CHAPTER - 1

INTRODUCTION

Agricultural development in its comprehensive term is central to all strategies for planned socio-economic development of India. Rapid economic development is the basic motto of our economic policy. The experience of the advanced nations of the world, the way and the standard of living in those countries, motivates the developing economies to adopt effective plans and programmes to achieve their economic development. In order to transform the lives and livelihood of people in the developing world, rapid economic development is a pre-requisite. The economic development is a process by which a population increases the efficiency, which provides desired goals, there by increasing percapita and general well being. It is the dynamic process involving constant change in the structure and procedures of the economy. Economic development thus is a process of which the real national income of the country increases at a rate sufficient to offset the rate of growth its population. So there is steady increase in the percapita real income and standard of living of the people in the country. Defined in this way the concept of development broadly includes both qualitative and quantitative dimensions.

In its quantitative dimension, developmental effort is nothing but growth which we can quantify and measure such as Gross national product, percapita income, volume of production, exports, employment, income generation. In its qualitative dimension, it includes the distribution of the gains arising out of the developmental effort among the various sections of the community, so as to promote the maximum welfare of the maximum number. Thus growth with distributive justice is the main goal of developing country like India. Such a process of development will be valid and adequate, provided there is what is called place prosperity and peoples prosperity.

Broadly speaking by agricultural development we mean an increase in the production, productivity of different crop activities and sustained work force pattern of

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rural economy. The Indian economy is predominantly rural and agricultural in character encompassing around 5,75,000 villages with agriculture as the largest sector of economic activity. Paradoxically, the largest packets of hunger, poverty and unemployment exist in rural areas where crop is grown.

One of the pre-requisites of rural development in India is to develop the most predominant economic activity of the rural economy i.e. agriculture. Rural development is a dynamic and continuous process, which requires an efficient interplay of objectives, priorities, area specification and co-coordinating capabilities, as it indicates a process growth of different sectors and group of population take place simultaneously optimising the inter-utilisation of ratio of the same. Thus for a sustained stable growth process, there is a need for the intensity of both agriculture development and rural development. In the five decades since independence, sizable strides and efforts were initiated under each five-year plan to improve the economic and social life of the rural people. The plan investment in agriculture and rural development ranged between 11 percentages and 18 percentages during the plan period between 1951-56 and 1992-97. Even though the share of agriculture to the Net Domestic Product (NDP) has come down from 56 percentages in 1951 to 24 percentages in 2001 still it enhances the degree of dynamism to the rural sector as a whole it triggers the growth impulse to other diverse rural activities. Rural India is estimated to have 55 percentages share in total consumption of Fast Moving Consumption Goods (FMCG’s) and according to a NCAER study, rural areas registered an impressive 14 percentages annual increase in household consumption expenditure between 1992-93 and 1997-98\(^2\), i.e., during the Economic Reform Period. It speaks of the importance attached to agriculture and rural development.

Agriculture is an excellent example of the small and decentralised enterprise. It provides not only food and raw-materials but also employment to a very large proportion of the population. Being the dominant sector, the improvement or changes in the national

output depend on the output in agriculture. For this same reason, it has to provide the capital required for its own development and make available surplus for national economic development. Besides population has been increasing at a rapid rate, leading to increase in demand for food and other consumer goods many of which have an agricultural base. There is a legitimate aspiration of the people in rural areas to improve their standard of living and to share the fruits of development. In the maintenance of economic development, the exports of primary produce earn value in foreign exchange, which can be used to import capital goods for the development of industry and commerce.

Since agriculture is a diversified subject it covers such activities as farming, horticulture, plantation, fisheries, forestry, animal husbandry and so on. An increase in the agricultural output and productivity is required to ensure food security and market support for rising population. The role of agriculture is considerable because it seeks to achieve the untapped growth potential of the farming, strengthen rural infrastructure, support faster rural development, promote value addition, accelerate the growth of agro-business, create employment in rural and urban areas and face the challenges arising out of economic liberalisation and globalisation. Thus the contribution of agricultural sector to national income, industry, employment, foreign exchange and ecologically balanced environment is an indication of sector's importance in economic development.

As the country increases production through technological development, an assurance of remunerative prices to the farmer is a pre-requisite and it could be possible by developing an efficient marketing system. Marketing system points out the various agencies or marketing functionaries that operate in the sale and purchase of agro-commodities. A marketing function may have any one or combination of these

dimensions, viz, time, space and form. The marketing functions involved in the movement of goods from the producer to its ultimate consumer vary from commodity to commodity, market to market, the level of economic development of the country or region and the final form of consumption.

