CHAPTER – VII  Areca Marketing : Problems and Suggestions

The Problems of Arecanut Marketing:

In a developing economy, the producers surplus of agricultural product plays a significant role. As farmers have become production minded, resulted in overall development of market mechanism. Arecanut is a produce, which is actually made available to the non- producing population of the century. From the marketing point of view, the surplus is more important than the total production of commodities. Hence, “Marketing problem begins to merge in the process of shifting from traditional to modern agriculture because of production surplus generated by the shift”¹. Processing, transport, market arrangement elements like intermediaries, institutions and customers are a few pillars of arecanut marketing.

Over the years, there was an opinion that in the farm sector; marketing has been receiving a lower priority than production. It has been noticed during the survey period in the study area as well as consumption centers, where there are number of hurdles, difficulties and multi dimensional problems prevalent in the smooth functioning of marketing. They are sufficiently inefficient and inelastic to the hard luck of farmers. The major drawbacks and problems of arecanut marketing are as follows: -

1) Poor Packing:–

Packing is first function performed in the marketing of arecanut. Soon after the completion and practice of fully riped nuts in the sun, the dried nuts are ready for marketing. It will be packed in a gunny bag and top end mouth of the bag is stiched or tied with a rope. Though packing is advantageous it adds to the cost of production. It has been found that the gunny bag used by the growers were not free from protective strength. Further, the packed gunny bag of arecanut is found to be breakage, spoilage and pilferage. Therefore, no special and well-equipped packing is followed when the crop is sold in the primary market.

2) **Storage Facility**:-

Storage of arecanut is almost indispensable, so long as the production continues and there exists a yawning gap between the time of production and time of marketing. The storage facilities available to the growers are deplorably low. In most of the villages, the farmers store the produce in open space of the house with inferior single gunny bag rather than in the closed godown. The nuts in such storage cannot be protected from dampness, weevils, vermin etc. This has resulted in greater losses of superior quality of nuts. The loss to the grower is estimated to be around 10 to 20% in quality and quantity. Even though, co-operative society is providing storage facility, the growers were showing negative trend due to the bulkiness of nuts and greater transport cost.

3) **Transport**:-

The function of transport can be well compared with the function of the muscles in the body. The producer-seller would use different modes of transport depending upon the quantity and the market area. In the study area, farmers are transporting their produce over a distance of 1 KM to 30 KMS. The roads and tracks which connects the villages and markets are in rotten condition. Roads are not open throughout the year particularly during rainy season it is really disheartening. A few farmers located far away from the town and the main road and those who do not have proper road link and bridge connection are witnessing severe problems. Throughout the district, on an average of 19% of farmers are meeting this type of problem in one or the other way. Hiring charges of vehicle are not feasible on the part of small and medium farmers. Whenever upward trend prevails in the market, farmers are not able to make use of it. Hence, transport is no longer lifeblood of commerce to the producers.

4) **Lack of holding capacity**:-

The inability of the growers to hold on to their stock until better market conditions prevail is another drawback in better marketing of the crop. A majority of the growers in the district sell a large part of their arecanut in villages, results in low returns for
their produce. Traders take advantage of this situation. About 29 to 61% of the areca nut is marketed in the village level. The factors responsible for village sale are:

a) Poor retention power of the farmers arising out of their eagerness to repay their debts in time and meet the fixed and variable cost of production in the farming sector. b) As a consequence of non-ownership of vehicles, cultivators are forced to sell areca nut at the farm level itself. c) Many farmers in Sullia and Bantwal taluks prefer to sell more in villages, as their respective taluks have not developed as arecanut market centers.

5) Existence of middlemen:-

The marketing of arecanut in South Canara is mainly operated by number of middlemen over a long period of time. Since adequate and organized local markets are not available, it induces the major role of middlemen. The South Canara Regulated Market Act and Rules framed under it does not prohibit the entry of more middlemen. It has been identified that the growers prefer to sell their produce in the open market at village levels with merchants and private traders, where price is fixed by negotiations to a larger extent. These middlemen make the maximum use of poor farmers and their produces.

6) Concentration of Market:-

The extent of concentration represents the control of individual firm or a group of firms over buying and selling of the produce. In the study area, Mangalore market is one of the oldest and major arecanut marketing center in the country. It attracts more than 300 private traders, commission agents, brokers and other marketing agents. All such intermediaries belong to the different states of country. They are dealing with different grades of Chali arecanut on the basis of the guidelines of terminal markets. These out state buyers are operating arecanut activities not only in Mangalore but also in Puttur, Sullia and Bantwal taluks as wholesale dealers. It was investigated that farmers and other petty merchants or traders were selling their produce to them since they act as financiers. As size and scope of intermediaries over arecanut market
expanded, creates collusive action of imperfect market in terms of price in South Canara.

7) Method of sale:-

The unit of quotation is for one quintal. Tender System or Box of Sale in the regulated markets is settling the price of arecanut. This provision was introduced in the year 1961 after about 10 years of the establishment of the regulated market by an amendment to the original clause (9) of by law 24 and clause (10) of 25. Generally, commission agents also bid along with other buyers and as such it is not in his interest to get the highest price for his client. The sales are being conducted in Mangalore and Puttur at the premises of co-operative society buildings (premises) rather than in the market yard.

It is also observed that prior to the above arrangement, sale purchase transactions were taking place by private negotiations without the intervention of market committee. Further, a bargain settled by a commission agent is binding on the seller in such private negotiations. The only condition imposed by the market committee is that all transactions should be recorded in the appropriate forms and must be submitted to the market committee within six hours of the contract or settlement.

