

MARKETING COSTS AND MARGINS OF AGRICULTURAL PRODUCE IN TRIPURA

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Abstract : Marketing costs and the marketing margin between the cultivator and the consumer may be taken as an index of the soundness of the marketing set up of any produce. The present study estimates the average marketing costs and margins of marketing agencies in consumer price of paddy rice, vegetables and fruits with reference to transactions made in a few selected regulated markets of Tripura. The study reveals that the price spread in agricultural market of Tripura is considerable and the cultivator's share of the consumer's price is not adequate particularly in case of vegetable and fruit farmers.

Key Words : Agricultural marketing, Marketing costs, Marketing margins, Regulated Markets.

There is perhaps no scope for any disagreement that in an industrially backward state like Tripura, accelerated growth of agricultural production is a crucial necessity for its development. At the same time, it cannot be denied that effective "marketing of agricultural produce" are supposed to bring augmentation as well as diversification of agricultural products and thereby enable the rural cultivators to make economic gains (Agarwal, 1988). Agriculture and allied activities in Tripura contribute nearly 45 percent to 50 percent of state income and provide livelihood to about 70 percent of the state population. Therefore the marketing costs and margins of agricultural products in Tripura cannot simply be ignored but requires special attention for the economic development of the state.

MARKETING COSTS AND MARGINS — Meaning and significance

Marketing costs are the actual expenses incurred in the marketing process. They include not only the cost of performing the various marketing functions but different levies as well. The costs of performing the marketing function include transportation cost, labour charges, packaging, storing processing etc. Marketing margins are actual amounts received by the marketing agencies in the marketing process (Moore, Johl and Khusro, 1973).

The marketing margin between the cultivator and the consumer may be taken as an index of the soundness of the marketing set up of any produce (Gopalswamy, 1977). A number of studies stand to confirm that a large number of middlemen function at various stages of agricultural marketing in India and they reduce the share of the consumer's price (Krishnaswamy, Hari Narayan and Vijay Kumar, 1968). The prices spread in Indian market is thus considerable and the cultivator's share

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of the consumer's rupee is very small. Retailers and wholesalers together often grab as much as 40 paise out of every rupee paid by the consumer. (M. C. Munshi, 1957). This highlights the high marketing cost and relatively high marketing costs indicate the inefficient market pattern.

THE PRESENT STUDY

Tripura has, in fact, two types of cultivation in the two distinct topographical regions. One-third of the population, the tribesmen mainly dwell in the hills and sustain living by a primitive method of cultivation known locally as 'Jhum'. The rest of the rural population live on the plains and practice settled cultivation with semimodern or modern techniques. The market arrivals of agricultural produce in Tripura may broadly be grouped as foodgrains, vegetables and fruits. Paddy-rice constitutes the major share in foodgrains. Vegetables consumed and fruits include locally available fruits like banana, jackfruit, pineapple, woodapple, lichi, etc. The market share of other agricultural produces are negligible and their market arrivals are also irregular.

So far as market scenario is concerned, there are at present, altogether 564 markets in the state, of which 474 are primary markets and 83 are wholesale assembling markets and 7 municipal markets. The state has 21 regulated markets and only 1 terminal market situated at the state capital, Agartala.

In the above backdrop, the present discourse is an attempt to assess the marketing costs and margins of agricultural produces in Tripura. The object of the study is to estimate the average marketing costs and margins of marketing agencies in consumer price of paddy rice, vegetables and fruits. The hypothesis of the study is that the cultivators of the state are deprived of adequate margin in the consumer price of their produces. The study is based on the extensive survey made in a few selected regulated markets of Tripura done in connection with an UGC sponsored Minor Research Project. In the present study, out of 21 regulated markets, five markets namely Bishalgarh, Sonamura, Garjee, Nutan Bazar and Kulai are considered as sample regulated markets to assess the marketing costs and margins. Though the transportation of agricultural produces from the above mentioned markets to the state's only terminal market Agartala occupies a sizeable share. it may not give a general view of the state. Moreover, the study relates to a certain number of transactions made during the year 1999-2000. In dealing with the issues the study relies upon the opinions perceived on the basis of discussions with cultivators, cultivator-cum-traders, consumers, middlemen, arhyatdars, dealers, transport operators and other persons involved in the marketing process of sample markets. Prices of agricultural produces at sub-divisional level and at terminal market level have also been crosschecked to arrive at consumer's price.

FINDINGS AND DISCUSSION

The marketing costs and margins involved in transactions of agricultural produces i.e., paddy-rice, vegetables and fruits, in sample markets are presented in Tables I, II and III.

It is evident from the Table I that cultivator's average share in consumer's price in the sample markets varies between 79.56 to 82.05 percent in case paddyrice marketing. While the miller's or wholesaler's margin varies between 3.91 and 5.13 percent in consumer's price. Therefore, it can be said that the retailers and wholesalers consume as much as 7.66 to 8.88 percent with a total average of 8.08 percent of consumer's price. Transport charges, in rice marketing are also not much significant except in case of Nutan Bazar to Agartala, which is quite high. However, processing charges, which include milling, boiling, cleaning etc. considerably contribute to total price. Other marketing expenses like packing, commission to local touts, tolls, rent, storage, etc. are relatively low in case of marketing from Garjee to Agartala. The figures are in relation to 40 transactions in Bishalgarh, 48 transactions in Sonamura, 26 transactions in Garjee, 17 transactions in Nutan Bazar and 37 transactions in Kulai market respectively.

