

Arecanut Situation in India⁺ (An Economic Analysis)

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Abstract

The index of arecanut production in India has moved from 153 in 1970-'71 (Triennium ending 1961-'62=100) to 208 in 1980-'81. The compound growth rates of area, production and yield of arecanut in the country are estimated at 0.32 per cent, 3.05 per cent and 2.69 per cent respectively, per annum for the period 1970-'71 to 1979-'80. India was turned to a net exporter of arecanut from the net importer from 1967 through her R & D efforts. The exports however, constitutes mere 0.15 per cent to 0.37 per cent of India's production. During the 1970s, the export growth rates have been very much spectacular, the annual compound rates for the quantity exported, export earnings and unit values being 12.07 per cent, 17.86 per cent and 5.17 per cent, respectively. The wholesale price index for different types of arecanut in 1980 have gone up by three to four times over 1959-'62.

Arecanut enterprise today is found to be highly paying due to both the attractive price incentives and the adoption of high density cropping systems in areca gardens by raising cacao, banana, cardamom, pepper, pineapple and several economically important crop species as intermixed crops. The outlook seems to be bright as the processing industry has been able to develop a few value added products that find ready acceptance among the non-traditional consumers.

Introduction

India is the largest producer and consumer of arecanut in the world. As far as the production is concerned, it constitutes nearly 88 per cent of the world production of arecanut. The economic importance of the arecanut sector can be realised from the fact that nearly 56 million people in this country are either directly or indirectly connected with it. This paper discusses the trends in the area, production and

yield; import - export position; price behaviour and outlook in respect of arecanut in India.

Materials and Methods

The area, production and yield data used for this analysis are the estimated figures of the Directorate of Economics and Statistics, Ministry of Agriculture, Government of India. The import/export particulars are the official figures of the Directorate General of the Commercial Intelligence and Statistics, Government of India. The wholesale prices for different grades of arecanut are the compiled figures of the Directorate

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of Cocoa, Arecanut and Spices Development, Government of India. The published documents, reports and periodicals which were used as the secondary sources for some of the data have been shown in the references.

Results and Discussions

Trends in Arecanut Area

The area under arecanut in India in the year 1950-'51 was of the order of 105,000 ha. This area was increased to 113,000 ha in 1960-'61, to 167,000 ha in 1970-'71 and to 185,000 ha in 1980-'81. This shows that the area under this crop has gone up by 76 per cent over a period of 30 years amounting to an annual growth rate of around 2.5 per cent. The estimated compound growth rate of arecanut area in India for the period 1960-'61 to 1969-'70 comes to 4.26 per cent per annum and for the period 1970-'71 to 1979-'80 it comes to 0.32 per cent per annum. During the 1960s the expansion of area was one of the important strategies to achieve self sufficiency in arecanut production and India could achieve this goal towards the mid 60s. Anticipating the problem of excess supply of the commodity over the demand, the strategy for area expansion was withdrawn in the 70s. For these reasons we could see such spectacular difference in growth rates between the 60s and the 70s.

Trends in Arecanut Production

Arecanut production in India was 73,000 tonnes in the year 1950-'51. The same was raised to 96,000 tonnes in 1960-'61, to 141,000 tonnes in 1970-'71 and to 191,000 tonnes in 1980-'81. In other words, the production of arecanut in India

has registered a rise of 162 per cent over a period of 30 years resulting to an annual growth rate of 5.4 per cent. The estimated compound growth rate of arecanut production in India for the period 1960-'61 to 1969-'70 comes to 5.00 per cent per annum and for the period 1970-'71 to 1979-'80 it comes to 3.05 per cent per annum. The index of arecanut production has moved from 153 in 1970-'71 to 208 in 1980-'81 considering the triennium ending 1961-'62 as the base (Table 1).