Marketing is a critical factor belonging to the tertiary sector of the economy, which becomes important as the economic development of a country takes place. In agriculture-oriented developing countries like India, the agricultural marketing system plays a dual role where resources are primarily agricultural. Increasing demands for money with which to purchase other goods leads to increasing sensitivity to relative prices. On the part of the producers and specialisation in the cultivation of those crops on which the returns are greatest subject to socio-cultural enological and economic constraints. On the other hand, in order to sustain the growth of non-agricultural sector, resources have to be extracted from the agricultural sector.

The role of marketing in the rural development of a country is very great in the availability of sufficient marketing facilities influences the cropping pattern and extent of land use in the rural areas and increases rural income giving rise to higher per capita income and standard of living in the rural areas. Cultivator returns are influenced by important factors such as, the productivity of his land per hectare and price at which his produce is marketed. Thus an efficient marketing system would supply agricultural inputs and ensure a fair price for the marketable surplus, which in itself is an indication of rural development. Agricultural marketing involves three important functions. (a) Assembling (b) Processing of products (c) Distribution. All such activities creating unlimited job opportunities. It is marketing which integrates economic sectors of the economy such as agriculture and industry and makes full utilisation of the existing assets and productivity

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capacity possible. For this reason, it has been described as the most important multiplier of agricultural development.

In the course of the decade, the world has made astonishing leap from its burgeoning population confidence optimism of its capacity to produce enough food to carry many tonnes more than the number now living on this planet and India’s age old farming practices have taken a rapid turn in few decades through new strategies and special drives. The new strategy for agricultural modernisation accepted by the Indian economy during 60’s and after in the form of Green revolution.

The technological breakthrough of Green revolution played an important role in accelerating the pace of economic development. Its dynamic functions are the optimum utilisation of scarce resources at the farm level, new seeds, plant varieties, investment level, cropping pattern, price structure and opportunity for trade activities at domestic as well as external. An important aspect of the revolutionary character of the modern technology is that it breaks away almost completely from the past practices in respect of raising output per unit of land and per unit of water. Indian agriculture has undergone technological change at different rates in different regions and among different crops. Making the best use of the seasons, inputs and pressure on land, the scope for mixed and multiple cropping programme increased considerably. These programmes have special significance for small farmers, who have ample labourer resources to work on a unit of land. Intensive multiple cultivation is bound to result in better utilisation of family labour. Besides increasing the output of food and non food grains, multiple cropping also results in improving the income per capita of small holdings, increasing human nutrition, developing animal husbandry, this leading to overall prosperity. A network of extension programme and research institution has brought science and technology closer to the farmers.

Rural development in a comprehensive way requires modernisation of different crop activities including food and non-food crops to support the national economy. The

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new agricultural strategy has revolutionised the Indian cropping practices. There has been
shift from traditional subsistence agriculture to large scale multi-pronged commercial
farming. The stages of transformation to maintain farm diversification have increasingly
covered farm operations, characterised by modern strategies, pre-dominance of cash
crops, adoption of hi-tech agriculture in the areas of animal husbandry, fishing,
horticulture, plantation, agro-fishery and processing. Crop diversification at obtaining
more output from the given resources and also their proper allocation on the basis of their
productivity is a pre-requisite for raising the farm production.

India commands advantages that few countries enjoy. Its climate is biggest
blessing, conducive to the cultivation of multi-crops and making it a congenial home to
every economic plant. Horticulture plantation crops are an extensive and expensive
agricultural art and science of studying garden plants. It includes development of
temparation, sub-tropical, tropical, fruits, vegetables, flowers, musical plants, coconut,
Areanut, Cocoa, Spices, Cashewnut and Mushroom. Horticultural plantation system
includes broadly Organised pure horticultural crops and Unorganised horticultural hill
plants. Pure crops like coffee, tea, coconut, arecanut fall under the category of organised
system. Where as the cashew, Rubber, cardamoms are different type of hill crops, which
are popularly called Forest horticulture plantation crops.

Horticulture is an important primary activity in agriculture to change in the Socio-
political and economic aspects. Most horticultural crops lend themselves to processing
and value addition to products. Diversification and value addition will be key words of
Indian horticulture. Horticultural crops contribute over 18% of the agricultural output and
52% of the total export earnings during the period 2001\textsuperscript{6a}. The major significance of
horticultural plantation in India are:
a) Providing full gain employment to vast majority of the rural population.
b) Instrument for small holders are to keep stability in their incomes.
c) Promoting export of agricultural and processed products for needed foreign exchange.