8) Long chain of intermediaries:-

The peculiar nature of arecanut marketing consists of a long chain of intermediaries. As per the observations in the production and consumption levels, the prevailing marketing channels from the place of production to the place of consumption, there are number of hands. As the quantity and quality of arecanut are localized and specialized its process of concentration and consumption pattern over the different destination induces the major role in the market. On the basis of the place of production and operation for the marketing of arecanut is identified with three types namely a) primary market or village b) Secondary market and c) Terminal market.
a) **Primary market:**

These markets are located in villages and towns of taluks. Itinerant traders and village merchants, who frequently and directly purchase arecanut from the growers. The wholesale traders, retail traders and co-operative societies were also found in buying the arecanut from the local traders as well as the cultivators. All purchased arecanut are mostly sold to secondary market.

b) **Secondary Market:**

This market is located at district head quarters of South Canara, Mangalore. The arecanut in this market is handled in large quantities. The bulk of the collected arecanut from the taluks are assembled here. Hence, specialized marketing agencies perform different marketing functions, such as wholesalers, commission agents, brokers, selling representative, co-operative societies etc. The agents of outside the state are showing unity in buying the arecanut. They also act as major leaders for exporting the produce to consuming centers. Therefore, the presence and performance of intermediaries in the arecanut market assumes greater significance.

c) **Terminal market:**

It is a type of market, where varied grades of chali arecanut is available for further movements upto panwalas and the major consuming centers such as Mumbai, Gujarat, Madhya Pradesh, Kanpur, Dehli, Kolkotta etc. It has been investigated that in the consuming centres, again number of intermediaries involve in dealing with arecanut before it reaches the consumers. They are brokers, commission agents, wholesale traders, retail sellers, CAMPCO sales departments, processing units, line sales, panwalas and ultimately the consumers. This kind of process gives ample scope for the intermediaries to grab the major portion of the margin.

9) **Existence of mal practices:**

The link between the producer-seller and the purchasers in the primary and secondary wholesale market is the commission agent who receives a commission for his services. The entire produce brought by them passes through the commission agents and sellers who do not have any direct contact with the purchasers.
Commission agents some how manage to buy a greater part of the produce brought for sale directly, i.e., without going into the formality of keeping the produce brought for sale. A small part of the produce brought for sale is however, put for sale in operation. This is done only to convince the market committee that no direct purchases from the sellers are made. The market also cannot check whether the entire quantity brought for sale in the open auction or not. The market committee does not have a check on the produce entering into the market. The only information about the arrivals in the market is provided weekly to the commission agents through reports. Even the establishment of separate market yard in each taluks may not remove these malpractices, unless the market committee keeps a check on the arrivals at the entrance into the market.

In addition, a great majority of the small traders purchases the arecanut from the village areas. These traders do not posses a license from the market committee and also are not licensed as dealer under the Commercial Taxes Act. As such these traders are supposed follow some of arms and conditions imposed by the tax authority but still they are not following such conditions promptly. Further, deduction of unauthorised market charges, deliberate deductions, unfair weighment of the produce, unhealthy sale method, bungling in accounts etc. were the regular features in marketing.

10) Market Charges (MC): -

Since arecanut is a item of regularised crop, for processing and marketing unit a special fee is collected by Agricultural Produce Marketing Committee. Producer-sellers bear the MC bringing the produce for sale i.e., commission, loading, unloading, weighment, bulking, refilling sampling, stocking, hamali and others. Prior to regulation, the unauthorised deductions on marketing charges were also prevalent. The rates of these charges are uneven. Moreover, some of the charges have no relationship with the farmers. Hence, it adversely affects the movement of arecanut in the country.
11) Tax Structure: -

Rates of sales tax on arecanut varies from state to state which is revealed in the given below table no. 7.1

Table No. 7.1

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>State</th>
<th>Rate</th>
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<tbody>
<tr>
<td>1.</td>
<td>Karnataka</td>
<td>4%</td>
</tr>
<tr>
<td>2.</td>
<td>Kerala</td>
<td>4%</td>
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<tr>
<td>3.</td>
<td>Tamil Nadu</td>
<td>8%</td>
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<td>4.</td>
<td>Andra Pradesh</td>
<td>7%</td>
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<tr>
<td>5.</td>
<td>Orissa</td>
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<td>6.</td>
<td>West Bengal</td>
<td>12%</td>
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<tr>
<td>7.</td>
<td>Delhi</td>
<td>4%</td>
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<tr>
<td>8.</td>
<td>Maharastra</td>
<td>3.2%</td>
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<tr>
<td>9.</td>
<td>Rajasthan</td>
<td>10%</td>
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<tr>
<td>10.</td>
<td>Goa</td>
<td>3%</td>
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<tr>
<td>11.</td>
<td>Gujrathe</td>
<td>6.6%</td>
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<tr>
<td>12.</td>
<td>Madhya Pradesh</td>
<td>4%</td>
</tr>
<tr>
<td>13.</td>
<td>Bihar</td>
<td>12%</td>
</tr>
<tr>
<td>14.</td>
<td>Uttar Pradesh</td>
<td>4%</td>
</tr>
<tr>
<td>15.</td>
<td>Assam</td>
<td>8.8%</td>
</tr>
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The sales tax ranges from 3% in Goa to 12% in Bihar and West Bengal. This has created a hurdle for legal trade of arecanut not only in Karnataka, but also in other states. As some of the states do not buy their requirements directly from the producing states, the sales tax, market cess, T.O.T, Octroi etc. on this commodity is levied at two or three points resulting in up to ultimate consumers. As a result, tax evasion has become a common practice in areca marketing system.

12) Commercial Grading: - (CG)

A large number of areca cultivators do not determine the commercial grade of their produce themselves. They usually mix up superior and inferior quality chali in to a single lot. As a result, they get a lower price. Commercial grading is widely practiced by the wholesalers and co-operative societies in the secondary markets. The ordinary grading of wholenut is generally done by hand picking, by manual laboures. But in commercial grading, the different sizes are identified on the basis of quality for this purpose. There are some machines, which helps in grading the arecanut into different sizes. Such machines are expensive in nature. Specification of grading generally differs from dealer to dealer. It involves the nature of consumption centers, where he sells or supplies the nuts. The different popular grades of arecanut prevalent
in the terminal or consuming centers are- Patent, Moti, Vajras, Jamnagar, Jini, Burli, Lindi, Chali rejections etc.

