Marketing Channels, Marketing Cost, Margin and Producer's Share in Consumer's Rupee in Paddy Marketing

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ABSTRACT

The marketing of paddy covers a vast spectrum of activities including all the functions and processes involved in the movement of the produce from the point of production to the point of consumption. The district Etah, Uttar Pradesh was selected purposively for the research work. Four market channels were selected for the study of marketing channels, marketing costs, margins and producer's share in consumer's rupee with the help of available data and information. In Channel-I, the producer had paid ₹ 16 per quintal in the form of transportation, weighing, loading and unloading etc. In channel-II, III and IV, the charges born by village traders, wholesalers and retailers were ₹ 178.00, 169.10 and 143.10 per quintal in respective channels. The marketing margins obtained by different agencies were ₹ 158.00, 133.00 and 113.00 in case of channel-II, III and IV respectively. The consumer's price was ₹ 871.50, ₹ 852.60 and 846.80 per quintal in case of respective channels. The marketing charges, margins and the consumers had purchased price were highest in channel-II followed by channel-III and channel-IV. It was because of the fact that higher number of intermediaries were involved in channel-II. The marketing efficiency index of channel-IV was highest as compared to the channel-III and channel-II. It showed that the channel–IV most efficient. The producer's share was found highest in case of channel-IV, where the number of intermediaries were lesser. The channel-IV had been found to be the most efficient and suitable to the farmers.

Keywords: Marketing channels, marketing cost, producer's share, price spread, paddy marketing

The marketing of paddy covers a vast spectrum of activities including all the functions and processes involved in the movement of the produce from the point of production to the point of consumption. Each of these aspects is a vital link in the chain of marketing system. There is a multiplicity of interactions and involvement of a large number of functionaries having conflicting interests. The prevailing agricultural marketing system in the country is almost dominated by the traders. The producers continue to be the weakest link in this chain. The lack of infrastructure facilities is one of

the important factors responsible for the weakest position of the producer Gauraha (1994).

Paddy is the staple food and the main source of income and employment generation for a large number of farmers including small and marginal ones and agricultural labourers in the district Etah. It is one of the major food grain crops of the district and it occupied about 10.54 per cent area of the total cultivated area. Farmers in general sell their produce just after harvest at undesirable terms and conditions to the commission agents/traders/wholesalers/ mahajans because of their poverty, indebtedness, and inadequate knowledge, lack of retaining and storage capacity and paucity of finance. Not only is this they also receive low price for their produce because they sell just after the harvest when there the glut of produce in the market. The economically sound farmers receive better price for their produce as they have hoarding capacity. For cash crops the farmers share is higher than food grain crops (Kumar 1998). The farmers, who sell their produce at village level, receive less price as compared to those, who sell in mandies because of various malpractices prevail in villages. However, a large proportion of Paddy is disposed to the money lenders, land lords, beoparies and other shrewd persons at village level. It is worth noting that a large number of middlemen have cropped up between the producers and consumers in

the marketing system of Paddy/Rice. This part deals with the study of marketing channels, marketing costs, margins and producer's share in consumer's rupee in paddy marketing.

MATERIALS AND METHODS

The district Etah, Uttar Pradesh was selected purposively for the research work. Both primary and secondary data were collected for the purpose of the study. First hand (Primary) data were collected from the selected paddy farmers and intermediaries through survey method with the help of pre-tested schedules and questionnaires. The data were pertained to 2003- 04. The four marketing channels for Paddy prevailing in the area under study are identified and numbers of farmers selected under different channels are given below in Table 1.

In channel-I, the Government procurement agencies like F.C.I. and co-operatives procures Paddy from the producers with a view to provide minimum support price to them. This Paddy produce goes to the Rice mills for processing. The processed and levied rice is stored in F.C.I., Central and State warehousing corporation godowns. After that it is supplied to the consumers through the Public Distribution System and other welfare programmes at subsidized rates. All expenditures incurred in the processing and transportation are born by the Government. It is,

Table 1: Number of sample Paddy growers who sold Paddy through different channels in different farm size groups

Channel No.	Name of the channel	Number of farmers in different farm size groups			Total
		Marginal	Small	Large	
I.	Producer → Govt. Procurement Agency → Rice miller → Govt. Agency → Fair price shop dealers → Consumer	4	2	3	9 (12.16)
II.	Producer→ Village traders → Primary wholesaler → Rice miller → Secondary wholesaler →Retailer → Consumer	38	10	1	49 (66.22))
III.	Producer → Primary wholesaler → Rice miller → Secondary wholesaler → Retailer → Consumer	5	3	5	13 (17.57)
IV.	Producer → Rice miller → wholesaler → Consumer	—	1	2	3 (4.05)
	Total	**47**	**16**	**11**	**74 (100.00)**

Figures in parentheses indicate percentage.

therefore, the producer's share in consumer's price has not been worked out particularly for this channel. It can be said that the rice miller plays an important role in Paddy marketing systems as he involves in each channel.

