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Impact of a Cooperative Society on the Arecanut Marketing in Kerala — A Case Study of Central Arecanut Marketing and Processing Cooperative Ltd

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Abstract

The marketing system of arecanut in Kerala includes primary, secondary and terminal markets. The trade in arecanut was monopolistic in nature. But this has changed since mid-1970s as a result of formation of a co-operative society called Central Arecanut Marketing and Processing Co-operative Ltd (CAMPCO). The establishment of CAMPCO has raised the farm price and wholesale price of arecanut in Kerala, of course with minor fluctuations. 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. A lower price spread and a better price through CAMPCO to arecanut growers among different marketing channels in Kerala is the most important impact of this co-operative venture. The CAMPCO has also educated the growers on the grading of arecanut in a scientific manner according to its size and quality. All these effects of CAMPCO have made arecanut cultivation more remunerative and has improved the economic status of arecanut farmers.

Key words: Arecanut, CAMPCO, marketing channel, price spread, cooperative society impact, Kerala

JEL Classification: Q13, Q12

Introduction

Arecanut is cultivated in different climatic and soil conditions, particularly in India, Bangladesh, Sri Lanka, Malaysia, Indonesia, Philippines and Myanmar (Jose and Jayasekhar, 2008). According to the recent data on area and production of arecanut in different countries, India stands first in both area and production of arecanut. In India, among the arecanut-growing states, Kerala, Karnataka and Assam account for 95 per cent of the total area and 90 per cent of the total production. In Kerala, it is cultivated in all districts. The proportion of area under arecanut in the state is very high vis-a-vis other states. The area under arecanut increased from 54.2 thousand ha in 1960-61 to 99.8

thousand ha in 2010-11 (Govt. of Kerala, 2012). For sale of arecanut, several marketing channels are followed in Kerala (Karunakaran, 2013).

To help the arecanut growers in Kerala, a Central Arecanut Marketing and Processing Co-operative Ltd (CAMPCO) was established in the year 1973. Its main objective was to procure arecanut from the members, and if necessary, from other growers on agency basis or on outright purchase basis; to arrange for sale of arecanut; to advance loans to members on the pledge of goods; and to promote arecanut production, marketing and processing.

The area of operation of this co-operative society extends to the states of Kerala and Karnataka, but for the marketing of arecanut, there is no restriction on the area. This Society purchases, processes, grades,

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transports, stores and sells arecanut through its procuring centres in Kerala and Karnataka and sales depots throughout the country (CAMPCO, 2013). Before the establishment of CAMPCO, trade in arecanut was monopolistic in nature; with a large number of cultivators to sell and only a few village merchants and wholesalers to purchase the produce. This was the reason why the arecanut cultivators were not able to get a better price for their produce (Naik and Arora, 1986). The entry of CAMPCO in the secondary market has helped the primary market participants to understand the complete mechanism of arecanut trade and to reduce the monopoly of secondary wholesalers in a particular grade of arecanut. The CAMPCO has also helped the farmers in understanding the complex grading system and in regularising the trade between the primary and secondary markets by appointing sales representatives (Karunakaran, 2013). Therefore, an investigation into the impact of CAMPCO on arecanut marketing in Kerala was considered necessary. This paper has analysed CAMPCO's impact on arecanut marketing of Kerala with special emphasis on farm price, price spread and grading of arecanut.

Data and Methodology

The study has used both primary and secondary data. The major source of secondary data were 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. The primary data were collected from 72 arecanut growers (with main source of income from arecanut cultivation) in the Kasaragod district of Kerala in the year 2012-13. The farm price of arecanut in Kerala during pre-CAMPCO and CAMPCO periods was analysed from 1954-55 to 2011-12. For measuring the physical and financial progress of CAMPCO, data from 1973-74 to 2012-13 were considered. The major marketing channels for arecanut in Kerala, gross price spread, net price spread and average annual growth rate of the farm price of arecanut in Kerala during pre-CAMPCO and CAMPCO periods were used for the analysis.