\textsuperscript{6a} Vigneshwara Varmudy (2002), The Importance of Horticulture in India, Hosadiganta, February 18\textsuperscript{th}.
d) To correct the terms of trade, to make them favourable for agriculture, thereby increasing the flow of resources and augmenting the rate of capital formation in agriculture substantially.

e) To improve the quality of life in villages, bridge the gap that exists in access to education - health and services between the rural and urban areas.

f) Improving the biological productivity of the continuously diminishing agricultural and land holdings.

g) The cultivation of plantation crops is possible and economical on hilly and sloppy lands. Therefore those lands can be better used and utilised for production.

h) Plantation trees participate in oxygen cycle, converting carbon dioxide and water from the atmosphere to food and oxygen.

Among the various horticultural crops grown in India the ARECANUT is one of the pre-dominant crops.

**Areca nut at a Glance:**

The arecanut palm (Areca catechu Linn) is a perennial tree crop and popularly known as Betelnut or Supari. The cultivation of arecanut is mainly grown in India, Bangladesh, China, Indonesia, Sri Lanka and some of the Pacific islands. India occupies the first place in area and production of arecanut in the world.

Betelnut is a commodity of conventional, commercial and economic importance. In vedic literature, it has been described as 'Tamboola'. The practice of chewing arecanut with different combinations has been in existence from time immortals. In recent years, the processed form of Panmasala, Scented Supari and Gutkha etc which are getting more popular both in the domestic and external market. It reveals the scope and potentiality of untapped crops.

India is traditionally an arecanut growing country. The chief pockets of production of arecanut are distributed in the states of Karnataka, Kerala and Assam. Where it is grown extensively and to a smaller extent in Maharashtra, Tamilnadu, West Bengal, etc. In the early 1950's India produced just 60,000 tonnes of arecanut meeting only 50% of the requirement of the country. To safeguard the interest of the farmers and to ensure
better prices, research centres and the Central Arecanut and Cocoa Marketing and processing co-operative Ltd (CAMPCO) were set up. As a result by 1998-99 the production shot up to about 330.10 tonnes. Karnataka is the leading state and dominating both in terms of area and production of arecanut. In Karnataka, South Canara district ranks first in the area and production of this crop. Areca nut crop is raised as a pure crop in this region. Mangalore is the important and the only arecanut assembling and marketing centres in the whole of South Canara.

The quality, variety and types of arecanut vary from one place to another. There are mainly two prominent varieties of arecanut consumed viz (1) Boiled Supari (Red variety) (2) Non boiled Supari (White or Chali of Mangalore variety).

This is the crop in which India has attained self-sufficiency and made a novel performance. On the one hand, the production of arecanut is localised, on the other hand, its consumption is spread throughout the country. Hence the marketing technology is an important aspect in the disposal of the product. In the marketing of arecanut both the private agencies and the co-operatives are involved.

One of the basic and challenging features of arecanut marketing sector is reflected in the peculiar behaviour of prices. Prices of arecanut vary across space. The farming sector in the assembling centres, experienced violent price fluctuation number of times. During the period 1971-72, price was maintained to the lowest level, Later an upward trend has been registered through the series of fluctuation. For example, a sudden rise in price from Rs. 9,052/Qt to Rs. 13,187 during 1999-2000 and again the price plummeting to Rs. 7,886/Qt during 2000-2001. This shows the vulnerability of the marketing system.

Rural development is a challenge of our age and main concern of the nation but precise knowledge and mechanism is lacking. Maintenance of equilibrium between production and marketing is a pre-requisite for the smooth progress. The farming and marketing sector based with a variety of handicaps at present. Difficulty in maintaining farm production, variety of diseases, higher cost of production, unsatisfactory marketing arrangements, number of intermediaries, frequent price fluctuations may be regarded as the setback of the rural economy in India.
A unique feature of agricultural development can be noticed in Dakshina Kannada (South Canara), a coastal district in the cultivation of arecanut. A sun-dried type of white or Chali arecanut is harvested and processed. Chali is trade variety of arecanut marketed in Mangalore, which is mainly required for Pan-Supari. From the production point of view, no other district in the country produces such charming type of Chali. Favourable soil, and the research station attracted the cultivation of this crop extensively has benefited the farmers. Besides Mangalore Chali, a trade variety maintaining universal demand and consumption in consuming centres enables the farmers and dealers to have a ready market for transaction of product. On account of these advantages, arecanut in South Canara has become popular image with the fashions of consumption culture. Further, this has vital significance on both social and economical front. However, with all these bright prospects, the arecanut sector has been facing certain problems during the pre-harvesting and post harvesting period.
A Survey of Literature

