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Value Chain Analysis of Medicinal Plant Market in Kerala

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Abstract

Kerala with its abundance of luxuriant flora is synonymous with ayurveda (plant based system of traditional medicine system native to India) and is possibly the only state in the country where ayurveda continues to be practised in its purest form. The demand for ayurvedic medicine is growing at a compound rate of 10–12% per annum in Kerala. The increasing awareness on effectiveness of traditional systems has resulted in higher demand for plant based formulations prepared by ayurvedic pharmaceutical industries followed by a higher demand of medicinal plants, used by these industries. The area under medicinal plant cultivation, on the other hand remains the same. Insufficient supply, market imperfections, increasing demand for herbal medicine followed by unscientific and destructive harvesting methods from the wild is tampering the forest resource. Considering this, the study focuses on the role of different intermediaries, the method of procurement of raw materials by the industry, their cost of production of different formulations and the price elasticities of demand of medicinal plants for augmenting the supply of medicinal plants to the industry. The study probes into the entire value chain of selected medicinal plants from production to final stage of consumption in the form of different prescribed medicinal formulations. The estimated demand elasticities were positive varying from 1.27% in *Plumbago zylanica* to 2.85% in case of *Sida* sp. The margin of the pharmaceutical industries always stood high irrespective of the plants and the channels which was around 50% of the sale price. The share of cultivators in consumers' final price was comparatively more than of collectors. Price spread for those plants which were collected from the wild were lower than that of cultivated. The results indicate the absence of a price regulatory body in herbal medicine sector. Contractual agreements between the cultivator/collector and the pharmacies should be encouraged at a negotiated price to increase the share of cultivator/collector in the industry coupled with educating the collector about scientific harvesting methods for reducing the demand-supply gap and the loss in forest wealth due to indiscriminate and unscientific harvesting.

Keywords: Elasticity, herbal medicine , medicinal plants market, price spread, value chain