The main reasons for not having knowledge about such traders grading technique by farmers are -

a) Trading class have kept farmers in dark without disclosing them anything in this regard. b) Lack of motivation, guidance and training to the farmers to adopt CG. c) They never thought of learning about grading, processing arecanut applied by the traders to get an attractive price. d) Poor imagination on consumers taste and preferences.

13) Marketing Centers: -

The Mangalore Chali or white Supari of South Canara district has an unique operation in many consuming states of the country. This developed on the basis of suitable qualitative grades of arecanut. The important marketing centers out of Karnataka state are Maharashtra, Gujarat, Uttar Pradesh, Madhya Pradesh, New Delhi, Bihar etc. All such consuming centers are widely purchasing the arecanut from the South Canara, but the producers are not having any contractor or contract with the consumer’s centre and the ultimate consumers.

14) Co-operative Marketing: -

The SKACMS, an old and traditional commission agent has been operating in all taluks of the district. However, its performance over the years has not been impressive. The negative aspects of SKACMS are- falling membership, grower’s lack of loyalty, poor management and marketing strategies, failure to provide credit facilities etc.

The CAMPCO Ltd is another wholesaler cum commission agent operating at primary, secondary and terminal markets. The progress and performance of CAMPCO in the marketing of arecanut is not far from satisfactory because of several defects in the functioning and marketing activities of this institution. These defects are
a) The CAMPCO has not emerged as price setter and guiding force in arecanut market. Hence, member's confidence with growth and share capital was inadequate.

b) It failed to purchase the available bulk of arecanut from the member growers. The treatment and hospitality by the employees to the growers is not cordial and friendly in nature. The negative trend and attitudes of employees at procurement centers made the growers to feel insecure even though they are the backbone of CAMPCO.

c) Its procurement centers were located in few selected villages of the taluks. As a result, the small and medium farmers prefer the services of price private traders due to immediate cash and greater transport cost.

d) The CAMPCO does not participate in terminal markets of all important consuming centers. The operation of less sales departments with negligible sales reveals the fact that poor marketing mechanism of arecanut by CAMPCO. Higher establishment, personal cost, rigid market strategies and lower trading activities in the existing sales departments of CAMPCO makes it easier for the private traders to operate it with high net margin.

e) It has not undertaken any retail sale shops and processing units.

f) Poor propaganda on the sales and non-co-operative commercial approach with traders created greater setback for the smooth functioning of institution because of poor marketing management and absence of adequate business expertise among the employees.

g) It failed to provide up to date market intelligence to the members. Moreover, it has not acted as bank for the member growers.

h) As the arecanut marketing witnessed violent price fluctuations, its market intervention strategy did not achieve any improvement and stability.

i) Eventhough this institution has “Arecanut Research and Development Foundation Trust”, it failed to investigate on alternative use of arecanut and
there were negligible efforts for tapping the domestic and external market over arecanut-based products.

15) Price Fluctuations:

Farmers of the district are always facing the major problems of competitive and remunerative rate. It has become like lottery. The prices of Chali arecanut in Mangalore market has been exhibited equally high degree of instability. It also displayed a cyclical type pattern of regular peak and crash for every 6 to 8 years in Karnataka. The Chali variety has witnessed a severe fall in 1973-74, with a moderate fall in 1982-83, 1988-89 and again drastic fall in 2000-2001. For example, a sudden rise in price from Rs. 9052 per quintal to Rs. 13187 during 1999-2000 and again the price plummeting to Rs. 7886 in the Mangalore market during 2000-2001 shows the vulnerability of marketing system. The nature and magnitude of arecanut price movements have exhibited multitude characteristic fluctuations. They are of cyclical price fluctuation, seasonal, intra- year seasonal, inter year fluctuation, short term and long term fluctuations.

In addition, the arrival into the Mangalore market has exhibited a slow process and uneven tendencies over the years. But it does not substantiate the apprehension that the recent fall is due to increased arrivals into the market. For instance, total arrivals into Mangalore market during the month of January 2001 is 16,789 quintals which is 16% less than the arrival during the same month of 2000. In spite, the price has registered a huge fall of almost 60% this year compared to last year.

The fluctuation in Chali prices are not only due to transport facility, graded items, market intelligence, government policies but also the maximum involvement of intermediaries at varied market levels. This recurrent fluctuation in its prices has a profound impact on the stability and predictability of the earning capacity of the growers. As investment required during initial and maintenance period are greater for the cultivation of crop, directly affects the fate of farmers particularly, small scale holders. Uncertain prices lead to uncertainty about repayment capacity of farmer-
borrower, lower employment prospects of labour in the farm, lesser financial transactions and ultimately it brings out the whole its panic picture of the district.

16) Lack of information:

Market information is another problem that has emerged and is an important adjunct of orderly marketing. Farmers market in the village and nearby assembling centers out of their ignorance of the price prevailing in the nearby primary wholesale, secondary wholesale and terminal markets. The prevailing price conditions of only the nearby markets were provided through different channels of media rather than giving the clear price picture of the terminal markets. Since the major part of the arecanut marketing is undertaken in the terminal markets, the poor farmers are not at all getting the information on marketing process and actual price paid by the consumer through any sources. Hence, farmers are accepting the existing price of arecanut in the primary and secondary market.

The above handicap is not only prevalent in the farming sector but also in the terminal or consumption center markets. From the interviews with the wholesaler in the terminal market, the reasons for upward trend in the arecanut market are as follows:

a) Lower production of arecanut due to disease as per estimation of primary and secondary wholesalers. b) Anticipation of more panshops and greater consumption of Chali based items. c) Favorable investment and credit arrangements.

It is surprising and interesting to note that the same wholesalers in the terminal market have realised the false information served by the traders in the primary and secondary market. Further, they reacted harshly for the sudden crash in price is as follows.

a) Increase in production. b) Excess purchase and stock. c) Lower demand and consumption. d) Greater losses. e) Wave of imports. f) More number of traders.

