading, transporting and selling the produce, have to depend on the organised intermediaries like merchants, commission agents and curers at the producing centres and brokers and commission agents at the assembling centres. This, therefore, leads to the growers getting only a small percentage of the price paid by the consumers. It is seen from a study of the markets that, in the case of Iylon, a processed type of arecanuts produced in Trichur district of Kerala State, the grower's share of the price paid by the consumer is only about 51% (Shenoy J. R. — A pilot study on price spread of arecanut in Kerala, *Arecanut and Spices Bulletin* 2 (1) pp 3-7).

Therefore, to eliminate these intermediaries to the extent possible and to effect considerable economy and efficiency in the marketing of arecanuts from producers to the consumers, co-operatives of the producers are organised. These co-operatives can render the arecanut growers the requisite financial help by way of produce loans, arrange for the pooling, processing, grading and selling of the produce to the ultimate consumers, supply accurate market intelligence and also, if possible, meet their other domestic requirements.

Organisation and functioning of Co-operatives

The co-operative marketing societies, to achieve their objective of eliminating intermediaries to the extent possible, both at the producing and distributing centres, should be within easy reach of every member, should open a number of collecting depots or branches at the producing centres and should make arrangements for credit, storage and transport facilities. Adequate credit facilities particularly in the form of short term loans are required by growers mostly for meeting expenditure on cultural operations, processing and marketing of their produce. There is a scheme of 'Integrated credit' which has since been accepted as the pattern of co-operative development in the country under which the functions of the primary agricultural credit societies and marketing co-operatives become complementary to each other. The credit societies make available the production finance which is meant for seeds, fertilizers and agricultural implements on condition that the produce raised with the help of these loans are delivered to the marketing co-operatives to whom the credit societies are affiliated. Further, the marketing co-operatives also advance market

finance on the pledge of the produce, arrange for its sale, besides, acting as a sort of recovering agent for loans issued by the credit co-operatives. It is also necessary for these co-operatives to provide for proper storage of the produce till final disposal.

The first to embark on the co-operative marketing of arecanuts in Kerala State seems to be the Kumaranellur Co-operative Marketing Society in Ponnani Taluk in Palghat District started in 1947. Other societies followed. In addition to arecanut, the societies also deal in other commodities since the growers of arecanut in Kerala grow also a variety of other crops in the same field.

The existing arecanut marketing co-operative societies and credit societies in Kerala, however, could not make much progress. The terminal markets for arecanuts produced in this State are mostly outside the State. Marketing co-operatives in this State do not have much contact with outside markets and are, therefore, compelled to sell their collected produce to the local traders and commission agents. Further, the Co-operative Societies do not have facilities for processing arecanut and, therefore, they are compelled to sell raw nuts to the professional curers who process the produce before marketing. The credit societies and co-operative societies also do not possess sufficient resources of their own to meet the credit requirements of the arecanut growers. While issuing production credit to areca growers the credit societies are not insisting on the members to repay the loan by offering their produce for sale to the marketing society to which the credit societies are affiliated with the result grower members are free to dispose of their produce in any other way. Due to lack of sufficient funds the credit societies mostly are not in

a position to discharge their functions and provide production finance to the growers at the right time in right quantities with the result the village money lenders and traders are getting a firm grip on these growers by advancing them money. Although in areas where the credit societies are unable to meet the production requirements of the arecanut growers adequately and in time, the marketing societies are permitted to issue loans from out of their owned funds, as a special case, till such time as the credit societies would take up this responsibility, since their owned funds are not sufficient to meet the demand the marketing societies are not able to fill the gap effectively.

In Kerala, the co-operative societies are mostly functioning as commission agents. The produce received in lots by the societies is not pooled by them before selling. This seems to be due to the fear that exists in members that by pooling, the quality of their produce may suffer and they may not get as much price as they would if it is not pooled.

Some societies undertook outright purchase of the grower members' produce subject to the safeguards prescribed by the bye-laws of the societies. This, however, proved to be far from satisfactory owing to the high fluctuations in the price of arecanuts and lack of efficient management in the working of the societies. To meet the losses incurred, if any, by this method of outright purchase of agricultural produce from members of the societies, a special price fluctuation fund was constituted during 1965-66 by the Government of Kerala. Under this scheme the societies are required to contribute 10 per cent of their net profits towards this fund every year. The Government would also contribute 2 per cent of the value of the outright purchase made by a

society during the preceding year to this fund. The Government's contribution would be 5%, if the produce purchased are disposed of after processing or exported.

