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Marketing Cost of Paddy in Cuddalore District of Tamil Nadu, India

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Abstract

Agricultural play an important role in Indian economy. It contributes over 25 percent of the Gross Domestic Product. Tamil Nadu is one of the major paddy producing states in India. Economy of Cuddalore district is dependent an agriculture. The total cultivated area of the Cuddalore district is around 2,72,159 hectares. Agricultural marketing plays a vital role in agricultural development which is a pre-requisite for development in other sectors and for the overall development of the economy. An efficient marketing is a sine qua non in the economy of all countries, in general and of agricultural countries, in particular. Marketing perhaps has its greatest and most enduring role to play in the economic changes in developing countries. An efficient internal marketing system for agricultural commodities holds the key for rural development and for meeting the challenges thrown up by explosive growth of population in developing countries. Marketing holds the key for agricultural development which could determine the quality of urban life. Therefore this paper attempt to analyses the marketing system, like marketing channels, marketing cost, marketing margin and marketing problems faced by the farmers in the study areas in Cuddalore District, Tamil Nadu..

Key words : Gross Domestic Product, Marketing cost and Marketing margin

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Introduction

Marketing has its greatest and most enduring role to play in the economic changes in developing countries. An efficient internal marketing system for agricultural commodities holds the key for rural development and for making the challenges thrown up by explosive growth of population in developing countries. Marketing holds the key for agricultural development which could determine the quality of urban life. There is great scope for expanding the rice export market provided appropriate technology supported by research and extension work to enhance rice production to meet the requirements is adopted. Further, in order to meet foreign competition, a lot of standardization, technology inputs, packing and processing and imaginative marketing is required. The changes and improvements in agricultural marketing in India, changes of far reaching significance have taken place in agricultural marketing in Tamil Nadu and all other states of the country. The marketing channels and strategies have undergone unprecedented changes.

Statement of the problem

Agricultural marketing is of greater importance. Commercialization of agriculture has further increased the importance of marketing. Farmers raise the crops with a hope of receiving fair returns for their hard labour. For this, they depend upon the market conditions, which are not very conducive to fulfill their hopes and expectations. Forced sales, multiplicity of market charges, malpractices in unregulated markets and superfluous middlemen are the problems faced by the farmers. These problems of marketing get further added up by the special features of agricultural commodities namely, their inelastic demand, seasonality in supply, spatially scattered production, bulkiness and perishability. The market imperfection and the consequent loss in marketing efficiency are more pronounced in markets for perishable commodities which require quick transportation and better storage facilities, involving large number of intermediaries who take away high margins from the price paid by consumers. Paddy has a pride not only for its diverse uses but also for its special preference by consumers - rich and poor, while it is also subjected to the above stated marketing problems. This paper highlights the marketing system of food crops namely paddy in Cuddalore District, Tamil Nadu. It has been made to analyse the marketing system in terms of storage, marketing channels, marketing cost, marketing margin, price-spread, marketing efficiency and marketing problems faced by the farmers in the study areas.

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Agricultural marketing plays a vital role in agricultural development which is a pre-requisite for development in other sectors and for the overall development of the economy. The agricultural marketing is defined as the operations involved in the movement of food and raw materials from the farmers to the final consumer and the effect of such operations on producers and middlemen.¹. In India, there exists an elaborate and inter-connected system of agricultural produce markets through which the produce flows from the producer to the consumer. The market system in India comprises 30,000 rural primary markets, 7,000 wholesale assembling markets at the secondary stage and terminal distribution markets in every urban city or town (**Harish and Ramasamy, 1995**).

Wholesale rice markets are considerably fragmented. A major reason for this is the excessive interference in rice markets by government agencies and barriers to internal trade. As a result it is hard for scarcity conditions in isolated markets to be picked up by markets with abundance in supply. A number of policy implications are also considered. The market imperfections aggravate the negative effect of land inequity on productivity. Results have shown that small holders share in inputs like fertilizers, and irrigation has increased over time, but a large number of small holders still do not have access to these resources (**Baba et al., 2010**). This study has demonstrated that policies like fertilizer, subsidy, agricultural credit, and minimum support prices are able to address market imperfections only partially.

The price spread of vegetables with respect to various marketing channels has indicated that the producers share has an inverse relationship with the number of intermediaries. The net price received by the producers is relatively higher in the channels in which the produce is directly sold to the consumers or retailers. Further, it has also highlighted the needed effective measures to reduce marketing losses at various stages. Study has emphasized on the strengthening of institutions, establishment of processing units and development of market infrastructure in the study area.

Objective of the study

- To analyse the existing marketing channels for paddy in the present study area.
- To evaluate the marketing cost and marketing margin of paddy in the present study area.
- To suggest suitable policy measures for marketing of paddy, problems faced by the farmers in the present study area.