The above reasons given for the fluctuations in prices of arecanut by traders were based on the flow of information, communicative medias and ramours rather than
analysing the whole structure from farm sector and consumption sector through any accurate network programmes.

17) Imports:

As the economy is under going with free trade and liberalized policy of WTO there is every scope for the inflow of arecanut into India, which was observed during the survey period in Bombay, Kanpur and Delhi markets. The quality of these imported nuts from Indonesia, Burma, Srilanka etc are much inferior as compared to the domestic nuts. The price of items ranged from Rs. 19 to 46 per kg. Under these circumstances, as per the official estimate of Directorate General of Commercial Intelligence and Statistics of Kolkata, 3022 tonnes of arecanut was imported during 1999-2000. At the same time, a rough estimation, based on the information obtained from CAMPCO Ltd. Is around 25,000 metric tones in 2000, which is equal to almost 20% of the total production of Karnataka. As traders expressed that greater supply of imports are responsible for lower price of arecanut. Hence, it becomes difficult to relay on the import of arecanut on the domestic price situations. If it is true, a weak border security in the North Eastern region provides sufficient scope for unaccounted imports of arecanut from the neighboring countries. Similarly the trade agreement under SAARC and SAAPTA encouraged easy import and illegal entry of arecanut into the country, because India is the major consumer of arecanut in the world.

As per the trader's view, these imported arecanut are mainly used in the preparation of pan masalas, scented supari gutkha and often they mix it along with the superior quality of Chali and supply it to the panwalas. It is known fact that panwalas do not bother about the quality of nuts. Hence, there is a clear picture of mal practices and exploitations, which are taking place from the side of the traders over the panwalas. Therefore, an artificial act and wave of import of arecanut would be sufficient to disturb the marketing process.

18) Poor Export:

The performance of our exporting of arecanut is not satisfactory one. Even though India enjoys first rank in production in the world. But it is dishertaining to note that
India’s share in arecanut export is less than 1.62% of its total production. The emergence of arecanut based items like whole supari, retail panmasala, scented supari, gutkha etc. Have not much opened the consumer’s door in the foreign markets. This type of passive trend appears in the export front due to the following problems of this sector.

a) Poor publicity and propaganda on arecanut based items in the foreign market. b) Failure to identify the consumer’s expectation over the arecanut based products. c) Lack of interest from the side of traders in the promotion of exports. d) Passive attention towards quality control limits in the export of arecanut from India which proves the under developed state of marketing. e) There are no committed agencies organization or board to undertake the consumer-oriented products, directions of exports and promotional activities of arecanut.

19) Marketing Inefficiency:

The levels of marketing cost and margins or the share of the producer in the price paid by the consumer or price spread should be used as measures of marketing efficiency. Marketing costs are the actual expenses required in bringing the goods and services from producer to consumer. Accordingly, during the survey period, it was observed that farmers were paid Rs.6023.00 per quintal at primary and secondary markets. Further, marketing margins for arecanut in the consuming centers, traders were not ready to share the idea about the actual price of arecanut but with effort, it was identified regarding the prevailing market structures. Generally, higher marketing costs and margins were incurred and maintained by the intermediaries. The factors responsible for this are -

a) Production is concentrated when the consumption is scattered and decentralised. b) Bulkiness, greater transport cost. c) Arecanut sold in unprocessed form of grading. d) Irregular supply e) Storage facility. f) More middlemen. g) Tax-structure- Risk involved etc.

Greater price spread and low degree of market integration between the markets and market agents indicate lower efficiency in marketing channels, which clearly
presents the position of producer’s and intermediary’s share. The middlemen who operate between the producer and consumer gets large share in profit because the producer receives around 30.21% of the price paid by the consumer and the remaining 69.79% was appropriated by expenses and margins of intermediaries. Therefore, price spread in arecanut channels among the traders is wide and greater. These high marketing costs and excessive profits of the traders are sure sign of marketing inefficiency. It would also encourage the trader’s indulgence in marketing speculation and malpractices.

20) Consumption Trend: -

Areca nut being a habitual item, its consumption is increasingly steady in the consumption centers. The consumers always prefer varied grades of arecanut-based items in the form of panbeedas or zardhas, scented supari, gutkhas etc. The consumers of this purchase it from the panshops and street traders. There are about 16.38 lakhs of panshops operating in the country. They sell, supply or prepare the ghutka in major areas. The panwalas prepare various types of arecanut based products for consumption. They use different brands of betal leaves viz., Salem, Banaras, Calcutta, Bangla along with different qualities of tobaco or zardha namely. 120, 300, 420 etc. are employed according to consumers taste. Further, panwalas add number of flavour-oriented ingredients during the beeda processing period.

As per the observations, the consumption of panbeedas were registered a negative trend in the Delhi, Agra, Gurgaon and Kanpur markets, where the average consumption ranged in between 250 to 500 beedas per day. The price of these pan varies from place to place.

It is also estimated that from one kg of arecanut, the total price of value based arecanut items costs at Rs.550 to Rs.750 at retail levels. However, from one kg of arecanut, the total beedas made in Delhi, Kanpur and Gujarath worth at Rs.210 to 245, 230 to Rs 275 and 175 to Rs 225 respectively. In all such above markets except Gujarath, the consumption of beedas has declined because of the popularity of gutkhas. In our country, 46% goes towards the preparation of gutkha and scented
supari, 51% for beedas and pan making and remaining 3% is retained for home consumption. At the retail level, gutkha, scented and beedas are sold at an average price of Rs. 850 per kg, 450 and 600 per kg respectively.

