

Marketing Strategies of Onion in Tiruchirappalli District, Tamilnadu, South India

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Introduction

Onion has become a part and parcel of every day food item in almost all families in India. It brings tear in human eyes always and sometimes tears in human purses. It has also played vital role in certain political elections in the past. The demand and supply could not be matched in many times and hence there is higher instability in prices of onion in the retail market. The onion production has also provided employment significantly. The cultivation of onion itself requires labour throughout the year. Besides, the onion provides direct and indirect employment to several thousands of people. Marketing of onion is the specific research topic and it has higher need in the current scenario. The product is an agro-based product and the marketing methods are different. The product is always having demand and the supply is sometimes uncertain. The seasonal variations determine the supply of the product. Heavy rain or higher temperature may spoil the crop and the supply may be reduced. The unrealistic prices of onion sometimes provide higher profit and sometime huge loss to the sellers and farmers. Onion production is carried out in the dry areas of Tamil Nadu and especially in Tiruchirappalli district.

Marketing is the backbone of all business enterprises. The business firms may go in for special marketing procedures. The onion farmers may lack specialized knowledge about the marketing process. Marketing is an art and the success of marketing depends on the efficiency in satisfying the consumer needs at a reasonable cost. The history of onion can be traced from hundreds of years back. It is used as an ingredient in various edible items for hundreds of years. The production of onion has been increasing consistently in the international levels. It is estimated that there are more than 600 varieties of onion and it is distributed all over the world. It contains thiosulfinates, sulfides and many sulfur components. Onion is also used as medicine. Many people use onions as medicines for common disorders such as cold etc. World Health Organization says that the onions can be used for treatment of poor appetite. Onions stimulate the growth of healthy bifido bacteria. It reduces the risk of tumors in human beings. Onions can lower lipids and blood pressure. Onions are a rich source of flavonoids, substances known to provide protection against cardiovascular disease. Onions are also natural anti-clotting agents since they possess substances with fibrinolytic activity and can suppress platelet clumping.

Marketing Services

The agricultural marketing system in India operates primarily according to the forces of supply and demand in the private sector. Indian Government intervention is limited to protecting the interests of producers and consumers and

promoting organized marketing of agricultural commodities. In 1991 there were 6,640 regulated markets to which the central government provided assistance in the establishment of infrastructure and in setting up rural warehouses. Various central government organizations are involved in agricultural marketing, including the Commission for Agricultural Costs and Prices, the Food Corporation of India, the Cotton Corporation of India, and the Jute Corporation of India. There also are specialized marketing boards for rubber, coffee, tea, tobacco, spices, coconut, oilseeds, vegetable oil, and horticulture.

A network of cooperatives at the local, state, and national levels assist in agricultural marketing in India. The major commodities handled are food grains, jute, cotton, sugar, milk, and areca nuts. Established in 1958 as the apex of the state marketing federations, the National Agricultural Cooperative Marketing Federation of India handles much of the domestic and most of the export marketing for its member organizations. Large enterprises, such as cooperative Indian sugar factories, spinning mills, and solvent-extraction plants mostly handle their own marketing operations independently. Medium- and small-sized enterprises, such as rice mills, oil mills, cotton ginning and pressing units, and jute baling units, mostly are affiliated with cooperative marketing societies. In the late 1980s, there were some 2,400 agro processing units in India in the cooperative sector. Of all the cooperative agro processing industries, cooperative sugar factories achieved the most notable success. The National Federation of Cooperative Sugar Factories (India) rendered advice to member cooperatives on technical improvement, financial management, raw materials development, and inventory control.

Most agricultural produce in India is sold by farmers in the private sector to moneylenders (to whom the farmer may be indebted) or to village traders. Produce is sold in various ways. It might be sold at a weekly village market in the farmer's own village or in a neighboring village. If these outlets are not available, then produce might be sold at irregularly held markets in a nearby village or town, or in the *mandi*. Farmers also can sell to traders who come to the work site.

The Food Corporation of India was established in 1965 as the public-sector marketing agency responsible for implementing government price policy through procurement and public distribution operations. It was intended to secure for the government a commanding position in the food-grain trade. The corporation was operating in all states as the sole agent of the central government in food-grain procurement. The corporation uses the services of state government agencies and cooperatives in its operations.