Methodology

The area chosen for the present study is Cuddalore district, situated at the southern part of Tamil Nadu, India.

Sampling Design

Multistage stratified random sampling technique has been applied in the present study. In this study areas concentrated only two Blocks viz, Kuringipadi and Bhuvanagiri Similarly Kuringipadi and Chidambaram Taluk are two among 6 taluks in the Cuddalore district. There are 150 samples to be collected in each blocks (viz) Kuringipadi and Bhuvanagiri. It comprises that there are three villages in each blocks were selected for the present study. The selected villages are Karunkuzhi, Maruvai and Nainarkuppam are coming under Kuringipadi block and Karaimeedu, Maruthur and Kolakkudi are coming under Bhuvanagiri block. Therefore each block consist of 150 samples were collected for the present study area.

Tools

In order to the rank the reasons for selling paddy through various middlemen like villages traders, commission agents, wholesalers and retailers. The Garrett's Ranking Techniques was adopted.

$$\text{Per cent Position} = \frac{100 (R_{ij} - 0.50)}{N_i}$$

Where

R_{ij} = Rank given for (i^{th} factor by j^{th} farmers)

N_i = Number of constraints ranked by j^{th} households

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Results and Discussion

Marketing Channels of Paddy in Cuddalore District

The marketing channel is the route taken by the title to the goods as they move from producer to ultimate consumer. Marketing channels are combinations of agencies through which the seller who is often, though not necessarily manufacturer, markets his product to the ultimate consumer. Parashwar has defined market channel as the vehicle of marketing system, the unit within which all marketing activity takes place. Bilgrani has defined market channel as a distributory that is involved in direct and indirect transfer of title to a product as it moved from producers to consumers or industrial users. In the present study, marketing channel refers to the collection of agencies and movements associated with the exchange of paddy from the primary producer to the ultimate consumer. The paddy in Cuddalore district is sold through middlemen namely commission agents, village traders, wholesalers and retailers. The marketing channels identified are,

Channel I = Producer – Village Traders – Miller - Consumer

Channel II = Producer - Regulated market – Consumer

Channel III = Producer- Commission Agent – Retailer/Miller - Consumer.

This paper found that 69.33 per cent farmers sold their produce through the commission agents in the study area, 21 per cent of the farmers sold their produce through the regulated markets and remaining 9.67 per cent of the farmers sold their produce through the village traders. The commission agents are the most preferred middlemen by the marginal, small, medium and large farmers because of the facilities offered by them. Majority 30.16 per cent of the large farmers sold their produce regulated markets followed by marginal, medium and small farmers which constitute 26.98 per cent, 23.81 per cent and 19.05 per cent respectively. The reasons for farmers selling their produce through regulated markets such as no storage cost rank first, followed by no commission charges, easy method of sale, and long term practice finally, better price and credit facilities respectively.

Most of the farmers prefer the commission agents as their intermediary because the commission agents provide credit facilities to the farmers when were they need. Therefore it is ranked first. The other reasons such as immediate case, after sale, better price, high off-take and long term practice

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are ranked II, III, IV and V. The storage is an important factor for farmers particularly the paddy producing farmers in releasing a higher net price for paddy. Usually, paddy is stored for a period not exceeding four months. Hence, the higher net price released by the farmers depends on the period of storage of paddy.

The estimated results of regression coefficient have observed the number of days alone had a significant positive influence on the net price released. All the explanatory variables jointly account for 72 per cent variations in net price received by the farmers in the study area. The marketing expenses incurred by the farmers after harvest and prior to sale of paddy. The cost includes transport, unloading, weighing and stitching, charity, sample, commission and other purposes. The marketing expenses differ as farmers in different channel. The cost per quintal incurred by the marginal farmers in all the three channels the commission charges, transportation cost and storage cost are ranked first, second and third in the marketing cost.

Marketing Cost and Marketing Margin

An efficient marketing is a sine qua non in the economy of all countries, in general and of agricultural countries, in particular. It definitely exerts a powerful influence on country's production and consumption pattern; it plays a prominent role in regulating supply and demand; and it helps in the elimination of duplication of services and wastages of valuable resources. (*Lakshmi, 2009*). The marketing expenses incurred by the paddy cultivators are the expenses which are incurred after the harvest and prior to the sale of paddy. The expenses are incurred for several purposes like transport, unloading, weighing and stitching, charity, sample, commission and other purposes. The marketing expenses vary as the farmers sell their produce through different channels. The cost per quintal incurred by the producer was analysed for marginal, small, medium and large farmers separately in all the three channels and the results are presented in following Table 1.