In the above centers, panwala’s regular business the share of Chali arecanut for beedas is about 36%, the remaining share is derives in to the form of other items. The situation in Gujrat is favourable for Chali based arecanut items. The major centers like Ahmedabad and Jamnagar, it is observed that the per day sale of pan in the panshops ranges in between 650 to 950 and the share of Chali arecanut business is maximum which ranges in between 70 to 80%. Hence, the state of Gujrat is the major marketing centre for Chali arecanut. The total consumption value of panbeedas in India is approximately Rs.14,000 million crores. The over all nature of consumption clearly indicates there is every scope for declining trend for Chali based arecanut or panbeedas with the appearance of gutkhas.

21) Wave of Gutkhas: -

Gutkha has succeeded in attracting the attention of different consumers in town’s, cities and even the rural areas in India. The cities like Delhi, Agra, Guroagon, Kanpura, Goa are the main centers consuming more of gutkhas. The cities in the south have the mixed demand, for gutkha, beedas and supari. In Delhi market, there are about 20,000 panwalas engaged in this type of trade. According to them, the sales of gutkha and panmasala ranges on a average in between 2500 to 3000 per day in each shops and the regular business involved on the sales activities of gutkhas. This clearly indicates a positive sign in the consumption of gutkha.

There are about 320 gutkha companys functioning in the country with their own unique symbol and taste. A very rough estimation gives a total value of gutkha consumption in India every year is around Rs.600 crores to 750 crores. However, when few companies were visited, they were not ready to share anything about. As a result, accurate information on how much and which grades of Chali or red Supari used in the preparation of Gutkha are not available.
On the other hand, there has been a move against the sale of gutkha at national level by scientist and cigarette manufacturers. Their argument is gutkha should be banned on the ground that mixture of tobacco and other chemicals added which affects the health. Therefore, hanging sword of gutkha banning is tied on the farmers. Traders started taking the undue advantage of this situation. Nevertheless, areca farmers in the district agree that gutkha is bad for health, they have social concern and welfare. But their view is that, areca consumption is not harmful for health since it is consumed from the Vedic period.

22) Problems of Panwalas: -

The pan beeda shopkeepers are the ultimate channels of areca marketing. From the discussion with panwalas, certain peculiar difficulties, problems were identified. The major problems and challenges threatening to smooth run of the business are: unorganised sector, uncertain demand, shortage of variable capital, irregular supply of raw-materials, alternative readymade items, impact of gutkha, lack of security and ownership, delay in payment and forced capital by local leaders, future uncertainty, non-cooperation from any authority, restless work, lack of union etc.

23) Marketing Finance: -

With the financial deficiencies in the marketing structure of arecanut, the competition in the trade is far from perfect at different taluk marketing points and the buyers in a monopolistic situation usually take advantage of the weak bargaining position of the growers. Loan facilities for cultivations were not liberalised by the nationalised commercial banks. Non-availability of long term credit and pledging facilities in co-operative societies, restricted scope of growers in obtaining remunerative prices.

The marketing finance is full of imperfections not only at primary, secondary but also in the terminal markets. During the study period, most of wholesalers were complaining that earlier finance was available easily through brokers and financial agents. Hence, investment enhanced and prices moved further but later number of terms and conditions imposed by the same agents and banks were not granted greater
loans conveniently against the value of the sufficient stock. This clearly reveals the involvement of complexities over finance on the part of growers as well as traders.

24) Lack of Organisation: -

As the majority of the farmers are small landholders and financially weak, the collective organisation has not developed voluntarily and systematically. Fundamentally, the cultivators in the district are widely scattered, divided and unconcerned. They do not grasp the significance of “unity is strength” to break the maladies which are prevalent in the marketing of arecanut. On the other hand, SKACMS, CAMPCO, All India Areca Growers Association, CPCRI and Government have not initiated any clinical steps to address the problems of growers at the marketing sector.

25) Alternative Uses: -

India being the world’s largest producer and the largest consumer, Hence, it is mainly used for masticatory purposes. Arecanut is a crop and commodity, has its use in human and veterinary medicines. Traditionally, it has been used in all religious, social and cultural life of Indian mass. Unfortunately, the research and development authorities have not paid attention and failed to identify alternative uses and production diversification. At the same time, technology and financial assistance were not given for the entrepreneurs and grower to promote and tap the marketing potentiality of by-products. In view of crisis in the marketing sector, all above such things exhibiting a bleak future for arecanut sector.
SUGGESTIONS

Production, marketing and consumption are the important tools in sustaining and development of economy. Arecanut is a crop raised with the sole purpose of marketing, which is far off from the production centre. Naturally, it reduces the self-sufficiency of the village and incentive to produce more is based directly on the price obtained to their produce. It is evident that the production and marketing of arecanut forms a significant instrument in the welfare of the district. However, the existing nature of production and system of marketing is not free from defects, which is clear from the discussion in earlier chapters. For the survival of the areca growers and to remove the problems in production and marketing, it is necessary to adapt effective measures. An attempt is made to suggest certain remedial measures to overcome these problems. They are:

1) Arecanut is a perennial crop, which requires huge amount of investment over a long period of time. The establishment, maintenance cost and greater risks are involved more in operation. The result shows that cost of production over areca garden is extremely greater. Thus, there seems to be a rethinking among the farmers and cost consciousness is required regarding the fruitfulness of producing the Chali,type of arecanut.

2) The research efforts in releasing of high yielding variety of seeds and packaging programmes should be conducted in the farm field level rather than at research centers. In this regard, there is need to have frontline demonstrations, exhibition in the poorest farmer’s field in the village, so that, any demonstration in the field of an affluent farmer will not have the desired significant benefit.

3) Certified seed nuts and improved seeds are to be distributed from government, Central-State Farm Nurseries, Research institute nurseries for new areca planting as well as replacement of old areca plantations. Adequate steps should be taken by State Governments to create awareness among the farming community about possible impact of inferior seeds supplied by the private agencies.

4) The farmers should to be educated and trained regarding that method of economical cultivation like the spacing, type of plant, application of organic manures,
fertilizers, period of harvesting, water and other inputs. Production should be increased through optimum utilisation and by studying water production facilities. Surface and ground water resources to take up development activities. In this regard, a technology mission on irrigation, water management is needed in the district to advocate the use of the water for arecanut plant.