Results and Discussion

Organisational Structure of CAMPCO

The Central Arecanut Marketing and Processing Co-operative Society Ltd has five types of memberships — Class-A, Class-B, Class-C, Class-D and Class-E. The class-A 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. The price of one A-class share is ₹ 1000. The class-B membership is open to agricultural produce market committees of arecanut growing-areas, co-operative marketing and consumer federations, any other multi-state co-operative society or any national co-operative society or any corporation owned or controlled by government, any company, state co-operative banks, district co-operative central banks and any other co-operative bank coming under the banking regulation act in the area of operation. The price of one class-B share is ₹ 1000. The class-C membership is open to individual arecanut-growers in the area of operation. The price of one class-C share is ₹100. The class-D membership is open to state governments, central government and national co-operative development corporation. The price of one class-D share is ₹ 1000. The class-E membership is open to merchants, commission agents, traders and others, who have business connection with CAMPCO, who shall be nominal members and shall have no right of voting or participate in the management or in any meeting related to the management of CAMPCO. The class-E members may be admitted as nominal members on payment of entrance fee of ₹ 10, which is non-refundable. There is a significant improvement in the membership in CAMPCO, from 3576 in 1973-74 to 123375 in 2012-13.

Physical and Financial Progress of CAMPCO

The physical and financial progress of CAMPCO has revealed that this organisation has induced several significant and desirable changes in the arecanut development programmes in the region. This has been revealed from the analysis of membership, share capital, procurement of arecanut and profit of CAMPCO over the period 1973-74 to 2012-13 (Table 1).

Table 1. Physical and financial progress of CAMPCO: 1973-74 to 2012-13

Particulars	1973-74	1983-84	1994-95	2005-06	2012-13
Authorised share capital (in lakh ₹)	100	1200	2500	3500	5000
Paid up share capital (in lakh ₹)	94	502	1116	1102	2947
No. of members	3576	20960	60437	92485	123375
No. of procurement centres	5	36	50	57	56
No. of sale depots	-	13	39	33	31
Purchase of arecanut					
(a) Quantity (Mt)	5048	21770	24217	36260	50022
(b) Value (in lakh ₹)	359	3411	15868	27883	74502
Sale of arecanut					
(a) Quantity (Mt)	1533	27370	23297	42648	47783
(b) Value (in lakh ₹)	101	4731	18177	34484	74553
Gross profit (in lakh ₹)	7	305	1579	3997	9511
Net profit (in lakh ₹)	1	120	316	1625	1486
Profit ratio (as % of purchase value)	0.28	3.52	1.99	5.83	1.99

Source: Annual Report of CAMPCO 2012-13. The CAMPCO Ltd, Mangalore. pp. 57-62.

A perusal of Table 1 reveals that procurement of arecanut by CAMPCO has increased tremendously over the period 1973-74 to 2012-13. In the first year of procurement, CAMPCO started procurement through 5 centres only and for the past twenty years, it has been operating through more than 50 procuring centres across the states of Kerala and Karnataka. The CAMPCO has also opened sales depots in almost all parts of the country. By the year 2012-13, the operations of CAMPCO have also increased significantly. The sale has grown by almost 30-times in forty years of its operation. 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 in India which are periodically making losses, CAMPCO has been able to earn a sizeable net profit after fulfilling its desired objectives (Duggappa, 2013). In a period of 30 years (1983-84 to 2012-13) the CAMPCO has increased the profit level 10-times.

Marketing Channels for Arecanut

Table 2 shows the major marketing channels for arecanut in Kerala. Since there are many intermediaries in the marketing channel for arecanut, producers normally get only a lesser share of the consumer's price, depending on the distance between the assembling and distributing centres, various market charges and margins and season of disposal (Bhalerao and Singh, 1982).

Among the marketing channels for arecanut shown in Table 2, the first three channels are very important. The price spread across these three marketing channels is shown in Table 3. It can be seen that the gross price spread through channel-II is less than the gross price of channel-I. The primary producer received the highest price through channel-III. The gross price spread was very low through channel-III and was less than the gross price spread in channels-I and -II. The gross price

Table 2. Major marketing channels for arecanut in Kerala

Channel – I	Producer → village traders or Itinerant merchants → Private wholesaler → Retailer → Consumer
Channel – II	Producer → Private wholesaler → Retailer → Consumer
Channel – III	Producer → CAMPCO → Retailer → Consumer
Channel – IV	Producer → Consumer