The Channel II reveals that the Paddy moves from producer to consumers through village trader - primary wholesaler - Rice miller - secondary wholesaler - retailer. The Channel III shows that producer brings Paddy to the mandi and he sells it to the primary wholesaler then the wholesaler sells it to the Rice miller after that secondary wholesaler purchases Rice from Rice miller and sells it to the retailer then retailer sells to consumers. In Channel IV the producer brings the produce to the mandi and sells it to Rice miller then Rice miller sells processed rice to wholesaler after that retailer purchases Rice from wholesaler and he sells to consumers.

All the sampled 100 farmers were interviewed regarding marketing of their Paddy produce and found that out of the total 100 farmers, 47 farmers under marginal farm size group, 16 farmers of small category and 11 farmers of large category who sold their Paddy produce through different channels were studied and given in the Table 1.

Table 1 indicates that 23 farmers of marginal and 3 farmers of small category did not sell their produce due to low production. Out of the total 47 marginal farmers, 4, 38 and 5 farmers sold Paddy through channel I, II and III respectively. In case of small farmers 2, 10, 3 and 1 farmer sold through channel I, II, III and IV respectively. Out of the 11 large farmers, 3, 1, 5 and 2 farmers sold their Paddy produce through channel I, II, III and IV respectively. It indicates that majority of the marginal and small farmers sold their produce in village to the village traders, while large farmers generally sold their produce in market. Out of the total farmers under study, 49 (66.22 percent) farmers sold their produce to village traders, 9 (12.16 percent) farmers sold through procurement agency, 13 (17.57 percent) sold to wholesaler and 3 (4.05 percent) farmers sold to direct Rice millers. It was observed that 23 marginal farmers and 3 small farmers were not able to sell their produce due to lack of marketable surplus. Marketing cost refers to the difference between the price received by a producer-farmer for his commodity and the price paid by the final consumer.

The difference between the price paid by the consumers and the price received by the producers for an equivalent quantity of farm produce is known as farm-retail spread or price spread.

RESULTS AND DISCUSSION

Charges Paid by Different Agencies in Channel-I

The charges paid by producer and F.C.I. as the Government procurement agency in channel-I are presented in Table 2.

Table 2 shows that the charges born by the producer comes to ₹ 16.00 per quintal in channel–I. The F.C.I. as the Government procurement and distribution agency paid ₹ 479.8 per quintal on various obligatory, distributional and carrying charges. Out of this amount i.e., ₹ 479.80, the obligatory and distributional charges accounts to ₹ 171.77 and ₹ 268.24 respectively. The total marketing charges in channel –I comes to ₹ 495.80 per quintal.

Table 2 : Marketing charges incurred in channel - I

Sl. No.	Particulars	Amount in ₹/qtl.
1.	**Charges born by producer**	
A.	Transportation	10.00
B.	Weighing	2.00
C.	Loading and unloading	3.00
D.	Cleaning and others	1.00
	Subtotal	**16.00**
2.	**Charges born by F.C.I.**	
A.	*Obligatory charges*	28.08
I.	Transaction charges	21.85
	Mandi charges	33.00
	Purchase/sale tax	
	Gunny bag	
	Subtotal	**82.93**
II.	Handling charges	
	a. Mandi labour	8.09
	b. Internal movement	15.65
	c. Forward charges	1.29
	Subtotal	**25.03**
III.	Processing Cost	15.67
IV.	Storage and interest	
	Storage charges	3.75
	Interest charges	12.21
	Subtotal	**15.96**
V.	Others	
	Established charges	13.36
	Miscellaneous	18.82

	Subtotal	32.18
	Total obligatory charges	*171.77*
B.	*Distribution cost*	
I.	Handling expenses	36.64
II.	Storage charges	27.50
III.	Interest charges	68.75
IV.	Freight charges	89.42
V.	Administrative overheads	27.54
VI.	Storage shortages	3.64
VII.	Transit shortages	14.75
	Total distribution cost	*268.24*
C.	*Carrying charges to state agencies*	*39.79*
	Total marketing charges born by F.C.I. (A+B+C)	479.8
	Total marketing charges (1+2)	495.8

The net price received by the producer and economic cost (₹ Per quintal) paddy/rice by FCI :

The net price received by the producer and the economic cost of Paddy to the F.C.I. is presented in Table 3.