5) The most serious threat to arecanut crop is yellow leaf disease, Mahali etc, in the district. In order to protect the arecanut garden from frequent diseases, the necessity for collecting epidemiological data for an effective disease forecasting system needs attention. Concrete inter disciplinary approach from the Research Institute is extremely required to combat this debilitating disease.

6) Efforts and inventions are needed for labour saving devices technology for harvesting rather a climbing up trees, low cost technology for spraying, cheaper drying machines, grass cutting machines, other small machines for garden. To meet the high demand and to reduce cost of cultivation, “Intensive Research and Development Effort” is required.

7) It is necessary to reduce the cost of production and yield gap where there is a existence of high cost of skilled labour for some operations. And the increased investment is needed in mechanisation. Along with this, there is need to popularise the increased energy, efficient implements etc. Efforts should be made to provide subsidies to those farmers who want to purchase the implements. Above all, it is necessary to provide better and more skilled professional management to ensure adequate returns on investments.

8) For increasing the productivity from area and the increase the income, a compatible inter or mixed cropping should be developed. In this regard, attention should be given to cultivate traditional inter crops like pepper, cocoa, banana, in an increasing and efficient manner. As arecanut palm is not having no branches, permit plenty of height to pass through, thereby making available enough sunlight for the growth of crops like pineapple, papayas, cardamom, coffee, betal leaves, clove etc, has to be adapted. All such crops add organic manure to the soil through fallen
leaves, which enables the improvement of soil health and nutritional status. Again in the case of Jackfruit and tuber crops, desired attention has not yet received, as they can be utilised domestically in an increasing manner through value added products like chips, papad etc. Further, high valued crops like vanilla, aromatic, herbal and medicinal plants, which have great potential initial to be grown in arecanut garden. But at present, the agro techniques for their crops to grow under arecanut are not standardised. Thus, research in this line is needed.

9) There is need to evolve a financial farm scheme for arecanut cultivators. Adequate credit facilities in the form of medium and long term at cheaper rate of interest will have to be made available to meet the various investment cost of production. The rules for repayment of such loans should be liberalised. In this direction, NABARD can direct the commercial banks and co-operative societies to grant sufficient loan facilities to the growers based on the future yield. This will also immensely help to secure bargaining power of producers.

10) The data on arecanut area and production provided by Food and Agriculture Organisation Rome and Directorate of Economics and Statistics of New Delhi are not similar. Again the data on areca, production and productivity of arecanut given by Directorate of Economics and statistics of department and Horticultural Department of Bangalore are not uniform at all, which is clearly illustrated in the tables of previous chapters. There appears to be different criteria and rules followed in the estimation of data. As a result lot of difficulties and complexities were felt in planning process. Hence this issue is to be examined soon by the government by setting up separate “Arecanut statistics Department” to provide accurate datas.

11) As the grading of arecanut in the market sector are different from the production sector, there is a need to provide education for cultivators on commercial processing, grading of Chali based arecanut and their marketing centres without any delay. If the produce is graded properly before marketing, it will be possible to fetch better price. What is needed is, the government has to arrange and install commercial grading
system at the farming sector directly or it should instruct the co-operative societies to initiate such systems because individual grower will not have knowledge.

12) Since Grading of arecanut is done by traders based on the long-standing trade practices, which are not always quite precise and scientific. To promote the marketing of qualitative arecanut and to maintain uniformity, the Agricultural Marketing Adviser to the government should fix grade specifications for whole dried arecanut. Moreover, it would be suitable and convenient to form an “Arecanut Grading Cell”. This cell has to undertake few functions. Like-

   a) To draw up grade specification for arecanut at various market centres particularly, for internal consumption as well as for exports. b) To know which types of graded arecanut is required for value based products. c) To supervise the grading work.

13) Needs to improve the marketing facilities with proper storage and godown facilities till farmers fetch better prices in the market. Proper post harvesting storage technique like constructing airated humidity controlled godowns in different places should be evolved for safe guarding the arecanut crop from spoilage. For this purpose, the pattern of assistance available with National Horticultural Board (NHB) must be extended either by village co-operative societies or by the procuring centres of CAMPCO.

14) Crops and means should be explored for providing cheap and efficient transport facility. In this context, state government should accept the following measures:

   a) Top priority for the construction of all whether feeder roads in the areca growing areas. b) Regulations on loading, unloading on hiring charges for the smooth flow of goods from farm gate to market. c) Construction repairing and maintenance of bridges and loads.

15) The large number of intermediaries functioning in the different stages of marketing has affected the growers bargaining power for their produce. This kind of exploitation should be stopped, by reducing the number and the role of intermediaries. There is a need to control the activities of private dealer for encouraging self-marketing. For this
purpose, the state government should follow a rigid legislation, rules and strict vigil on the functioning of marketing activities.

16) The marketing margin in terms of price spread between initial producer and the consumer consists of physical distribution costs, modern servicing costs and dealers profit. The shortening of marketing channel would help to reduce costs. Efforts should be made to establish a vertical integration between producers and consumers. Sooner the shortened marketing channel better the farmers are.

17) An organised and regulated market at growing taluk levels should be formed. In this regard, the Agricultural Marketing Department, Horticultural Department, South Canara Regulated Market Act Committee should work sincerely to carry out the method of sale system at market yard regularly. For this purpose, Compulsory auction system for arecanut to be re-inforced in all the marketing centres of the district where only graded arecanut must be auctioned. Which leads to good com etation among buyers, better prices to growers and to avoid private negotiations and credit sale.

18) For safeguarding the interest of the farmers, the consumers share in the income of the producer should be multiplied without any delay. In this regard, efforts are needed to minimise the number of intermediaries and to go for direct sales in the consuming centres through co-operative system. As there appears to be a wide gap in between the producers price and consumers price, the government and the growers should build up co-operative marketing system in a sound manner.

