

# ROLE OF CO OPERATIVES IN ARECANUT BUSINESS WITH SPECIAL REFERENCE TO TUMCOS LTD

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## **Abstract:**

Arecanut is an important agricultural product in many regions of the world. It is mainly grown in India, Bangladesh, China, Indonesia, Sri Lanka and some of the specific Islands. India is the largest producer in the world. In India the cultivation of arecanut is mostly confined to the states of Karnataka, Kerala and Assam. Cultivation of arecanut is mostly confined to the states of Karnataka, Kerala and Assam but the consumption is spread all over the country.

As the areca growers had experienced a sudden marketing crisis in the year 1970-71, when prices registered a marked fall which caused considerable concern to the growers, was the genesis for the setting up of this Co-operative Venture.

This co-operative society "TUMCOS" was established on "May 31, 1984" by the founder President Late R. Marulappa. B.Sc., (Agriculture)

Various measures were thought of for organized marketing management and leaders among growers sat together to find a way out. State government of Karnataka, on the advice of an expert committee recommended organizing a central agency in the public or co-operative sector. Thus, with the blessings and active support of the government of Karnataka. The Central Arecanut marketing Co-operative limited popularly known as the "TUMCOS" was born and it registered on 30<sup>th</sup> July 1999 with the Sec 4(2) of Multi co-operative societies act 1984. The past trends in area, production and consumption along with price, all these clearly shows that the sector is moving in the right direction, but there are problems especially from the side of traders. Hence the governments both state and Central should take necessary steps without any delay to overcome these. In this regard the prevailing giant cooperative like TUMCOS has to build up financially sound.

**Key words:** Arecanut, Cultivation and consumption

## ROLE OF CO OPERATIVES IN ARECANUT BUSINESS WITH SPECIAL REFERENCE TO TUMCOS Ltd,

### INTRODUCTION:

Arecanut is already made available in the market with different varieties such as powdered quality, scented one, 'Gutkha' and Mava with tobacco mix, sweet and masala form and roasted small pieces in an attractive sachets. Still, there is lot of opportunity and potentiality of introducing, in the form of pieces or powder in different colors by adding its value with spices and chilly powder (Spicy and pungent Arecanut) in a satches. In order to boost Pan-Beeda market in the domestic as well as foreign, long lasting ready made pans may be made available in the attractive healthy packs or containers. Another possibility is existing that it could be developed as chewing gum. For this, necessary research may be undertaken. If it is achieved, market could be captured easily. Further, exploiting its physical and chemical properties, production of ideal Mouth Freshner could be thought of, to attract the attention of Multinational Companies. Aesthetically, attractive and imaginative novelties can be made from Arecanut taking advantage of the natural color and having variation on the surface. For instance, it can be used for preparing toys for small babies, statues and different show case pieces by giving fine art touch on it. It can be also utilized in the production of various show case pieces, like paper weight.

Today Arecanut is an important commercial crop. The income from Areca is also high . From nearly 13-15 years, rates are continuously raising looking at this high income increasingly , farmers are growing Arecanut even in non-traditional areas also. Approximately 50000 hectares of land is newly cultivated by Arecanut in Karnataka itself. In these circumstances, the Gutka ban in various states has made it necessary to think of this crop.

The increased income for areca formers have only made their standard of living high and not bought any seriousness about using the excess income on the development of the crop and its uses. Now, it is the right time to the farmers to think about utilizing their high income towards developing various uses of Arecanut and developing market for Arecanut. This will help them in long run. In this direction alternative uses of Arecanut should be studies well and profitable items should be applied commercial.

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Arecanut is an important commercial crop in India and finds a place in allreligious, social and cultural functions in India. Cultivation of arecanut is mostly confined to the states of Karnataka, Kerala and Assam but the consumption is spread all over the country. India is considered as the largest arecanut producing country in the world.

The total areas under cultivation is 2, 64,000 hectares and the annual production estimated at 313,000 metric tonnes with Karnataka and Kerala accounting for nearly 72% of total production. Over six million people are engaged in arecanut cultivation, processing and trade. More than 85% of the area under cultivation is made up of small and marginal holdings.

## OBJECTIVES OF THE STUDY

The basic objectives of the study about the TUMCOS are as below.

