

ARECANUT MARKETING IN KERALA WITH SPECIAL FOCUS ON CAMPCO

N. Karunakaran*

Arecanut is an important commercial crop in Kerala. Arecanut growers follow different methods of sale; majority of them sale their produce to the traders in the village immediately after harvest. There are no exclusive markets for the sale of arecanut in Kerala. Marketing system include primary, secondary and terminal markets. In earlier times trade in arecanut was monopolistic in nature. This has changed since the mid seventies as a result of the establishment of CAMPCO (Central Arecanut Marketing and Processing Co-operative Ltd). Arecanut marketing channel involves a number of market intermediaries. Most of the produce passes through village traders, itinerant merchants, private wholesalers, the CAMPCO and the retailers. The level of arecanut price was fluctuating till the mid 1970's. Since then there was a major increase in the farm price and wholesale price of arecanut with minor fluctuations due to the establishment of CAMPCO. Lower price spread and better price through CAMPCO to arecanut indicate higher efficiency in co-operative marketing than any other marketing channel in Kerala.

Key words: Kerala; Arecanut Marketing; Marketing Channel; Price spread ; CAMPCO.

INTRODUCTION

The arecanut palm grows in different climatic and soil conditions and is grown in India, Bangladesh, Srilanka, Malaysia, Indonesia, Philippines and Myanmar. In India, among the arecanut growing states, Kerala, Karnataka and Assam account for 95 percent of the total area and 90 percent of the total production. In Kerala, arecanut is cultivated in all districts. The proportion of area under arecanut in the state is very high when compared with other states. In spite of its importance, the efficiency of arecanut marketing is very weak in Kerala. There are no exclusive markets for the sale of arecanut in the state. The marketing system involves primary, secondary and terminal markets.

Primary or local markets are known as 'Chandha' are held once in a week on a fixed day in the neighbourhood of a group of villages. These markets are organised by statutory bodies. Haggling and bargaining are common in these markets. A number of middle men like village traders, itinerant merchants, private commission agents, etc, operate in these markets.

The secondary markets are regular wholesale markets held at fixed places and are usually situated in the district or Taluk headquarters and important trade centres. These markets are permanent in nature. Both assembling and distribution takes place in these markets. The important intermediaries in these markets are private wholesalers, CAMPCO (Central Arecanut Marketing and Processing Co-operative Ltd) depots, etc. The third type called terminal markets are those in which the produce is assembled for further distribution for intra and inter-state trades and for exports. These types of markets are common in the trade of processed arecanut.

The structure of arecanut market is altered by the establishment of co-operative marketing societies in Kerala. The first co-operative marketing society for arecanut in the state was set up

* Assistant Professor in Economics, PG Department of Economics, EKNM Government College Elerithattu, Elerithattu – Post, Nilishwar – Via, Kasaragod – Dist, Kerala, India, 671314 – PIN, E mail: narankarun@gmail.com

in 1943 at Kumaranellur. At present, there are more than 15 co-operative marketing societies functioning in Kerala. Most of these are now working as the agents of the CAMPCO. The structure of arecanut marketing is highly affected by the establishment of CAMPCO. Studies on arecanut marketing have attracted very little attention from the researchers in the state. The effort to raise efficiency necessitates investigations into the various aspects of arecanut marketing. The present paper, therefore, is an attempt to analyse the arecanut marketing in Kerala with special emphasis on CAMPCO.

METHODOLOGY AND MATERIALS

The study used both primary and secondary data. Primary data was collected from Seventy two arecanut growers in the Kasaragod District in Kerala, whose major source of income is from arecanut cultivation. The major source of secondary data are various published reports of the Department of Economics and statistics, Thiruvananthapuram, State Planning Board, Thiruvananthapuram, Directorate of Cocoa, Arecanut and spices Development, Kozhikode, Central Arecanut Marketing and Processing Co-operative Ltd, Mangalore and Directorate of Economics and statistics, Government of India.

Arecanut Cultivation in Kerala

In Kerala the area under arecanut is spread in almost all districts. Table 1 shows that Malappuram ranks top in area under cultivation; whereas Kasaragod ranks top in production. The percentage of arecanut area and production is lowest in Thiruvananthapuram district.

