



Producer's Share in Consumer Rupee in the Marketing of Banana, Theni District

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Abstract

Marketing helps producer in disposal of produce ensuring reasonable returns for his hard work. Production process is not complete until the produce reaches the hands of final consumer; marketing efficiency depends largely on the costs, margins and producer's share in consumer's rupee. An efficient marketing system is a pre-requisite for ensuring remunerative price to the growers. The present investigation was conducted in Theni district of Tamil Nadu to analyze the price spread realized by the banana farmers and to suggest suitable policy options for increasing the productivity of banana. Sum-of-Average Gross Margin Method and Farmer's Share in Consumer Rupee was used to analyze the price spread. The results of the study revealed that Channel – II (Producer – Pre-harvest Contractor – Wholesaler – Retailer – Consumer) has been considered as the most preferable channel in the study area due to the producers directly sold the produce to wholesaler rather than to pre harvest contractor or local traders, or through commission agent generally, they would get more profit.

Keywords: Price Spread, Marketing Margin, Consumer's Rupee, Producer's Share and Marketing Intermediaries.

Introduction

Marketing helps producer in disposal of produce ensuring reasonable returns for his hard work. Production process is not complete until the produce reaches the hands of final consumer;

marketing efficiency depends largely on the costs, margins and producer's share in consumer's rupee. An efficient marketing system is a prerequisite for ensuring remunerative price to the growers. India is one of the leading banana producers in the world. Maximum production of banana is in Tamil Nadu followed by Maharashtra and Andhra Pradesh. The production is also higher in Tamil Nadu followed by Maharashtra. Banana is one of the most important fruit crops grown in both tropical and sub-tropical regions comprising Kerala, Karnataka, Gujarat, Orissa, Bihar, Eastern Uttar Pradesh, West Bengal, Assam and North Eastern States with considerable socio-economic and cultural importance (Sangolkar, 2013).

Review of Literature

Sarode (2009) made an economics of banana marketing in Jalgaon district: an analysis across alternative channel. The study revealed that per quintal cost of marketing was highest in channel - III (Rs.137.11) as compared to channel - II (Rs.132.57) and channel - I (Rs.129.96). The producer's share in consumer's rupee was 48.15% in channel-I and 46.78%, 45.20% and 70.80% in channel - II, channel - III and channel - IV respectively. Overall Producer's share in consumer's rupee was 46.41%. On the whole, it was concluded that producer's share in consumer's rupee was more in channel - IV because there was no intermediaries except retailer between consumer and producer.

Kurkute *et al.* (2010) conducted a study on marketing of banana in Pune District of Maharashtra. The study revealed that per quintal cost of marketing banana was Rs.10,902 at overall level. Among the different items of marketing cost, transport (44.73%) and commission charges (40.32%) were the major items of cost in the total marketing cost. Per quintal marketing cost was highest noticed in channel - I Rs.117.61 whereas in channel - II it was Rs.109.83. This study found that, channel - II (Producer - Group sale agency - Commission agent - Wholesaler -Retailer - Consumer) was profitable than channel - I (Producer - Co-operative society -Commission agent - Wholesaler - Retailer - Consumer) due to less number of intermediaries involved, low marketing cost and maximum sale than in channel - I.

Pawar *et al.* (2010) investigated on marketed surplus and price spread in marketing channels of banana. The study revealed that, the highest quantity of banana production was marketed through channel - III (Producer - Trader - Wholesaler - Retail shop owner - Consumer) was 60.38 per cent. Per quintal price paid by consumer was highest as Rs.800 in channel - III followed by Rs.650 in channel - II (Producer - Merchant Retailer - Consumer) and Rs.530 in channel - I

(Producer - Vendor - Consumer). Producer's share in consumer's Rupee was highest as 92.98 per cent in channel - I followed by 78.77 per cent in channel - II and 69.77 per cent in channel - III. But net price received by producer was the highest Rs.558.18 in channel - III followed by Rs.512 and Rs.492.80 in channel - II and channel - I respectively. Price spread was also highest as Rs.241.82 in channel - III followed by that of Rs.138 in channel - II and Rs.37.20 in channel - I. The channel - III was found to be most efficient with respect to producers as well as intermediaries.

Objectives of the study

- ❖ To analyze the price spread realized by the banana farmers in Theni District.
- ❖ To suggest suitable policy options for increasing the productivity of banana.

Statement of the Problem

Marketing of horticultural crops is complex because of perishability, nature of the produce, seasonal production and bulkiness. Moreover, the marketing arrangements at different stages also play an important role in price levels at various stages viz. from farm gate to the ultimate user. These features make the marketing system of fruits and vegetables to differ from other agricultural commodities, particularly in providing time, farm and space utilities. While the market infrastructure is better developed for food grains and fruits, the vegetable markets are not well developed and are congested and unhygienic (Sharan, *et al.* 1998). The efficiency of marketing of fruits and vegetables in India has been of significant concern in the years to come. Poor efficiency in the marketing channels and inadequate marketing infrastructure are believed to be the cause of not only high and fluctuating consumer prices but also little of the consumer rupee reaching the farmer (Kaul 1997, Ashturker and Deole, 1985). Indian farmers typically depend heavily on middlemen particularly in fruits and vegetables marketing. The producers and the consumers often get a poor deal and the middlemen control the market, but do not add much value. There is also a massive wastage, deterioration in quality as well as frequent mismatch between demand and supply both spatially and over time (Subbanarasiah 1991, Singh, *et al.* 1985). Hence, an attempt has been made a study on producer's share in consumer rupee in the marketing of banana, Theni District.

