MARKETING OF GRAPES IN THENI DISTRICT

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Abstract

In this Paper an attempt has been made to study the marketing cost, marketing margin, price spread, effects of variation in the consumer's price on the share of producer and efficiency of marketing.

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Introduction

Agriculture marketing plays a crucial role in Agricultural development which is pre-requisite for development in other sectors and for the overall development of the economy. In a changing economic situation, the marketing system comprises several agencies and institutions, each playing an important role in the system. Agricultural marketing involves in its simplest form of the buying and selling of agricultural produce. In modern marketing, the agricultural produce has to undergo a series of transfer or exchange from one hand to another before it finally reaches the consumer.[1]

Methodology:

The primary data on prices were collected from grape growers in Theni district. The study has covered 200 farmers (from various blocks in Theni district). The marketing channels for grapes were identified. The tabular method and percentage analysis was carried out to examine marketing costs, marketing margin and price spread. The marketing efficiency was estimated by using modified formula given by Shepherd's method, Acharya and Agarwal, Composite Index, and Marketing Efficiency Index Method were studied. Marketing problems of grape growers in Theni District also identified.

CHANNELS OF DISTRIBUTION

The channels of distribution of grape are similar to those of the other agricultural products. The marketing channels linking producers and consumers consist of intermediaries' viz pre-harvest contractors, commission agents, wholesalers and retailers.In Theni district the role played by the pre-harvest contractors is very important. There is no institutional agency like marketing society or regulated market involved in the distribution process of grape.

CHANNEL I Growers →Pre-harvest Contractors → Commission Agents → Wholesalers → Retailers → Consumers

