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CHALLENGES IN MARKETING OF SAGO IN SALEM DISTRICTS

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ABSTRACT

Tapioca is an important tuber crop cultivated in many tropical countries, while in some states (Kerala and North Eastern states) it is used as food crop. Tapioca industry is an agro based seasonal industry with huge employment potential in India. Tapioca is mainly processed into starch and sago.

KEYWORDS: Tapioca Industry, Starch and Sago

INTRODUCTION

There are more than 1000 tapioca processing units in India producing starch and sago in cottage and small scale sectors. Tamil Nadu holds second position in the country in cultivated Tapioca area with 95,000 hectaresand stands first in respect of processing of Tapioca into starch and sago. In Tamil Nadu, tapioca crop is being cultivated over an area of about 82000 hectares. It provides employment for thousands of workers over fields and in 800 processing units. In Salem district alone, 34000 hectares of land is under tapioca cultivation and there are 650 tapioca processing units called “Sago factories”.

A large number of tapioca industries are found in Attur taluks and Salem District. Salem city has a marketing centre for the Sago. About in 1943-44, Last 65 years ago, sago production started on a cottage scale basis in India by pulping the Tapioca roots, filtering the milk-extract and after settling the milk, forming globules and roasting these globules. There are about 30 to 35 per cent starch contents generally in Indian Tapioca root. India is one of the leading countries in Tapioca production.

The manufacturers of sago and starch in Salem district face a lot of problems pertaining to credit and marketing of Tapioca products. Merchants used to offer low prices for their goods and middlemen exploited this situation in the absence of organized marketing and warehousing facilities. The middlemen earn quick and easy money at the cost of the Industrialists and the hardworking peasants. Farmers allege that they form cartels and operate between the farmers and industrialists, controlling the industry and dictating prices. Moreover middlemen lend money to farmers in the farm of advance for the crop. This is a sort of unwritten agreement which stipulates the farmers to sell the produce to the middlemen.

The nature of crop also favours middlemen. It should be moved to the factory within 24 hours of its harvest otherwise it tends tolose the starch content-on the basis of which the industrialists fix the price. As middlemen have huge transport facilities, again farmers depend on them for quick transportation. There is shortage in the supply of tuber to which is posing a serious threat to the survival of tapioca starch and sago manufacturing units in Salem region. Salem district had over 30,000 hectares under tapioca cultivation in 2006-07. But this had come down drastically to 10,564 hectares in 2007-08. This had created shortage in the supply of raw materials to starch mills. As a result, price of starch has increased

many folds. Tamilnadu stands first in respect of processing of tapioca into sago and starch throughout the country, meeting about 80 per cent of the country's demand. There are about 450 sago and starch industries in the small scale sector in the state. This is explained in the following table:

Table 1: Total Number of Sago Units in Tamil Nadu-District Wise

State	No of Units
Tamil Nadu (Govt undertaking)	1
Dharmapuri	11
Erode	8
Namakkal	130
Perambalur	2
Salem	**194**
Thiruvannamalai	1
Trichy	5
Vilupuram	7
Total	**359**

Source: Report of the Sago Serve2013

THE ROLE OF SAGO SERVE

Salem has traditionally been the land of Sago and Starch. The area under tapioca cultivation and processing units are concentrated in Salem and adjoining districts. In order to obtain a remunerative price for the small Sago and Starch units in Salem district, "Sago Starch and Sago Manufacturers Service Industrial Cooperative Society Ltd" (Sago Serve), was established in Salem (1981) under the Tamil Nadu Cooperative Society Act 1961. It was registered on 21.07.1981 and commenced its business on 27.2.1982, functioning under the administrative control of the Director of Industries and Commerce, Government of Tamil Nadu. As an intermediary between the Sago factory owners and merchants it tends to replace large number of intermediaries. Besides marketing it provides warehousing facilities and financial assistance to its member units.

After formation of 'SAGOSERVE' the starch and sago produced by the Small scale industrial unit holders are sold in the open market by conducting daily tender cum auction sale, by which the SSI unit holders are able to get fair and remunerative price for their produce. Besides, SAGOSERVE is extending credit facilities at a nominal rate of interest and warehousing facilities for the SSI unit holders manufacturing sago and starch. About 70000 workers in the SSI Industrial units and 5 lakhs Agricultural Labourers engaged in planting the tapioca tubers are provided with employment. At present there are 354 members on its roll with a share capital of Rs. 8.42 crores including the Government share of Rs. 99.83 Lakhs.

SAGO – AN INTRODUCTION

Sago Industry is a traditional agro-basedprocessing industry in Salem District TamilNadu, which is the main center of production of sago in thewhole country. Sago is a close substitute for wheatand rice in the diet of many, especially in the northIndia. It is the form of globules prepared out oftapioca. Tapioca sago production is one of the majorfood industries in south-east Asia. The Sago industryis an agro based seasonal industry using Tapioca roottubers as the basic raw material. Tapioca is one ofthe richest sources of starch. The tuberous rootscontain upto 30 percent of starch and are low inproteins, soluble carbohydrates and fats. Starch hasa great demand for industrial usesand the most important end user sectors are the textile, paper, adhesive, dextrin, food and sweetener industries.

SAGO IN INDUSTRIAL DEVELOPMENT

Sago industry is one of the small scaleindustries which facilities rapid development in anyRegion. Sago industry facilities effective and efficientutilization of agricultural raw material it transmits anindustrial culture in rural areas thus bringing aboutmodernization and innovations in agriculture. Thegrowth of sago industries help in creating avenuesfor employment to the rural youth, checking ruralexodus, reinforcing social and co-operative bondage, gainful utilization of locally available resources andmaterials as well as by products which were discardedas waste material. Sago industries, being labour intensive, can and be located in villages, and ownedand established by villagers. By increasing the valueadded within the villages, these industries tend toexercise a more healthy impact on the economicwellbeing of the vast multitude of village populationrather than other types of industries. Salem districtvirtually enjoys the monopoly in sago and starchproduction. Food industries, cattle feed manufacturing,adhesive manufacturing, chemicals like dextrinmanufacturing and sizing units in textile industry arelarge consuming sectors of tapioca starch. Thenorthern states in the country have a huge demandfor food product like sago pappads.