Several studies have been made in different parts of the country on various aspects of marketing, like analysis of seasonal variation in arrivals, prices, marketing channel, cost and margins of different intermediaries, price spread and other aspects of agricultural commodities. In India there is a negligible response and contribution to the role of arecanut crop. It is a crop for which statistics are poor and for which even a clear analysis has not been maintained. Very few studies have been carried out on the marketing of arecanut in India. For the purpose of present study, the important literature on production marketing of arecanut and other crops has been reviewed. Such a review could provide a frame of reference for the study and serve as a tool of literature or the future empirical investigation.

The past experience indicates that agricultural research in India often focussed mainly on increasing the productivity of crops, while the farmers objective is to realize better profitability. Hence it is evident that for better adoption of research results by the farmers, more attention is required on the economic aspects of the evolved technologies in addition to productivity. Upton, Anderson, Dewett and AChand, Chisholm and Mecarty, Sankhayan, Johl and Kapur and Dhondayal have stated that the 'production theories' of economics find wider application in studies on farm management aspects of agricultural economics. During sixties economic analysis in farm management were mainly based on production functions. The Marginal Value Product (MVP), Factor Cost Ratio (FCR) derived from the production functions indicated high degree of resource inefficiency on different crop enterprises and offered the scope for reallocation of farm resource. To increase the productivity and profitability is more a question of input-output management than mere reallocation of scarce resources. Hence from mid seventies onwards studies by Parthasarathy and Suryanarayana (1975) Bhadur Tej (1981), Singh (1982), Mohamad (1984), Rani (1984), Ramkumar (1985), Sivasamy (1985), Rao and Parthasarathy (1986), Venkatanarayana (1990) and Rao, Parthasarathy and K.R. Chowdhary (1993) performed the empirical analysis in farm management through cost functions.
Indian agriculture is predominated by small and marginal farms, which constitute more than three-fourths of the total farm holdings. According to Maji et al.24 the number of small and marginal farms in India had increased from 49% million in 1970-71 to 82% million in 1990-91 and during the same period, the national average of operational holdings size went down from 2.3ha to about 1.6ha. Increase in population pressure on land and implementation of land reforms are the major reasons for increasing trend in small and marginal farm holdings in the country. The major aim of the small farmers is to stabilize their farm income through capital accumulation in the form of animal or plantation or by technical, social and economic achievements. Hence Ruthenbery25 stated that the small farms are also known as multi objective farms.

**Economic of other Crops:**

Prof. P.C.Patil26 conducted the first regular farm cost study in India with some of his colleagues in the college of Agriculture at Poona. The village surveys of Dr. Mann were followed by an investigation by Dr. P.C.Patil ascertains the cost of production of certain crops in Bombay Deccan. This was conducted during 1925-28, with a view to ascertain profits at current prices from growing particular crops to suggest economies that could be effected.

Chengappa27 (1975) studied the cost of cultivation of coffee in Coorg district. The cost of establishing an acre of Arebica and Robusta was found to be Rs. 3,885.08 and Rs. 3803.75, respectively. The total cost of production and net returns were Rs. 1,909 and Rs. 1,697.07 and Rs. 756.55 and Rs.1,186.31 per acre of Arebica and Robusta, respectively.

Basavaraj28 (1980) studied the economics of producing hybrid and local tomato varieties in Bangalore district. The total cost of cultivation per hectare for hybrid tomato was twice than that of local tomato. Labour was the major item of input accounting for 29% and 27% of the cost respectively, for hybrid and local tomato. The gross and net return over the cost C for hybrid tomato was 2.5 times greater than that of local tomato, indicating higher profitability of hybrid tomato over the local tomato.

Patil et al.29 (1989) in a study conducted at Maharastra reported that, annual cost of coconut cultivation had an inverse relationship with size of plantations. Net returns were
the highest for medium size gardens Rs. (23,060) per ha followed by small Rs. (20,332) and large size gardens Rs. (16,742) per ha.

Thimmappa\textsuperscript{30} (1994) indicated that, the cost of cultivation (cost C) increased with an increase in farm size in case of upland paddy. A positive relationship was observed in case of farm income and farm size. In case of cotton, a positive relationship was observed between Cost A, Cost B, Cost C, with the size of holding and the gross return also increased with an increase in farm size, in case of ground nut, cost C was lower in case of small farmers and invariably higher in case of large farmers. A positive relationship was observed between net income and farm size.