CHANNEL II Growers → Commission Agents → Wholesalers → Retailers → Consumers

CHANNEL III Growers→Wholesalers →Retailers→Consumers

MARKETING CHANNEL

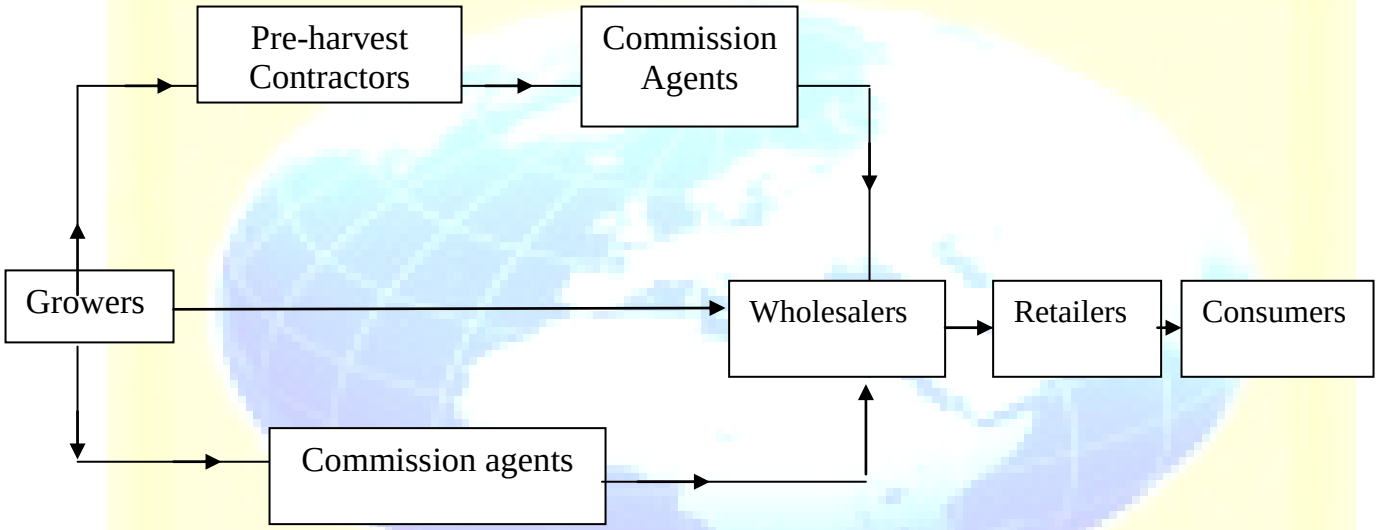

TABLE 1

PREFERENCE OF MIDDLEMEN BY SAMPLE GROWERS

Sl.No	Middlemen	Number of Growers	Percentage
1.	Pre-harvest contractor	100	50
2.	Wholesaler	44	22
3.	Commission Agent	56	28
	Total	200	100

Source: Primary data

Marketing of grape is done through different channels of distribution. It could be observed from Table 1 that 28 percent of the sample growers sell their produce directly to commission agents. They bring their produce to the market where they get immediate payment. Here the grower has to do all the works of harvesting, deciding the market and transporting the produce to the market. 50 per cent of sample growers prefer the sale to pre-harvest contractors, who make advance payment a few months before the harvest on condition that the entire produce should be sold to them at the price prevailing at the time of harvest

MARKETING COST

Marketing cost is the cost incurred in cutting, de-husking, transporting and other incidental charges paid in marketing the grapes. It is the actual expenses incurred in bringing the goods and services from the producer to the consumer. The marketing cost is a vital factor in determining the profitability of the grape growers and middlemen.

Marketing Cost of Growers

In the study area the grape growers use different channels to sell their produce. Marketing cost includes market fee, auction etc. The cost incurred by them in marketing rupees per kilogram under different channels was worked out and the results obtained are represented in Table 2.

TABLE 2

MARKETING COST OF SAMPLE GROWERS

Rs/'20kgs

Sl.No	Cost component	Small	Medium	Large
1	Cutting	16 (12.31)	10 (9.09)	10 (10)
2	Packing & processing	26 (20)	22 (20)	20 (20)
3	Commission of agents	24 (18.46)	22 (20)	22 (22)
4	Weighing	12 (9.23)	12 (10.9)	12 (12)

5	Transportation	36 (27.69)	34 (30.9)	28 (28)
6	Market fee, auction etc.,	8 (6.15)	6 (5.46)	6 (6)
7	Miscellaneous	8 (6.16)	4 (3.65)	2 (2)
	Total	130 (100)	110 (100)	100 (100)

Source: Primary data Figures in Parentheses are percentage to total.

Table 2 shows that of all marketing expenses the transportation expense leads the total marketing cost irrespective of the size of growers. The growers use van, mini lorry and lorry for transporting grape from grape-garden to the terminal market. As the small growers transport low quantities, their expenses on transportation, loading and unloading and commission to intermediaries are higher. The large growers used their own van, so the transportation cost is low. Counting and market fee are uniform for all.

MARKETING MARGIN

Grape passes through various intermediaries in its journey from producer to consumer. The intermediaries render a number of services in the process of marketing of grape. The margin of the intermediaries may be taken as an indicator of the efficiency of the marketing system.

The marketing margin of various intermediaries in all the three channels taken up for the study is presented in table 3. The marketing margin of grape produced in different blocks of Theni district and local markets is computed and discussed in detail.

It is observed from Table 3 that in all the three channels of distribution the retailers earned uniform margin and that their share is the highest among the intermediaries. The margin enjoyed by the pre-harvest contractors ranked second and that too only in channel I. As far as wholesalers are concerned, they get a better share in channel III than in other channels. Their share is the least in all the three channels while comparing the share of the other intermediaries.

TABLE 3

MARKETING MARGIN IN DIFFERENT CHANNELS

Sl.No	Particulars	Channel		
		I	II	III
1	Pre-harvest contractors' margin	1.6	--	--
2	Wholesalers' margin	1.1	1.1	1.2
3	Retailers' margin	1.7	1.7	1.7
	Total marketing margin	4.4	2.8	2.9

Source: Primary data.

