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HORIZONTAL AND VERTICAL LINKAGES IN BLACK PEPPER VALUE CHAIN IN KERALA

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Abstract

The linkages of the black pepper farmers with different actors in the value chain were identified, including the vertical and horizontal linkages and the forward and backward linkages of the black pepper farmers. It is exposed that the formality and trust existed in the linkages is on the basis of the type of business relationship between the actors. The farmers revealed that they trust krishibhavan, NGOs, fellow farmers, cooperatives, and government administration and it shows that farmers had comparatively high trust with the supporting actors in the value chain than the major chain actors.

Keywords: Election, Election Commission, Electoral reforms, Democracy, Supreme Court.

INTRODUCTION

Agriculture value chain analysis is a comprehensive analysis to assist small holder producer of less developed and developing countries to stimulate economic growth of poor (Haggblade et al, 2012). UNIDO (2009) staff working paper on agro-value chain analysis and development made the concept of value chains in agriculture more explicit and precise. Accordingly, agro-value chain analysis can reveal “the need for enterprise development, enhancement of product quality and safety, quantitative measurement of value addition along the chain, promotion of coordinated linkages

among producers, processors and retailers, and the improvement of competitive position of individual enterprises in the marketplace”. The Global Value Chain (GVC) approach gives emphasize to the concept of ‘governance’, that is, the value chain operations are performed by the producers in the developing country, where the parameters for the products and processes are specified by the buyers’ right through the chain. Government agencies and international organizations are compelled to meet the compliance in quality, labour and environmental standards (Humphrey and Schmitz, 2001).

FAO (2007) observed that agricultural production in emerging economies does not reach consumers directly from the farm and the agricultural producers are integrated into value chains with forward linkages and backward linkages. Later, this observation was supported by UNIDO (2011) and stated that emerging economies are certainly linked to agro-processors and buyers through market transactions which may ultimately lessen the farmer rewards or increase the risks of producers, who have low bargaining power and skills.

1. Statement of the Problem

India, has lost the crown of leading producer and exporter of black pepper to Vietnam (IPC, 2015). It is true that value chain actors must comply with certain rules and regulations in the value chain. In the study an effort was made to identify the producer farmer's linkages with other actors in the value chain and to establish the motives for their business relationships. In most cases the actors intentionally connected together to gain benefits from linkages. That's why, it became inevitable to identify reasons for linkages, the formality of linkages and the level of trust among the value chain participants in linkages. Generally, linkages are of two types: Vertical linkages and Horizontal linkages. A vertical linkage explains the relationships between actors in the value chain in different levels and the horizontal linkages clarify the linkages among the actors at the same level of value chain.

2. Materials and Methods

The study was confined to two districts in Kerala, Idukki and Wayanad districts, since these districts accounted for the first and second position under the area of Black Pepper cultivated in Kerala during 2016-17 and had the maximum share of about 51.4 per cent of the total production. The primary data was collected from 120 black pepper farmers (60 farmers each from Idukki and Wayanad districts) and the other important value chain actors were identified using snowball technique which included 70 private traders (including 38 hill produce dealers and 32 wholesalers) and three exporters, Furthermore, open end interviews were conducted with key informants in the value chain like Spices Board Officers, NABARD Officers, Agriculture Officers in Krishi Bhavans, Directors and staffs of NGOs, Managers of exporting companies and other service providers.

