



## An analysis of practices, costs and constraints in marketing of arecanut

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Arecanut is one of the most prominent cash crops and Karnataka, Kerala as well as Assam are the major states producing arecanut in India. Small scale cultivation is found in Meghalaya, West Bengal, Andhra Pradesh, Goa and Tamil Nadu. In Karnataka, it is cultivated predominantly in Dakshina Kannada, Shimoga, Uttara Kannada, Davanagere and Chitradurga districts.

Production cycle of a crop is not complete unless it reaches the ultimate consumer and marketing plays a vital role in this regard. In the process of marketing the farmer incurs some costs to market his produce. The magnitude of costs has great influence on the net returns of the farmer. It is in this context, the study of marketing costs assumes paramount importance. The farmers face many constraints in the process of marketing, which influence the prosperity of farmers. The main constraints center around transportation, storage and finance. Unless marketing is improved, all the efforts to increase production will prove futile. The objective of the present study was to examine the marketing practices, costs and constraints.

Four taluks namely Channagiri, Honnali Bhadravathi and Tarekere falling under similar agro climatic conditions in Southern Transition Zone of Karnataka were selected for the study as they had high concentration of arecanut cultivation. A list of villages growing arecanut for each taluk was prepared in consultation with the officials of Department of Horticulture and from each taluk, four villages were selected at random. Five arecanut growers were chosen from each of the selected village thus making the total sample size to 80. Information regarding costs and problems were collected from them with the help of pre-tested interview schedule by survey method. The data

were subjected to simple and conventional tabular method of analysis to work out averages and percentages.

The data collected (Table 1) indicated that about 39 per cent of the farmers sold their produce through commission agents. The second major buyer of arecanut was co-operative marketing society (34 per cent) followed by pre-harvest contractors (27 per cent).

**Table 1. Proportion of arecanut growers who sold through various marketing intermediaries**

Sl. no.	Particulars	No. of responses	Per cent
1	Pre-harvest contractor (PHC)	24	26.67
2	Commission agents (CA)	35	38.89
3	Co-operative marketing societies (CMS)	31	34.44
	Total	90	100.00

\* Responses are more than one

Three marketing channels in arecanut were identified from the study as:

- (i) Arecanut grower - Pre-harvest contractor - commission agent - trader - retailer - consumer.
- (ii) Arecanut grower - commission agent - trader - retailer - consumer.
- (iii) Arecanut grower - Co-operative marketing society - trader - retailer - consumer.

The length of marketing channels depends upon the number of intermediaries. The various intermediaries actively engaged in trading of arecanut are pre-harvest contractors (PHC), commission agents (CA) and co-operative marketing societies (CMS). The market share of each of these channels in the total marketed produce indicate how important the channels are in arecanut marketing (Table 2). The channel-I, involving pre-harvest

Table 2. Share of marketing channels

Sl. no.	Channels	Quantity (t)	Share (%)
1	Channel - I	260.80	11.49
2	Channel-II	1223.00	53.88
3	Channel - III	786.00	34.63
	Total	2269.00	100.00

contractors handled 11 percent of the total marketed produce. The growers preferred to sell arecanut to pre-harvest contractors due to their pressing needs for cash, lack of skilled labour for processing, inexperience in processing and limited quantity of produce.

Arecanut is harvested during October to December. Primary processing of harvested produce is carried out simultaneously as the freshly harvested fruits are perishable and processed arecanuts are stored at the residences for a period ranging from a few weeks to a few months for taking price advantage. A part of residential buildings is temporarily converted into storage. The growers store their produce in the godowns of commission agents and co-operatives free of cost till they get favourable market price.

During the process of selling, the ownership of commodity gets transferred from seller to buyer. Buying and selling activities take place many times depending upon the number of market middlemen involved. The method of selling of arecanut in regulated markets is by secret closed tender system. The produce is kept / displayed at the commission agent's premises for examination by traders. The traders visit the commission agents, scrutinize / inspect the sample and quote the price on a piece of paper and deposit it in the box maintained in the market premises. The slips of paper are taken out of the box at the close of business hours and the name of the highest bidder is announced to take delivery of goods on payment. As this method of sale is transparent and held under close supervision of APMC officials, there is no scope for cheating the producer.