**Economic Aspects of Arecanut:**

Nambiar and Shrinivasan\textsuperscript{31} (1954) conducted a survey to study the economic aspects of arecanut cultivation is West Bengal, Karnataka and Kerala states. In their study, cost was categorised into two heads, such as cost of cultivation to bring the garden up to bearing stage and maintenance charges in the subsequent years.

The pilot scheme for the study of cost of cultivation of arecanut in Mysore state (Karnataka) (1961) was undertaken and it has considered the general cost items rather than considering the cost of explicit and implicit and other risk bearing factor over the investment period. The report of the arecanut development programme in Karnataka state (1968) was published by the Directorate of Man power and Evaluation. Government of Karnataka assessed the different arecanut development schemes and their progress. The report concluded that arecanut cultivation should be reduced rather than extended. Further it recommended that in tracks where paddy and coconut could be grown, the cultivation of arecanut should be discouraged. It further added that, the cultivation of arecanut could only be extended when no other crops of good value could be grown.

Bokil and Srivastava\textsuperscript{32} (1979) observed that the initial investment on perennial crops having a pre-bearing period of about 4 to 7 years is an asset that cannot be recycled. This component of cost of production is considerably higher than the annual maintenance cost and would take years to get realised by the growers.
Udaya Shankar\(^{33}\) (1973) in a survey investigated in the villages of Kasaragod taluk of Kerala, reported that arecanut yield per acre ranged from 5 to 8 quintals and the cost of production varied from Rs 3 to 6 per kilogram. The cultivators indicated that the existing output price of Rs 3 per kg barely covered the cost of production. He also pointed out that no scientific cultivation followed for areca due to weak financial condition, absence of adequate market facilities.

Krishnaraj\(^{34}\) (1981) found that the establishment costs for small, medium and large arecanut growers in Dakshina Kannada district were Rs 30,505.09, Rs 30,085.00 and Rs 28,864.22 per ha, respectively. Similarly the operational costs were Rs 7,481.88, Rs 7030.92 and Rs 7709.62. The net returns were Rs 16,436.52, Rs 18,363.99 and 21,974.86 per ha, respectively for the small, medium and large farms.

Singh, Bhale Rao and Reddy\(^{35}\) (1986) studied the costs and returns of inter crops in arecanut. The analysis of costs and returns of inter crops of arecanut yielded that for all size groups of farmers betelvine was the most profitable inter crop, followed by pineapple, ginger, banana, and turmeric in respect of net income.

C.V Sairam\(^{36}\) estimated the crop expenditure for arecanut farms of Kasaragod region in Kerala that under farmers field conditions, in the case of marginal farms, the cultivation was between Rs. 35,990/ha for arecanut mono crop to Rs. 148,440/ha for arecanut + coconut + banana + pepper + diary system. In the case of small farms it was Rs. 30,960 & Rs. 1,52,280/ha respectively.

Gajanana A Hegde\(^{37}\) (1999) conducted a survey in the Malnadu area of Karnataka. He classified the holdings into 4 categories viz, very small, small, Medium and large farm scale. The analysis of cost revealed that it was 3,606.52, 3,383.42, 2,629.07, 3,760.80/Qtl respectively.

In the regional stations of Central Plantation Crops Research Institute (CPCRI) the cost of cultivation of area per hectare of arecanut was calculated by Singh, Bhat and Vijayanarayan\(^{38}\), cost of cultivation was Rs. 5,033/hectare while the yield of Chali (husked Kernel) was Rs. 2,308.90 Kg per hectare.
Crop Losses:

Higgins (1930) studied that, Anthracnose caused by colletotrichum spp is an economically important disease of pepper. Under condition favorable for disease development, pre and post harvest fruit losses up to 50 percent have been reported.

Chakravathy (1992) conducted survey in Niranki on crop losses due to vertebrate pests in four acres of areca based cocoa plantations, they noticed that crop losses due to jungle cat, squirrel, and birds were 15 to 20, 10 to 15, and 2 to 5 percent respectively.

Rajashekarappa (2001) in a survey investigated in the three talukas viz. Thirthahalli, Shringeri and Sullia of Karnataka over the degree of losses due to disease. The per acre yield loss of pooled areca garden was high in Shringeri taluk (28.76%) when compare to Thirthahalli taluk (15.06%) and Sullia taluk (13.61%) and yield loss due to Koleroga was high in Sullia (121.62 Kg.s) compared to Thirthahalli (94.7 Kg.s) and Shringeri (100.42 Kg.s) talukas. Small farms in all the study regions experienced huge loss due to YLD and root grub diseases.

