

A Pilot Study on Price Spread of Arecanut in Kerala

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Arecanut is an important commercial crop of the country and it occupies a prominent place in the agricultural economy of the chief producing States of Kerala and Mysore. While the production is highly localised, the consumption of this commodity is widely spread throughout the country. Naturally, many marketing operations are involved in the movement of this article from the producer to the ultimate consumer. The existence of several intermediaries between the producer and the ultimate consumer boosts the marketing cost and reduces the share of the producer in the consumer's price. The interest of both the producer and the consumer can be protected only if the marketing costs are kept low. It is in this context that the study of what is known as the 'Price Spread' assumes importance in the analysis of the economics of the crop. The Conference of the State Statisticians of arecanut and coconut growing States, held in April, 1967 under the Chairmanship of Dr. G. R. Seth, Statistical Adviser, Indian Council of Agricultural Research, considered this question and recommended that a study of the price spread should be undertaken on both these crops. Accordingly a study on arecanut

was taken up by the Directorate of Arecanut and Spices Development in 1968-69.

Arecanut is marketed both as raw and as processed nuts. The raw nuts as such cannot be stored for long and the bulk of the produce marketed in this form is generally intended for local consumption. Only primary markets are involved in its marketing. The question is different with the processed nuts and so many middlemen such as, curers, commission agents, wholesalers and retailers are involved and transportation from market to market takes place. As there are numerous types of processed arecanuts varying in prices, the price-spread for 'arecanut' in general may not clearly reveal the price differentials. Therefore, the study of price spread has to be undertaken separately for each of the types. The present study undertaken was on one of the common types of the processed nuts viz. 'Iylan' (sundried sliced) processed only in Kerala.

Trichur district in Kerala is the important Iylan producing area in the State. The arecanut growers of the producing region, mostly being small holders, generally bring their produce to the nearby primary markets and sell it to the curers. The curers after

undertaking the processing of the nuts sell the produce in the finished form of 'Iylan' to the wholesalers at Panruthi in Tamilnadu State through the commission agents at Trichur. The wholesalers at Panruthi sell the produce to the retailers in the south Arcot district and its neighbouring areas and the retailers sell the produce to the ultimate consumers. The investigation was therefore undertaken in Trichur and Panruthi markets.

Materials and Methods :

The method adopted for the investigation was to approach selected number of dealers at each stage of marketing of the produce and collect from them the data on the transaction made by them and calculate average costs and margins at each stage. From amongst the growers in and around Trichur, the producing area, six randomly selected growers were contacted and data on two lots of raw nuts sold by each of them to different curers was collected. From amongst these curers, three were contacted for collection of information on assembling and curing. Information on two lots of processed nuts sold by each of them to different wholesalers was collected. From amongst these wholesalers, three were selected and contacted for collection of information on distribution (wholesale) charges and similarly data on retailing was collected from three selected retailers. The average costs of different operations and margin at each level were worked out.

Analysis of the Price spread :

The 'farm retail spread' of 'Iylan' type of arecanut as revealed by the investigation, is shown in Table I of the Appendix. The shares and percentages of different marketing agencies are presented in Table II of the Appendix. The findings are discussed below.

Producer's share :

The investigation showed that the share of the primary producer viz. the arecanut grower in the consumer's price for processed arecanut 'Iylan' was only 51.30% exclusive of the processing charges and taxes. As against the average price of Rs. 1216.67 per quintal paid by the ultimate consumer, only Rs. 624.17 was received by the grower. The share of the grower is low mainly because he parts with his produce in the raw form and processing and grading of the produce is undertaken by the intermediaries.

Share of the intermediaries :

The intermediaries involved in the marketing of 'Iylan', as discussed earlier, are the curer, the commission agent, the wholesaler and the retailer. A total of 37.90% of the consumer's price goes to these intermediaries as their margin. The maximum margin shared is 14.95% by the retailer, followed by 12.89% by the wholesaler. The curer gets 5.36%, where as the commission agent gets 4.70%.

Other marketing costs :

(a) Curing charges :

Iylan is the trade name of tender and semi-ripe arecanuts of six to eight month maturity, processed by husking the whole nuts, cutting them breadth-wise into thin slices and drying them in sun or on smoky fire. The processing charges for the produce worked out to Rs. 34.67 per quintal which formed 2.85% of the consumer's price.

(b) Grading charges :

Grading of the produce is generally done by the whole salers at Panruthi. The labour charges incurred for grading worked

out to Rs. 6.33 per quintal, which formed 0.52% of the consumer's price.

(c) Purchase & Sales tax :

A single point Purchase Tax of 5% is levied by the State Government of Kerala on the last purchase of the produce within the State. The Government of Tamilnadu levies Madras General Sales Tax at the rate of 3% on the sales in that State. The total levy of tax worked out to Rs. 70.96 per quintal, which formed 5.83% of the consumer's price.