Agricultural commodity exports account for nearly 20 per cent of the total export earnings of the country. Coffee, tea and mate, oil cakes, tobacco, cashew kernels, spices, raw cotton, rice, fish and fish preparations, meat and meat preparations, fresh fruits and vegetables, and processed fruits and vegetables constitute the major export items among agro-products from the country. Among the horticultural commodities, processed fruits and vegetables accounted for the largest share of exports followed by fresh fruits and vegetables. Among fresh vegetables, onion, tomato and mushroom are reported to be highly export competitive.

Onion is one of the important vegetable crops grown in India. In terms of area, India ranks first in the world with over 480 thousand hectares accounting for around 21 per cent of the world area planted to onion. Globally, the country occupies the second position after China in onion production with a production

share of around 14 per cent. Productivity, however, is low at around 11.4 mt/ha, which is lower than the world average of 17.3 mt/ha. Besides India and China, the other major onion producing countries are Turkey, Pakistan, Brazil, United States of America, Iran, Spain and Japan. In India, onion is extensively cultivated over a large area spread almost throughout the country. It is produced for both domestic consumption as well as exports.

Statement of the Problems

Onion is an agro based product and have all problems related to marketing of agro based products. There are problems relating to cultivation, fertilizer, pesticide, harvesting, storage and marketing. There are problems relating to labour also.

India produces around 50 lakh metric tons (mts) of onion annually and is the 2nd largest onion producer in the world, first being China. There is an indicator that earnings from onion production have increased over the years. The share of Maharashtra in the production of onion is around 30% of the country's production, producing around 12 lakh mts annually in recent years. In Maharashtra, Nashik district contributes 35 to 40% of the state's production. The other major onion producing districts of Maharashtra are Pune, Ahmednagar, Satara, Sholapur and Dhulia. Though there is consistent increase in production, the problems of farmers have not minimized over the years.

National Agricultural Co-operative Marketing Federation of India Ltd. came into onion export as back as in 1965 when small consignments were exported to Sri Lanka. This export was continued to other countries also and due to NAFED's increasing role in this trade, Government of India canalized onion export to Malaysia and Singapore during 1974 and to all destinations during 1975. Since then the canalization of export of onion has been remaining with NAFED. Under the canalization scheme, the organization has been exporting onion on its own account, as also streamlining the exports of onion through Associate Shippers. In this case the quality, export price etc are regulated. In addition, linkage with farmers, trade and foreign buyers has been systematically established. The functioning of NAFED has helped the farmers for exporting onions but the needs of farmers are not fully met by the organization.

The improvements in the field of onion production are significant but the yields are no encouraging to the farmers. The qualitative and quantitative improvement in both production and marketing over the years has not been established onion cultivation as a safe source of earning to farmers and to internal traders and exporters. There are higher fluctuations in the earnings of the farmers.

There is increasing demand for onions in India. Without caring for rising domestic demand the government is promoting onion exports. From a negligible quantity of just 50 thousand tonnes 60 years ago, India exported more than one million tonnes of onions in 2008. This is equal to 20 per cent of domestic demand. The onion demand-supply crisis and spiraling prices demonstrate the importance of understanding the complex political economy of marketing of onion.

There are many small onion farmers in India who are playing active roles in onion market economy. The government has not been able to reign in the middlemen and market agents. In India, they brought tears in the eyes of the onion farmers by quoting lower prices. The farmers could see in local markets retail

prices hovering above 50 per kilogram. Neither the onion farmers get the expected price nor are the consumers satisfied in many occasions.

Objectives

The prime objectives of the study are:

1. To understand the origin and growth of onion and marketing of onion at International, national and state levels;
2. To document the onion farming methods and the process followed in the study area;
3. To identify the pattern of marketing of onion by farmers and the marketing pattern in the study area;
4. To analyze the factors the influence the marketing process of onions and the pricing of product;
5. To examine the problems faced by the farmers, wholesalers and sellers of onion in the study area and
6. To suggest ways and means to improve marketing efficiency of on the basis of findings.

Methodology

The present study is mainly based on secondary data. The secondary data have been collected from various official records and reports from onion farmers, National Federation of onion growers, Directorate of Agriculture, books journals and Bulletins of National Union of India and many onion export organizations. Unpublished theses of Indian Universities have also provided source material. Many studies relating to marketing have also been reviewed.

This is an analytical study in marketing of onion in the District of Tiruchirappalli in the State of Tamil Nadu. The data collected have been organized and presented in the form of Tables, diagrams and graphs. Various statistical techniques like average, chi-square test, correlation co-efficient, multiple regression and discriminant analysis have been adopted for analyzing and interpreting the quantitative data. Analysis of variance technique has been used to find out whether there is homogeneity in the operation among the producers in the study area.