Table II shows the vegetable marketing costs and margins involved in marketing process from the five regulated markets to the terminal market at Agartala. It is shown in the table that the farmer's share in the consumer's price in these markets lies between 44.38 to 54.63 percent with a total average of 50.51 percent only. Therefore, it can be stated that nearly 50 percent of every rupee in price goes to marketing set up including transportation cost. Wholesaler's margin lies between 15.77 and 23.07 percent (total average 17.93 percent). Another feature in case of vegetable marketing is the presence of local arhyatdar or commission agent who collects vegetables either from the markets or directly from the farmers. He maintains liaison between the wholesaler and the farmer. His average estimated margin is 5.72 percent in Bishalgarh, 8.74 percent in Sonamura market, 6.11 percent in Kulai market, 4.68 percent in Garjee market and 4.09 percent in Nutan Bazar market. The retailer's margin is estimated as 19 percent in consumer price. Middlemen's share in consumer price thus comes to nearly 42 percent of consumer's price. Transportation charges are comparatively high in case of Nutan Bazar. Marketing expenses, including rent, tolls, packing etc. lie between 1.13 and 1.80 percent of consumer's price, while loading, unloading and other labour charges are between 0.79 and 1.11 percent of Consumer's price.

Table III depicts the average fruit marketing costs and margin involved in transactions in sample regulated markets to the terminal market. The figures are in relation to 152 transactions in Sonamura, 100 in Bishalgarh 109 in Kulai, 102 in Nutan Bazar and 176 in Garjee. The table shows that the farmer's margin in consumer's price on an average is 34.62 percent varying between 27.20 percent and 45.79 percent among the selected regulated markets. On the other hand, middleman's margin (local karbari/wholeseller and retailer's margin together) is 58.35 percent. It is to be mentioned that on an average only one-third of the consumer's price goes to the farmer while the middleman's margin is much higher than the farmer's share. The retailer's margin is the same in all cases.

In the marketing of agricultural produces the farmer has been the price taker in all cases. Therefore, if the farmer's share in the consumer's price is inadequate he will not be encouraged for further production. The hypothesis of the study was

TABLE I

Average paddy-rice marketing costs and margins involved in transactions in sample regulated markets to terminal market (Agartala)

(in percentage)

| ITEMS | Regulated Markets To Agartala | | | | | AVERAGE |
|--|-------------------------------|-----------|--------|-------------|-------|---------|
| | Bishalgarh | Sona-mura | Garjee | Nutan Bazar | Kulai | |
| | 1 | 2 | 3 | 4 | 5 | |
| 1. Processing charges (Milling/boiling/cleaning etc.) | 7.48 | 6.82 | 5.42 | 5.62 | 6.25 | 6.32 |
| 2. Transport charges. | 1.72 | 2.04 | 1.87 | 3.12 | 2.50 | 2.25 |
| 3. Loading, unloading and other labour charges. | 1.52 | 1.41 | 1.36 | 1.00 | 1.25 | 1.31 |
| 4. Other marketing expenses (packing/commission/tools/stores etc.) | 0.98 | 1.01 | 1.02 | 1.62 | 1.56 | 1.24 |
| 5. Miller's or whole seller's margin. | 4.00 | 3.91 | 4.53 | 4.07 | 5.13 | 4.33 |
| 6. Retailer's margin | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 |
| 7. Cultivator's share | 80.55 | 81.06 | 82.05 | 80.82 | 79.56 | 80.80 |
| 8. Consumer's price | 100 | 100 | 100 | 100 | 100 | 100 |
| Based on number of Transactions. | 40 | 48 | 26 | 17 | 37 | 33.60 |

Source : Field Study

* Includes variety of paddy-rice and Jhum rice.

** Excludes holding cost and hence increased margins.

*** During the period 1999-2000.

**** Consumer's price are taken at terminal market, i.e. Agartala, consisting of seven municipal markets. Hence retailer's margin are same in all cases.

TABLE II

Average vegetables marketing costs and margins involved in transactions in sample regulated markets to terminal market (Agartala)

(in percentage)

| Items | Regulated Markets To Agartala | | | | | Average |
|---|-------------------------------|-----------|--------|-------------|-------|---------|
| | Bishal-garh | Soma-mura | Garjee | Nutan Bazar | Kulai | |
| | 1 | 2 | 3 | 4 | 5 | |
| 1. Transportation charges. | 1.80 | 2.07 | 3.03 | 5.88 | 3.96 | 3.35 |
| 2. Loading, unloading and other labour charge. | 1.03 | 0.94 | 1.11 | 0.79 | 0.98 | 0.97 |
| 3. Marketing expenses (stores/tools/ packaging etc.). | 1.53 | 1.80 | 1.13 | 1.19 | 1.22 | 1.37 |
| 4. Arhyatdar's Margin | 5.72 | 8.74 | 4.68 | 4.09 | 6.11 | 5.87 |
| 5. Wholesaler's margin | 17.00 | 23.07 | 16.42 | 17.41 | 15.77 | 17.93 |
| 6. Retailer's margin | 19.00 | 19.00 | 19.00 | 19.00 | 19.00 | 19.00 |
| 7. Farmers share | 53.92 | 44.38 | 54.63 | 51.64 | 52.96 | 50.51 |
| 8. Consumer's price | 100 | 100 | 100 | 100 | 100 | 100 |
| Based on number of Transactions. | 119 | 131 | 63 | 44 | 71 | 85.6 |

Source: Field Study

* Includes variety of non-storable perishable vegetables.