19) The SKACMS, a traditional cooperative marketing society has to change its marketing policies in the existing the situation. It should follow farmer or producer through friendly approach to mobilise the areca cultivation. Operating its village marketing network at the farm level must enlarge the number of memberships. While rendering the marketing services, it should provide packing programmes to create confidence among the farmers. Moreover, SKACMS should make an attempt to get into terminal markets to secure better prices for growers.

21) The other Co-operative Marketing Societies, which are involved in areca nut trade, has to enter into market as that of the CAMPCO. It is necessary that CAMPCO
being an apex body must adopt reformation strategies and innovative programmes to safeguard the interest of the farmers from the clutches of middlemen. The following suggestions can be made fruitful to improve the functioning and marketing activities of CAMPCO. They are -

a) The existing marketing strategy has to be changed according to changing marketing conditions. b) It has to go to the farmer’s gate or village once in a week by representing its employees as co-operative trader with their own transport arrangement and must buy the areca nut from the farmers. c) It can request the central government, NCDC, NABARD, the State Governments to provide the required capital for its promotional activities and to solve the problem of capital deficiency. d) Efficient marketing management and proper supervision of sales and purchasing centers can solve the problems like overdue, loss etc. In this regard, there is a need for efficient officers and a mobile supervising squad so as to look after the activities of the purchasing and sales centers. e) There is the need for providing training for the members with regard to modern method of cultivation, application of fertilizers, commercial grading etc short slide. Apart from this it can disseminate the above aspects through film shows in each purchasing center of co-operative societies or even weekly market centers. f) Efforts should be made to enhance the trading activities in the terminal market. In addition, CAMPCO should make its own building facilities and install more number of sales departments to compete with the private traders. g) The CAMPCO should establish a arecanut product oriented industry as that of chocolate Factory. This will be useful to increase the production of different varieties of Supari, Panmasala etc. h) There is a need to open more and more Chali based pan-beeda shops, which will certainly minimize the gap of arecanut price and solve the problem of middlemen. In this regard, the CAMPCO should initiate and open the pan beeda shops under its banner all over India. It is also noted that most of hotels functioning in the Northern States by the people from Southern States, there is immense scope to start pan beeda shops either in the hotel premises or in the streets. This would stimulate not only the
consumption but also enhance the employment opportunities. i) The existing “Research Trust” should explore the possibilities of producing different varieties of arecanut based products like paste, color, liquor etc. and it should identify the market for this product and has to conduct market surveys frequently to know about demand and supply aspects. j) The CAMPCO should supply the market intelligence like price of the products in different markets through newspapers or by having its own Journal. k) The CAMPCO should conduct various Scientific Research programmes, seminars, conference in relation to production and marketing in the farmers field under the guidance of academicians, scientists, marketing executives, traders, leading growers etc. Further, in order to build up better image in the district, it has to encourage and engage in activities like education, literature, sports, games, socio-cultural programmes etc.

22) Since the price fluctuation in arecanut are violent, it creates panic condition among the growers and if the declining trend continuous, they will find it difficult to maintain the arecanut farming sector. Hence, a detailed district wise cost of cultivation of arecanut should be undertaken frequently in the farmer’s field rather than at research centers. This assumes more significance white working out a strategy for providing price support. For this purpose, the State-Central government should purchase the arecanut from the growers by paying at least Rs.100 per Kg under the minimum support price system.

23) Efforts are needed from the government for efficient and organised functioning of the APMC or regulated markets at areca growing taluks to avoid frequent price fluctuations, there is a need to have a “Price Stability Fund”.

24) As the farmers have borrowed crop and other developmental loans, the prevailing lower price of arecanut does not permit them to repay the debt. Therefore, the government should convert all these short-term loans into long-term loans. In addition, there is a need to introduce Loan Insurance Scheme. This would be more beneficial for stabilizing the market price of arecanut and protection of farmers.
25) If a soft loan of Rs.700 crores is given to CAMPCO and other co-operatives, the stability in the price of arecanut can be maintained. Therefore, the government has to intervene in the market and make such timely loans without any delay. This money can be mobilized from the APMC Cess, NABARD, NDDB and National Horticultural Board.

26) The opportunity for exporting of arecanut is bright. If export trade of arecanut is to be expanded, it is necessary to improve the quality of the product and to make available to the manufacturer, some of the other ingredients required namely clove, cardamom etc. at reasonable price. As the demand for value added areca products are increasing in the international market in recent years, there is a need to introduce Arecanut Export Board in this regard. The board can make the use of liberalization policy and it should make vigorous efforts to identify the new markets in the world.

27) In order to have publicity for areca and areca- based products, exclusive media should be utilised. It is strongly suggested that there should be international campaign be launched by the Central Government through Arecanut Export Board by taking the help of Foreign Market Association (FMA), for the publicity in international level.

28) Arecanut is cultivated and consumed more only in Asian countries. It should be studied at the proper level whether it can be listed under WTO Agreement or not. A detailed analysis over the impact of WTO, SAARC, SAAPTA and other Agreements on the domestic market has to be undertaken without any delay.

29) Eventhough India is a largest producer of arecanut in the world, still arecanut is imported into our country. The Government of India increased the import duty on arecanut from 35% to 100% to safeguard the interest of farmers. However, traders in the terminal market reported and shown in the form of dry fruit with poor quality. Fundamentally, arecanut should not be covered under dry fruits. Strict vigilance and appropriate action must be exercised to prevent any unauthorised entry of arecanut in to India.

30) Since arecanut is a primary product, it should not attract any tax. The existing multipoint or different taxation system should be stopped without any delay. Hence, a
uniform sales tax of around 3% in India can be suggested to maintain healthy competition between traders and co-operative societies to function efficiently.

31) An “Areca Marketing Research Centre” has to be initiated as an independent body. The centre must have a market committee, which should be represented by the growers, co-operatives and market intellectuals. The center should arrange market survey activities frequently with the following aspects.

a) Identification of domestic and external markets.
b) Identification of consumers taste and preferences.
c) Finding out the reasons for a gap between producers and consumers price.
d) Studying the market trends.