PRICE SPREAD

Price spread is one of the important measures of marketing efficient indicates the difference between the price paid by the ultimate consumers and price received by the producer for an equivalent quantity of farm produce. The spread includes marketing cost incurred by the intermediaries as well as their margin.

TABLE 4

PRICE SPREAD FOR GRAPE

Sl.No	Particulars	Channel-I		Channel-II		Channel-III	
		Amount	%	Amount	%	Amount	%
1.0	**Producer**						
1.1	Net price received	15.00	58.57	14.00	64.94	16.00	71.11
1.2	Marketing cost	0.60	2.14	0.56	2.59	---	---
1.3	Gross price received	15.60	55.71	14.56	67.54	16.00	71.11

2.0	**Pre-harvest contractor**						
2.1	Price paid	15.60	55.71	14.56	67.53	16.00	71.11
2.2	Marketing cost	3.80	13.57	--	--	--	-
2.3	Marketing margin	1.60	5.74	--	--	--	-
2.4	Price received	21.00	75.00	--	--	--	-
3.0	**Wholesaler**						
3.1	Price paid	21.00	75.00	--	--	--	--
3.2	Marketing cost	2.40	8.57	2.40	11.13	1.80	8.00
3.3	Marketing margin	1.10	3.93	1.10	5.10	1.2	5.33
3.4	Price received	24.50	87.50	18.06	83.76	19.00	84.44
4.0	**Retailer**						
4.1	Price paid	24.50	87.50	18.06	83.76	19.00	84.44
4.2	Marketing cost	1.80	6.43	1.80	8.35	1.80	8.00
4.3	Marketing margin	1.10	6.07	1.70	7.89	1.70	7.56
4.4	Price received / price paid by consumer	28.00	100.00	21.56	100.00	22.50	100.00
5	**Marketing efficiency**	2.26		3.53		5.25	
6	**Price spread**	13		7.56		6.50	

Source: Primary data

The price spread has been computed for every crops sold by the sample growers. The gross and net price received along with the marketing cost incurred by each intermediary under different channels have been computed and presented in Table 4.

From Table 4, it could be seen that the share of the producer in the price paid by the consumer is 50.20 per cent, 58.32 per cent, 58.73 per cent in Channels I, II, and III respectively. It is found to be the highest in channel III when compared to channels I and II.

The marketing cost of grape incurred by the producer was less in channel III (12.50 per cent) than channel II (12.91 per cent). The producer incurs no marketing cost under channel I. The cost incurred by the wholesaler was the same in both channel I and channel II with 9.10 per cent of consumer price and it was lower in channel III with 7.65 per cent. As far as the retailers are concerned the marketing cost was uniform with 3.79 per cent in all the three channels.

The margin received by the retailers is the maximum with 11.31 per cent of consumer price among all the intermediaries and also in all the channels of distribution followed by the pre-harvest contractor with 7.70 per cent in channel I and the wholesalers with 6.02 per cent in channel III.

AN OVERVIEW OF PRICE SPREAD

To get a comprehensive idea about the different channels of distribution, total marketing cost, marketing margin, growers' price, consumers' price and price spread have been consolidated and presented in Table 5.

TABLE 5

OVER VIEW OF PRICE SPREAD

Sl.No	Particulars	Channel		
		I	II	III
1.	Marketing cost	8.60	4.76	3.60
2.	Marketing margin	4.40	2.80	2.90
3.	Producers' price	15.00	14.00	16.00
4.	Consumers' price	28.00	21.56	22.50

5.	Price spread	13	7.56	6.50

Source: Primary data.

It could be seen from Table 5 that the total marketing cost incurred by the various market intermediaries was the highest in channel I where the marketing margin was also the highest. Thus the producers realised the least price for their products under this channel. The price spread was the lowest in channel III where the marketing cost was minimum. Under channel III the producers realised the maximum price for their products. Marketing margin was minimum in channel II though the producers' price was also less which was due to some extent higher marketing cost under this channel.

