

The Goan Feni Industry: Challenges



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Research Question

Why hasn't the Goan feni industry been able to grow, despite it being granted the GI status?

Introduction

Feni, a drink distilled from the juice of cashew apples, is an integral part of Goan culture, and is probably India's best known local liquor. Locals also claim it has medicinal properties, and recommend it for stomach problems and throat infections. Over the years, it has gone from being predominantly the liquor of choice for the lower classes to a famous drink that tourists are keen to try out.

In recent times though, feni production has significantly declined. It has gone down from over a million litres in 1971 to 875,000 litres in 2004¹. This is all the more surprising, considering the fact that the liquor market in the country has been growing at increasing rates².

On the 23rd of May, 2009, feni became the first and (till date) only Indian beverage to have obtain the GI (Geographical Indicator) status. As per the article 22 of the TRIP agreement, geographic indicators are:

*"Indicators which identify a good as originating in the territory of a Member, or a region or locality in that Territory, where a given quality, reputation, or other characteristic of the good is essentially attributable to its geographical origin."*³

In India, the articles that possess the GI status are protected by the Geographical Indications of Goods (Registration and Protection) Act of 1999⁴.

The idea behind giving a product the GI status is that it creates a situation where it is possible to:

- Enable better product differentiation.
- Augment market power and create more financial opportunities for those involved.
- Enable the government to play the role of facilitator, with appropriate policy mechanisms.

¹Noronha, Frederick. 2008. http://twocircles.net/2008apr28/goas_feni_shows_sharp_decline_production.html (Accessed July 11, 2012)

² The production of Indian-made foreign liquor (IMFL) - or distilled spirits - climbed from 202,000 litres to 18.99 million litres in the same period, says a new baseline study led by PranabMukhopadhyay of Goa University and the South Asian Network for Development and Environmental Economics.

³Uruguay Round Agreement: TRIPS. http://www.wto.org/english/docs_e/legal_e/27-trips_04b_e.htm (Accessed July 7th 2012)

⁴http://ipindia.nic.in/ipr/gi/gi_act.pdf - The Geographical Indications of Goods (Registration and Protection) Act, 1999 - Section 22

- Also, if a product is registered, the entities involved in its production and distribution stand to have a more robust protection mechanism in case there is any infringement.

Since we are talking about feni, it is only fitting that we bring in the example of scotch whiskey (originating in Scotland) in the context of how it went from being a local liquor brewed from barley to being the global brand that it is in today.

The Scotch story – how a local drink went truly global

The first recorded instances of distilling whiskey from barley date back to the 12th century AD – back then, it was valued for its medicinal properties⁵. This surely had something to do with the warm and fuzzy feeling that would well up inside everyone who had downed a goblet of the stuff. Gradually, it became more and more popular. It was made by local farmers freely until the 15th century, when Charles I levied taxes on everyone producing alcohol across the country – consequently, this pushed out the smaller farmers from producing it, and whiskey production became the preserve of the more privileged sections of society.

Legend has it, in 18th century Edinburgh, a bell would be rung everyday at noon and people would down half a cup of whiskey. These were the times of the intellectual tumult of the Scottish Enlightenment – some of Scotland’s finest writers and inventors flourished in this era. This was also the time when several constrictive laws were introduced – presumably to enhance government revenue.

Now, scotch whiskey was a local liquor, due to which it was made using techniques which differed from place to place and from distiller to distiller. Scotch, therefore wasn’t exactly a major exported good – as the standard and character of the product varied across the board. All this changed with the advent of blended scotch in the latter part of the 19th century, owing to which consistency of standards was achieved. A major technical innovation that aided this change was the invention of the Coffey still⁶. However, this wasn’t all. Around this time, the phylloxera epidemic in France crippled the French vineyards⁷, severely limiting their production. This created a vacuum, which

⁵Whisky History and The Origin of Scotch. <http://www.scotchwhiskyexperience.co.uk/scotch-whisky/whisky-history.php>(Accessed July 22, 2012)

⁶Aeneas Coffey improved the traditional ‘pot still’ invented a new kind of still, making continuous distilling of grain as well as corn (fundamental ingredient of American whiskey, or ‘bourbon’, as it is commonly known) possible. Also, it was more efficient than the traditional pot still. All this paved the way for the standardisation of scotch whiskey.