Table 1 District wise area and production of arecanut in Kerala in 2010-11

Sl. No.	Districts	Area (in hectare)	Percentage to total	Production (in million nuts)	Percentage to total
1	Thiruvananthapuram	1077	1.08	579	0.51
2	Kollam	2297	2.30	1383	1.22
3	Pathanamthitta	1212	1.21	593	0.53
4	Kottayam	1917	1.92	1621	1.43
5	Alappuzha	1696	1.69	687	0.62
6	Ernakulam	5207	5.22	6395	5.66
7	Idukki	3451	3.46	3886	3.44
8	Trissur	7069	7.08	4687	4.15
9	Palakkad	7551	7.56	5231	4.64
10	Malappuram	17517	17.55	17550	15.54
11	Kozhikkode	12258	12.28	13373	11.84
12	Wayanad	12213	12.23	4627	4.09
13	Kannur	11262	11.28	10605	9.39
14	Kasaragod	15060	15.09	41701	36.94
15	State	99834	100.00	112918	100.00

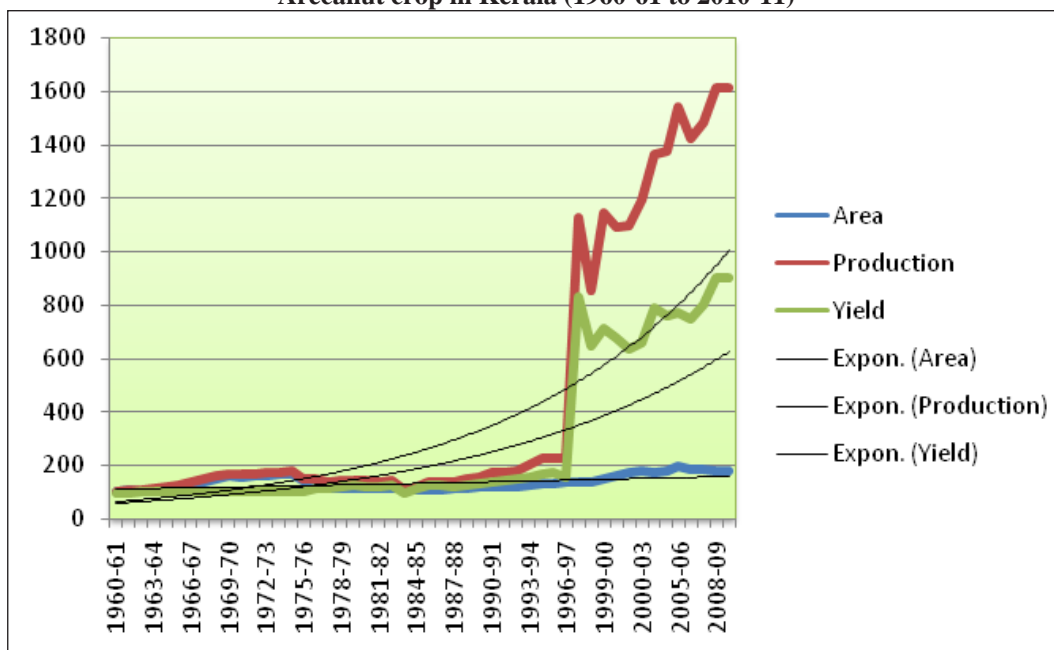
Source: - Economic Review (2011), State Planning Board, Govt. of Kerala, Thiruvananthapuram.

In 1960-61 the area under arecanut was 54.26 thousand hectare and it increased to 99.83 thousand hectare in 2010-11 (an increase of 84 percentages). In all the decades except 1970's, Kerala

experienced significant increase in the area under arecanut cultivation. Between the periods 1960-61 and 2010-11, many of the northern districts and central districts observed percentage increase in the area and all the southern districts showed decrease in the area under arecanut cultivation.

The trends in area, production and productivity of arecanut in Kerala over the years from 1960-61 to 2010-11 is shown in Figure 1.

