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Vol XXXIV
No. 4

ISSN 0019-5014

OCTOBER-
DECEMBER
1979

INDIAN JOURNAL OF AGRICULTURAL ECONOMICS



INDIAN SOCIETY OF
AGRICULTURAL ECONOMICS,
BOMBAY

Recently, in order to make the foodgrains marketing efficient, the Government of Bihar has taken steps to develop market places and a State Agricultural Marketing Board has been created by amending the Bihar Agricultural Produce Markets Act, 1960; and the Board has been given general supervisory powers over the Market Committees and has been made the key management agency for planning and development of the market places and for their proper operation. A market development project has been drawn up (1973) for the development and modernization of agricultural markets throughout Bihar with the help of the World Bank loan of \$ 14 million. Market Committees and the Government of Bihar would bear 11 per cent of the cost of development, and the Agricultural Refinance Corporation, State Bank of India and the World Bank would bear 20 per cent, 9 per cent and 60 per cent of the development cost respectively. So far only 29 market yards have been constructed and the rest 21 market yards are to be constructed by the end of 1979. Yet, these attempts are only marginal efforts made by the government to eradicate the constraints in efficient marketing of foodgrains. Most of the benefits would be appropriated by the rich and the affluent class of agriculturists. The need is to orient the efforts and measures in favour of the small farmers and to break the conditions of 'distress sale' prevailing in the rural areas. Along with it, an attempt may be made to strengthen the public distribution system by organizing consumers' co-operative societies both in the rural and urban areas in order to reduce the marketing costs and eliminate the retailer's margin. A comprehensive measure directed to reduce the costs and margins of intermediaries, improving marketing conditions and strict regulation of markets along with a strong public distribution system can only reduce the price spread and ensure better distribution of the foodgrains.

A COMPARATIVE STUDY OF PRICE SPREAD OF SELECTED AGRICULTURAL COMMODITIES IN KARNATAKA

S. Suryaprakash, J. V. Venkataram and R. Ramanna*

In recent years the consumers have complained about high prices for agricultural as well as other commodities and the agriculturists have also complained about receiving low prices as well as lower share in the consumers' rupee. One of the main reasons advanced for the low prices received by the agriculturists and the relatively high prices paid by the consumers is the existence of more market intermediaries for agricultural commodities. The reasons for the existence of a wider price spread can be traced in a large measure to the nature of agricultural marketing which is most disorganized

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in India. The existence of intermediaries is an inevitable feature in any marketing process as the producers cannot have direct contact with the ultimate consumers. However, the share of the consumers' rupee realised by the intermediaries for the role played by them is a debatable issue.

The present study is an attempt to identify the number of market intermediaries for selected agricultural commodities and to estimate the margins realised by these various intermediaries. In this study the following five commercial crops were purposively selected for the study of price spread: arecanut, coconut, copra, cotton and groundnut.

METHODOLOGY

The data from various market intermediaries were collected in the structured questionnaires developed for the purpose separately for each commodity from the regulated markets noted below:

1. Arecanut —Mangalore, Shimoga and Sirsi markets.
2. Coconut —Tiptur and Arsikere markets.
3. Copra —Tiptur and Arsikere markets.
4. Cotton —Hubli and Gadag markets.
5. Groundnut—Markets in Raichur district (seven markets).

Since each commodity is unique to a particular locality, the market intermediaries involved in the marketing of these commodities varied. However, village merchants, commission agents and traders were common for all the commodities except in the case of groundnut. In addition to these, co-operative marketing societies for arecanut and cotton and wholesalers and processors for groundnut were also observed. Depending upon the number of intermediaries involved, the sample of intermediaries were selected to include a minimum of five from each category excepting in the case of the co-operative marketing societies. The data from 80 sample farmers were also collected for each of the commodities. The number of different intermediaries in the marketing of selected agricultural commodities is shown in Table I.

TABLE I—NUMBER OF DIFFERENT INTERMEDIARIES IN THE MARKETING OF SELECTED AGRICULTURAL COMMODITIES

Commodity	Market intermediaries					
	Village merchant	Commission agent	Wholesaler	Processor	Traders	Co-operative marketing society
Arecanut	7	15	—	—	15	3
Coconut	10	10	—	—	9	—
Copra	10	10	—	—	9	—
Cotton	20	10	—	—	8	2
Groundnut	—	22	6	6	—	—

The price spread concept used in this study refers to the distribution of price paid by the consumers among the various intermediaries and producers.

RESULTS AND DISCUSSION

There was no unique channel in the marketing of agricultural commodities that we studied. It is presumed and it is generally true that the traders' sale price represents the price paid by the consumers. Thus, in this study the traders' price is considered as synonymous with the consumers' price. However, in the case of cotton and groundnut the mill owner and the processor respectively were the ultimate consumers of the commodities. The price spread varied from commodity to commodity and again for each commodity according to the number of intermediaries or the type of marketing channel involved. The marketing channels prevalent and studied for each of the commodities are presented below:

Coconut

1. Producer—Commission agent—Trader.
2. Producer—Village merchant—Commission agent—Trader.
3. Producer—Village merchant—Trader.
4. Producer—Trader.