Marketing Aspects:

Agricultural marketing is the study of all the activities, agencies and the policies involved in the procurement of farm inputs by the farmers and the movement of rural products from the farms to the consumers. The significance of an efficient marketing system as a vital link to the farmer and the consumer was recognized the Royal Commission on Agriculture in 1928. Commission recommended the establishment of regulated movements under state legislation. The various legislation motto at promoting legislation by regulating the marketing procedures of the Government of India set up the Directors Marketing and Inspection in 1935. Since its inception if continued to be responsible for bringing about an integrated development of marketing of agricultural production with a view to safeguard the economic interest of the producers as well as the consumers.

The development programmes aim at maintaining a suitable marketing activities of arecanut. The Govt. of India has initiated a number of steps often the department. In 1949, India Central Arecaanut Committee initiated. The activities of ICAC were confined
to demonstration schemes and package programmer of arecanut rather than the marketing aspects. In 1965, the Government of India decided to abolish the IACA and accordingly the committee was dissolved on 30th Sept 1965 and its research activities were taken over by the Indian Council Of Agricultural Research with effect from 1st Oct 1965. The Department of Agriculture of the Govt. of India took over the development and marketing aspects looked after by the committee till then. Meanwhile, the association of various officials the Government of India constituted the Indian Arecanut development council and the Directors of Arecanut and spices development.

Better marketing of agricultural produce is essential. The Karnataka Agricultural Marketing (Regulation) Act was first enacted in 1939 and later revised in 1966. The Act contemplates provision for better regulation of buying and selling of agricultural produces. The introduction of this act has gone long way in regulating the marketing activities on scientific method, ensuring recommendation and computing period the produces and administration of markets for such agricultural produces.

Shenoy and Ravindran (1972) analysed both annual and seasonal prices of arecanut. The study revealed that the average whole sale prices of all types of arecanut shown substantial increase during the past 20 years. The percentage of increase ranged between 100 and 1200 except for a slight slumping tendency during 1951-53 period, the price of all types of arecanut generally maintained an upward trend. The average monthly whole sale prices of all types of arecanut generally ruled low during the harvest season when the processed nuts were brought in bulk into the market and also during scant demand period resulting from lack of demand from terminal market.

The fluctuation in the prices of arecanut in the assembling market of Kerala and Mysore were studied by Lakshmannachar and Shamanna (1963) for the period 1950-51 to 1962-63. Only a few important trade types were considered for detailed analysis. A simple trend study was adapted to investigate into the secular and seasonal fluctuations. The study revealed that the wholesale prices of an arecanut showed an increasing trend since 1954-55. The studies have also shown that the maximum and minimum monthly prices were different in different markets. The price was maximum in the month of
March in Mangalore and November in Shimoga and January in Sirsi while the minimum price was in December in Mangalore, June in Shimoga and September in Sirsi. The authors however, could not give exact reason for this type of fluctuations since factors like imports in different seasons, arrivals in the market and demand at the primary, secondary and tertiary markets were widely at variance.

Paulose T.T. in his report in March 1973 stated that the financial resources of the arecanut growers are meagre and they are faced with the buyers market where growers have no option but to part with their produce at whatever price offered. The Paulose committee has fixed standard cost as a basis for arecanut production and submitted its report to the Govt. by recommending to organise a control Agency either in the public or the co-operative sector to produce stock and sell directly over the consumer market. Accordingly, in July 1973, Central Arecanut Marketing and Processing Co-operative Limited (CAMPCO) set up.

Shenoy (1970) analysed the price spread in arecanut in Trichur and Ponruthi markets. The study revealed that the growers share in the consumers price appeared to be very low (51.30%). The study also indicated that the retailers had a high margin, viz, 14.95 percent, followed by wholesalers namely, 12.89 percent of the consumers rupee.