Sample

There are more than 3250 farmers in the District of Tiruchirappalli who are prominently engaged in onion production. As per the records of revenue divisions, the area is divided as rural and semi urban and the sampling are done as follows:

TABLE – 1.1

Sample Selection

Area	Total farmers	Sample taken	Actual sample data collected	Percentage to total
Rural	1900	190 (10%)	175	9.21 %
Semi urban	1350	135 (10%)	125	9.26 %
Total	3250	325 (10%)	300	9.23 %

The farmers are first stratified on the basis of area as rural and semi urban. The villages and village panchayat areas considered as rural areas. The Panchayat union areas and town panchayat areas are considered as semi urban areas. Then a sample of 10 per cent is taken as sample. However complete data could be collected only from 175 rural farmers and 125 semi urban farmers. Thus stratified random sampling method is considered for the purpose of selection of sample for the study.

Limitations of the Study

The study is conducted during the period of three years up to 2011. Being an agro based study; many of the sample farmers have not maintained proper accounting records. The data provided by certain farmers are from their incomplete books and memories. The secondary data are collected from the records of the sample farmers and sellers to certain extent and from the published statistical data. Different websites and corporate websites are reached for getting specific data. The data are as provided by the firms and hence considered to be correct in all aspects for the purpose of the study. Data could not be specifically apportioned for onion and related agro products in some areas. Inflation aspects could not be considered. However, the suggestions can be generalized to similar agro based products in the similar environment to certain extent.

Findings

Analysis reveals that in rural areas 20.6 per cent say as own godown; 51.4 per cent say as others godown; 13.7 per cent say as houses and 14.3 per cent say as others. In the semi urban areas 9.6 per cent say as own godown; 51.2 per cent say as others godown; 25.6 per cent say as houses and 14.0 per cent say as others. On the whole, 16.0 per cent store in own godowns; 51.3 per cent store in others godown; 18.7 per cent store in houses and 14.0 per cent stores in other places. On the basis of the Chi-Square Test, it is inferred that that the storage place of sample respondents significantly differs in relation to their area of farming.

Analysis shows that 65.2 per cent of rural and 60.0 per cent of rural transport below 50 per cent through bullock carts. The rest 34.8 per cent of rural and 40.0 per cent of semi urban farmers transport more than 50% of onion through bullock carts. On the whole, 22.0 per cent transport below 25 per cent; 41.0 per cent transport between 25 and 50 per cent; 22.0 per cent transport between 50 per cent and 75 per cent and 15.0 per cent transport more than 75 per cent of onion through bullock carts. On the basis of the Chi-Square Test, it is inferred that that the method of transport by bullock cart by sample respondents does not significantly differ in relation to their area of farming.

Analysis reveals that 66.8 per cent of rural and 56.0 per cent of rural transport below 50 per cent through van. The rest 33.2 per cent of rural and 44.0 per cent of semi urban farmers transport more than 50% of onion through van. On the whole, 18.3 per cent transport below 25 per cent; 44.0 per cent transport between 25 and 50 per cent; 24.0 per cent transport between 50 per cent and 75 per cent and 13.7 per cent transport more than 75 per cent of onion through van.

On the basis of the Chi-Square Test, it is inferred that that the method of transport by van by sample respondents significantly differs in relation to their area of farming.

Analysis shows that 62.8 per cent of rural and 64.0 per cent of rural transport below 50 per cent through lorry. The rest 38.2 per cent of rural and 36.0 per cent of semi urban farmers transport more than 50% of onion through lorry. On the whole, 28.0 per cent transport below 25 per cent; 35.3 per cent transport between 25 and 50 per cent; 23.3 per cent transport between 50 per cent and 75 per cent and 13.3 per cent transport more than 75 per cent of onion through lorry. On the basis of the Chi-Square Test, it is inferred that that the method of transport by lorry by sample respondents significantly differs in relation to their area of farming.

It is found that 54.3 per cent of rural and 65.4 per cent of semi urban farmers price onions before harvest for less than 50 per cent of their products. The rest 45.7 per cent of rural and 34.4 per cent of semi urban respondents price onions before harvest for more than 50 per cent of their products. On the whole, 17.0 per cent price less than 25 per cent; 42.0 per cent price between 25 and 50 per cent of products; 22.0 per cent price between 50 and 75 per cent of products and 19.0 per cent price more than 75 per cent of products before harvest. On the basis of the Chi-Square Test, it is inferred that that the method of pricing before harvest by sample respondents does not significantly differ in relation to their area of farming.