⁷A Closer Look into History: The Phylloxera Crisis in France and Long-term Health Impacts. <http://www.academicwino.com/2011/07/closer-look-into-history-phylloxera.html> (Accessed July 20, 2012)

blended whiskey filled up. Gradually, scotch became the most popular whiskey in the world – this has been chronicled by Charles MacLean in his book *Scotch Whisky: A Liquid History*.

So, Why Was Feni Given a GI status?

Scotch, as mentioned earlier, started off humbly, as something that was brewed locally in Scottish villages and today, with big investments in marketing, manufacturing processes, education, training, research etc. The rationale behind giving feni the GI tag was the same. It was expected that with this, the brand value would soar, and consequently, the Indian and overseas market for feni would grow (a la scotch, champagne, cognac and tequila), and the people involved in its production would benefit.

The Feni Industry: Issues

Feni is not a homogenous product – the quality and alcohol content varies considerably. The four major stakeholders in the feni industry are distillers, bottlers, whole sellers, and retailers.

Feni is generally sold unbranded to retailers and consumers, but some brands have emerged owing to private concern. Around three-fourths of the distillers sell their produce to bars directly, and bottlers direct their sales through whole sellers.

Table 1 Distribution of the Supply-side of the Cashew feni industry, category-wise

	Category	Numbers
1	Number of Cashew Zones	1532
2	Licensed stills	2656
3	Retailers	6589
4	Whole sellers	94
5	Bottlers	19

Source: Excise Department, Panaji. 2007.

The art of making feni has been passed across successive generations – and it is a venerated cultural tradition. Cashew planters, big and small, have employed local labourers with the requisite skills for cashew harvesting and the distillation process and sold the liquor themselves.

However, that has not been the case. The feni-making industry used to be largely unorganized, scattered, and family-owned. The skill of feni-making had been passed from generation to generation, and was a cultural and culinary tradition for Goans, and it is not unlike a cottage industry, in many ways. The businesses are small and self-financed. Owing to the smaller distilleries being family-owned, there are different production techniques that different distillers practice, which gives different varieties of feni a flavour and character that are uniquely their own. Also, the product testing mechanisms vary across the board. A lot of the labour is dependent on the feni industry for their livelihood. About 40,000 people are employed across 4000 mini-distilleries/stills and about 1 million bottled litres of cashew feni were made in 2005⁸. Another major consequence of the bestowing of the GI status is that some large distilleries have slowly gotten into the feni business. The labourers who were primarily involved in traditional brewing are gradually taking up employment in these distilleries. Consequently, there is a shortage of skilled labour that has played its role in pushing out the local brewers who operate out of smaller distilleries which, more often than not, are located in their cashew plantations themselves. This might end up creating a situation where feni becomes this homogenized, corporatized product, allowing for little or no flexibility in its character and taste. Now, the uniform standards issue was resolved by scotch makers by way of blending – so maybe the feni industry can take a leaf out of their book and make a certain grade of feni for export purposes, while allowing the smaller brewers to get into the alcohol market within India. These smaller entities, provided that they raise enough money by way of trade within the country, can then focus on issues like global branding and marketing – they may not sell in the numbers that the larger distilleries achieve, but they can focus on creating a premium market for their product. Another issue is that the smaller distillers, in a valiant effort to keep their businesses afloat, are resorting to cost-cutting measures which end up having an adverse impact on quality.