Figure 1 Trends in Area, Production and Productivity of Arecanut crop in Kerala (1960-61 to 2010-11)



Method of Sale of Arecanut in Kerala

In Kerala arecanut growers are following different methods of sale. They are:

- (1) **Short-term contract sale of arecanut garden:** In this method arecanut grower enter into short term oral contract with village traders or itinerant merchants for the sale of their produce in the garden for one year at a price dictated by the traders depending upon the prospects of yield in the season and previous years' price. Harvesting, transport and sale of arecanut are done by the traders. Traders generally give advance amount to the growers to the extent of 50 percentage of the total amount. The rest is given to the growers after one or two months of the initial harvest. Through this method, the producer gets money before harvest but much less than that of other methods. In the state, only 8.33 percent of farmers are engaged in this method of sale.
- (2) **Long-term contract sale of arecanut garden:** It is a long term oral or written contract between the growers and the itinerant merchant or village traders for two or more than two years. Through this method the price given to the growers is much less than that of the first method. Table 2 reveals that only 5.55 percent of the total farmers are engaged in this method of sale.

- (3) **Sale to the traders in the village after harvest:** Under this method arecanut growers harvest their produce and sell it in the village itself to the village traders or itinerant merchants in the form of semi ripe, fully ripe, fermented arecanut, de-husked and dried out. In the case of ripe and fermented arecanut price is settled based on the number of nuts. In Kerala majority of the farmers, that is, 37.5 percent follow this method of sale. The producer gets better price in this method than the first two methods.
- (4) **Sale to the wholesalers in the market by the producers:** Marketing of this includes mainly the husked dry arecanut. Harvesting, transport and sale of arecanut are done by the growers. This method gives them still a better price than the earlier three methods. From the Table 2, it is revealed that about 29.17 percent of the total growers are following this type of sale.
- (5) **Sale to the co-operative societies:** Through this method, producer sells his product to the co-operative societies in the market. This is through the various purchase depots established by CAMPCO in different parts of the state. Marketing of this include primarily the husked dry arecanut. Under this method the producer gets better price than the other methods of sale. Table 2 shows that 12.58 percentages of the total farmers are following this method of sale.
- (6) **Direct sale to the consumers by the producers:** In this method the producer sells his product directly to the consumers in his village or in the primary markets. Under this method usually fully ripe arecanut is sold. In this case price is settled based on the number of nuts.

Table 2 Description about the method of sale of arecanut in Kerala.

Sl. No.	Method of sale of arecanut	Number of farmers	Percentage to total number
1	Short term contract sale of Arecanut garden	6	8.33
2	Long term contract sale of Arecanut garden	4	5.55
3	Sale to the traders in the village after harvest	27	37.50
4	Sale to the wholesalers in the market by the producers	21	29.17
5	Sale to the co-operative societies	11	12.58
6	Direct sale to consumers by the producers	3	4.17
Total		72	100.00
Source: - Primary Data			

Marketing Channels for Arecanut in Kerala

The observations about the different methods of sale revealed certain important marketing channels for arecanut in Kerala (Table 3).

Table 3 Important Marketing Channels for Arecanut in Kerala.

Channel – I	Producer → Village Traders or Itinerant Merchants → Private Wholesaler → Retailer → Final Consumer
Channel – II	Producer → Private Wholesaler → Retailer → Final Consumer
Channel – III	Producer → Co-operative Societies (CAMPCO) → Retailer → Final Consumer
Channel – IV	Producer → Final Consumer
Source: - Primary Data	

Since there are many intermediaries in the marketing channel for arecanut, producers normally get only a reduced share of the consumers price depending on the distance between the assembling and the distributing centres, various market charges and margins and season of disposal. Among these marketing channels as shown in Table 3 for arecanut, the first three are very important. The price spread through the first three marketing channels for arecanut is shown in Table 4. The gross price spread through the second channel is less than the gross price of first channel. The primary producer received the highest price through the third channel. It is found that the gross price spread is very low through the third channel and is less than the gross price spread through the first two channels. The gross price spread as a percentage of farm prices and gross price spread as a percentage of retail prices are also less through this channel compared to the first two channels.

Table 4 Price Spread of Arecanut through Different Marketing Channels in Kerala.
(Rupees per Kg)

Marketing channel	FP	RP	GPS	MC	MM	NPS	GPS as a percentage of FP	GPS as a percentage of RP
I	70	135	65	30	35	35	92.85	48.15
II	75	133	58	27	31	31	77.33	43.60
III	80	132	52	26	26	26	65	39.39

Source: - Primary Data

FP – Farm Price

RP– Retail Price

GPS – Gross Price Spread

MC – Marketing Cost

MM – Marketing Margin

NPS – Net Price Spread

Arecanut Marketing of Kerala and CAMPCO

The establishment of Central Arecanut Marketing and Processing Co-operative Ltd (CAMPCO) was in the year 1973 with the following objectives:

- a. To procure arecanut of the members and if necessary, from other growers on agency basis or on outright purchase basis,

- b. To arrange for sale of arecanut and also to advance loans to members on the pledge of goods and to do all other things necessary to carry out the objects and
- c. To promote and develop arecanut production, marketing and processing.