- ☐ To study the growth of TUMCOS since its inception.
- ☐ To study the problems of areca growers in India in general and in Davanagere district in particular.
- ☐ To study and analyse the production and productivity of arecanut in Davanagere district
- ☐ To examine the problems of arecanut growers with regard to production and marketing.
- ☐ To study the future of arecanut.
  
- ☐ To help the growers to store their dried nuts till they fetch better prices in the market.

## METHODOLOGY

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

This study pertains to Davanagere of Karnataka, which is the major production belt of arecanut in the state. The data for study is collected from sources – Primary and Secondary. There are six talukas comprising of Davanagere District – Channagiri, Basavapatna, santhebennur, and Pandomatti. A detailed survey was conducted in three talukas viz. Channagiri and Santhebenur Hobali.

Since these talukas has greater share in production of arecanut in the district. 75 farmers from each talukas were selected for study randomly. Rural farmers located in different villages having different sizes of land holding were included to cover the variations in cultivation practices, marketing practices etc. having applied stratified random sampling technique of the study area, it was decided to make the classification of all the farm holding into three groups viz small (up to 03 Acres), medium (3 to 8 Acres) and large scale (8 Acres and above).

The field survey was conducted in the study area through a pre-tested interview based on systematic sampling.

The interview scheduled on production includes general particulars about the farmers, socio-economic life, cropping, occupational pattern and other relevant information.

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

This study is more focused on studying the overall performance of TUMCOS Ltd with regard to marketing of agricultural products in general and arecanut in particular.

This study is confined to Davanagere district, as the major production of arecanut comes from Davanagere district.

The data for study is collected from primary and secondary data.

#### a) **Primary data:**

- **Personal interviews:** the data were collected from the farmers regarding their holdings, production problems faced by them etc. They were kind enough to provide any kind of information that was required. Officials of TUMCOS Ltd were also interviewed and collected the information.
- **Observation method:** The information was collected by observing the various processes carried out by the TUMCOS Ltd.

The survey was conducted to analyze the objectives of marketing, identify the marketing channel; the schedule was prepared in such a way as to know the particular about the farmers, their socio economic life and their problems.

- b) **Secondary data:** Secondary data comprises of the data, collected about the production and marketing, marketing price, production and productivity, scope for providing information about consuming.

This co-operative society “TUMCOS” was established influencing by co-operative society Sirsi and “Compco” TUMCOS this word coming from the 3 ‘Kannada’ letters (Tum) and 3 ‘English’ letters (Cos) Kannada letters ‘Tum’ means “Thota Utpannagala Marata” and English letters “Cos” means ‘ Co-Operative Society’ (Sahakara Snaga)

It has market area of Channagiri taluk only. Further plans are being done to widen the market area. To enhance the present market area of Arecanut and to develop future market “TUMCOS” has under taken many research an alternative uses of “Arcanut” in collaboration with some of the leading research institute of India.

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expert committee recommended organizing a central agency in the public or co-operative sector. Thus, with the blessings and active support of the government of Karnataka. The Central Arecanut marketing Co-operative limited popularly Known as the “TUMCOS” was born and it registered on 30<sup>th</sup> July 1999 with the Sec 4(2) of Multi co-operative societies act 1984.

### SWOT ANALYSIS of TUMCOS LTD:

SWOT analysis is done to know the strengths, weakness, opportunity and threats of the cooperative.

<b>Strengths:</b> <ul style="list-style-type: none"> <li>✚ Strong financial backup.</li> <li>✚ High skilled employees</li> <li>✚ Mamcos has got</li> </ul>	<b>Weakness:</b> <ul style="list-style-type: none"> <li>❖ Higher age profile of the staff.</li> <li>❖ Lack of clarity in hierarchical structure.</li> <li>❖ Lack of technical knowledge.</li> </ul>
<b>Opportunities:</b> <ul style="list-style-type: none"> <li>❖ Technological innovations</li> <li>❖ Increase in areca cultivation areas.</li> <li>❖ New areas like manufacturing and marketing of sub products of areca.</li> </ul>	<b>Threats:</b> <ul style="list-style-type: none"> <li>❖ Fluctuations in price of areca in the market</li> <li>❖ Competitions from the other marketing co-operative societies.</li> <li>❖ Similar to other societies this also came under operational and credit risks</li> </ul>

The area of operation of this cooperative for procurement and processing of Arecanut and Cocoa extends to the States of Karnataka and Kerala, but for the marketing activity, the area has been extended to the whole country. Arecanut purchase operations were extended to Assam, Andaman and Goa.