Table 3 shows that producer receives ₹ 524.00 per quintal as the net price for his Paddy produce. The Economic cost of Rice comes to ₹ 1019.80 per quintal and this is the amount that F.C.I. paid for preparation of one quintal of Paddy. Out of this ₹ 540.00 paid to the producer for purchase of one quintal of paddy and ₹ 479.80 paid for various charges incurred in different items. In govt. purchase price, producer share is higher but in final consumer price, the prouder share is low (Jana and Verma (2004).

Table 3 : The net price received by the producer and Economic cost of Rice by F.C.I.

Sl. No.	Particulars	₹/qtl.
1.	Producer's sale price	540.00 (52.95)
2.	Marketing charges born by producer	16.00
3.	Net price received by the producer	524.00
4.	Marketing charges born by F.C.I.	479.80 (47.05)
5.	Economic cost of Rice (1+4)	1019.8 (100.00)

Figures in parentheses indicate percentage.

Charges Born by Different Agencies in Marketing Channel - II, III And IV

The marketing charges born by F.C.I. in various items such as obligatory, distributional and carrying charges are not comparable to the charges born by private market functionaries. Hence, the analysis of marketing charges involved in Channel–I is not presented along with the analysis of marketing charges born by private market intermediaries. The analysis of marketing charges in channel –II, III and IV is presented in Table 4.

Table 4 : Marketing charges born by various agencies in different marketing channels

Sl. No.	Particulars	Marketing channel (₹/qtl.)		
		II	III	IV
A.	**Charges born by**			
1.	**producer**	—	8.00	9.00
2.	Transportation	—	2.00	2.00
3.	Weighing	—	3.00	3.00
4.	Loading and Unloading	—	8.10	8.10
5.	Arhat (₹ 1.50/₹ 100) Cleaning and others	—	1.00	1.00
	Subtotal	—	**22.1**	**23.1**
B.	**Charges born by village**			
1.	**trader**	15.00	—	—
2.	Transportation	2.00	—	—
3.	Weighing	3.00	—	—
4.	Loading and Unloading Others	5.00	—	—
	Subtotal	25.00	—	—
C.	**Charges born by**			
1.	**primary wholesaler**	12.00	6.00	—
2.	Commission	12.00	12.00	—
3.	Market fee	2.00	2.00	—
4.	Weighing	3.00	3.00	—
5.	Loading and Unloading	7.00	7.00	—
6.	Storage Others	5.00	5.00	—
	Subtotal	**41.00**	**35.00**	**—**
D.	**Miller**			
1.	Commission	—	—	8.00
2.	Transportation	15.00	15.00	15.00
3.	Weighing	2.00	2.00	2.00
4.	Loading and Unloading	3.00	3.00	3.00
5.	Processing	10.00	10.00	10.00
6.	Bardana	20.00	20.00	20.00
7.	Others	5.00	5.00	5.00
	Subtotal	**55.00**	**55.00**	**63.00**

E.	**Charges born by**			
1.	**secondary wholesaler**	15.00	15.00	15.00
2.	Transportation	14.00	14.00	14.00
3.	Market fee	2.00	2.00	2.00
4.	Weighing	3.00	3.00	3.00
5.	Loading and Unloading Others	3.00	3.00	3.00
	Subtotal	**37.00**	**37.00**	**37.00**
F.	**Charges born by retailer**			
1.	Transportation	15.00	15.00	15.00
2.	Loading and Unloading	3.00	3.00	3.00
3.	Others	2.00	2.00	2.00
	Subtotal	**20.00**	**20.00**	**20.00**
	Gross total	**178.00**	**169.10**	**143.10**

Table 4 shows that no any charge was born by the producer in channel-II because he sells his unprocessed produce at the village to the village trader. The expenses incurred by the producer in selling of paddy in channel–III and IV are ₹ 22.1 and ₹ 23.1 per quintal respectively. The total marketing charges paid by the village trader in channel-II comes to ₹ 25.00 per quintal. The charges paid by primary wholesaler during the purchase of paddy in channel–II and III come to ₹ 41.00 and ₹ 35.00 per quintal respectively. An another wholesaler is also involved in marketing of paddy/rice and he paid various expenses i.e., ₹ 20.00 per quintal in channel–II, III and IV during the purchase of Rice from Rice millers. The total charges paid by retailer come to ₹ 20.00 per quintal in each channel. The total marketing charges incurred in channel-II, III and IV are ₹ 178.00, ₹ 169.10 and ₹ 143.10 per quintal respectively.