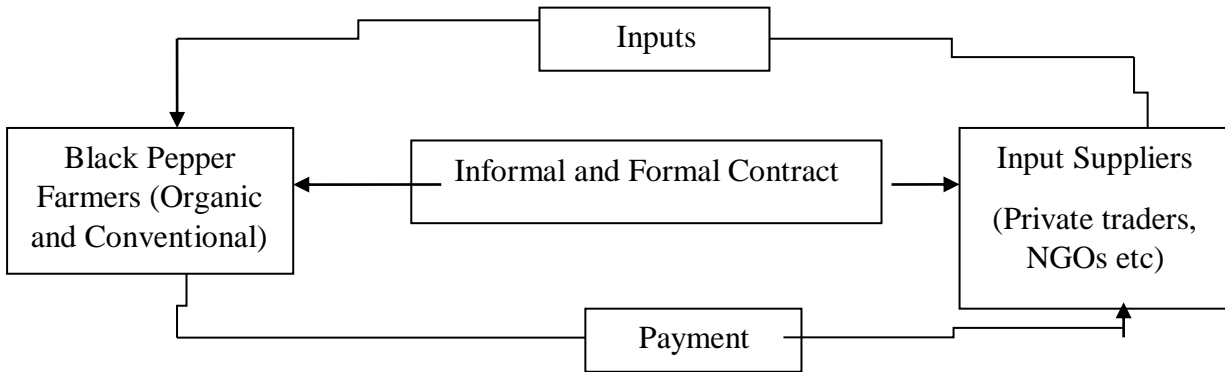
3. Vertical Linkages

i) Linkages between Farmers and Input Suppliers

It was identified that there exist a linkage between black pepper farmers and input suppliers in the value chain through informal and formal contract. The inputs such as pepper cuttings/planting materials, fertilizers and plant protection chemicals, organic manures were supplied through the input suppliers and they received cash payment for the inputs supplied to farmers. These linkages were found as simple, informal and loose (Fig.1).

Fig 1

Linkages between farmers and input suppliers



ii. Linkages between Farmers and Exporters (under NGOs)

The linkages between black pepper farmers with NGOs were formal and to an extent it was found well documented by the NGOs officials. The prices for black pepper were offered to farmers on the basis of membership and the duration of their membership with the NGOs.

iii. Linkages between Farmers and Marketing Societies

Farmers has to submit an application to obtain membership from the marketing society, and so the relationship between farmers and the marketing society has identified as formal and all services accessible and offered to members were well documented.

iv. Linkages between Farmers and Farmer Producer Co.

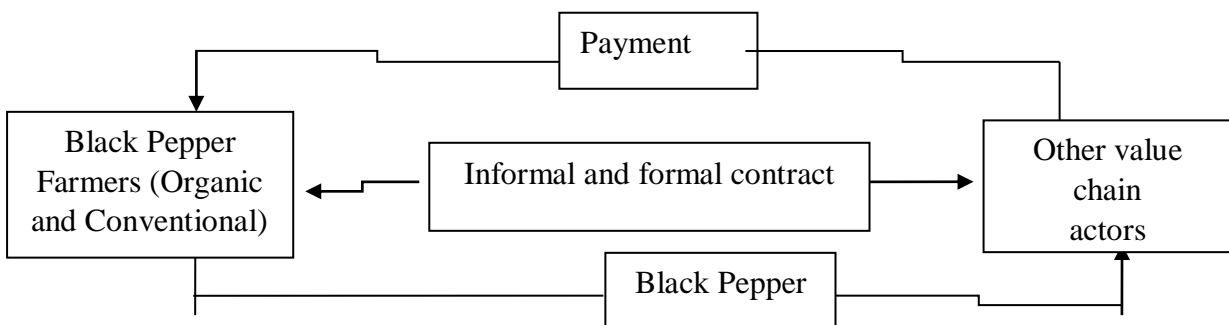
Shareholders (farmers) of the companies have a formal relationship with the companies, and the benefits and services enjoyed by the farmers were recorded and audited properly.

v. Linkages between Farmers and other value chain actors

Similar to the linkages between farmers and the input suppliers in Fig.4.16, the linkage between farmers and other (Fig. 2), were informal and oral contract, where the black pepper transmit from the farmers to hill produce dealers and in return the payment for equivalent value of the black pepper were received by the farmers. Mostly the payments were done in cash only.

Fig 2

Linkages between farmers and other value chain actors



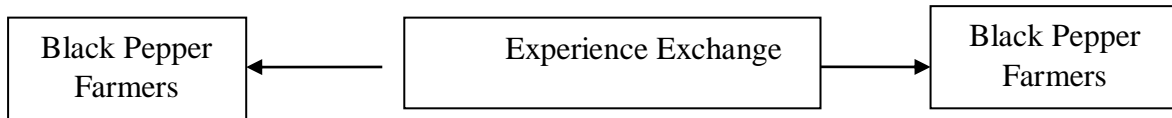
4. Horizontal Linkages

i) Linkages between black pepper farmers

In the black pepper value chain, the farmers accounted for performing the most important role that created original product in the value chain. In addition to vertical linkages between the farmers and

input suppliers/hill produce dealers/wholesalers and exporters, there were horizontal linkages among farmers, mainly for the exchange and sharing of experiences of black pepper cultivation, farm management, harvesting and marketing (**Fig 3**).