Copra

1. Producer—Commission agent—Trader.

Cotton

1. Producer—Co-operative marketing society—Trader—Mill owner.
2. Producer—Commission agent—Trader—Mill owner.
3. Producer—Village merchant—Co-operative marketing society—Trader—Mill owner.
4. Producer—Village merchant—Commission agent—Trader—Mill owner.

Groundnut

1. Producer—Commission agent—Processor.
2. Producer—Wholesaler—Processor.

Areca nut

1. Producer—Co-operative marketing society—Trader.
2. Producer—Commission agent—Trader.
3. Producer—Village merchant—Co-operative marketing Society—Trader.
4. Producer—Village merchant—Commission agent—Trader.

Coconut

Coconut is usually sold through the commission agent or directly to the trader by the producer. If the produce is in smaller quantities and is to be transported over a long distance, the producer sold it to the village merchant who in turn sold it to a trader. The costs and profits of various intermediaries as well as the price spread through the different marketing channels are presented in Table II. The results show that the price spread was highest in channel 2 for coconut and it was Rs. 201.53 or 21.73 per cent of the traders' price, while it was Rs. 189.44 or 20.70 per cent in channel 3. Channels 1 and 4 had Rs. 59.32 (6.95 per cent) and Rs. 47.23 (5.23 per cent)

TABLE II—COSTS AND PROFITS OF VARIOUS MARKET INTERMEDIARIES AND PRICE SPREAD FOR SELECTED AGRICULTURAL COMMODITIES IN DIFFERENT MARKETING CHANNELS

Market intermediaries	Coconut (Rs./thousand nuts)				Copra (Rs./quintal)
	Marketing channels				
	1	2	3	4	
(1)	(2)	(3)	(4)	(5)	(6)
I. Producer					
Price received	793.96 (93.05)	725.95 (78.27)	725.95 (79.25)	855.00 (94.77)	742.70 (94.14)
II. Village merchant					
Purchase price		725.95	725.95		
Costs		75.39	75.39		
Sale price		868.16	868.16		
Profit as a percentage of the purchase price		9.20	9.20		
III. Commission agent					
Costs	3.24	3.24			2.48
Commission	12.09	12.09			11.31
IV. Co-operative society					
Costs					
Commission					
V. Wholesaler					
Costs					
Commission					
VI. Trader*					
Purchase price	806.05	880.25	868.16	855.00	754.01
Costs	25.38	25.38	25.38	25.38	18.86
Sale price	853.23	927.48	915.39	902.23	788.89
Profit as a percentage of the purchase price	2.71	2.48	2.52	2.56	2.12
VII. Processor					
Purchase price					
Costs					
Sale price					
Profit as a percentage of the purchase price	59.32	201.53	189.44	47.23	46.19
Price spread (Rs.)	6.95	21.73	20.70	5.23	5.86
Price spread as a percentage of processors'/traders' sale price					
Price spread as a percentage of processors'/traders' sale price (considering the profit of intermediaries only)	3.60	10.51	9.69	2.42	3.15

(Contd.)

TABLE II (Contd.)

