

Marketing Scenario of Fruits and Vegetables in Kerala

G.S. Sreekala¹, P.G. Sadan Kumar² and S.Nirmala Devi³

Abstract

The vegetable and fruit marketing system in Kerala involves a long chain of intermediaries taking exorbitant margins resulting in low farmer's share in consumer's price. The involvement of intermediaries results in multiple handling, loss of quality, malpractices in weighing, handling, payments etc. Vegetable and fruit cultivation in Kerala is predominantly undertaken by small, marginal farmers and landless agricultural workers who lease the land. In order to sustain the interest of vegetable and fruit growers and motivate them for enhancing production, it is necessary to ensure that they get a reasonable price. A marketing channel which ensures a good and reasonable price to the producers as well as consumers with least number of intermediaries has to be identified. Due to interventions by public sector organizations, vegetable and fruit marketing in Kerala has improved the farmers' share of consumers price. This paper reviews the role of public sector organisations, their interventions in vegetable and fruit marketing in Kerala, strengths and weaknesses.

Introduction

Kerala being a consumer state depends on neighbouring states for major food commodities. The various developmental schemes launched in the state have resulted in substantial increase in the vegetable and fruit cultivation in the state. The vegetable production of the state is 7t / ha and the consumption is 17t/ ha. (Anon., 2010).

The fruit and vegetable marketing sector of Kerala has huge potential of around 1000 crores. Vegetable cultivation is undertaken predominantly by marginal farmers and landless agricultural workers either on leased land or on their own land. There exists a chain of intermediaries between the producer and the final consumer. They include the village merchant, itinerant trader, wholesaler, commission agent, pre-harvest contractor and retailer who take exorbitant margins making the commodities costly for the consumers and reducing the producer's

¹ Assistant Professor, AICRP (Vegetable Crops) College of Horticulture, Kerala Agricultural University, Thrissur

² Professor , Dept. of Olericulture , College of Horticulture, Kerala Agricultural University, Thrissur

³ Professor and PI, AICRP (Vegetable Crops) , College of Horticulture, Kerala Agricultural University, Thrissur

share in the consumer price. Apart from this there is prevalence of several malpractices like arbitrary deduction from the produce, manipulation of weights and measures and cheating the farmers, expenses by way of service charges in the market for entry, weighing etc., wastage of time and energy. The main marketing channels operating in the state are

Farmer-Village merchant-Wholesaler-Retailer-Consumer

Farmer-Commission agent-Wholesaler-Retailer-Consumer

Farmer-Wholesaler-Retailer-Consumer

Farmer-Pre harvest Contractor-Retailer-Consumer

Sandhya (1992) identified the most important channel for vegetable marketing in Kerala as Producer-Commission agent-Wholesaler-Retailer.

In Kerala, the market of fruits and vegetables has witnessed a remarkable change in the last decade. Apart from farmers, Self Help Groups (SHG) / growers societies, pre-harvest contractors, village merchants, commission agents, whole sale merchants, exporters, and retail traders, public sector organizations like Vegetable and Fruit Promotion Council Keralam, Department of Agriculture, Kerala State Horticulture Products Development Corporation Limited (HORTICORP) and Kerala State Civil Supplies Corporation regulate the price rise during the festival season and are involved in sustained marketing of fruits and vegetables in an appreciable manner.

Role of Public Sector Enterprises

Vegetable and Fruit Promotion Council Keralam (VFPCCK)

Vegetable and Fruit Promotion Council Keralam, a successor of Kerala Horticultural Development Programme (1993) started as a joint venture of the Govt. of Kerala and the European Union. The Council with farmers, government and financial institutions as major stake holders has proved successful in the production and marketing of vegetables and fruits by sustaining self help groups through participatory approaches. A well built network of field extension staff to deliver new technologies and practices with the help of a master farmer from each SHG, transfer the information to its members. Market led activities are promoted with the formation of SHGs by VFPCCK (Shinoji, 2007). Registered marketing bodies with efficient management system were introduced to undertake the marketing. These were called Swasraya Karshaka Samithi (SKS). They provide

a single window catering to the different needs of the farmers including inputs, seeds, farm machinery etc. The Council has 227 Swasraya Karshaka Samathis (SKS) with buildings for 57 farmer markets. Three lakh tonnes of fruits and vegetables were marketed through these farmer markets in 2008 (VFPCCK, 2009). In SKS, 10-15 SHGs with 150-200 farmers bring their produce in bulk and trade. The produce is sold by auction / bargaining to ensure competitive prices, thus facilitating trading between farmers and traders. Prices are fixed based on market information on daily prices and arrivals provided by VFPCCK. The Market Intelligence Centre (MIC) of VFPCCK provides information on arrivals and prices of commodities and is disseminated through print, visual media and KISSAN Kerala the official website of the Agricultural Department of Kerala. Reghunath (1999) reported that the Market Intelligence Centre set up by KHDP had enabled farmer groups to improve their bargaining power. Besides, MIC also suggests produce diversion signals by assessing market opportunities.