Fig 3.Linkages between black pepper farmers



5. Farmer’s linkages with other value actors

In addition to the vertical and horizontal linkages, the linkages in production can be classified into backward linkages and forward linkage or another classification as upstream and downstream linkages. Backward linkages in the black pepper value chain refers to linkages of the farm to the non-farm sector which supplies agricultural inputs like planting materials, agrochemicals, organic inputs etc. for production in farm. Forward linkages represent the non-farm sector which has the linkages in distribution and processing of agricultural outputs. When the relationship between the seller and buyer in a value chain shaped quickly when they meet on the spot, aims to make a transaction or to give or take a benefit can be considered as a short term linkage, whereas actors in the value chain prefer to transact with other actors repeatedly for a long time is considered as long term linkage.

Among the identified value chain actors in the value chain, the input suppliers represented the important backward linkage of farmers, while the hill produce dealers, wholesalers, exporters, etc were having the forward linkages to farmers. The business relationship of the two parties in a value chain, the reason/purpose of the linkage, level of formality in linkages and level of

Trust in linkages) were obtained from the black farmers.

Input Suppliers in the study area supplies both fertilizers, pesticides and organic manures to black pepper cultivation and the linkages of farmers in Idukki (73.3 per cent) had long term relationship with input suppliers and 88.3 per cent of farmers in Wayanad district also had long term relationship with input suppliers.

Cent percent of farmers in Idukki and Wayanad districts were linked with Hill Produce Dealers, while a 45 per cent of farmers in Idukki district and 21.6 per cent of farmers in Wayanad district were having short term linkages with hill produce dealers and the remaining farmers in the sample agreed that their period of linkage was long term. Being one of the major actor who procures black pepper directly from farmers and sells it to wholesalers after taking their share of margin in the business, majority of conventional farmers in these districts prefer to sell to the hill produce dealers in their locality than to the wholesaler at a distant place. Wholesalers are located mostly in the town area and it became less accessible for the farmers in rural area. The farmers from Idukki district alone had linkage with linkage with wholesalers directly.

A non-profit organization or voluntary citizen’s group and their role in the production of organic pepper and

other agriculture products cannot be ignored. In Idukki and Wayanad district the presence of NGOs are very prominent, in popularising organic farming by giving adequate support in providing agriculture inputs and advisory services. Farmers in Idukki district (56.7 percent) and farmers in Wayanad district (48.3 percent) has long term direct linkage with NGOs. Exporters were the convincing player in the value chain who sold black pepper and processed value added products like white pepper and green pepper. Here, 33.3 percent of farmers in Idukki district and 48.3 percent of farmers in Wayanad district has long term direct linkage with exporters, through the NGOs.

Registered company, undertake spice trade including black pepper, supplies agriculture inputs and advisory services to farmers, process and export value added products. Long term relationship was found between six black pepper farmers and registered company in Idukki District.

Cooperatives in the study area were not limited to marketing cooperatives alone, Cooperative banks were also engaged in supplying agricultural inputs to the farmers other than agricultural credit and an inevitable actor in the black pepper value chain. Farmers had a long term relationship with cooperatives and they enter into a contract for becoming a member in cooperatives. Secondly, 85 percent of the farmers in Idukki district and cent per cent farmers in Wayanad district had linkage with cooperatives in the locality, where the linkages of farmers with Spices Board and KAU Research Station/KVKs were found very little.

The analysis exhibited that there exist cent percent linkage between farmers and fellow farmers, farmers and hill produce dealers, farmers and commercial banks, farmers and krishibhavan and farmers and local administration.

6. Conclusion

Value chain governance comprises of government regulatory frameworks enforced, contracts between value chain participants to even the unwritten “norms” that determines the participants in the market. It is noticed that the participants in black pepper value chain also have to follow certain informal rules other than the formal rules enacted by the rule setting authorities. Delay in getting permission at Government offices as an important informal rule that affected the exporters, while down grading of the black pepper to reduce the price purposefully by the dealers was revealed by the farmers. Thus the farmer get less price than the market price which shows that the black pepper farmers are more affected by the informal rather than the formal rules imposed over them.

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