Trends in Productivity

During the year 1950-'51 the average productivity of arecanut in India was 695 kg/ha. The trend in productivity rose slowly with some fluctuations and attained the level of 844 kg/ha in the year 1960-'61. Then it had a declining trend for three years followed by an increasing trend for four years and reached the level of 918 kg/ha in 1967-'68. Thereafter the yield fell till it reached 843 kg/ha in 1970-'71. The productivity of this crop again showed an increasing trend in the 70s and stood at 1037 kg/ha in the year 1980-'81. The estimated compound growth rate of the productivity of arecanut in India for the period 1960-'61 to 1969-'70 comes to 0.85 per cent per annum and for the period 1970-'71 to 1979-'80 it comes to 2.69 per cent per annum. The Index Numbers drawn in respect of the yield of arecanut clearly illustrate the variations in the productivity of the two periods namely the 60s and the 70s (Table 1).

Influenced by the productivity the growth in the level of production was more proportionate than the growth in area during the last decade. The relatively high growth rate in productivity during the late 70s is largely due to the creation of a

stabilised market for arecanut which ensured an attractive price to the areca growers of the major producing areas namely Kerala and Karnataka.

Import Situation

With the partition of the country in 1947, nearly 50 per cent of the total area under arecanut in undivided India fell in the hands of erstwhile East Pakistan, presently Bangladesh. Consequent upon this changed situation, India had no option other than resorting to import of arecanut from Sri Lanka, Malaysia and other producing countries to meet the internal demand for the commodity. In the year 1950-'51 India's arecanut import was of the order of 45,000 tonnes valued at Rs. 34.3 million and during the following year the volume of import touched the all time record high of 51,000 tonnes valued at Rs. 55.7 million. The imports in such large volumes had an obvious adverse effect on the economy of India in general through the drain in foreign exchange and arecanut production sector in particular through internal price depression.

To overcome these problems the Government of India in 1953 fixed ceilings on the volume of imports as well as on the import values alongwith the levy of import duty on all varieties of arecanut imported into India. Simultaneously, efforts were made to raise production within the country. All these measures yielded desirable results and imports were gradually reduced. During 1960-'61 to 1962-'63, the volume of import averaged to 10,000 tonnes and in the subsequent three years the annual imports further came down to 3,000 tonnes. Finally, in 1967-'68, the imports reached the rock bottom of 136 tonnes valued at

Rs. 0.1 million (Anonymous, 1973). Since then there is no more large scale imports into India.

Export Situation

As regards exports, India was seen to export between 100 to 350 tonnes of arecanut annually till 1972-'73. With the birth of CAMPCO (Central Arecanut Marketing and Processing Cooperative Ltd.) the exports from India increased to 410 tonnes valued at Rs. 3.4 million in 1973-'74. During 1979-'80 the volume of export stood at 619 tonnes valued at Rs. 8.2 million. Index Numbers of the volumes of exports, export earnings and unit value reveal that the trend in export earnings is rising more than proportionately with the trend in volume of exports due to positive growth in unit value (Table 2).

The estimated compound growth rates of exports, export earnings and unit value of arecanut in India for the period 1970-'71 to 1979-'80 come to 12.07 per cent, 17.86 per cent and 5.17 per cent, respectively. However, the export of arecanut as percentage of its production in India between 1960-'61 and 1979-'80 comes to mere 0.15 to 0.37. India exports arecanut mostly to Nepal and under the existing situation, there is not much export potential for this commodity.

Trend in Wholesale Prices

The wholesale price of 'Mangalore Supari' (fully matured sundried husked arecanut) in Mangalore market was Rs. 2600/tonne in the year 1950. In the following year the price came down to Rs. 2450 due to the increase in imports by nearly 6000 tonnes and another increase in production by nearly 1000 tonnes. The

**Table 1. Index Numbers of Area, Production and yield of Arecanut in India
(Base : Triennium ending 1961-'62 = 100)**

Year	Area	Production	Yield	Year	Area	Production	Yield
1962-63	108	108	100	1972-73	163	161	99
1963-64	113	108	96	1973-74	170	182	108
1964-65	120	123	103	1974-75	173	179	104
1965-66	127	130	104	1975-76	163	174	108
1966-67	130	141	109	1976-77	157	179	116
1967-68	135	147	110	1977-78	157	190	122
1968-69	144	148	106	1978-79	164	198	121
1969-70	148	150	102	1979-80	168	207	124
1970-71	153	153	101	1980-81	170	208	124
1971-72	160	160	100				