Analysis shows that 63.4 per cent of rural and 74.4 per cent of semi urban farmers price onions after harvest for less than 50 per cent of their products. The rest 36.6 per cent of rural and 25.6 per cent of semi urban respondents price onions after harvest for more than 50 per cent of their products. On the whole, 23.3 per cent price less than 25 per cent; 44.7 per cent price between 25 and 50 per cent of products; 15.3 per cent price between 50 and 75 per cent of products and 16.7 per cent price more than 75 per cent of products after harvest. On the basis of the Chi-Square Test, it is inferred that that the method of pricing after harvest by sample respondents significantly differs in relation to their area of farming.

Analysis reveals that 21.7 per cent of rural and 12.8 per cent of semi urban farmers price through expenses method; 33.1 per cent of rural and 65.6 per cent of semi urban farmers price through auction method; 2.6 per cent of rural and 18.4 per cent of semi urban farmers price through competition method and 20.6 per cent of rural and 3.2 per cent of semi urban farmers fix prices through other methods. On the whole, 18.0 per cent fix through expenses method; 46.7 per cent fix through auction method; 22.0 per cent fix through competition method and 13.3 per cent fix through other methods. On the basis of the Chi-Square Test, it is inferred that that the method of pricing by sample respondents significantly differs in relation to their area of farming.

Analysis shows that 44.6 per cent of rural and 56.8 per cent of semi urban farmers sell less than 50 per cent of products directly to retailer → consumers. The rest 55.6 per cent of rural and 43.2 per cent of semi urban sell more than 50 per cent of products directly to retailer → consumers. On the whole, 12.3 per cent sell less than 25 per cent of onion through retailer → consumers; 37.3 per cent sell between 25 per cent and 50 per cent; 36.7 per cent sell 50 and 75 per cent and the rest 13.7 per cent sell more than 75 per cent of onion through retailer → consumers. On the basis of the Chi-Square Test, it is inferred that that the mode of sale through retailer → consumer by sample respondents does not significantly differ in relation to their area of farming.

Analysis reveals that 62.2 per cent of rural and 70.4 per cent of semi urban farmers sell less than 50 per cent of products directly to stockiest. The rest 37.8 per cent of rural and 29.6 per cent of semi urban sell more than 50 per cent of products directly to stockiest. On the whole, 12.3 per cent sell less than 25 per cent of onion through stockiest; 53.3 per cent sell between 25 and 50 per cent; 17.0 per cent sell 50 and 75 per cent and the rest 17.0 per cent sell more than 75 per cent of onion through stockiest. On the basis of the Chi-Square Test, it is inferred that that the mode of sale through stockiest by sample respondents significantly differs in relation to their area of farming.

Suggestions

Internal reforms in traditional agricultural marketing system of the country have become indispensable to enable our farmers to tap into the external market of the post-WTO regime. Now that many states have introduced some reforms in agricultural marketing, the need of the hour is to consolidate the gain of reforms through appropriate policies and plans.

The existing trade barriers have to be removed for evolving a common market in India. There is a need to give a push to processing and value addition. Cost effectiveness through integrated supply chain management has become sine qua non in the present world trade environment. This demands doing away with the dysfunctional aspects of the present regulated marketing system by putting in place a responsive market information system, need-based price discovery mechanism, measures to solve the problem of economies of scale at the grass root level by promoting contract farming, direct marketing and private investment in agricultural marketing infrastructure.

Congenial investor-friendly economic environment has got to be evolved to attract the private investors to invest in agricultural marketing sector for bridging the existing gap in the agricultural marketing infrastructure of the country. Farmers should get freedom of choice to use a physical market giving them services for the fees paid by them. This could be possible through dismantling of the monopoly of the Government-owned markets and permitting setting up markets in the private sector, thereby bringing healthy competition in the sector. This also calls for the traditional Government mandies to be spruced up in terms of their management, infrastructure, service delivery, customer-friendliness through fine-tuning of their internal processes.

The other areas of reforms such as promotion of grading and standardization, market-led extension, rationalization of market fees, public-private partnership in owning and management of markets etc will go a long way towards pushing the system to the next level of excellence. The focus on reforms calls for a paradigm shift in our approach.