Source: Primary data

Table 3. Price spread in arecanut across major marketing channels in Kerala

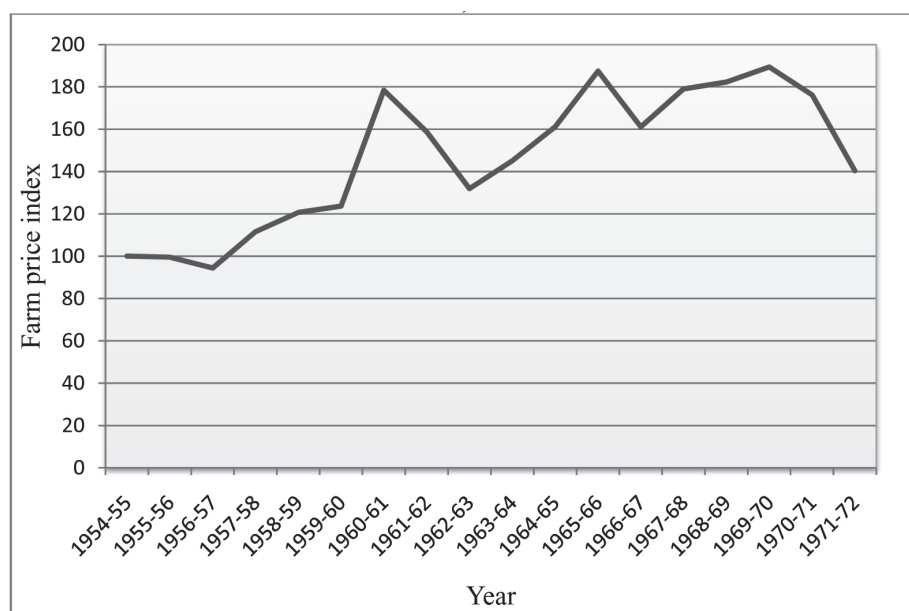
(₹/kg)

Marketing channel	Farm price	Retail price	Gross price spread	Marketing cost	Marketing margin	Net price spread	Gross price spread as percentage of	
							Farm price	Retail price
I	70	135	65	30	35	35	93	48
II	75	133	58	27	31	31	77	44
III	80	132	52	26	26	26	65	39

Channel – I: Producer → village traders or Itinerant merchants → Private wholesaler → Retailer → Consumer

Channel – II: Producer → Private wholesaler → Retailer → Consumer

Channel – III: Producer → CAMPCO → Retailer → Consumer Source: Primary data

**Figure 1. Farm price index of arecanut during pre-CAMPCO period (1954-55 to 1971-72) in Kerala**

spread as a percentage of farm price and gross price spread as a percentage of retail price were also less through channel-III vis-a-vis other two channels. It is probably due to the establishment of various CAMPCO purchase depots in different parts of the state.

Farm Price of Arecanut during Pre- and Post-CAMPCO Periods

The main objective of CAMPCO is to improve the economic status of arecanut farmers by addressing market disabilities. The analysis of the price per unit of arecanut realized by farmers in the pre-CAMPCO and post-CAMPCO periods has revealed that the co-operative marketing channels have offered better

price to the arecanut growers. Figures 1 and 2 present a comparison between the price trends in the pre-CAMPCO and post-CAMPCO periods in Kerala.

The data presented in Table 4 reveal that the farm harvest price of arecanut in Kerala rose steadily from 1973-74 and grew by 3078 percentage higher in 2011-12 over the base of 1972-73 farm price level. Thus, a comparison between the price trends in the pre- and post-CAMPCO periods has clearly indicated that the setting-up of CAMPCO has resulted in an effective stabilization of arecanut market and has offered a highly reasonable price incentive to the arecanut-growers of Kerala.