The area of operation of this co-operative extends to the states of Kerala and Karnataka. However, for the marketing of arecanut, there is no restriction on the area of operation. This society purchase, process, grade, transport, store and sale arecanut through its procuring centres in Kerala and Karnataka and sales depots throughout the country. Before the establishment of CAMPCO, trade in arecanut was monopolistic in nature; with large number of cultivators to sell their produce and only a few village merchants and wholesalers to purchase the produce. This is the reason why the arecanut cultivator is not able to get a better price for his product. The CAMPCO's entry in the secondary market helped primary market participants to understand the complete mechanism of arecanut trade and to reduce the monopoly of secondary wholesaler in a particular grade of arecanut. The CAMPCO also helped in understanding the complex grading system and in regularising the trade between the primary and secondary markets by appointing sales representatives.

Both the physical and financial growth of CAMPCO revealed that this organisation has induced significant desirable changes in arecanut development programmes in the region. The analysis of the membership, share capital, procurement of arecanut and profit of CAMPCO over the period from 1973-74 to 2010-11 (Table 5) revealed this fact.

CAMPCO has five classes of membership – Class A, Class B, Class C, Class D and Class E. A class membership is open to agricultural produce co-operative marketing societies and agricultural co-operative credit societies or any other co-operative society in the arecanut growing areas of Kerala and Karnataka. (One Class A share is Rs 1000). B class membership is open to agricultural produce market committees of arecanut growing areas, co-operative marketing and consumer federations, any other multi-state co-operative societies or any national co-operative societies or any corporations owned or controlled by government, any company, state co-operative banks, district co-operative banks and any other co-operative banks coming under the banking regulation act in the area of operation. (One B class share is Rs 1000). C class membership is open to individual growers of arecanut in the area of operation (One C class share is Rs 100). D class membership is open to state governments, central government and national co-operative development corporation (One D class share is Rs 1000). E class membership is open to merchants, commission agents, traders and others, who have business connection with CAMPCO, who shall be nominal members and who will have no rights of voting or to participate in the management or in any meeting regarding the management of CAMPCO. E class members may be admitted as nominal members on payment of entrance fee of Rs 10 which will be non-refundable.

There is a significant improvement in the membership in CAMPCO over the period 1973-74 to 2010-11. Table 5 shows that the procurement of arecanut by CAMPCO has also increased tremendously. During the first year of procurement, CAMPCO started procurement through 5 centres only and today, it operates through 57 procuring centres throughout the states of Kerala and Karnataka. CAMPCO has also opened sales depots in almost all parts of the country. During 2010-11, there is a tremendous increase in the sale of arecanut compared to the value of 1973-74. Another way of evaluating the performance of CAMPCO is in terms of the profits made by this organisation. Unlike many of the co-operative organisations, CAMPCO has been able to make a sizeable net profit after fulfilling its desired objectives. Table 5 reveals that between 1973-74 and 2010-11, CAMPCO also made remarkable increase in the net profit.

Table 5 Statement Showing the Progress of CAMPCO (1973-74 to 2010-11)

	1973-74	1983-84	1994-95	2005-06	2010-11
Authorised share capital (in lakhs of Rs)	100.00	1200.00	2500.00	3500.00	5000.00
Paid up share capital (in lakhs of Rs)	94.40	501.57	1116.13	1102.35	2247.50
No. of members	3576	20960	60437	92485	115243
No. of procuring centres	5	36	50	57	57
No. of sale depots	-	13	39	33	29
Purchases of Arecanut					
(a) Quantity (In Million Tonne)	5047.50	21769.50	24216.60	36260.00	52622.28
(b) Value (In lakhs of Rs)	358.53	3411.00	15867.50	27883.02	54819.36
Sales of Arecanut					
(a) Quantity (In Million Tonne)	1532.50	27369.60	23296.70	42648.00	49567.41
(b) Value (In lakhs of Rs)	101.40	4731.00	18177.45	34484.00	53139.14
Gross profit (In lakhs of Rs)	7.37	305.03	1578.98	3996.98	8104.07
Net profit (In lakhs of Rs)	1.01	119.60	316.20	1625.36	1286.89
Source: - Annual Report for the year 2010-11, the CAMPCO Ltd., Mangalore, Pp: 49-54.					