Under the most adverse conditions the cost of onion production in the country per kilogram ranges from Rs.2 to Rs.8. The onion crop losses this year in major states are estimated to be 40 to 50 per cent. The yields are also low. In Lasalgaon, the biggest market for onions in India, the yields decreased to just 5 per cent of the average yields. These losses were known to NAFED. But still a large number of onion export licences were given in October. This need to be regularized.

With the beginning of wedding season and festivals onion demand continued to rise. India needs a minimum five million metric tonnes of onions per year. The surplus production is normally exported. But this year despite deficit in production

exports were promoted. This is nothing less than a scam. Vast quantities of onions were hoarded and agents who paid a poor price to the farmers made a killing in just a week. Estimates range from Rs.350 to Rs.1000 crore in major markets. The government intervened and banned exports only after the prices for best large onions reached Rs.110 per kilogram. The minimum offset price for exports were raised to equivalent of Rs.55 per kilogram to discourage exports. There should be more specific price fixing methods in this case.

To meet the food requirements of the increasing population several strategies have been adopted by our planners. Revolutions and special Missions helped to meet the needed requirements e.g., Green Revolution brought about self-sufficiency in wheat and rice, White Revolution helped India to become the largest producer of milk in the world, Yellow Revolution helped increase production of oilseeds, and the Blue Revolution resulted in high production and marketing of fish and marine products. In the same way, the Pink Revolution placed India on the world map for increasing productivity and production of onion in the country. Likewise National Horticulture Mission aims at enhancing the production of fruits and vegetables in the country.

Some of the horticulture products have 'political' potentials and overtones. They serve as bombshells and, at times, serve as handles to beat the political opponents with. Several mighty governments in the Asian region had to kiss the earth because there was shortage of onion [red onion, yellow or white or the Jaffna onion] and chillies [round Andhra variety or the long red chillies]. The ruling political parties in the region have always been conscious that at no time, especially during the political turmoil, there should be a shortage of onion, chillies and potatoes.

Some of the people who are engaged in political games, with the connivance of traders and hoarders, create road blocks in the supply chain of these so-called 'vulnerable' horticulture commodities. Farmers are often misled, market prices are manipulated, and suppliers are often put to economic disadvantage to generate an artificial crisis with which to create an adverse reaction among the consumers and the general public. Several protests and rallies organised especially by housewives have been witnessed in some of the countries.

Increasing the educational level of respondents may reduce the hurdles faced by the onion marketing people to certain extent. The entire family of the cultivator should be educated on the modern farming and marketing methods so that there is more profit for the cultivator.

Consolidation of land holdings may reduce the farming expenses and the profitability may be more if farmers join together and cultivate onion to certain extent.

Basic knowledge about the modern onion farming practices may help the farmers to gain more with less expense and with more productive aspects.

Increase in modern water irrigation methods may lead to higher productivity and steps may be taken to train the farmers in using the modern water irrigation facilities.

Use of optimum fertilizer may be highly productive. Hence suitable training to farmers on chemical and natural fertilizer use at optimum levels may help the farmers to a greater extent.

Expenses of onion cultivation are increasing and steps may be taken to provide subsidies raw materials and fertilizers so that the producer is benefitted to certain extent.

Availability of labour is a major problem and steps may be taken to utilize modern machines for farming by the onion producers.

Transportation is one of the major problems and onion farmers may farm associations to transport their onions from their place to markets through joint transportation system.

Combined cold storage facilities may enhance the warehousing facilities of the onion producers to a reasonable extent.

Conclusion

Onion Marketing is a lively concept in the present economic environment. It is rather than production and is going to be the key driver of the many agriculture sectors today, because of the new market realities posed by the increasing accent on globalization, liberalization and privatization of the economy. Market-driven production is an idea whose time has come. With the gradual shifting of agricultural system from subsistence to commercial one, there is increasing focus on Agri-Entrepreneurship and Agri-marketing. It is the need of the time to tune up the Onion Marketing System of the country to enable the farmers to face the new challenges and reap the opportunities as well. This summons us to revisit our traditional statistic policies and laws and bring about the requisite reforms in the sector. The imperatives of the integration of the Onion marketing of the country are increasingly posing new challenges in respect of each of the components of the system such as- cleaning, grading, quality certification, packaging, storage, transportation, financing, wholesaling and retailing etc of agriculture produce. The subtlety of the management of Onion Marketing issues today calls for high degree of professionalism to measure up to the expectations of different stakeholders. Hence, there is tremendous scope for new and advanced marketing methods for onion in the very near future, which will provide higher return to the farmers.