32) Greater effort is required to remove the problems, which are witnessed by Panwalas in the consumption centers. What they want is regular supply of different varieties of arecanut. In this regard, the authorised marketing agencies like APMC, co-operative society, independent market services etc. should take utmost interest, to minimize the gap of arecanut price and solve the problem of middlemen.

33) Necessary measures are to be undertaken to start arecanut based industry. The government or co-operative societies, which would make their own efforts to produce different varieties of arecanut viz, fried, powdered, semi-powdered etc and the distribution can be made through consumer packages. These industries should be provided liberal subsidy, tax holiday and financial assistance under the special scheme. In this regard, there is an urgent need to have Public Limited Company or co-operative institution in the production centers.

34) As the modern life of the people is attracted by ready to consume or value based products, there is an urgent need to produce these products through arecanut. Even though several brands of Scented Supari, Panmasalas and Gutkhas are available in the market, still the consumers prefer to have varieties of other products. Along with this efforts are also needed to produce a close substitution to gutkha without tobacco. In this regard, there is a need to identify a harmless stimulant ingredient. As some of the spices do possess this quality, the Central Food Processing Ministry and research work should be undertaken on these lines.
35) It is strongly suggested that government should set up a large and full-fledged “Market Information Cell” with the role of undertaking the following tasks.

Compile and arrange for the publication of various marketing statistics at regular intervals and issue of bulletin containing latest information regarding market trends, demand and supply condition and prepare the report of market prices and disseminate the same to the growers through various media. Further, it can analyse the sector through computer-aided informations on production and marketing would seem to be right alternation to make it a meaningful entity.

36) In order to popularise the product both in the domestic and external markets, steps should be taken to advertise it through mass medias with attractive slogans where stress should be given to high light the medicinal properties of arecanut. Apart from these, the value added non-tobacco based products has to be popularised in hotels, bar and restaurant, sports, games, cinema halls in at reasonable prices through charming packages.

37) Efforts are needed to strengthen the “All India Areca Growers Association”. This association should emerge as a guiding force to the farmers. In this regard, the association can keep and provide sufficient information on pre-harvesting and post harvesting of arecanut sector. Basically, what is required is frequent market survey. For rendering various functions, the growers have to be united and contribute fund voluntarily to the association. Hence, there is need to be “Survey Fund” under it.

38) State Government can establish arecanut or “Plantation Crops Marketing Training Institute” (PCMTI) to provide specialised practical knowledge on processing marketing, grading, standardisation and management of marketing.

39) Considering a major crop of arecanut in the growing areas, it is felt that useful product in the form of safe chewing can be formulated which have greater acceptance by public without harmful effect. There is an urgent need to identify the alternative use of arecanut as it is having variety of by-products, components, and medicinal and other properties. The scope for different use of arecanut and its components are presented in the given table no.7.2.
Table No. - 7.2 **Uses of Areca nut in Medicines**

(Medical uses of Areca nut and its components in different diseases).

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>IN HUMAN MEDICINES</th>
<th>IN VETERINARY MEDICINES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. NATHELMINTHIC (Drug expelling for worms)</td>
<td>DISEASES/PROBLEMS Worms, Hook Worms, Tape Worms</td>
<td>DISEASES/PROBLEMS Thread Worms Hook Worms, Tape worms</td>
</tr>
<tr>
<td>2. VERMICIDE</td>
<td>Vermifuge, Virus Problems</td>
<td>Vermifuge, Virus Problems</td>
</tr>
<tr>
<td>3. HELMINTHIC</td>
<td>Inspections of Worms</td>
<td>Inspections of Worms</td>
</tr>
<tr>
<td>4. LEUCODERMA</td>
<td>Derma Skin, Itching, Gangrin Herfis</td>
<td>Itching, Controlling Virus.</td>
</tr>
<tr>
<td>5. OTHERS</td>
<td>Purgative, Dysentry, Leprosy, Epilepsy, Cough, Anaemia, Nacal Ulser, Obesity, Lumbgo Problems, Sore lips, Appetising, Calcium Deficiency, Bleeding Gums</td>
<td>Bleeding Gums</td>
</tr>
</tbody>
</table>

Collected from various sources.

In this regard, it is suggested that Central Plantation Crop Research Institute, Vittal and Kasargod, Central Food Technology Research Institute, Mysore, Central Drug Research Institute, Lucknow, Indian Institute of Chemical Technology, Hyderabad, Indian Drug Research laboratory, Pune, Central Leather Research Institute, Madras (Chennai), Cancer Research Institute, and Tata Memorial Medical Center at Bombay and leading Ayurvedic Manufacturing units to intensify the research on alternative uses of arecanut and develop viable technologies for adoption by the entrepreneurs. For this purpose, Indian Council of Agricultural Research under the Ministry of Agriculture should make a provision for allotment of funds. Once the research work and commercial exploitation are in force then it would certainly save the future arecanut sector from any crisis.

40) Since the majority farmers have relatively small land holding, there is an urgent need to develop other allied activities to supplement the income. The non-farming activities like bee-keeping, dairying, Sericulture, Sheep and rabbit rearing, Poultry farm etc. should be encouraged among the small growers to diversify farming and augment the family income.
Table 7.3

**Table Presenting various uses of Arecanut and its Components**

<table>
<thead>
<tr>
<th>ARECANUT AND COMPONENTS</th>
<th>PRESENTLY IN USE</th>
<th>POSSIBLE USES IN COMMERCIAL AND INDUSTRIAL LINE (as a main ingredient or sub component)</th>
</tr>
</thead>
<tbody>
<tr>
<td>II TANNINS</td>
<td>Dyeing cloths and ropes Tanning leather, as a liquid to be protected Wood from white ants</td>
<td>Adhesive in Plyboards, Safe food colouring agents, Black colouring ink, wood oil.</td>
</tr>
</tbody>
</table>

Collected from various sources.
REFERENCES