Price-Spread Analysis

It refers to the distribution of price paid by the consumer for the Rice among different market functionaries. The price-spread analysis is done in each channel and presented in Table 5.

It is clear from the Table 5 the price paid by the consumer in channel-I is not shown because the consumer pays subsidized rate for Rice from the Public Distribution Shops of the Government. The net price received by the producer in channel–II, III and IV is ₹ 500.00, ₹ 507.90 and ₹ 506.90 per quintal respectively. While the consumer pays ₹ 871.50, ₹ 852.60 and ₹ 846.80 per quintal of rice in respective channels. The total marketing charges paid by the different agencies in channel–II, III and IV come to ₹ 178.00, ₹ 169.10 and ₹ 143.10 per quintal respectively. The total marketing margin in channel–II, III, and IV is ₹ 158.00, ₹ 133.00 and ₹ 113.00 per quintal respectively. Therefore, the total marketing cost per quintal in channel-II, III and IV come to ₹ 336.00, 302.10 and ₹ 256.10 respectively.

Table 5 : Price-spread in marketing of Paddy/Rice under different channels

Sl. No.	Particulars	Marketing channels (₹ per qtl.)		
		II	III	IV
A.	**Producer's**			
1.	Sale Price	500.00	530.00	530.00
2.	Marketing charges	—	22.10	23.10
3.	Net price received	500.00	507.90	506.90
B.	**Village Trader's**			
1.	Purchase Price	500.00	—	—
2.	Marketing charges	25.00	—	—
3.	Marketing margin	25.00	—	—
4.	Sale Price	550.00	—	—
C.	**Primary Wholesaler**			
1.	Purchase Price	550.00	530.00	—
2.	Marketing charges	41.00	35.00	—
3.	Marketing Margin	20.00	20.00	—
4.	Sale Price	611.00	585.00	—
D.	**Miller**			
1.	Purchase Price	611.00	535.00	530.00
2.	Marketing charges	55.00	55.00	63.00
3.	Returns from one quintal of paddy after milling			
(a)	Rice (66 Kg.)	@ ₹ 8.38 = 553.08	@ ₹ 8.10 = 534.60	@ ₹ 8.00 = 528.00
(b)	Broken rice (4 Kg.)	@ ₹ 8.11 = 32.44	@ ₹ 8.00 = 32.00	@ ₹ 7.95 = 31.8
(c)	Rice bran (7 Kg.)	@ ₹ 10 = 70.00	@ ₹ 10 = 70.00	@ ₹ 10 = 70.00
(d)	Husk (23 Kg.)	@ ₹ 2 = 46.00	@ ₹ 2 = 46.00	@ ₹ 2 = 46.00
4.	Total returns to miller	701.50	682.60	675.80
5.	Marketing margin	38.00	38.00	38.00
6.	Sale Price	739.50	720.60	713.80

E. Secondary wholesaler

1.	Purchase price	739.50	720.60	713.80
2.	Marketing charges	37.00	37.00	37.00
3.	Marketing margin	35.00	35.00	35.00
4.	Sale Price	811.50	792.50	785.80

F. Retailer's

1.	Purchase price	811.50	792.50	785.80
2.	Marketing charges	20.00	20.00	20.00
3.	Marketing margin	40.00	40.00	40.00
4.	Sale price or consumer's purchase price	871.50	852.60	846.80
	Total charges born by different agencies	178.00	169.10	143.10
	Total marketing margins obtained by different functionaries	158.00	133.00	113.00

Producer's Share in Consumer's Rupee

The share of different market functionaries in price paid by the consumer is presented in Table 6 and in Fig. 1.