It is inferred from Table 1 that the payment of commission charges to the commission agent amounted to 34.85 per cent for marginal farmers in respect of Channel I and it was 37.29 per cent for Channel II and 31.43 per cent for Channel III. Among all the channels, the commission charges, transportation cost and storage cost are ranked first, second and third in the marketing cost. The

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total cost of marketing through Channel I was found to be higher as compared to other two Channels II and III.

The cost per quintal incurred by the producer was analysed for small farmers in all the three channels and the results are presented in Tables 2. It is found from Table 2 that the payment of commission charges to the commission agent amounted to 33.76 per cent for small farmers in respect of Channel I and it was 37.62 per cent for Channel II and 30.88 per cent for Channel III. Among all the channels, the commission charges, transportation cost and storage cost are ranked first, second and third in the marketing cost. The total cost of marketing through Channel I was found to be higher as compared to other two Channels II and III among the small farmers category.

The cost per quintal incurred by the producer was analysed for medium farmers in all the three channels and the results are presented in Tables 3. The payment of commission charges to the commission agent amounted to 37.97 per cent for medium farmers in respect of Channel II and it was 26.37 per cent for Channel I and 31.09 per cent for Channel III. Among all the channels, the commission charges, transportation cost and storage cost are ranked first, second and third in the marketing cost. The total cost of marketing through Channel I was found to be higher as compared to other two Channels II and III among the medium farmers category.

The cost per quintal incurred by the producer was analysed for large farmers in all the three channels and the results are presented in Tables 4. The payment of commission charges to the commission agent amounted to 37.75 per cent for large farmers in respect of Channel II and it was 35.68 per cent for Channel I and 31.00 per cent for Channel III. Among all the channels, the commission charges, transportation cost and storage cost are ranked first, second and third in the marketing cost. The total cost of marketing through Channel I was found to be higher as compared to other two Channels II and III among the large farmers category.

Marketing Problems Faced by the Farmers in the Study Area

The agricultural marketing is defined as the operations involved in the movement of food and raw materials from the farmers to the final consumer and the effect of such operations on producers and middlemen. (*Lallan Singh, 1984*). The farmers have various problems like heavy commission

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charges, the lack of finance, unremunerative prices, non-availability of manures, pesticides, water scarcity, the lack of storage facilities, irregular power supply, want of market for the produce, high transport cost, the lack of regular payment and the like. For the present study, six of the above problems were selected. They are analysed with the help of Garrett's Ranking Technique. The overall results are presented in the following Table 5.

It is observed from Table 5 that 'huge fluctuations in the prices of paddy' and 'heavy commission charges' as reported by farmers, happened to be the major problems with a mean score of 80.31 and 61.37 respectively. The lack of finance and high transport cost were also important. The lack of storage facilities in marketing centre was found to be an emerging problem. Hence the price fluctuations and heavy commission charges were identified to be the major problems which need the immediate attention of the policy-makers.

Summary of Findings, Suggestion and Conclusion

This paper found that 69.33 per cent farmers sold their produce through the commission agents in the study area, 21 per cent of the farmers sold their produce through the regulated markets and remaining 9.67 per cent of the farmers sold their produce through the village traders. The commission agents are the most preferred middlemen by the marginal, small, medium and large farmers because of the facilities offered by them. Majority 30.16 per cent of the large farmers sold their produce regulated markets followed by marginal, medium and small farmers which constitute 26.98 per cent, 23.81 per cent and 19.05 per cent respectively. The reasons for farmers selling their produce through regulated markets such as no storage cost rank first, followed by no commission charges, easy method of sale, and long term practice finally, better price and credit facilities respectively. Most of the farmers prefer the commission agents as their intermediary because the commission agents provide credit facilities to the farmers when were they need. Therefore it is ranked first. The other reasons such as immediate case, after sale, better price, high off-take and long term practice are ranked II, III, IV and V.

The storage is an important factor for farmers particularly the paddy producing farmers in releasing a higher net price for paddy. Usually, paddy is stored for a period not exceeding four months. Hence, the higher net price released by the farmers depends on the period of storage of paddy. The Language in India www.languageinindia.com

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The reasons to sell paddy through the villages traders because no transportation cost, no price difference, no commission charges, no storage cost and easy method of sale it is the long term practice and immediate payment. Majority 30.16 per cent of the large farmers sold their produce regulated markets followed by marginal, medium and small farmers. The marketing cost constitutes a major portion of the consumer price. Hence, Government should encourage the farmers to start co-operative societies in the study area in order to develop a direct link between the wholesalers/retailers, processors and exporters to cut down the marketing cost incurred for lengthy channel. Majority of the farmers prefer middlemen to sell their produce because of the credit facilities extended by them. The long chain of channels affect the procurement price of paddy. Therefore, the Government should direct the co-operative and commercial banks in the study area to provide adequate loan facilities at reasonable rate of interest to the farmers without any rigid formalities.