Progress of co-operatives

With the start of the Kumaranellur Co-operative Marketing Society in Ponnani Taluk in Palghat district in the year 1947, co-operative marketing of arecanuts has made some progress in Kerala. Towards the end of the year 1959-60 there were nine co-operative marketing societies spread over the important arecanut growing regions of the state.

At the Apex level the Kerala State Co-operative Marketing Federation was established in 1960 with a view to co-ordinate the activities of all the primary arecanut marketing co-operative societies functioning in the State. In order to promote the sale of arecanut and other commodities the Federation has Sales Depots at Cochin and New Delhi. There are also proposals for opening of two more Sales depots at Calcutta and Bombay. It is also making out-right purchase of arecanuts.

A detailed statement showing the progress of co-operative marketing societies of arecanuts in Kerala State during the year 1960-61 to 1969-70 is given in the annexure.

The progress in the marketing of the agricultural produce is normally judged by the increased membership, share capital and turnover. From the statement given in the annexure it can be seen that the number of co-operative marketing societies increased gradually from 9 during 1960-61 to 20 in 1969-70. The total membership in these societies which was 6,761 during 1960-61 improved to more than nearly 7 times i. e. to 47,654 during 1969-70. The paid up share capital increased from 2.24 lakhs in

1960-61 to 33.40 lakhs during 1969-70. Loans issued and recovered have also increased during 1969-70 by about 4 to 5 times of that during the year 1960-61.

Regarding transaction of arecanuts, total quantity of arecanuts received and marketed during 1969-70 has improved from 3.94 thousand quintals and 3.36 quintals respectively during 1960-61 to 10.76 thousand quintals and 10.35 thousand quintals (about only 2 per cent of the total production in Kerala). Apart from handling arecanuts, these societies have also supplied manures, fungicides, insecticides, etc., to grower-members.

Conclusions and suggestions

Although Kerala is the major arecanut growing state, its production is only about 52,000 tonnes of arecanut accounting for about 38 per cent, being next to Mysore which accounts for about 40 per cent of the total production in India. The co-operative marketing societies for arecanut in Kerala State could handle only about 2% of the production in the state in 1969-70 against less than 1% of the production in 1960-61. Even though the quantity handled by these societies has more than doubled during the period 1960-61 to 1969-70, the co-operative marketing societies for arecanut in Kerala State could make further progress only if the following measures are adopted.

1. To stop the growers selling the raw produce to the merchants-cum-curers, the co-operative societies should set up their own processing units for taking up processing the growers' produce as an adjunct to marketing.

2. The societies should organise a net work of collecting and sales depots at all the major producing and distributing centres, make arrangements, if necessary, for

the transportation of the produce of the grower members and also for its proper scientific storage for marketing the produce to the best advantage of the grower.

3. Instead of functioning as commission agents in selling the growers' produce in lots, they should undertake pooling and grading of the produce and sell in bulk and make payment to the members on the basis of the pooled produce.

4. Adequate attention should be paid to select the right type of men to manage the societies and give them proper training in marketing so that they can contact the grower-members, pay personal attention, educate them on the advantages of marketing of the produce through co-operatives and of the credit integration scheme.

5. Instead of following a rigid attitude of undertaking only the marketing of the produce, societies may also make necessary arrangements to supply the growers their domestic requirements also on indent basis as and when required.

6. Even though the outright purchase has landed some societies in great diffi-

culties resulting in heavy losses during the period of adverse fluctuations in market rate such outright purchases are unavoidable in a State like Kerala, where the marketable surplus of an individual grower is very small, and should be continued particularly in view of the special price fluctuation fund instituted by the Government to meet such losses.

7. For facilitating proper utilisation of credit on the one hand and timely recovery on the other, the societies should implement the integrated scheme of rural credit wherein the producers who have been advanced the production loans by the credit societies would be bound to sell their produce through the marketing societies to which the credit societies are affiliated.

8. Since the share capital of a society will not only increase the confidence of the financing banks but also ensure the confidence of the growers to join the co-operative fold and to implement all the above suggestions, the societies should be strengthened with a high share capital through, if necessary, the participation of the State Government.