Bhat and Ramachandra (1971) based on their study on grading of arecanut in Mangalore market and opined that the cost of grading (Rs 2.35 for 50Kg) was not compensated by the additional amount released as a result of higher price for the graded arecanut. The price received per Quintal for different grades of “Chali” were “Mora” Rs. 398/- “Moti” Rs. 390/- “Sreevandhan” Rs. 365/- “Jeeni” Rs. 365/- and “Lindi” Rs. 365/- as against bulk Rs. 382/-. Since the produce from small individual holding is considerably small, the arecanut growers sell their produce in small lot to curer cum merchants or marchants without pooling and grading observed by Lakshmanachar (1973). The author noted that the grades were arbitrary varying from market and the number of grades that existed was confusing.
Bhide et al. (1981) studied the structure of changes in arecanut markets and observed that the size of distribution of firms had been changing towards a more equal distribution during much of the periods under study both in the case of sellers and buyers.

Areconut marketing in India was analysed by Prafulla (1982) who found that the marketing charges borne by the producers come to Rs. 1.60 per bag of 65Kgs excluding commission charges (2%). The producer’s share in the consumer’s rupee comes to 51.30 to 61.07 percent depending upon the type of arecanut. The retailers margin varied between 9.31 and 14.95 percent, wholesalers margin was between 8.02 and 12.89 percent and curer’s margin 5.31 percent.

M.M. Bhale Rao, R.K. Singh and J.M. Reddy (1983) studied the processing, grading and marketing of arecanut. They reported that arecanut growers do not usually do grading however the wholesalers grade the produce. Further, they identified five different channels prevalent for arecanut.

In U.S. Satya Priya’s study (1983) an examination of the extent of price during the marketing season in the selected primary markets of arecanut revealed that the rise in prices was generally higher than the rise necessitated by cost of storing the produce for requisite period, while the returns to storage for farmers were uncertain and fluctuating in the case of Sirsi market. They were generally positive considerable in the two markets of Mangalore and Sirsi. Again he supports the customary view that the terminal primary market price has got a significant influence on the primary market price.

An attempt has been made by Prafulla K. Das (1982) to review the progress of CAMPCO's. The analysis of the price per unit of arecanut realised by the farmers in the pre CAMPCO and post CAMPCO period depicts that the cooperative marketing channel have offered better price to the arecanut growers.

Vigneshwara Varmudy (2000) analyzed that the CAMPCO’s performance in the market had a positive impact even in real terms on the prices of arecanut. However he also observed that the CAMPCO marketing strategy and procurement policy could not bring considerable sales progress and long term stability in the economy.
An Expert committee on arecanut through ministry of Agriculture, government of India (2001) reported that the marketing system of arecanut is complicated in spite of few co-operative organisations, this sector witnessed violent price fluctuation. However the committee stressed the need to bring about multi programmer over the prospects of arecanut sector.

A perennial crop like arecanut has feature of continuous flow of cost leading to long gestation period between the investments in the initial years and pay off in later years. The production cost is considerably higher in relation to price of arecanut received by the farmer under the field conditions. In the light of the observations, the research gaps found in studies. It clearly shows that there is need for a separate study on the aspects of production and marketing of arecanut. Hence the study mainly concentrates on the production and marketing of arecanut in the district of South Canara in Karnataka since this district has a major share in terms of production in the state.

So far a detailed study on the production and marketing of arecanut has not been conducted in the study area and hence an attempt is made to substantiate this through empirical details drawn from South Canara.
OBJECTIVES AND HYPOTHESIS

The specific objectives of the study are:-

1. An analytical study of area, production and productivity of arecanut in South Canara district.
2. To conduct the economic analysis of production cost under farmers field conditions.
3. To examine the marketing structure of arecanut.
4. To analyse the problems of production and marketing of arecanut in the district.
5. To suggest appropriate measures for improving the arecanut sector.

In the light of above objectives, the present study envisages the following hypothesis:-

1. Small and marginal farms pre-dominate the arecanut sector.
2. The cost of cultivation increases with increase in productivity.
3. More number of intermediaries are involved in the marketing channels.
4. In spite of several problems, arecanut marketing has bright prospects.
Methodology

The Methodology adopted for the present study involves the sampling design, schedules, method of analysis and discussion. The sampling design of a study is multistage stratified purpose. Sampling with talukas as the first stage-sampling unit. Village as a second stage, the farmers are the third stage and the structure of marketing is the ultimate sampling unit.

This study pertains to South Canara district of Karnataka, which is the major production belt of arecanut in the state. The data for study is collected from sources – primary, secondary. There are five talukus computing South Canara district. A detailed survey was conducted in 3 talukas viz. Puttur, Sullia, Bantwal. Since these talukus has greater share in production of arecanut in the district, 75 farmers from each talukus were selected for study randomly. Rural farmers located in different villages having different sizes of land staying at different distances from 3Km to 30Km from the markets centre were included to cover the variations in cultivation practices, marketing practices etc. Having applied stratified random sampling technique of the study area, it was decided to make the classification of all the farm holding into 3 groups, namely, small (0.6 hect), medium (0.8 to 1.6 hect) and large-scale farmers (1.6 and above hect).