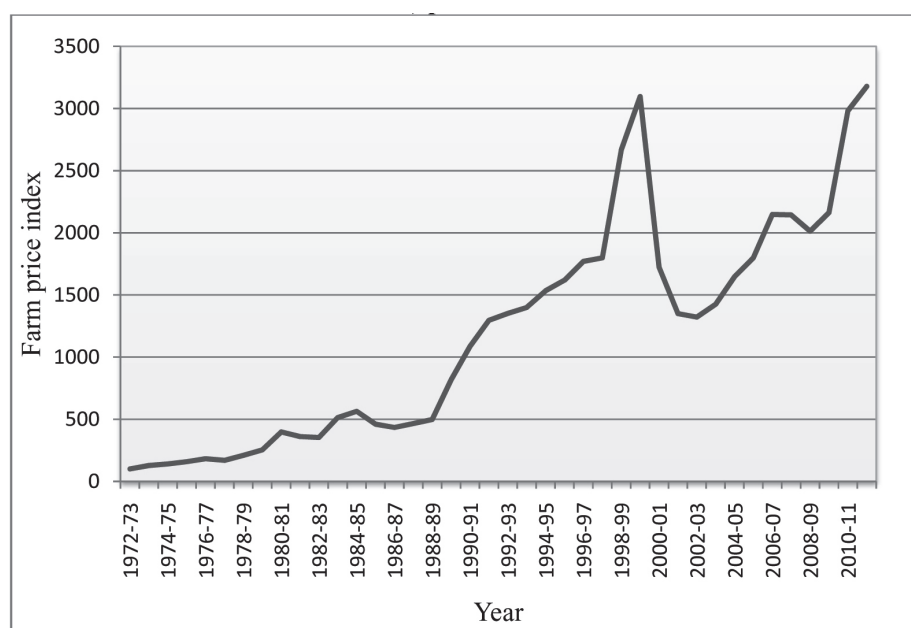


Figure 2. Farm price index of arecanut during post-CAMPCO (1972-73 to 2011-12) period in Kerala

Table 4. Average annual growth rate of farm price of arecanut in Kerala during pre-CAMPCO and post-CAMPCO periods

Pre-CAMPCO period		Post-CAMPCO period	
Year	Average annual growth rate	Year	Average annual growth rate
1954-55	0.1000	1972-73	0.1000
1955-56	-0.0052	1975-76	0.5761
1956-57	-0.0565	1978-79	1.0905
1957-58	0.1149	1981-82	2.6008
1958-59	0.2063	1984-85	4.6378
1959-60	0.2365	1987-88	3.6543
1960-61	0.7890	1990-91	9.8642
1961-62	0.5874	1993-94	12.9876
1962-63	0.3189	1996-97	16.6955
1963-64	0.4508	1999-00	29.9671
1964-65	0.6109	2002-03	12.2139
1965-66	0.8747	2005-06	16.9959
1966-67	0.6109	2006-07	20.4691
1967-68	0.7899	2007-08	20.4403
1968-69	0.8229	2008-09	19.1235
1969-70	0.8935	2009-10	20.6214
1970-71	0.7616	2010-11	28.8107
1971-72	0.4037	2011-12	30.7818

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.

Grading of Arecanut

Another important impact of establishing of CAMPCO on cultivators was in terms of grading of arecanut in a scientific manner according to size and quality. On the basis of quality, arecanut was graded by CAMPCO into 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 was graded into six types by CAMPCO which included Mora (diameter 30 mm and above), Moti (26.5 – 30.0 mm diameter), Bichras (24.0 – 26.5 mm diameter), Jam (21.5 – 24.0 mm diameter), Jini (19.0 – 21.5 mm diameter) and Lindi (< 19 mm diameter). *Mora Supari* and *Moti Supari* are highly preferred by the people of Gujarat. *Bichras Supari* and *Jam Supari* are mostly preferred by the people of Bihar and Uttar Pradesh, whereas, Jini and Lindi are greatly preferred by the people of Maharashtra and Andhra Pradesh.

Conclusions

In commodities like arecanut, for which production is concentrated in a few states and consumption is spread all over the country, the system of marketing assumes great importance. Marketing of arecanut has been 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 analysis of arecanut marketing has revealed that there are different marketing channels in Kerala. Among these, the channel, “Producer → CAMPCO → Retailer → Consumer” is an efficient marketing channel. It is due to the fact that this channel provides a better price to the arecanut producer than any other marketing channel and the price spread is minimum. A lower price spread and a better price to the arecanut growers in the co-operative marketing channel vis-a-vis any other marketing channel in Kerala are due to the establishment of CAMPCO depots in the state.

The level of agricultural price is an essential indicator of the growth and sustainability of the crop. Till mid-1970s, the farm price of arecanut was fluctuating. But after that, there was a major increase in the farm price of arecanut with minor fluctuations. This increase was mainly due to the establishment of CAMPCO. Another major impact of starting of CAMPCO on cultivators was in terms of grading of arecanut in a scientific manner according to size and quality. On the basis of quality, arecanut is graded by CAMPCO into four categories and by size; it is graded into six types. The important impact of CAMPCO on the arecanut marketing in Kerala has been in strengthening of this cooperative venture in the state.

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