Arecanut growers need cash immediately for meeting social and economic obligations. This is more so in case of small growers. They look forward to dispose produce as early as possible. Of late, the government has made provision to extend market credit through financial institutions against the security of warehouse receipt (WR). But arecanut growers seldom approach these institutions as the procedure involved in obtaining finance is cumbersome and laborious. Instead, they approach commission agents and co-operative marketing societies who are easily accessible. The commission agents extend credit liberally to individual growers on the basis of reputation and credibility upto five lakhs

without any tangible security. The arecanut growers hence, become obligatory to sell their produce through commission agents. Co-operative marketing societies advance loans / credit to their share holders on the pledge of the produce to the extent of 60 per cent of the gross value of produce at 2 per cent interest rate recoverable from the sale proceeds of pledged produce.

Efficiency of marketing depends largely on availability of reliable and accurate market information. Market information helps the arecanut growers to make day-to-day farm decisions as to where and when to market their produce. Arecanut growers obtain market information from various sources (Table 3). Most of the arecanut growers (44 per cent) get market information on prevailing prices from fellow growers who visit the market. About 31 percent of the sample farmers obtained market information over telephone. Most of these growers are in constant touch with the commission agents / co-operative marketing societies through telephones. News papers have become an important source of market information. The daily news papers are publishing price information grade wise in major markets. Only 4 per cent of the sample growers relied on this source for market information.

Table 3. Source of market information

Sl. no.	Sources	No. of responses	Per cent
1	Fellow growers	59	44.03
2	Telephone	41	30.59
3	Personal visits	29	20.15
4	Mass media	6	4.48
5	PHCS	1	0.75
	Total	136	100.00

Grading involves sorting arecanut into different groups on the basis of set quality parameters. The significance of grading has been realized and practised by arecanut growers. Arecanut is graded into three groups namely **Hasa**, **Bette** and **Gorabalu**. Large segment of areca market uses these grades in day-to-day transactions. Arecanut is graded on the basis of tenderness of the nut. The most tender nut is classified as **Hasa** and highly matured nut is classified as **Gorabalu**. **Bette** is in between these two extremities with medium tenderness. **Hasa** is most sought after variety by the manufacturers of Gutka and Pan parag. This commands higher price tag in the market followed by **bette**. Graded produce fetch 25 per cent higher returns over ungraded produce. Consumers can get desired product at fair prices of nuts. Grade wise recovery revealed 34 per cent of the per acre yield belonged to **Hasa** variety, 38 per cent to **Bette**, 28 per cent to **Gorabalu** (Table 4).

**Table 4. Recovery of grade-wise arecanut**

Sl. no.	Particulars	Quantity (qtls)	Per cent
1	Hasa	2.43	34.08
2	Bette	2.71	38.01
3	Gorabalu	1.99	27.91
	Total	7.13	100.00

In the process of marketing of arecanut, the growers have to incur various marketing costs depending upon the services they avail in the market. Table 5 depicts the details of marketing cost incurred by the arecanut growers. The total cost of marketing of one qtl of arecanut worked out to Rs. 53.64. The transportation cost was the biggest item of total marketing cost constituting 45.5 per cent with Rs. 24.42 per qtl. The chief modes of transportation used by arecanut growers are buses, tempos, tractors and trucks. The cost of transportation is governed by several factors like distance traversed, quantity and mode. Higher the distance, higher will be the cost of transportation and vice-versa. The cost also varies with the mode of transportation. However, bulk transportation in trucks and tractors would cost less. Higher degree of mechanization in transport sector has led to reduced dependence on traditional modes of transport such as bullock carts. The next biggest item of marketing cost was hamali charges sharing 18.82 per cent of the total marketing cost. Hamali charges are paid for loading and unloading on per bag basis of the produce at farm and market. The charges ranged from Rs. 1.00 to Rs. 2.00 per bag. The unloading charges at the market yard is prescribed by the market authorities. The total cost of loading and unloading by hamalies came to Rs. 10.09 per quintal.