Market intermediaries	Cotton (Rs./quintal)				Groundnut (Rs./quintal)				Areca nut (Rs./quintal)			
	Marketing channels				Marketing channels				Marketing channels			
	1	2	3	4	1	2	3	4	1	2	3	4
(1)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)		
I. Producer												
Price received	183.88 (85.39)	172.88 (84.53)	174.54 (75.11)	163.30 (74.57)	146.43 (94.53)	147.17 (95.01)	410.26 (90.28)	465.64 (91.17)	345.50 (77.30)	345.50 (77.14)		
II. Village merchant												
Purchase price .. .. .	..	..	175.52 (75.53)	164.28 (75.01)	..	..	..	..	345.50	345.50		
Costs .. .. .	..	..	6.57	6.19	..	..	..	..	23.67	23.67		
Sale price .. .. .	..	..	205.01	191.82	..	..	..	..	402.78	402.78		
Profit as a percentage of the purchase price .. .. .	..	..	13.06	13.00	..	..	..	..	9.73	9.73		
III. Commission agent												
Commission .. .. .	..	1.58	..	1.58	0.34	..	..	5.83	5.83			
Commission .. .. .	..	2.71	..	2.92	2.23	..	..	8.79	8.79			
IV. Co-operative society												
Commission	1.75	..	1.75	..	..	..	6.44	..	6.44			
Commission	2.87	..	3.12	..	..	..	7.84	..	7.84			
V. Wholesaler												
Costs .. .. .	..	..	..	..	..	0.03	..	..	..	..
Commission .. .. .	..	..	..	..	..	1.49	..	..	..	..
VI. Trader*												
Purchase price	191.08	180.25	208.13	194.74	..	..	418.10	474.43	410.62	411.57		
Costs	18.30	18.30	18.30	18.30	..	..	27.62	27.62	27.62	27.62		
Sale price	215.34	204.51	223.39	219.00	..	..	454.43	510.76	446.95	447.90		
Profit as a percentage of the purchase price	3.12	3.31	2.86	3.06	..	..	2.08	1.84	2.12	2.12		
VII. Processor												
Purchase price .. .. .	..	..	..	..	148.66	148.66	..	..	..	..
Costs .. .. .	..	..	..	..	3.75	3.75	..	..	..	..
Sale price .. .. .	..	..	..	..	154.90	154.90	..	..	..	..
Profit as a percentage of the purchase price .. .. .	..	..	..	..	1.67	1.67	..	..	..	..
Price spread (Rs.)	31.43	31.63	57.85	55.70	8.47	7.73	44.17	45.12	101.45	102.40		
Price spread as a percentage of processors'/traders' sale price	14.61	15.47	24.89	25.43	5.47	4.99	9.72	8.83	22.70	22.86		
Price spread as a percentage of processors'/traders' sale price (considering the profit of intermediaries only)	3.29	3.47	13.02	13.08	2.83	2.55	2.22	2.28	9.78	10.11		

Note:— Figures in parentheses indicate percentages to the traders'/processors' sale price.

* In the case of cotton, the trader's sale price is taken as mill owner's purchase price.

of the price spread respectively. The village merchant maintained a net margin of Rs. 66.82 per thousand nuts, while it was Rs. 8.85 for the commission agent and Rs. 21.85 for the trader. The village merchant purchased the unhusked nuts from the producers in small quantities, collected them into large quantities and sold after husking. He handled relatively smaller quantities, thus the quantum of profit is not very much for the services rendered by him in the marketing of coconut. The margin retained by the commission agent in coconut marketing was the lowest (Rs. 8.85 per thousand nuts), his commission was 1.50 per cent of the value of transaction. Though the village merchant's profit margin appears to be relatively high, it accounts for only 9.2 per cent of his purchase price, in the case of traders the maximum profit was 2.71 per cent of their purchase price. The producers' share in the traders' sale price was maximum in channel 4 (94.77 per cent) and minimum in channel 2 (78.27 per cent).

Copra

In the marketing of copra, there is only one channel. The producers sold copra to the traders through commission agents. The price spread was Rs. 46.19 per quintal which accounted for 5.86 per cent of the traders' sale price. The commission agent's share was Rs. 11.31 per quintal of copra (or 1.50 per cent) and the remaining Rs. 34.88 went to the trader. The producers' share in the consumers' (traders') rupee was 94.14 per cent. Although the profit margin of the trader appeared to be higher (Rs. 16.02) it was only 2.12 per cent of his purchase price.

Cotton

Of the four channels in the marketing of cotton, the farmers received the highest share in channel 1 (85.39 per cent) followed by channels 2, 3 and 4 in that order, being 84.53, 75.11 and 74.57 per cent respectively. Thus the price spread was minimum in channel 1 (14.61 per cent) and maximum (25.43 per cent) in channel 4. Thus sales through the co-operative marketing society ensured the highest share of the consumers' price to the cotton growers. As in the case of coconut, the price spread was more and the producers' share was low when the village merchants operated in the marketing channel.

The commission received by the commission agent and the co-operative marketing society varied from Rs. 2.71 to Rs. 3.12 per quintal. Although the commission charged by the commission agent and the co-operative marketing society was the same (1.5 per cent), the marketing society realised a higher commission per quintal. Obviously, the farmers realised a higher price by selling through the co-operative marketing society. The profit margins were Rs. 22.92 and Rs. 21.35 for the village merchants in channels 3 and 4 respectively. The traders' margin (Rs. 5.96 per quintal) was the same for all channels. The profit as a proportion of the purchase price of the village merchant was 13 per cent and it varied from 2.86 to 3.31 per cent for the traders.

Groundnut

The commission agents, wholesalers and processors were the intermediaries operating in groundnut marketing. Generally, the majority of the producers transacted through the commission agents. The producers' share in the processors' sale price was 94.53 per cent in channel 1 and 95.01 per cent in channel 2. This difference in the producers' share was due to the differences in the commission charged by the commission agent (1.5 per cent) and the wholesaler (1 per cent). The price spread was 5.47 per cent of the processors' sale price when groundnut was sold through the commission agent, while it was 4.99 per cent when the produce was moved through the wholesaler.