Starting with its Head office at Channagiri in middle Karnataka, the TUMCOS LTD began with a handful of procurement centers in Karnataka. The TUMCOS LTD adopted a safe policy for purchasing and marketing the commodity and maintaining standards in quality assiduously with the dedicated cooperation of a network of diligent officers and workers. The society achieved success by leaps and bounds, stood the brunt of changing trends, market recessions and upheavals, glut in the market and even national calamities in the marketing field for more than two and half decades. Confidence has gained among the growers for areca cultivation as an economically viable and comfortable proposition.

The co-operative encouraged growers to take-up Cocoa cultivation as an inter-crop in the latter half of the 70's as a supplemental crop. This grew up to become a large scale operation with good results. A sudden withdrawal by the buyers of Cocoa from the procurement operations due to crash in the international market came as a shock to cultivators. Karnataka governments enthused at this stage the TUMCOS LTD to

enter on the scene to rescue the farmers from distress. TUMCOS LTD willingly took up the responsibility to enter the cocoa market and performed a saviour's role. As a strategy for survival in the International scene the TUMCOS LTD played a major role in establishing a name for Arecanut production land in Karnataka .

Standardization and grading provide the ethical basis for marketing transaction. The development of standards of weight and measures is a proof of an ethical advancement of the human race. As long as no objective standard prevails, there is no opportunity for the strong to take advantages of the weak. In the sample village, grading of Arecanut is undertaken at two stages one by one grower and other by the marketing department of the society. Areca growers practice unscientific method of grading depending upon the uniform kind, quality and the size of the nuts based on visual estimates of the appearance of the nuts. Out of the bulk, growers sort out the superior nuts from inferior ones. They are termed as graded varieties. But there is no scientific grading of the produce and most of the time the growers are at a loss as the commission agents tend to practice visual grading. Some growers mostly small scale, do not take the responsibility of grading and they sell their entire produce as Rushi (Total lot). The commission agent and the dealers derive more benefit after grading the produce.

In TUMCOS the grading will taken by the marketing department they separate the Arecanut depending upon the quality and the size of the nuts and finally they give 'TS' mark to the Arecanuts and sell it in to the many industries in the India.

## PROBLEMS & THE FUTURE

The following are some of the major problems of the areca growers in India. These problems have to be addressed without any delay.

- (1) Non-availability of adequate organized local markets. Because of this the growers are forced to sell their produce to intermediaries or private traders.
- (2) Non-availability of market intelligence to the growers is one of the reason responsible for high fluctuations in the price of this commodity in different markets. The prevailing arrangements through Radio's and Newspapers provide information only about the prevailing price in production centers, whereas the growers are not at all getting the information about the price, which is paid by the consumers.
- (3) The price of arecanut has been fluctuating periodically. This type of situation appears to be there mainly because of the dominance of the private traders in its marketing.
- (4) Problem of Transportation: Most of the production centers are not having well connected road facilities.

- (5) Lack of proper training to the farmers on aspects like grading, storage etc., minimized the scope to get better price for their product.
- (6) Arecanut trade in India is mainly dominated by the private traders and their share is above 80 percent. On the other hand even though a giant cooperative (TUMCOS LTD) is functioning for the well-being of the areca growers, the share of it in areca business along with other cooperatives is below 20 percent. As a result of this the TUMCOS LTD has little control over the market, thereby the price of arecanut is ultimately decided by the private traders in our country and they often go for manipulations as was experienced in the 60's, 70's and in 80's, 90's also. This view can be supported from the fact that whenever a remedial measure is proposed either by the institutions or by the Government, slowly the price goes up for e.g. when the Central Government, imposed 114 percent duty on imported arecanut or when the farmers and Government entered into the picture of the market with certain solutions in the month of October and the first week of November 2001 the price of arecanut started picking up. This clearly says that lack of market surveys or R&D in connection with market is the main factor responsible for the periodic fluctuations in the price of arecanut.
- (7) As the demand for value-added products are increasing in recent years and the youths are attracted by these, the efforts of our institutions to produce these products are insufficient. On the other hand those who are involved in the production of these products are gaining larger volume income both in the domestic and external markets through products like pan masala, scented supari and Ghutka. Again the efforts of our recognized institutions to export arecanut and its products towards developing and developed countries are poor.
- (8) Lack of advertisement or propaganda about the values and uses of the product restricted the scope for increasing the volume of direct sales from the organized agencies is also a factor responsible for the fluctuation in the prices.
- (9) Delay in finding out the alternative uses of arecanut and the subsidiary products.
- (10) Lack of control over the private traders from the side of the Government is also responsible for trade manipulations.
  - The recent moves of various state governments to ban “Gutka” will adversely affect the areca growing community . Since areca is the main ingredient of ‘Gutka’ . It is a one of the reason for price fluctuation in Areca nut market. The TUMCOS MAJOR PORTION OF Areca nut is supplied to the Gutka. In this connection Campco has represented and requested to the concerned that before initiating such a norch measure, the harmful ingredients of Gutka should be identified segregated and analyzed and only such injurious ingredients are to be banned. Otherwise , it wins create for reacting results in the members involved in the production, processing and trade of Areca nut.