The main objective of CAMPCO is to improve the economic condition of the arecanut farmers by correcting market disabilities. The analysis of the price per unit of arecanut realised by farmers in the pre-CAMPCO and post-CAMPCO period depicts that the co-operative marketing channels have offered better price to the arecanut growers. Figure 2 and 3 presents a comparison between the price trends in the pre and post CAMPCO periods. The data presented in Table 6 revealed that the farm harvest price of arecanut in Kerala rose steadily from 1973-74 and became 3078 percentage higher in 2011-12 over the 1972-73 farm price level. Thus a comparison between the price trends in the pre and post CAMPCO periods would clearly indicate that the setting up of CAMPCO resulted in an effective stabilisation of arecanut market and has offered the most reasonable price incentive to the arecanut growers of Kerala.

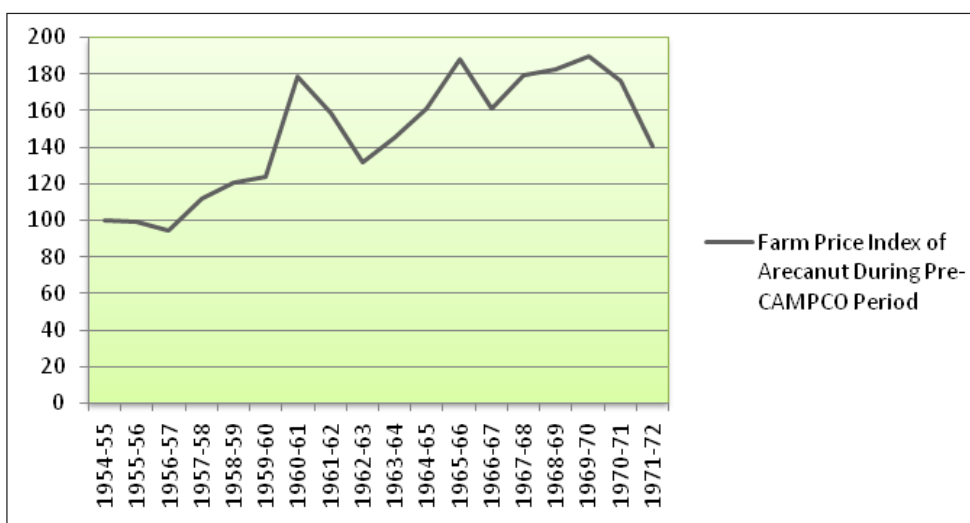
**Table 6 Index Number of the Farm Price of Arecanut in Kerala During
Pre-CAMPCO and Post-CAMPCO Periods**

Pre-CAMPCO period		Post-CAMPCO period	
Year	Farm Price Index (1954-55 = 100)	Year	Farm Price Index (1972-73 = 100)
1954-55	100.00	1972-73	100.00
1955-56	99.48	1975-76	157.61
1956-57	94.35	1978-79	209.05
1957-58	111.49	1981-82	360.08
1958-59	120.63	1984-85	563.78
1959-60	123.65	1987-88	465.43
1960-61	178.38	1990-91	1086.42
1961-62	158.74	1993-94	1398.76
1962-63	131.89	1996-97	1769.55
1963-64	145.08	1999-00	3096.71
1964-65	161.09	2002-03	1321.39
1965-66	187.47	2005-06	1799.59
1966-67	161.09	2006-07	2146.91
1967-68	178.99	2007-08	2144.03
1968-69	182.29	2008-09	2012.35
1969-70	189.35	2009-10	2162.14
1970-71	176.16	2010-11	2981.07
1971-72	140.37	2011-12	3178.18