The price spread was relatively smaller in groundnut marketing than in coconut, copra and cotton. The profit margin of the processor was Rs. 2.49 per quintal of pods which works out to 1.67 per cent of his purchase price.

Areca nut

The producers in areca nut marketing received 91.17, 90.28, 77.30 and 77.14 per cent of the traders' sale price in channels 2, 1, 3 and 4, respectively. Thus the price spread was 9.72, 8.83, 22.70 and 22.86 per cent of the traders' sale price respectively in channels 1 to 4. The commission charged by the commission agent was Rs. 8.79 per quintal and it was Rs. 7.84 in the case of co-operative marketing society. The profit margin for the traders was Rs. 8.71 per quintal in all the four channels of areca nut marketing, while the village merchant's margin was Rs. 33.61 per quintal. As in the case of coconut and cotton, in the marketing of areca nut also, the price spread was more wherever the village merchant was involved in the channel. The profit as a percentage of the purchase price of the village merchant was 9.73 and it varied from 1.84 to 2.12 for the traders.

SUMMARY AND CONCLUSIONS

The results of the study clearly indicated that the price spread for agricultural commodities varied from channel to channel and between commodities. The price spread was minimum (4.99 per cent) for groundnut when it was sold to the processor through the wholesaler and maximum (25.43 per cent) for cotton when it was sold through the village merchant. The price spread varied from 4.99 to 5.47 per cent for groundnut, 5.23 to 21.73 per cent for coconut, 14.61 to 25.43 for cotton, 8.83 to 22.86 per cent for areca nut and it was 5.86 per cent for copra. In general, it was observed that the profit margin as well as the profit as a percentage of the purchase price of the intermediaries was maximum in the case of village merchants. Though the profit margins appear to be higher for various market intermediaries, in terms of profit as a percentage of their purchase price it was not more than 13 per cent. The profit levels appear reasonable in view of the services provided by these intermediaries as compared to vegetables where it was around 48 per cent. Services such as transportation, assembling, storage,

grading, sales arrangements and processing are provided by the intermediaries. Some intermediaries who buy directly from the producers also undertake price risks and in addition borrow money for effecting payments. The study shows that the producers of agricultural commodities are realising a minimum of about 75 per cent of the consumers' rupee, which appears to be reasonable despite the not so well organized market structure for agricultural commodities.

PRICE SPREAD IN GROUNDNUT MARKETING AT MACRO LEVEL

D. C. Sah and K. Hanumantha Rao*

The importance of oilseeds in the agricultural economy is second only to foodgrains. Oilseeds are important in providing rich nutrients to human diet, earning foreign exchange via exports and establishing inter-sectoral linkages. Groundnut ranks first among oilseeds both in terms of area and production. For example, about half of the total oilseed area and over two-thirds of oilseeds production are occupied by groundnut. In spite of this important position, both production and yield of groundnut were almost stagnant during the last fifteen years. The prices of groundnut oilseeds and oil were erratic, resulting in severe market distortions.¹

In order to improve the situation it is desirable to examine all the possible options for policy interventions. Broadly, such interventions could be classified as the introduction of high-yielding varieties of groundnut or expansion of the area under groundnut through price incentives for groundnut growers.² The latter policy option is the focus of the paper. In fact, the current project "Operation Oil" of the National Dairy Development Board (NDDB) is based upon a hypothesis that if the co-operatives of groundnut growers are formed, it will help in increasing groundnut production through the incentives from the co-operatives received by the groundnut growers.³ By forming co-operatives the farmers will also share in the value added generated in the groundnut system as a whole and thereby receive higher returns from groundnut production than the returns received by selling their produce to the private traders.

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The authors are grateful to Professor C. G. Ranade for several stimulating discussions on the agricultural marketing which resulted into this paper.

1. The inter- and intra-year fluctuations of prices of edible oil and oilseeds during the last decade have significantly influenced the general price index. This has happened in spite of the small weight assigned to this group in the all commodities price index. See Madhoo Pavaskar: *Behaviour of Oilseeds Prices*, Tata Economic Consultancy Services, Bombay, 1978, pp. 1-2.

2. Recent studies indicate that the groundnut acreage response to price changes is significant except in regions where cotton is predominant. See P. S. George, U.K. Srivastava and B. M. Desai: *The Oilseed Economy of India: An Analysis of Past Supply and Projections for 1985*, Macmillan India Ltd., 1978; and M. L. Jhala, "Farmers' Response to Economic Incentives and Analysis of Inter-regional Groundnut Supply Response in India", *Indian Journal of Agricultural Economics*, Vol. XXXIV, No. 1, January-March 1979, pp. 55-67.

3. "NDDB to Co-ordinate Oilseeds Production Efforts", *The Oil and Oilseeds Journal*, Vol. 31, No. 2, October-December 1978, pp. 3-4.