## PROCUREMENT & MARKETING

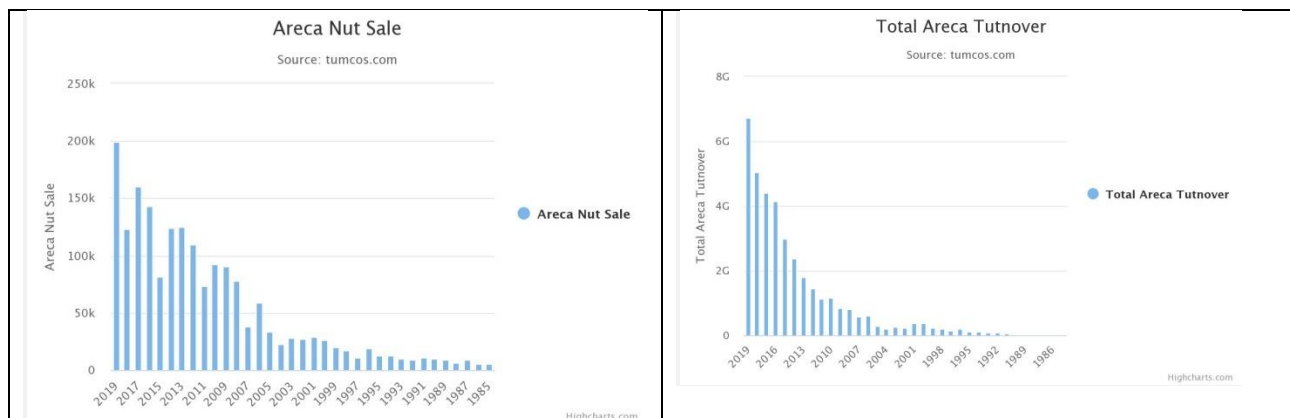
Arecanut is consumed in raw as well as processed form. The practice of consuming raw arecanut both in their fresh and processed form prevents in the entire producing regions but the processed form of value based arecanut is consumed more and more out of the production belt.

The art of marketing is more difficult than the art of production and hence it is not a matter of amateurs more especially so in the case of agricultural produce. The marketing of Areca Nuts farmer products should be so systematic, scientific and organized so as to enable the farmer to negotiate square deal and get a fair share of value of his produce. For this purpose, The Thota Uthpannagala Marketing Co-operative Society Ltd, which is popularly known as "TUMCOS" functioning at Channagiri, Tavarakere, Holalkere, Basavapattana & Tharikere.

TUMCOS LTD Areca nut sales details

Year	Sale	Amount
2016	143022	4147354000
2017	159962	4394634000
2018	123451	5031768000
2019	199363	6714216000
2020	310936	1211200000

Source: TUMCOS REPORT





## CONSTRAINS FACED BY ARECANUT GROWERS

Constraints faced by areca nut growers It could be revealed from the Table-2 with respect to production constraints, lack of knowledge about pest and disease control was ranked first based on the score obtained followed by high cost of chemical fertilizers and high cost of plant protection chemicals. This might be due to less knowledge about chemical used in control of pest and recommended dose of chemicals to be applied and they also expressed that they are lacking in technical guidance regarding plant protection chemicals. The cost of major inputs like chemical fertilizers and plant protection chemicals are increasing every year. It was also observed that non availability of farm labours was ranked third and lack of knowledge about balanced use of fertilizer was ranked fourth by the arecanut growers.