**Table 5. Marketing cost of arecanut (2006)**

Sl. no.	Particulars	Cost (Rs. / qtl.)	Per cent
1	Packing	9.37	17.47
2	Transportation	24.42	45.51
3	Hamali	10.09	18.82
4	Commission	--	--
5	Miscellaneous	9.76	18.20
	Total	53.64	100.00

It was observed that majority of arecanut growers sold their produce through commission agents. The analysis of cost structure of marketing revealed that growers did not incur expenditure on account of commission. Levy of commission from producer - seller has been abolished with a view to help growers. At present the growers need not have to pay commission on the sale of their produce. For the past few years the growers were required to pay commission at exorbitant

rates ranging from 3-5 per cent on the gross value of produce. The commission charges were arbitrary and disproportionate to the services rendered.

The miscellaneous charges includes the expenses incurred by the growers which are incidental to marketing. The growers have to visit the market on several occasions to effect the selling and collect cash from the commission agents. During the course of marketing of arecanut, the incidental expenditure came to Rs. 9.76 per qtl accounting for 18.20 per cent of the total marketing cost.

Though arecanut is highly remunerative crop, it is not free from market risk. Arecanut growers are confronted with many constraints on marketing front. The details on marketing constraints are given in the Table 6. It could be seen from the table that 27.50 per cent of the farmers felt that prices of arecanut exhibit frequent and violent fluctuation.

**Table 6. Marketing constraints of arecanut growers**

Sl. no.	Particulars	Responses (N=80)	Per cent
1	Price fluctuation	22	27.50
2	Transportation problem	16	20.00
3	High transportation cost	12	15.00
4	Malpractices	3	3.75
5	Inadequacy of marketing credit	5	6.25

Higher cost of transportation was felt by 15 per cent of the total respondents. The cost of transportation was the biggest item of total marketing cost accounting for over 45 per cent. This is the most important facility which has bearing on marketing cost and is incurred by the growers. Majority of the respondents used passenger buses for transporting their produce. The average cost of transportation per qtl. was Rs. 24.42. Therefore, the government must initiate steps to reduce transportation costs and facilitate easy movement of produce during peak seasons.

Majority of the arecanut growers reported that they experienced the problem of transportation of produce to market (20 per cent). At present there is shortage of transportation facilities in the study area to cope with the needs of growers during peak period of production and hence, there is felt need for increasing the frequency of transport facility so as to enable the growers to market their produce efficiently. The authorities of APMC's, co-operative marketing societies and state owned transport corporations should run transport vehicles in rural areas to facilitate easy and efficient transportation of arecanut. It is suggested that group of arecanut growers in the same or neighbouring villages may co-operatively arrange for

transportation of arecanut by hiring locally available vehicles, if this is found economically feasible.

Regarding inadequacy of credit, only 6.25 per cent of the growers expressed that they had the problem. Majority of the arecanut growers were affluent and financially sound and consequently they did not feel the need for market finance. However, when asked about prevalence of malpractices in the market, only small proportion of growers (3.75 per cent) reported that the sale procedures were prolonged unduly.

The study has revealed that the arecanut growers have incurred marketing cost of Rs. 53.64 per qtl. The

transportation cost was the highest component accounting for over 45 per cent of the total marketing costs. Incidentally, the problems of higher of transportation cost and shortage of transportation facilities were two major problems / constraints confronting the arecanut growers. Hence, concerted efforts are required to be made by agencies such as APMC's, co-operative marketing societies involved in arecanut marketing to arrange for cheap and efficient transport facilities during peak periods of production. In view of the violent behaviour of arecanut prices, it is also suggested to extend support price to arecanut.

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