(d) Packing and Transporting :

The total cost on packing and transporting was found to be Rs. 19.45 per quintal amounting to 1.60% of the consumer's price.

Conclusions :

The grower's share in the consumer's price appears to be too low for 'Iylan' arecanut. It is reported that the tendernut harvest is not at all remunerative to the cultivators and only small cultivators generally go in for tendernut harvesting because of immediate need for cash. The harvested tendernuts cannot be retained as such and have to be immediately processed. The growers of Kerala traditionally do not undertake curing of nuts and they sell their produce for whatever price offered by the curers. As the processing is quite simple and requires no much skilled labour and equipments, it can be undertaken by the growers themselves or their co-operatives, in which case the margin accruing to the curer can also be had by the grower, increasing his share in the consumer's price from 51.30% to 56.66%.

The margins drawn by the wholesaler and the retailer are considerably high. The

wholesale trade of Iylan nuts in Panruthi is in the hands of a few traditional merchants in this market. Grading of the produce is done by these wholesalers which mainly account for their obtaining such a higher margin. Grading and wholesaling can also be done by grower's co-operatives and thereby the profit now going to the wholesalers may accrue to the growers. In fact at present there is a growers' Co-operative Society viz. 'The Trichur Taluk Arecanut Marketing Co-operative Society', in Trichur and another viz. 'The Talappalli Taluk Arecanut Marketing Society' in the neighbouring taluk of Talappalli. However, since many of the growers, especially small holders, sell their produce directly to the curers, large transactions in Iylan are not being done at present by these societies. Attempts are being done for making the growers co-operative minded and bringing them under the co-operative fold.

In a commodity like arecanut, which is not swift moving, the margin of the retailers per unit of transaction is generally bound to be higher. However, the present rate of margin drawn by the retailer does not appear to be very reasonable. The existence of numerous trade types and grades of arecanuts and the smallness of the quantities and amounts involved in the retail transaction stands to the advantage of the retailer.

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APPENDIX

Farm-Retail spread of prices of 'Iylan'

TABLE I

The grower at Trichur selling the produce to the curer at Trichur and the curer selling the produce through the Commission agent at Trichur to wholesaler at Panruthi and the wholesaler selling to the retailer at Panruthi and the retailer selling to the consumer.

(Rs. per quintal of cured produce)

	Rs.	Rs.
I. Price paid to the grower for 3 quintals of husked wet Produce equivalent to 1 quintal of cured dry produce of 'Iylan'.		624.17
Transporting and curing charges paid by the Curer.		
(1) Transporting from market yard to curing shed.	4.83	
(2) Labour charges for processing and drying.	17.92	
(3) Cost of Fire Wood.	8.00	
(4) Cost of packing materials.	3.17	
(5) Establishment charges.	8.75	
(6) Transporting from curing yard to market.	3.00	
Total	45.67	
II. Actual cost price of the Curer.		669.84
<i>Add.</i> Curer's margin.	65.16	
The purchase tax @ 5% sale value.	40.83	
The Commission @ 5% sale value.	40.83	
Total	146.82	
III. Actual cost price of the wholesaler at Trichur.		816.66
<i>Add</i>		
(1) Commission paid by the wholesaler @ 2% of the purchase value.	16.34	
(2) Transporting freight.	7.00	
(3) Cooly charges.	1.03	
(4) Labour charges for grading.	6.33	
Total	30.70	

		Rs.	Rs.
IV	Actual cost price of the wholesaler at Panruthi.		847.36
	<i>Add</i>		
	(1) Wholesaler's margin.	156.81	
	(2) Sales tax at 3% of selling value.	30.13	
	(3) Transporting charges incurred by the retailer.	0.42	
	Total	<u>187.36</u>	
V	Actual cost price of the retailer.		1034.72
	<i>Add</i>		
	Margin of the retailer.	181.95	
VI	The price paid by the consumer.		1216.67

TABLE II
Shares and Percentages

(i)	Grower's share.	Rs. 624.17	51.30%
(ii)	Curer's margin.	Rs. 65.16	5.36%
(iii)	Wholesaler's margin.	Rs. 156.81	12.89%
(iv)	Retailer's margin.	Rs. 181.95	14.95%
(v)	Commission.	Rs. 57.17	4.70%
(vi)	Processing charges.	Rs. 34.67	2.85%
(vii)	Grading charges.	Rs. 6.33	0.52%
(viii)	Purchase & Sales tax.	Rs. 70.96	5.83%
(ix)	Packing & Transporting.	Rs. 19.45	1.60%
(x)	Consumer's price.	Rs. 1216.67	100.00%