Problems are

<ul style="list-style-type: none"> <li>• Lack of knowledge about pest and disease control</li> <li>• High cost of chemical fertilizers</li> <li>• High cost of plant protection chemicals</li> <li>• Non-availability of farm labour</li> <li>• Lack of knowledge about balanced use of fertilizers</li> <li>• Financial constraints</li> <li>• Non availability of credit in time</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate subsidies</li> <li>• High rate of interest</li> <li>• Insufficient credit</li> <li>• Insufficient repayment time</li> <li>• Marketing constraints</li> <li>• Lack of irrigation facilities</li> <li>• Lack of power supply</li> <li>• Problem of weed control</li> </ul>
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As farm sizes are becoming increasingly marginal and small, farmers of these groups should be given a centre stage in all policy decision making. For instance, whatever technological interventions made to enhance the agricultural production and farm income, should be applicable to marginal and small holdings also.

## SCOPE FOR VALUE ADDITION IN ARECANUT

To safeguard the interest of the areca growers there is the need to explore the possibilities in value addition. In this regard the following areas has to be covered without any delay.

- 1) Need to establish a Research & Development center to find out the alternative uses of arecanut.
- 2) Value addition in arecanut should be made as per the taste and preference of the consumers both internally & externally.
- 3) Value added products should be produced for the target groups viz., students, female section of the population etc.,
- 4) As the demand for wine is larger in European countries necessary steps should be taken to produce areca wine.

## FINDINGS AND SUGGESTIONS

Areca nut, being the important crop of India, finds of place in all religious, social and cultural, occasions in our country. It is vastly used for chewing in the form of supari, gutka, etc., along with the betel leaves. Here, the market can be develop to its fullest extent. This is necessary, also because areca nut has medicinal value. The grower may be satisfactory helped if this market can be recognized and operated nationally.

Arecanut crop is the life line of farmers in the traditional arecanut growing regions of India. Their life and culture are totally shaped by the crop due to its perennial nature using low water, contributing to impressive carbon sequestration on the one hand and to multifarious economic products on the other. It would be in order to protect the interests of arecanut cultivators especially of traditional arecanut growing regions of India as they have no other alternative crop nor farming means as yet to sustain them.

Thus, the results and recommendations of this study should be used to protect the arecanut cropping system. Promotion of value added products upholding health and welfare of the individuals on a sustainable basis should be undertaken . The policies and programs discussed under **five headings (Pancha Sutra)** need to be considered earnestly to get arecanut economy out of current woes and predicament. Hence, the day has come to think and act upon **“arecanut of the future.”**

For the survival of areca growers and to observe certain positive growth in the sector along with the basic objectives of economic development viz., improving and increasing social and economic capital in the sector in particular and economy in general the following aspects should be considered seriously. They are;

- (1) Conducting market surveys frequently and controlling the activities of private traders.
- (2) Restricting the volume of imports and strict control or even a ban over illegal imports.

- (3) Dissemination of price information through Mass Medias like Internet, T.V., Newspapers and Radio.
- (4) Undertaking advertisements both in the internal and external markets.
- (5) Production of more and more value added products, substitute to Ghutka that is without tobacco.
- (6) Opening up of Pan-Beeda shops in different parts of the nation.
- (7) Providing incentives to the growers to go for mixed farming and arranging the required marketing facilities for these products.
- (8) Providing timely information to the growers about pre-and post-harvest technology.
- (9) Having a separate cell for export promotion under the TUMCOS LTD management.
- (10) Collection of Data on area, production and productivity in an efficient manner.
- (11) Requesting the NHB to conduct surveys on area, production and related aspects and to provide the required assistance in this regard.
- (12) Requesting the APEDA to identify the external markets for arecanut & its products and to conduct frequent surveys on external demand pattern and the quality concern of the consumers in the international market.
- (13) Establishing areca based products industry under the small scale sector and providing the required assistance at a subsidized manner and requesting the food processing industrial ministry to consider this.

## CONCLUSION

As we are in the twenty-first century, the 2000 plus year - old custom of betel chewing seems to be losing its appeal in South East Asia, at least in urban areas. The present generation seems to be chewing less betel nut than their grandparents and they prefer to have more of value added products. Hence, there is an urgent need to popularize healthy value added products of arecanut. So the future of arecanut not only lies in chewing alone but also an alternative uses of it. Hence, efforts are needed from the farmers, institutions, traders, academicians, and the government to improve the status of this sector.

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