Table 6 : Producer's share in consumer's price

Sl. No.	Particulars	Marketing channels (In percent)		
		II	III	IV
1.	Consumer's price	100.00	100.00	100.00
2.	Marketing charges	20.42	19.83	16.89
3.	Marketing margin	18.13	15.60	13.34
4.	Producer's share	61.45	64.57	39.77

Table 6 indicates that the share of marketing cost in consumer's price is 20.42 percent, 19.83 percent and 16.89 percent in channel–II, III and IV respectively. The share of marketing margin in price paid by the consumer is 18.13 percent, 15.60 percent and 13.34 percent in channel–II, III and IV respectively. The producer's share in consumer's rupee is 61.45

percent, 64.57 percent and 69.77 percent in channel–II, III and IV respectively.
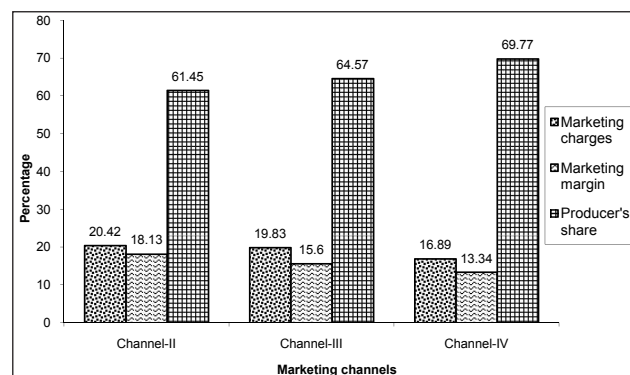
Fig. 1 : Percentage share of different market functionaries in channel -II, III and IV

Market Efficiency Index

The efficiency of market is worked out with the help of market efficiency index, suggested by G.S. Shepherd (1972) and the result of which are presented in Table 7 and in Fig. 2.

Table 7 : Market efficiency index

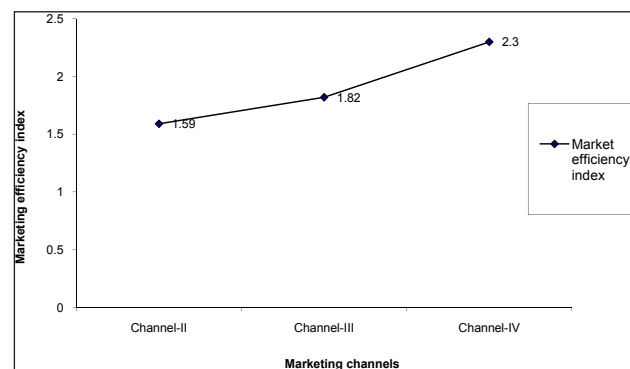| Sl. No.	Particulars	Marketing channels		
		II	III	IV
1.	Marketing cost	336.00	302.10	256.10
2.	Consumer's price	871.50	852.60	846.80
3.	Market efficiency index	1.59	1.82	2.30

Fig. 2 : Percentage share of different market functionaries in channel -II, III and IV

Table 7 the market efficiency index for channel–I, is not calculated because the price paid by the consumer is not reflecting the real cost of production of Rice.

The marketing efficiency index of channel–II, III and channel–IV is 1.59, 1.82 and 2.30 respectively. This indicates that among channel – II, III and channel–IV, the channel - IV is more efficient.

CONCLUSION

In Channel-I, the producer had paid ₹ 16 per quintal in the form of transportation, weighing, loading and unloading etc. The Government procurement agencies, Rice millers and fair price shop dealers were involved in purchasing, processing and distribution of Rice. A sum of ₹ 479.80 per quintal was incurred till the reaching of Rice to the consumer. In channel-II, III and IV, the charges born by village traders, wholesalers and retailers were ₹ 178.00, 169.10 and 143.10 per quintal in respective channels. The marketing margins obtained by different agencies were ₹ 158.00, 133.00 and 113.00 in case of channel-II, III and IV respectively. The consumer's price was ₹ 871.50, ₹ 852.60 and 846.80 per quintal in case of respective channels. The marketing charges, margins and the consumers had purchased price were highest in channel-II followed by channel-III and channel-IV. It was because of the fact that higher number of intermediaries were involved in channel-II (Srivastava and Sahoo, 1998).

It was observed that the producer's share in consumer's rupee was higher i.e. 69.77 percent in channel-IV followed by channel-III (64.57 percent) and channel-II (61.45 percent). The marketing efficiency index of channel-IV was highest as compared to the channel-III and channel-II. It showed that the channel–IV most efficient. The producer's share was found highest in case of channel-IV, where the numbers of intermediaries were lesser. The channel-IV had been found to be the most efficient and suitable to the farmers.

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