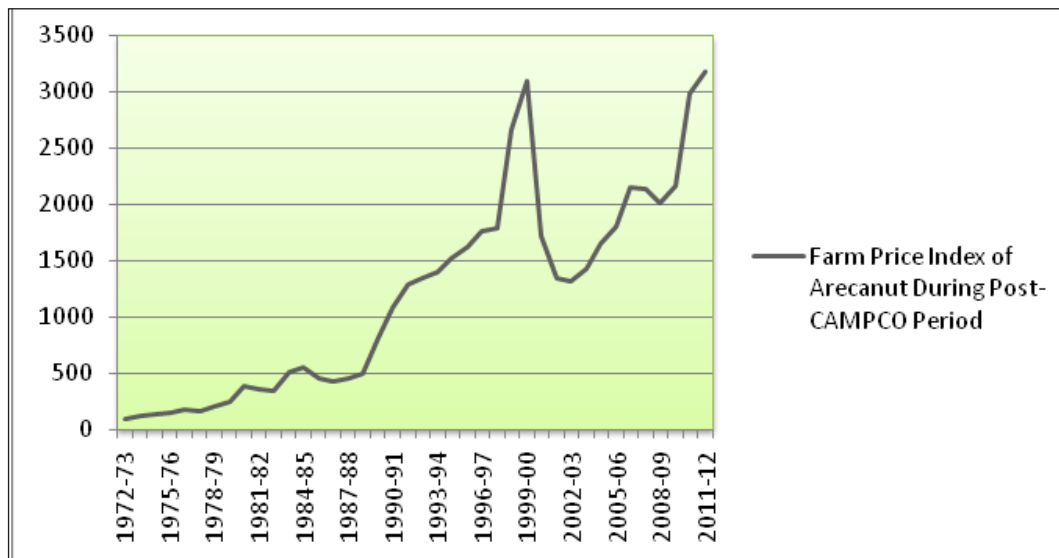
Source: - Computed from (i) Statistics for Planning (various issues), Department of Economics and Statistics, Govt. of Kerala, Thiruvananthapuram.

(ii) Economic Review (various issues), State Planning Board, Govt. of Kerala, Thiruvananthapuram.

**Fig 2 Farm Price Index of Arecanut during Pre-CAMPCO Period
(1954-55 to 1971-72)**



**Fig 3 Farm Price Index of Arecanut during Post-CAMPCO Period
(1972-73 to 2011-12)**



Another important involvement of CAMPCO is in the grading of arecanut in scientific manner according to size and quality. On the basis of quality arecanut is graded by CAMPCO in to four categories, viz, S.S. Supari (Super Superior quality), S. Supari (Superior quality), J.J. Supari (Middle quality) and J. Supari (Inferior quality). On the basis of size it is graded into six types by CAMPCO which include Mora (30 mm diameter and above), Moti (26.5 mm diameter and below 30 mm diameter), Bichras (24 mm diameter and below 26.5 mm diameter), Jam (21.5 mm diameter and below 24 mm diameter), Jini (19 mm diameter and below 21.5 mm diameter) and Lindi (Below 19 mm diameter). Mora Supari and Moti Supari are generally preferred by the people of Gujarat area. Bichras Supari and Jam Supari are greatly preferred by the people of Bihar and UP, whereas, Jini and Lindi are generally preferred by the people of Maharashtra and Andrapradesh.

CONCLUSION

In commodities like arecanut, where production is concentrated in a few states and consumption spread all over the country, the system of marketing assumes great importance. Marketing of arecanut product is influenced by the trends in area and production of the crop over a period. Imports, exports, domestic consumption, structure of market, storage and transport facilities, availability of market information, marketing inspection, research, training, etc, also affect arecanut marketing. The analyses of arecanut marketing revealed six different methods of sale and marketing channels in Kerala. Among these, channel III (producer → co-operative societies (CAMPCO) → Retailer → Final consumer) is an efficient marketing channel. This is due to the reason that this channel provides better price to the arecanut producer than any other marketing channels and price spread is minimum. Lower price spread and better price to the arecanut growers in co-operative marketing channel than any other marketing channel in Kerala is due to the establishment of CAMPCO depots in the state.

The levels of agricultural price in an economy influence a number of aspects of the economy. Till the mid 1970's the farm price and wholesale price of arecanut was fluctuating. Since that period,

there was a major increase in the farm price and wholesale price of arecanut with minor fluctuations. This made arecanut cultivation more remunerative and improved the economic conditions of arecanut farmers. This increase in price was mainly due to the establishment of CAMPCO and it envisaged the further involvement of it in the varied aspects of arecanut marketing.

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