⁸Paul, Stella. The Subdued 'hic' Of An Indian Drink. 2011. <http://article-niche.com/launch/The-Subdued-hic-Of-An-Indian-Drink.htm> (Accessed July 10, 2012)

Table 2 Feni Production and its contribution to Goa's excise

Year	Production (million litres)		Excise from Cashew Liquor (in Rs. Million)	State Excise (in Rs. Million)
	Cashew Feni	IMFL (excluding beer)		
1971	1.089	0.202	1.939	13.5
1986	0.986	1.617	9.461	68.953
1996	0.736	12.88	9.25	290.3
2004	0.875	18.99	10.73	550

Conducted by PranabMukhopadhyay (South Asian Network for Development and Environmental Economics (SANDEE) & Goa University with SantoshMaurya&SuryabhanMourya for SHODH, Nagpur

The observed trend is that the quantity of registered feni production is declining, as is its contribution to state revenue. Gradually, IMFL (Indian-made Foreign Liquor) is crowding out feni owing to its superior, more organized market structure and widespread marketing.

Table 3 Area Under Cashew Cultivation, Goa (hectares)

Year	Total Area in Goa under Cashew Cultivation	Cashew as a percentage of total cultivated area in Goa	Number of Licenses for Stills
1986	46888	36	3037
1996	51360	31	3991
2000	53767	31	3217
2004	54858	32	3095

Source: Directorate of Planning, Statistics and Evaluation, Government of Goa

Unsurprisingly, the number of licensed stills has decreased slightly over the last couple of decades. But perhaps the most telling impact is due to the fact that feni remains classified as country liquor, implying that it cannot be sold outside the state of Goa, forcing manufacturers and distillers to forgo a potentially large market across the country. That scuppers a lot of their prospects, because the

alcohol market in India has shown a tremendous propensity to expand and develop over the past couple of decades. Some of the major trends that have been observed are:

- The Indian alcohol market totalled approximately \$14 billion last year, and common consensus says that India's alcohol market is among the fastest growing alcohol markets in the world⁹.
- International beverage companies have been making a beeline for setting up shop in India, not in the least because the Indian alcohol market is expected to grow at a rate of 10% annually¹⁰.
- Hard liquor is what Indians prefer. This is evidenced by the fact that spirits account for roughly 70% of total sales.

States obtain around 20% of their revenue by way of taxes on alcohol. It is the largest source of revenue for most states in India (around 15-20%), barring sales tax.¹¹ In 2008-09, the excise revenue generated was approximately 40000 crore rupees¹², of which almost 90% was due to the alcohol beverage industry. The state also needs to act, because generally, state laws deal with only alcohol taxes – there haven't been laws implemented to further the interests of the people who actually work in the industry, nor have there been moves to remove the 'country liquor' tag that feni still has.

Indian-made whiskey, which is classified as IMFL, has captured a major portion of the Indian market. India is also the largest consumer of whiskey in the world. Indian whiskey consists of spirits distilled from fermented molasses, with only about 10% of the blend consisting of proper malt whiskey. This is owing to the fact that the cultivation of sugarcane is extremely common in India. Also, with the presence of so many major manufacturers, it is manufactured and sold in large quantities. Feni can theoretically achieve these numbers only if the 'country liquor' tag¹³ it carries is removed, and it is allowed to be marketed on a larger scale. Of course cashew is not as common in India as sugarcane is, but it would be a step forward in the right direction.

⁹Thottam, Jyoti and Hannon, Elliot. 2009. Tapping into India's Growing Alcohol Market. <http://www.time.com/time/world/article/0,8599,1949796,00.html#ixzz1z4stQYLV> (Accessed July 3, 2012)

¹⁰As per an estimate by KPMG India.

¹¹Mahal, A. (2000) *What works in alcohol policy?*Evidence from rural India.Economic and Political Weekly.

¹² The licensed capacity is majorily concentrated in three states of U.P., Maharashtra and Tamil Nadu.

¹³State government rules grant this tag to any liquor that is manufactured on an informal basis in rural areas, using indigenous recipes.