MARKETING EFFICIENCY

Marketing efficiency is directly related to the cost involved in moving goods from the producer to the consumer and the quantity of services offered. If the cost incurred when compared with the services involved, is low, it will be efficient marketing. The improvement in marketing efficiency means the reduction of marketing cost without reducing the quantum of services to the consumer.

Marking efficiency of channels:

The present study is an attempt to analyze the efficiency of difficult channels by

(1) SHEPHERD'S METHOD

(2) ACHARYA AND AGGARWAL'S METHOD and

(3) COMPOSITE INDEX METHOD

(4) MARKETING EFFICIENCY INDEX METHOD:

(1) SHEPHERD'S METHOD

Shepherd[2] has suggested that the ratio of total value of goods sold in the market and the total marketing cost is to be used as a measure for marketing efficiency. According to him, the greater the ratio, the higher the efficiency and vice versa. Shepherd's formula for marketing efficiency is

ME = (V / I) – 1

TABLE 6

MARKETING EFFICIENCY UNDER SHEPHERD'S METHOD

Sl.No	Particulars	Channel		
		I	II	III
1	Consumers' price (Rs.per kg.)	28.00	21.56	22.50
2	Marketing cost (Rs.per kg)	8.60	4.76	3.60
3	Marketing efficiency	2.26	3.53	5.25

Source: Primary data.

Table 6 shows that the marketing efficiency in channel III (5.25) is greater than channel II (3.53). The efficiency of the participating intermediaries may be due to the lowest total marketing cost. The poor efficiency was noticed in Channel I as it is clearly evidenced from the fact that the total marketing cost was the highest in this channel.

(2) ACHARYA AND AGGARWAL'S METHOD

According to them, the formula for computing efficiency is:

E = (O / I) x 100 or Nets price received by the farmers

Marketing cost + marketing margin

Where E is marketing efficiency; O is output of the marketing system and I is cost of marketing including margin of intermediaries. As per this formula, higher value denotes higher level of efficiency and vice versa[3]. The findings are shown in the table 7.

TABLE 7

MARKETING EFFICIENCY UNDER ACHARYA AND AGGARWAL'S METHOD

Sl.No	Particulars	Channel		
		I	II	III
1.	Total marketing cost (O)	8.60	4.76	3.60
2.	Value added (V)	15.00	14	16.00
3.	Marketing efficiency (O/I)	0.57	0.34	0.23
4.	Marketing efficiency index (E x100)	57	34	23

Source: Primary data.

The marketing efficiency index of channel I is greater than that of channel II and channel III.

(3) COMPOSITE INDEX METHOD

As per this method, the percentage of producer's price, marketing cost and marketing margin to consumer's price per kg of grapes are calculated and these are assigns ranks. Total scores are found by adding the respective ranks in each channel. The mean scores are calculated for each channel. Where the mean score is less, it is efficient channel[4]. To verify the results obtained under Shepherd's method scores were computed by using the composite index method and results obtained are presented in Table 8. As per composite index method, marketing efficiency is to be calculated using the following formula.

$MEI = R_j / N_j$

TABLE 8

MARKETING EFFICIENCY UNDER COMPOSITE INDEX METHOD

Sl. No	Marketing Channel / Rank	Score as Indicators					
		Producer's share (Percent of Consumer Price)	Marketing cost (Percent of marketing cost)	Marketing Margin (Price of marketing margin)	Total score	Mean score	Rank
1	Channel I Rank	53.57 (1)	8.6 (3)	4.4 (2)	6	2	**II**
2	Channel II Rank	64.94 (2)	4.76 (2)	2.8 (1)	5	1.67	**III**
3	Channel III Rank	71.11 (3)	3.60 (3)	2.90 (1)	7	2.33	**I**

Source: Primary data.