The field survey was conducted in 1998-99 in the study area through a pre-tested interview based on systematic sampling. The interview schedule on production includes general particulars about the farmers, socio economic life, cropping, occupational pattern and other relevant information. For evaluating the objectives of marketing, a sample survey was conducted in the major consuming centres. In this regard, field investigation was conducted to identify the marketing channels and their activities in the consuming centres.

Secondary data on area, production, productivity, marketing price, foreign trade etc were obtained from the concerned offices of the district, state and national level and the other published works. The required statistical techniques were employed to get the real findings from the study.
Relevance of the Study

Areca nut was very significant in the life of Indians since pre-vedic times. India is the largest producer and consumer of arecanut in the world. It contributes roughly Rs. 295 crores to the national income during the year 2001. In recent years the consumption of Pan-beedas, Pan Masala, Scented Supari etc has been increasing at a rapid rate.

The “National Commission on Agriculture” remarked that, there is an increasing awareness that it is not enough to be marketed well. Increased production, resulting in a greater percentage, increase in the marketable surplus accompanied by increasing demand from urban population calls for a rapid improvement in the existing marketing system. This statement emphasised the increasing importance of marketing of agricultural commodities and the need for adoption of measures to increase production. Agricultural marketing requires more intelligence and dynamic strategy than the industrial products because of the peculiar nature of its cultivation and production processes. Areca nut is also not exception to that.

The importance of cash crop like arecanut plays a unique role in the life of the people. Particularly, South Canara district of Karnataka producers of the study areca right represents the model of Indian farmers in all respects. Marketing is the pivot around which production activities revolve. The present study on problems and prospects of arecanut production marketing in SK district is a humble and noble enquiry.

Following are the important peculiar features of the arecanut sector that reveal the relevance of the study.

1. India continues to enjoy its position as a largest producer and consumer of arecanut. As a crop it occupies only 0.16% of the net area sown in India but this industry offers gainful employment to about 7.25 million people.

2. Production is concentrated in a few states. In South Canara district the areca plantations are mainly found in small holdings.

3. Arecanut is a significant crop, which speaks about commerce and economics of the district. Small farmers their financial constraints, the risk and uncertainties involved
in the pre harvesting period. Others are have the problem of higher investment, long gestation period, disease, lower yield, poor crop management etc.

4. Areca producers are also part of the society. They have concern over social problems faced by the society. Areca has gained a definite image with the fashions of consumption in terms of Pan masala, Pan beedas etc.

5. Consumption of arecanut is wide spread. There will be demand for value based arecanut items through out the year.

6. Market structure comprises of primary, secondary and terminal market.

7. In the movement of arecanut from producer to consumer, there are number of channels and intermediaries.

8. Commercial processing grading and market intelligence maintained by the farmers are very poor.

9. Areca producers always experience and traders play the game with strange price. Frequent price fluctuation is a threat to the prosperity of growers.

10. There is the need to identify the role of Co-operative Societies, performance of exports, imports and government policy in this sector.

11. Tax evasion has become order of the areca marketing. In keeping the view of W.T.O. and SAARC agreements, this sector has been witnessing a disturbance trend in the market.

12. There are some personal reasons too, by which I was motivated to choose the topic of the research. I am born and brought up in South Canara. During my impressionable age, my relatives, friends used to discuss about the problems and prospects of this crop. Hence, the study is thought to be useful in suggesting measures to accelerate the process of rural development in the country.
CHAPTER – I:


CHAPTER – II:

Importance of Areca nut in Indian economy – A study of Areca nut in terms of area, production and productivity in the world economy – India – State and district wise.

CHAPTER – III:

Socio economy profile of South Canara district. Role of Areca nut in the district. A brief analysis on trend in area, production and productivity of arecanut in the study area.

CHAPTER – IV:

An analysis of Production Cost of Areca nut – Problems of the areca farmers.

CHAPTER – V:

Areca nut Marketing in India – Marketing Channels – Foreign trade of Areca nut.

CHAPTER – VI:

Marketing of Areca nut in South Canara – Prevailing type of marketing system – Their activities – Price behaviour.

CHAPTER – VII:

Problems of Areca nut marketing in South Canara – Suggestions.

CHAPTER – VIII:

Conclusion.
REFERENCES


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