**Table 2. Index Numbers of Exports, Export values and unit values of Arecanut in India
(Base : Triennium ending 1961-'62 = 100)**

Year	Quantity Exported	Export Earnings	Unit value	Year	Quantity Exported	Export earnings	Unit value
1962-63	68	83	120	1972-73	137	187	134
1963-64	60	70	116	1973-74	255	325	126
1964-65	134	143	106	1974-75	326	513	155
1965-66	219	274	123	1975-76	348	518	147
1966-67	137	187	135	1976-77	375	642	169
1967-68	163	219	132	1977-78	324	659	200
1968-69	210	295	139	1978-79	381	784	203
1969-70	140	200	141	1979-80	384	797	205
1970-71	157	232	146				
1971-72	181	263	143				

restricted import policy helped the price to rise by which the wholesale price was raised to Rs. 4600/tonne in 1960. With the absence of imports the prices further moved upwards and registered at Rs. 6600/tonnes in 1970. The prices again started declining from 1971 and became Rs. 4250/tonne in 1973. The factors such as increased supply and trade manipulations are attributed to the fall in the prices of arecanut in the early 70s. Towards the

middle of 1973, an organised marketing infrastructure was created under the co-operative sector for the main producing tracts of Kerala and Karnataka and with this the prices of arecanut started peaking up very fast such that in 1974 the price rise was 57 per cent over 1973 price. In 1980 the average wholesale price was Rs. 15087/tonne. Index Numbers of wholesale prices of processed arecanut show a uniform trend for different varieties

Table 3. Index Number of Wholesale Prices of different varieties of Dried and Processed Arecanuts in wholesale markets
(Base : Triennium ending 1961 = 100)

Year	Mangalore Supari	Sirsi Rashi	Shimoga Deshawaram	Trichur Choor	Trichur lylon
1962	102	112	110	115	119
1963	104	119	129	116	117
1964	116	92	106	111	116
1965	128	118	131	156	171
1966	126	147	161	158	156
1967	123	152	165	177	200
1968	138	123	156	163	166
1969	134	133	146	167	170
1970	138	157	176	207	188
1971	123	170	193	174	213
1972	94	100	132	140	162
1973	89	89	148	171	139
1974	139	129	141	179	187
1975	145	174	160	189	170
1976	157	171	192	216	173
1977	148	174	222	230	209
1978	162	171	237	250	207
1979	218	239	245	280	282
1980	269	334	—	321	279
1981	322	404	—	348	319

(Table 3). The Table indicates that the wholesale prices of arecanut in 1981 have gone up by three to four times over 1959-'62. The present level of arecanut price can be considered as quite remunerative.

Outlook

In India, arecanut is consumed as a masticatory and outside India it has almost no demand. Even within India the habit of chewing is slowly declining. However, the future of arecanut does not appear to be alarming as the industry is able to create

a market for the value added products, such as 'scented supari', and pan masala. Many attempts are being made to find out the alternate uses for arecanut and its by-products. Though this crop is raised in small homestead gardens, it provides enormous opportunity for maximising the farm income through high density cropping systems. Areca growers of 'Maidan' and 'Malnad' areas of Karnataka and 'Malabar' area of Kerala today find the mixed cropping of areca with banana, cardamom, pepper, cacao etc as one of the most paying concern particularly when the

cultivation of some of the traditional crops such as paddy and sugarcane is found to be uneconomic under the existing situation.

The production of arecanut in India by 2000 AD has been projected to be 3,50,000 tonnes based on the assumption that the compound growth rate of production for 70's would continue. In other words, one can anticipate a rise in production by 54 per cent from the present level of 1,91,000 tonnes within a period of 20 years. However, the constraint of the availability of suitable land for arecanut cultivation will not result in such a high

level of production as projected through the conventional model, but adequate planning as well as strategy are needed to create new demands for the product so that the supply does not dampen the arecanut market.

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