** During the period 1999-2000.

*** Consumer's price are taken at terminal market i.e. Agartala, consisting of seven municipal markets. Hence retailer's margin are same in all cases.

TABLE III

Average vegetables marketing costs and margins involved in transactions in sample regulated markets to terminal market (Agartala)

(in percentage)

| Items | Regulated Markets To Agartala | | | | | Average |
|---|-------------------------------|-------------|-------|-------------|---------|---------|
| | Sona-mura | Bishal-garh | Kulai | Nutan Bazar | Gar jee | |
| | 1 | 2 | 3 | 4 | 5 | |
| 1. Transportation charges. | 2.68 | 0.98 | 4.02 | 4.90 | 3.35 | 3.19 |
| 2. Loading, unloading and other labour charges. | 1.00 | 1.09 | 1.20 | 1.31 | 1.49 | 1.22 |
| 3. Marketing expenses (Stores/tolls/packing etc.) | 2.63 | 2.04 | 3.18 | 2.44 | 2.82 | 2.62 |
| 4. Wholeseller's margin | 32.74 | 28.10 | 39.75 | 38.00 | 43.14 | 36.35 |
| 5. Retailer's margin | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 | 22.00 |
| 6. Farmer's share | 38.95 | 45.79 | 29.85 | 31.35 | 27.20 | 34.62 |
| 7. Consumer's price | 100 | 100 | 100 | 100 | 100 | 100 |
| Based on number of Transaction. | 152 | 100 | 109 | 102 | 176 | 100 |

Source : Field Study

- * Includes locally marketed fruits like Banana, Jack-fruit, Pineapple, Woodapple, Lichi etc.
- ** During the period 1999-2000.
- *** Consumer's price are taken at terminal market i.e. Agartala consisting of seven municipal markets. Hence retailer's margin are same in all cases.

that the cultivators are deprived of adequate margin in consumer price. However, it appears from the above mentioned tables that the paddy-rice farmers of the sample regulated markets get comparatively better margin in consumer price followed by vegetable farmers and fruit farmers. In case of paddy-rice marketing in sample regulated markets it is seen that the farmer's share in consumer's price is around 80 percent, which speaks the presence of comparatively strong marketing set up. In case of vegetable marketing it is found that the farmer's share is around 50 percent, and in that of fruit marketing it is only 34.62 percent. Comparatively better margin of cultivators in the price of paddy-rice may be attributed to commercial production, government policy, locally suited quality, market arrivals of rice from other states with higher transportation cost due to its geographical location, etc. In this context it may be mentioned that most of the necessary goods are supplied to the sample regulated markets from the terminal market (Agartala) by the only mode of transportation, trucks. These trucks often have to return empty and at times are hired by traders or cultivators of paddy-rice at a nominal charge. It is observed during the field survey in sample markets that other major foodgrain produces and cash crops are marketed in exchange of inadequate farmer's margin under unfavourable market conditions. As the flow of agricultural produces are towards the only terminal market in Agartala, retailer's margin in all cases are same in the marketing of respective agricultural produces.

Concluding Remarks

The cultivator's poor economic condition resulting in distress sale of agricultural produces is perhaps the foremost cause of defective marketing, particularly in case of fruit and vegetable marketing. It may be mentioned that out of total 3,18,212 operational holdings in the state, there are 2,16,826 marginal holdings (i.e. below 1.00 hectare) and 69,217 small holdings (i.e. between 1.00 and 2.00 hectares). On the other hand, there are only 166 large holdings (i.e. above 10 hectares) in the state. Thus, it implies that sale of agricultural produces in rural markets of Tripura are dominated by marginal and small cultivators. Moreover, commercial production of agricultural produces like fruits and vegetables except a few are still lacking in rural areas. Therefore, it is very difficult to identify any market for any specific produce on a large scale and commercial basis. Thus collection of produces from different locality involves local arhyatdars or agents which further deduct consumer's price.

The majority of the population of the state is below poverty line in rural areas. About 43 percent of its total population come from relatively backward scheduled tribe and scheduled caste communities, basically depending upon agriculture mainly shifting cultivation. Therefore, effective agricultural marketing in the state is essential for overall development of the people of Tripura. Unless adequate care in agricultural marketing is taken it is very difficult to think in terms of development. The basic issue that arises is whether the price leaves the farmers enough margin to induce him to produce more. Adequate market and marketing facilities can probably be the appropriate answer to this question.

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