

MARKETING CHANNEL AND PERFORMANCE OF VALUE CHAIN – A STUDY OF MAIZE CROP IN KARNATAKA

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ABSTRACT

The chain mapping enables to visualize the flow of the product from conception to end consumer through various actors. In present study the six alternative channels were identified in maize marketing. The main marketing channels were identified from the point of production until the product reaches the final consumer through different intermediaries. The demand for maize is increasing for various usages - different types of food, livestock feed, poultry feed, beverages, starch, etc. The change in production trend has brought a change in its pattern also. In this study made an attempt to know the different channels of marketing and performance of value chain of maize crop in Karnataka.

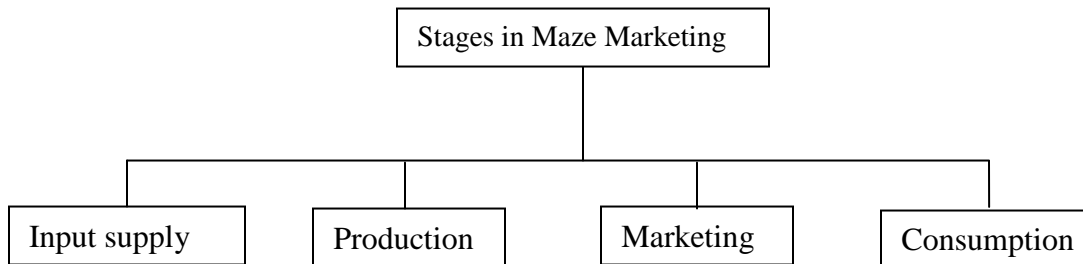
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1. Introduction

The chain mapping enables to visualize the flow of the product from conception to end consumer through various actors. To understand the various patterns of interaction between different actors and organizations, it is significant to map linkages in general ways, but then it is also necessary to understand the nature and the purpose of these linkages. Hence, value chain mapping has been used to understand the pattern of interactions between the key actors. It allows seeing the extent of links to be systematically investigated. Below distinction was made for maize commodity to show a separate marketing channels, value chain mappings, cost and margin and profit analysis. The major stages in marketing of maize crop are as follows;

Information flows among all actors to improve quality of the product and to determine the level of production. Research centers, districts administrations, informal credit suppliers, banks, and marketing and cooperatives offices were also found as enablers. In this study made an attempt know the marketing channel of Maize crop in Karnataka



2. Brief View of Value Chain

Building on the concept of governance, Gereffi has made the very useful distinction between two types of value chains. The first describes those chains where a buyer at the apex of the chain plays the critical governing role. *Buyerdriven chains* are characteristic of labour intensive industries (and therefore highly relevant to developing countries) such as agro-processing, footwear, clothing, furniture and toys. The second describes a world where key producers in the chain, generally commanding vital technologies, play the role of coordinating the various links - *producer-driven chains*. Here producers take responsibility for assisting the efficiency of both their suppliers and their customers. In more recent work, Gereffi has pointed out that producer-driven chains are more likely to be characterized by Foreign Direct Investment (FDI) than are buyer-driven chains (Gereffi, 1999). He also argues that each of these different types of value

chain is associated with different types of production systems. More contentious is the suggestion that producer driven chains are a reflection of the old “import substituting industrialization order”, whereas buyer-driven chains are more attuned to the outward-oriented and networked production systems of the 21st century.

In most value chains there are multiple points of governance, (in all three areas of legislative, judicial and executive governance). At any one point in time, a number of different parties may be setting rules (which may differ in nature), auditing performance and assisting producers to achieve the required standards. These parties may be from within the chains themselves or in the local community or in business associations. There may thus be overlaps between vertical and horizontal form governance.

The intangibles are to be found in all links - for example, the control of logistics in the production phase, the conceptual phase in advertising. But certain links in the value chain are particularly rich in intangible activities, such as design and branding, and the coordination of the chain itself. The shift from producer- to buyer-driven chains is therefore illusory and arises because at this point in the competitive cycle, branding and marketing are becoming increasingly important in many chains. However, closer examinations of chains will however show a pervasive shift to a wider arena of intangibles and it is because of this that a chain can simultaneously appear to be both buyer- and producer-driven.

Similarly particular product families (for example, toys or clothing) may simultaneously have buyer-driven and producer-driven chains, depending on which intangibles the lead parties dominate.

3. Objectives of the Study

The present study aimed to study the following objectives;

1. To study the marketing channels of maize crop
2. To analyse the performance of maize value chain in the study area.

4. Methodology

Present study has been carried out in the selected districts of Karnataka viz, Davanagere and Chitradurga. It is mainly based on primary data and the required data has been collected through the interview schedule from the farmers in study area. A simple random technique has been adopted for selecting the farmers and traders for the purpose of the study. Total 150 farmers and 80 traders were chosen and the required data was gathered from them. The information collected from the sample units has been arranged in table and graphs. The statistical tools such as average and the cost-benefit analysis were utilized.

5. Data Analysis and Interpretation

a. Marketing Channels of Maize

Six alternative channels were identified in maize marketing. The main marketing channels were identified from the point of production until the product reaches the final consumer through different intermediaries.