In addition to this, the Sasya market is also functioning which serves as the retail unit owned and operated by VFPCCK. The intermediaries are eliminated by sourcing the produce directly from farmers market, and the benefits arising out of it are shared between the farmers and consumers. These Sasya retail units are only in the initial stage of operation. Price spread analysis conducted, revealed that farmer's share of consumer price has increased from below 40 per cent to 60 per cent in VFPCCK farmer markets (Binoy, 2007)

Table 1. Market Share by SHG and non SHG under different Marketing Channels*

Sl.No.	Group	Marketing channel	% share of market
1.	SHG	Farmers market	62.54
2.	SHG	Direct selling & farmers market	13.07
3.	SHG	Direct selling, Whole sale market & retail shops	8.02
4.	Non SHG	Commission agents & farmers market	29.94
5.	Non SHG	Commission agent, Whole sale market, retail shops & farmers market	28.23
6.	Non SHG	Whole sale market & farmers market	13.91

* Data is based on study of SHG and non SHG engaged in vegetable cultivation in Kerala conducted by Shinoji (2007).

The market channel run by farmers market, shares 62.54 per cent among SHGs while in non SHGs, commission agents are involved in the channel leading to less profit for farmers.

The progress of linking SHGs with banks made rapid strides over the years mainly on account of low transaction cost, high percentage of recovery and mobilization of rural savings. Gurumoorthy (2000) reported that repayment from SHG to banks is more than 90 per cent where as it was less than 35 per cent under IRDP which might have been one of the reasons for the failure of the scheme. By agreement, banks are sanctioning crop loans to VFPC farmers who cultivate even on leased lands without any registered tenancy agreement. VFPC places a matching deposit with the bank as resource support which is not tied to the loans. Analysing the viability of SHGs under VFPC, Fayas (2003) reported nearly 68 per cent of the farmers of SHGs belonged to the medium category for economic performance and technology adoption. The credit repayment revealed that most of the SHGs have a recovery index above 0.75 with a few defaulters and complete credit utilization. Majority of the farmers involved in vegetable cultivation under SHG belonged to medium age group with an annual income between Rs. 7200 and Rs 55400. The group cohesion of SHGs, microcredit facilities and the market interventions under supervision of field extension staff contribute to greater intervention in vegetable and fruit marketing of Kerala by VFPC.

Department of Agriculture

The Department of Agriculture has been involved in promotion of vegetable cultivation since its inception through various developmental schemes. In the marketing sector, six whole sale markets set up with economic assistance from the European Union are now under the Department of Agriculture. They include three rural markets at Nedumangad (Trivandrum), Moovattupuzha (Ernakulam) and Sultan Bathery (Wayanad) and three urban markets at Anayara (Trivandrum), Marad (Ernakulam) and Vengari (Kozhikode). Though they are called wholesale markets they are not covered under the Agriculture Produce Marketing Committee Act of the regulated market. Direct marketing of farmers produce through auction is the rule. These are similar to the *Apni Mandis* in Punjab and Haryana, *Rythu Bazars* of Andhra Pradesh and *Uzhavar Santhaigal* of Tamil Nadu which are run

by the state governments as a promotional measure to introduce the principle of marketing without middlemen for the benefit of the small and marginal farmer (Ray, 2005). These whole sale markets of Kerala started functioning full fledged from 2010 onwards only. A floor price is fixed based on the information of market price and farmers are allowed to sell at a price equal to or above the floor price. Auction takes place once in a week. HORTICORP, the governmental organization is also allowed to participate in the auction mainly to stabilize the price. If the traders try to decrease the price below a level, Kerala State Horticulture Products Development Corporation Limited (HORTICORP) intervenes and procures the vegetables and fruits at a price equal to or above the floor price. Here also the farmers' clusters bring the produce to the market and the mode of marketing is through auction. Presently the transportation is subsidized 100 per cent under the state scheme. About 800 MT of banana and vegetables have been auctioned off from these five markets till March 2011.