The total number of Sago units in Salem district has been shown in the following table taluk wise:

Table 2: Total Number of Sago Units in Salem District-Taluk Wise

Taluks	No of Units
Salem (in & around)	54
Attur	104
Gangavalli	20
Valapaadi	11
Omalur	4
Sankagiri	1
Total	**194**

Source: Report of the Sago Serve2013

MARKETING CHANNELS OF SAGO

Sago is an important value added product from cassava. Payasam, Kichidi, Upuma, Bonda are the different items prepared using sago. Sago is used mostly asbaby food in West Bengal. In the remaining parts of the country, it is consumed mainly in preparing payasa and wafers. Sago production units are located inTamil Nadu and Andhra Pradesh. Moti, medium, badadana and nylonsago are the different types of sagoproduced in the country. Nylon sagois produced in Tamil Nadu and Andhra Pradesh while motidana is produced mostly in Andhra Pradesh. Nearly 400 to 500 sago producing unitsare located in Tamil Nadu and 35 unitsare located in Andhra Pradesh. Thoughsago production is limited to TamilNadu and Andhra Pradesh, it isconsumed throughout the country.50% of the sago produced in the country is consumed in Maharashtra. Pune andNagpur in Maharashtra and Kolkata and Siliguri in West Bengal, Patna in Bihar, Kanpur and Varanasi in Uttar Pradesh, Gauhati in Assam are the main marketing centres for sago in India. Demand for sago is generally more during festival seasons and in Sravana month (August) due to more marriages being held then.

Sixty to 70 % of sago produced in India is from Tamil Nadu. 60 % of sago producedin Tamil Nadu is marketed through SAGOSERVE and the remaining through directsales. Most of the sago millers are members of the society. Traders, primarywholesalers participate in the secret auction for purchasing the sago. Nowadays inthe retail market, sago is marketed through attractive consumer packets of one kgand two kg size.

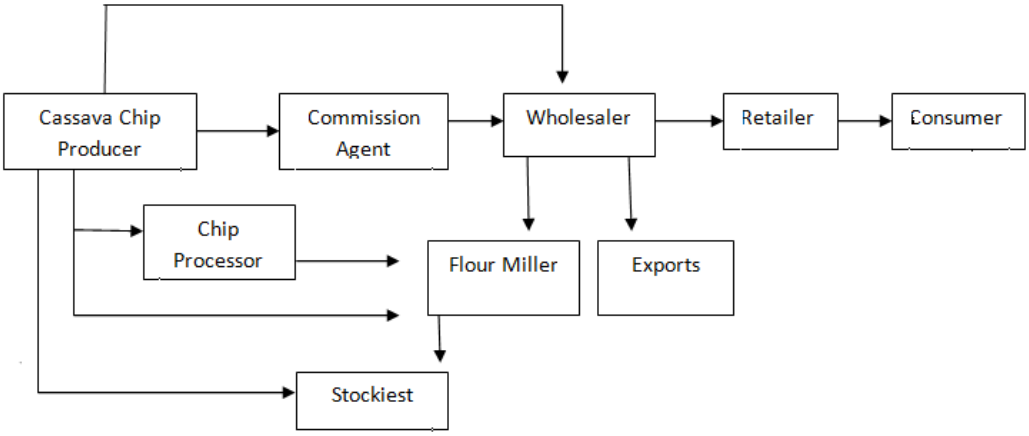

Figure 1: Flow Chart on Marketing Channels of Sago

MARKETING OF SAGO IN LOCAL MARKET

Processor, primary wholesaler, secondary wholesaler, retailer, middlemen/commission agent were the market functionaries involved in marketing sago from producer to consumer. Gross marketing cost was estimated to be Rs.265.54 while gross marketing margin was Rs.558.47 for sago marketed locally. It was interesting to note that marketing costs were declining and marketing margins were increasing as the product moves from producer to consumer. Marketing cost incurred by the processor was the highest and that of the retailer was the lowest. Market margin was the highest for retailer while it was the lowest for primary wholesaler.

Challenges

- No suitable price policy from the Govt. Middlemen and dominant traders influence the price fixation. Further there is no minimum guaranteed price.
- The average price of sago and starch varies from month to month and year to year in an unpredictable manner.
- Agmark is a symbol of quality and purity. Even though Agmark guidelines are laid-out for grading of sago, very few sago producers follows and sell their produce under Agmark label. Though 2.0 lakh tonnes of sago is produced in the country annually, only very meagre quantity of sago (less than 1000 M.T) is sold under Agmark grade.
- Large proportion of marketing cost was also considered to be a major cause which arises due to taxes and labour expenditure incurred during the process of marketing.
- Market intelligence is not well developed with regard to cassava and its products.
- Lack of information published on prices of sago.
- Poor qualities of Sago and Starch because of the use of chemicals possess a major problem in marketing.
- There is no consistency in the quality of sago produced. It resulted in the inability of the product to meet the quality standards in the international market.

Price ofsago and market forces are influencing the price determination process. Though maximum transaction of starch and sago is taking place through SAGOSERVE, it has limited role in controlling the market forces. Thus there is

every necessity for the Govt. to intervene in controlling the market forces like traders and middlemen, steps have to be taken to fix the minimum support price.

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