The main buyers of the maize were wholesalers, local traders and consumers which accounted 74.45 and 7.54 percent respectively. On top of this, channel comparison was made based on volume of sale passed through each channel. Accordingly, the channel of farmers to consumers through intermediaries of wholesalers carried on the largest followed by farmers through intermediaries of urban retailers and urban wholesaler. Thus, the quantity of maize flow in the highest volume quantity channels accounted for around 83.40 per cent of the total volume of flow in the markets.

Channel I: Farmers Consumers

Channel II: Farmers Wholesalers Consumers

Channel III: Farmers Wholesalers Retailer Consumers

Channel IV: Farmers Local Traders Wholesalers Retailer Consumers

Channel V: Farmers Collectors Wholesalers Consumers

b. Performance of Maize Value Chain

Channel VI: Farmers Collectors Consumers

Marketing Costs and Benefit Share of Actors

Types of marketing costs related to the transaction of maize by producers, wholesalers and consumers with their benefit shares were given. Cost of transportation is the highest amount followed by cost of loss when sieving to avoid foreign matters. Wholesalers and Farmers lose 23.40 per cent and 8.70 per cent of the total marketing costs they incurred, respectively.

The average cost of maize production and its selling price of producer were Rs. 10000 per acre and Rs 1150 per quintal in the study areas. The profit margin obtained by producer has been presented in the Table 1. Each of the maize value chain actors adds value to the product as the product passes from one actor to another. In a way, the actors add the value of the product through improving product grade by sorting, cleaning, packaging and time utility. Comparing to other value chain actors, the wholesalers buying from the farmers and selling to final consumer through different channels took profit margin of 200.6 by adding 55.45 per cent value to the commodity. This is because even though they incurred moderate marketing cost, they sell at higher price difference to others. The price change from producer's to consumer price is 55.45 per cent.

Table 1
Maize Marketing Costs and Benefits Share of Actors

(In average)

Items (Br/qt)	Producers	Urban Wholesalers
Purchase prices	--	1150
Production cost	10000	--
Marketing costs		
Labor	2000	5
Seeds & Pesticides	5500	
Brokerage	--	4.5
Package	--	1.5
Transport	1000	10
Loading/offloading	--	2.4
Total marketing cost	1500	23.4

Total cost	10000	23.4
Sale prices	1150	724
Marketing margins	150	224
Per cent share Margins	44.55	55.45
Profit margins	162.6	200.6
Per cent share Profit	44.7	55.3

Source: Computed From Field Data

Margins of Maize in Different Marketing Channels

Table 5.33 elucidated marketing margin among different actors in different channels. The total gross marketing margin is highest in Channel II which accounts for 13.60 percent of the consumer's price, respectively. The lowest total gross margin (4.02 per cent) was owned in channel II where farmers sold to the urban wholesalers.

Only producers directly sell to consumers, producer share (producers' gross marketing margin) is highest (around 99.00 per cent) in channel I. The lowest share is in channel IV (91.30 per cent), because of the no involvement of retailers and wholesaler in the channel that purchase from producers. From wholesalers involved channels, channel IV was the highest in gross marketing margin, 98.40 per cent, which was the highest of all traders. Retailers were involved in channel III and IV comparing to other channel. Its gross margin is highest at 98 per cent. Collectors' gross marketing margin was the highest in channel V when they purchase from retailers and sell to consumers accounts 90.10 per cent.

The net marketing margin computed result showed the highest in channel III (0.83 per cent) where retailers purchased from to sell wholesalers to the consumers and followed by channel IV (0.62 per cent) in which there retailers connected to purchase from producers, collectors sell it to wholesalers then to retailers. The reason for difference in producers' return across the channels is due to difference in marketing costs and length of the channels. The lowest net marketing margin (0.23 per cent) was loss by wholesalers as shown in channel V (refer Table 2).

Table 2**Margins of Actors in Maize Marketing Channels**

Margins	I	II	III	IV	V	VI
TGMM	:	13.60	10.80	6.40	9.40	8.60
GMM of producers	99.00	97.50	97.80	91.30	95.30	92.50
GMM of collectors				84.20	90.10	88.30
GMM of wholesalers		97.60	98.10	98.40	96.70	
GMM of retailers			98.00	97.20		
NMM of collectors				0.41	0.23	0.74
NMM of wholesalers		0.85	0.36	0.24	0.54	
NMM of retailers			0.83	0.62		

TGMM=Total Marketing Margins, GMM= Gross Marketing Margin and NMM= Net Marketing Margins

Source: Computed From Field Data

Conclusion

The demand for maize is increasing for various usages - different types of food, livestock feed, poultry feed, beverages, starch, etc. The change in production trend has brought a change in its pattern also. The study reveals that producers adoption of high yield hybrid seeds, application of improved farm technologies, value added products there by enhanced income and food security. Maize has potential for product diversification under a new economic regime. New types of maize based products are in demand among people in the higher income group. New opportunities need to be tapped by providing appropriate technologies to farming communities. Future maize production will largely depend on how markets are developed. Maize production marketing linkages are extremely weak and need to be strengthened. There is a need to develop mechanism for strengthening the maize production- processing-marketing system.

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