Kerala State Horticulture Products Development Corporation Limited (HORTICORP)

This is a fully government owned company, which started in 1989 with an objective to achieve multifaceted developments in the field of procurement, processing and marketing of vegetables and fruits in Kerala. The Government revived the Corporation in 1996-97 after years of low key functioning. The HORTICORP procures quality vegetables and fruits from farmers, Haritha Sangham and Swasraya Karshaka Samathi of VFPC and whole sale markets at prices above or equal to the floor price fixed, thus eliminating exploitation by middle men. They maintain the open market prices of vegetables and fruits at reasonable levels by effectively intervening in the markets and eliminating shortage in supply of vegetables in the state. HORTICORP through its chain of 11 regional offices procures vegetables and fruits from both within the state and from the neighbouring states at reasonable rates on a daily basis from the farmer, farmers' societies and directly from major whole sale markets. The vegetables brought to the regional centres are graded and distributed through retail outlets. HORTICORP has established a chain of over 485 retail outlets throughout the state for marketing of vegetables and fruits. These outlets are at locations which are easily accessible to the public. As the prices are maintained at uniform rates in each district, it ensures fair prices to the consumer.

Table 2. Quantity of vegetables and fruits marketed through HORTICORP during 2005-2010

Year	Sales	Tonnage
2005-06	65,692,537.90	5,972.05
2006-07	73,566,094.62	6,687.83
2007-08	90,779,520.17	8,252.68
2008-09	135,720,979.52	12,338.27
2009-10	155,192,055.35	14,108.37

Source: HORTICORP

HORTICORP has commissioned two cold storage facilities at Munnar in Ernakulam and Eruthiampathy in Palakkad to provide storage facilities to the farmers at times of market glut.

Apart from this, Cooperative Societies also procure or purchase vegetables and fruits mainly from their grower members and sell directly to the consumers availing only a small margin for meeting their operational expenses. The Wholesale markets also operate in all districts where marketing of both local and out of state produce is undertaken and they form the major feeding point for the processors, vegetable vendors, local retail markets etc,. Local Public markets are the conventional retail markets which cater to the needs of the consumer to a large extent even now. These are mainly run by the private traders. They cater to the need of the local demand. Organic vegetable markets have also become popular in all districts. Usually they open once in a week to cater to the requirement of the people.

Export Market

Exporting agricultural produce is a means of increasing farm income of farmers. This can avoid the market glut during peak season ensuring premium price for the produce. This also helps in popularizing indigenous fruits and vegetables in the international market. The market for vegetables and fruits from Kerala has been extended to the Middle East through air cargo located at Trivandrum, Kochi and Kozhikode. There is an increase in quantity of vegetables and fruits exported through the major airports during the last five years (Table 3). However there is no direct export by farmers and the traders are involved in export thereby gaining a major share of benefit.

Table 3. Export of Fruits and Vegetables from Air Cargo of Trivandrum, Kochi and Kozhikode

Sl.No.	Year	Trivandrum(MT)	Kochi(MT)	Kozhikode(MT)	Total(MT)
1	2005-06	16344	5397	4793	26534
2	2006-07	18457	6966	6054	31477
3	2007-08	20214	8269	5602	34085
4	2008-09	268360	13869	8629	290858
5	2009-10	555114	18103	10741	583958

Source: *Kerala State Industrial Enterprises Limited (KSIE), * Cochin International Airport Limited (CIAL)

Though the fruit and vegetable market has improved a lot, still gaps are identified in this sector which can be plugged through careful scientific and technological interventions. Vegetable and fruit growing has become a commercial venture by farmers. However, the role of traders cannot be undermined due to the importance of local public markets which still occupy the major retail share of vegetable and fruit markets in Kerala, which are being managed by private traders. The production is mostly centered around rural areas and transportation cost is one factor which still pulls the marketing sector down. The retail units under public sector enterprises need to be more organized and strengthened. During the period of market glut, sourcing of these produce to the processing sector should also be encouraged. The role of public sector enterprises in retail units has to be strengthened and facilities in transport, cold storage, processing and exports need to be attended to quickly and efficiently.

Moreover the vegetable and fruit marketing has to be viewed as a serious business to make it more successful. Specific markets need to be located. A lot of attention and patience is needed on advanced techniques, updating on international market trends etc., All these facilities should be provided on a war footing. We should remember what our first prime minister said in the wake of independence - "everything else can wait, but not agriculture".

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