The Licensing Regime in Goa

Getting a license for manufacturing cashew feni is a long-winded and complicated process. As one gets into the nitty-gritty of the licensing procedure, one realises that different stages of the feni-making process bring with it different sets of arduous licensing procedures. The Excise department, of the Goan government delineates certain requirements – the first step is to either set up a modern distillery, or to take part in a public auction held every year by the excise department and thereby acquire the right to perform distillation. There are several licenses that one has to procure before even thinking of getting into the market. And it is not just about paying a license fee and being done with it. Setting up a modern distillery also means that every year in May, the distiller has to apply for allotment of cashew zones (within which these liquor-making activities can be carried out). In October every year, the owner needs to pay the excise duty that has been fixed for the allotment of the cashew zones. The auction scenario isn't much to write home about either. The prospective bidder needs to do the following things¹⁴:

- Deposit earnest money of Rs. 100/- for taking part in the auction.
- Be a successful bidder/tenderer.
- Pay on the spot first installment towards bid amount to total amount of tender as soon as bid/tender accepted by the Committee.
- Within five days declare the places where stills will be erected within the cashew zone to the Excise Inspector.
- Pay licence fee and obtain licence in Form E-23 from Excise Inspector.
- Purchase cashew juice from licensed cashew juice extractor at the rates fixed by the Government.
- Dispose cashew liquor distilled before the end of December for which licence has been granted.

Then, there is the bottling process. Owing to the legal status of feni as 'country liquor', there the need for obtaining yet more licenses. Thus, realistically speaking, to have all the stages of feni-making completed at one place is very problematic – this is a major problem for smaller manufacturers, both current and prospective. In a 2007 survey amongst the various stakeholders in the Goan feni industry, there were some interesting findings about their educational profiles:

¹⁴Citizen Charter, Section A, Excise Department, Government of Goa.
<http://www.goastateexcise.goa.gov.in/citizencharter-licenseprocedure.php> (Accessed July 13, 2012)

Table 4 Educational Profile of feni industry stakeholders

S. no.	Educational Attainment	Distiller (N=379)	Retailer (N=46)	Wholesale (N=15)	Bottlers (N=9)
1	Illiterate/Not reported	9	8.7	6.7	0
2	Class 4 or less	18.5	6.5	6.7	0
3	Class 8 or less	19.3	21.7	13.3	0
4	Class 10 or less	32.2	32.6	26.7	0
5	Class 12 or less	13.2	17.4	33.3	14.3
6	Graduate	7.7	10.9	13.3	85.7
7	Post Graduate	0.3	2.2	0	0
9	Total	100.0	100.0	100.0	100

Conducted by PranabMukhopadhyay (South Asian Network for Development and Environmental Economics (SANDEE) & Goa University with SantoshMaurya&SuryabhanMourya for SHODH, Nagpur

Amongst the distillers, retailers and whole sellers, only 10% (approx) were graduates, but when it comes to the bottlers, a whopping 85% were. It is hardly surprising then, that a large number of smaller manufacturers have the incentive to try and get into the feni market when they have to traverse minefields of licensing rules and regulations – limited education is also a problem in this regard.

Conclusions

The Goan feni-making industry and its current situation is illustrative of how, sometimes, there are measures introduced to improve the state of affairs in a particular sector, but they end up incapable of changing the scenario for the better. At worst, they end up doing more harm than good. In this case, granting the GI status to feni has been a double-edged sword – on one hand, the larger distilleries (theoretically) can, by way of exports and innovative branding strategies, take advantage of the GI status and establish it globally, while on the other the smaller producers are being forced to go out of business. A major step in the right direction would be to create a more uniform and responsive regulatory regime for the sale of alcoholic beverages in India. The Goan government, for its part, can work at devising a plan for promoting feni, by pushing for its de-classification from the country liquor category, and maybe by granting subsidies on some of the raw materials required for the manufacture of feni, especially for those who do not manufacture it in industrial quantities. Also,

since feni-making is an art and tradition in itself, this can be passed down to the younger members of the community through workshops and other similar programmes.

This will, by no means, be an easy task, but owing to feni's status as a cultural artefact, it needs to be done.