The channel obtaining the least score is considered to be efficient under the Composite Index Method and thus, as evidenced from Table 8, Channel II consisting of growers, commission agents, wholesalers and retailers which have the least score is considered the most efficient channel followed by channel I. The inefficient channel was channel III the mean score of which was the maximum of all.

(4) MARKETING EFFICIENCY INDEX METHOD:

As per this method, efficiency is calculated with ME = 1 + (Marketing Margin / Marketing Cost). As per this format channel is considered as an efficient one. Findings are shown in table 9.

Table 9

Marketing efficiency index

Channel	Marketing cost	Marketing margin	Marketing efficiency
I	4.40	4.40	2
II	2.96	2.80	1.009
III	1.8	2.90	1.02

Source: primary data

Cost wise, the third channel is found to be the efficient and margin wise and the second channel is also found to be efficient. But, as per the marketing efficiency index method, channel I is the most efficient of all the three channels, because of its higher index.

PROBLEMS IN MARKETING OF GRAPE

The sample grape growers were asked to rank the problems faced by them in the marketing of grape and the ranks given by them were analysed using the Garrett Ranking Technique. The percentage of the individual ranks was converted into scores using the Garrett table and thereby the mean scores and the ranks were assigned to the problems encountered by the growers in the study area and the details are furnished in Table 10.

TABLE 10

MARKETING PROBLEMS OF GRAPE GROWERS

Sl.No	Problem	Score	Rank
1	Inadequate finance	36.36	VIII
2	Heavy commission	68.76	III
3	High transport cost	51.69	V
4	Irregular payment	30.11	IX
5	Lack of infrastructure in rural areas	40.22	VII
6	Poor implementation of the Govt. policy	60.34	IV
7	Lack of training facility to the growers	70.52	II
8	Insufficient marketing mechanism for grape marketing	32.34	X
9	Price fluctuations	80.24	I
10	Exploitation by dealers and traders	44.60	VI

Source: Primary data.

It could be observed from Table 10 that the price fluctuation of grape was the major problem with a mean score of 80.24. Lack of training facility to the growers was the next important problem faced by the growers with a mean score of 70.52.

High amount of commission and Poor implementation of the Govt. policy were the third and the fourth problems respectively. Brokers having close nexus with the pre-harvest contractors and wholesalers exploit the growers by collecting exorbitant amounts by way of commission.

High transport cost (V) and Exploitation by dealers and traders (VI) are also important problems of growers. The growers do not know about the accurate cost of the transport and also the current availability of the marketing information.

Lack of infrastructure in rural areas (VII) and Inadequate finance (VIII) are also some of the other important problems encountered by growers. The least considered problem was the irregular settlement of dues (IX) by the middlemen with the mean score of 30.11. The middlemen role was also responsible for the non-remunerative prices received by the growers. In grape marketing too many middlemen do the grape grading unscientifically with mere eye judgment the growers are very often thrown to the receiving end.

Insufficient marketing mechanism for grape marketing (X) is the last problem of grape marketing.

Suggestions:

1. Information on marketing should be passed on to grower and traders through mass media and other means of communication.
2. The government and department of agriculture should improve their policy relating to grape farming and marketing in Theni district and provide assurance to grape farmers.
3. Price fluctuation and the inadequate training facilities relating to quality management was found major problem in grape marketing. Therefore, there should need to develop training programmes for train grape farmers' fro maintaining quality of grape.
4. To decrease inconvenience in marketing of grapes, we can provided grape export facilities through local co-operative based grape export centres.

CONCLUSION

Grapes play a vital role in offering significant employment opportunities to millions of rural people. Hence it deserves a planned and continuous attention. The grape cultivators, traders, exporters, government, and the like would go along way in referring to the share of Indian grape in both domestic and foreign markets. The present study has brought into focus the various issues relating to the marketing aspects of grape. The policy implications suggested, if properly implemented may result in increased revenue for the nation and for the people concerned.

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