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ANNEXURE

TABLE 1

**MARKETING COST INCURRED BY MARGINAL FARMERS IN DIFFERENT
MARKETING CHANNELS**

Item of Cost	Marketing Channels					
	I		II		III	
	Cost (in Rs.)	Per- centage	Cost (in Rs.)	Per- centage	Cost (in Rs.)	Per- centage
Packaging	19.61	5.81	18.25	5.58	16.71	6.00
Loading	20.57	6.10	19.1	5.84	17.37	6.24
Transporting	57.63	17.09	56.71	17.33	53.75	19.31
Unloading	22.61	6.70	19.59	5.99	19.21	6.90
Weighing	20.46	6.07	18.25	5.58	17.55	6.31
Storage	57.63	17.09	54.63	16.69	48.71	17.50
Commission Charge / Market Fee	117.53	34.85	122.04	37.29	87.49	31.43
Incidental Charge	21.21	6.29	18.69	5.71	17.55	6.31
Total	337.25	100.00	327.26	100.00	278.34	100.00

Source: Computed.

TABLE 2
MARKETING COST INCURRED BY SMALL FARMERS IN DIFFERENT
MARKETING CHANNELS

Item of Cost	Marketing Channels					
	I		II		III	
	Cost (in Rs.)	Per- centage	Cost (in Rs.)	Per- centage	Cost (in Rs.)	Per- centage
Packaging	23.1	6.27	17.48	5.46	18.66	6.31
Loading	24.06	6.53	18.33	5.72	19.32	6.53
Transporting	61.12	16.58	55.94	17.46	55.7	18.83
Unloading	26.1	7.08	18.82	5.88	21.16	7.15
Weighing	23.95	6.50	17.48	5.46	19.5	6.59
Storage	61.12	16.58	53.86	16.81	50.66	17.12
Commission Charge / Market Fee	124.44	33.76	120.51	37.62	91.38	30.88
Incidental Charge	24.7	6.70	17.92	5.59	19.5	6.59
Total	368.59	100.00	320.34	100.00	295.88	100.00

Source: Computed.

TABLE 3
MARKETING COST INCURRED BY MEDIUM FARMERS IN DIFFERENT
MARKETING CHANNELS

Item of Cost	Marketing Channels					
	I		II		III	
	Cost (in Rs.)	Per- centage	Cost (in Rs.)	Per- centage	Cost (in Rs.)	Per- centage
Packaging	18.26	5.62	16.71	5.33	17.91	6.19
Loading	24.06	7.40	17.56	5.60	18.57	6.42
Transporting	61.12	18.81	55.17	17.60	54.95	19.00
Unloading	26.1	8.03	18.05	5.76	20.41	7.06
Weighing	23.95	7.37	16.71	5.33	18.75	6.48
Storage	61.12	18.81	53.09	16.94	49.91	17.26
Commission Charge / Market Fee	85.69	26.37	119.02	37.97	89.89	31.09
Incidental Charge	24.7	7.60	17.15	5.47	18.75	6.48
Total	325	100.00	313.46	100.00	289.14	100.00

Source: Computed.

TABLE 4
MARKETING COST INCURRED BY DIFFERENT CHANNELS FOR LARGE FARMERS

Item of Cost	Marketing Channels					
	I		II		III	
	Cost (in Rs.)	Per- centage	Cost (in Rs.)	Per- centage	Cost (in Rs.)	Per- centage
Packaging	17.27	5.46	17.20	5.41	18.22	6.24
Loading	18.23	5.77	18.05	5.68	18.88	6.47
Transporting	55.29	17.49	55.66	17.51	55.26	18.93
Unloading	20.27	6.41	18.54	5.83	20.72	7.10
Weighing	18.12	5.73	17.20	5.41	19.06	6.53
Storage	55.29	17.49	53.58	16.86	50.22	17.20
Commission Charge / Market Fee	112.82	35.68	119.97	37.75	90.51	31.00
Incidental Charge	18.87	5.97	17.64	5.55	19.06	6.53
Total	316.16	100.00	317.84	100.00	291.93	100.00

Source: Computed.

TABLE 5
PROBLEMS FACED BY THE OVERALL PADDY CULTIVATORS
IN MARKETING

Sl.No.	Problems	Mean Score	Rank
1.	Heavy commission charges	61.37	II
2.	Lack of finance	46.21	III
3.	Fluctuations in prices	80.31	I
4.	Lack of storage facilities	16.14	VI
5.	High cost of transport	32.97	IV
6.	Want of regular payment	21.91	V

Source: Computed.

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