Distribution of Channels

The marketing channels consist of various marketing agencies performing functions in a sequence as the banana produce moves from the growers to final consumers. There are two major marketing channels through which banana moves to consumers from producers:

Channel I: Producer – Wholesaler – Retailer – Consumer

Channel II: Producer – Pre-harvest Contractor – Wholesaler – Retailer – Consumer

In these channels, producers sold their produce to the pre-harvest contractor. Pre-harvest contractor arrange all marketing facilities to producers and wholesalers. In this channel the marketable surplus of banana was disposed through pre-harvest contractors in the market. This indicates that banana growers preferred the channel – II in the study area.

Price Spread Analysis

Information was gathered from the individual farmers and traders. The costs include transport, weighing, loading and unloading, packing, storage, spoilage, commission charges and other expenses incurred for marketing the produce. In the process of marketing of fruits, the difference between price paid by the consumer and that received by the banana producer for an equivalent quantity of banana was defined as “Price Spread” (Uma Gowri M., and Shanmugam, T.R., 2015). Profits of the various market functionaries involved in moving the produce from the initial point of production till it reached the ultimate consumer were recorded (Kumarasamy, N., and Sekar, C., 2014). In general, the Sum-of-Average Gross Margin method was used in the estimation of price spread.

Sum-of-Average Gross Margin Method

The average gross margins of all the intermediaries were added to obtain the total marketing margin as well as the breakup of the consumer's rupee.

$$MT = \sum_{i=1}^n \left[\frac{S_i - P_i}{Q_i} \right]$$

Where,

MT	=	Total Marketing Margin;
S _i	=	Sale value of a product for i th intermediary;
P _i	=	Purchase value paid by the i th intermediary;
Q _i	=	Quantity of the product handled by the i th intermediary; and
I	=	1, 2, 3, ..., N (Number of intermediaries involved in the value chain).

Farmer's Share in Consumer Rupee

Further, the farmer's share in consumer rupee was calculated with the help of the following formula.

$$Fs = (Fp/Cp) \times 100$$

Where,

F_s	=	Farmer's share in consumer rupee (percentage);
F_p	=	Farmer's price; and
C_p	=	Consumer's price

Results and Discussions

Price Spread Analysis of Banana in Different Marketing Channels

The results of the analysis are presented in table 1. From the table, it could be observed that in channel I for all the varieties, the transport cost incurred by the producers were found to be around two per cent of the gross price received by them. The net price received by the farmers was found to be higher for Red banana (Rs.3,070.95) compared to Robusta (Rs.2,678.29) and Poovan (Rs.2,391.01).

The cost incurred by the wholesalers for the transport, weighing charges and spoilage loss were found to be higher for Red banana (Rs.169.25) followed by Robusta (Rs.161.75) and Poovan (Rs.150.25) respectively. Since the producers sold to wholesaler in channel - I, the sale price for Red banana was highest (Rs.4,374.45) when compared to the Robusta (Rs.3,785.79) and Poovan (Rs.3,268.76). Whereas the cost spent by the Retailer was observed to be higher for Robusta (Rs.239) followed by Poovan (Rs.232.50) and Red banana (Rs.230.25). The Wholesaler sold to the Retailer in channel - I for Red banana (Rs.6,454.70) was the highest when compared to Robusta (Rs.5,549.04) and Poovan (Rs.4,821.76). The price spread was observed to be comparatively higher for Red banana (Rs.3,069.50) followed by Robusta (Rs. 2,535) and Poovan (Rs. 2,103.75).

The results of the analysis are presented in table 2. From the table, it could be observed that in channel II for all the varieties, the transport cost incurred by the producers were found to be around two per cent of the gross price received by them. The net price received by the farmers was found to be higher for Red banana (Rs.3,085.50) compared to Robusta (Rs.2,734.75) and Poovan (Rs.2,468.25).

The cost incurred by the pre-harvest contractor for the marketing cost were found to be highest for Robusta (Rs.841.75) followed by Red banana (Rs.796.25) and Poovan (Rs.3,351.75). Since the producers sold to pre-harvest contractor in channel - II, the sale price for Red banana was highest (Rs.4,111.75) followed by Robusta (Rs.3,773.50) and Poovan (Rs. 3,351.75). Whereas the cost spent by the Wholesaler was observed to be higher for Red banana (Rs.208.50) followed by Robusta (Rs.201.50) and Poovan (Rs.182.75). The Wholesaler sold to the Retailer in channel - II for Red banana (Rs.6,738.62) was the highest when compared to Robusta (Rs.6,153.75) and Poovan (Rs.5,535). The price spread was observed to be comparatively higher for Red banana (Rs.3,653.12) followed by Robusta (Rs.3,419) and Poovan (Rs.3,066.75).

To get a comprehensive idea of the different channels of distribution, marketing cost, marketing margin, producer's price, consumer's price and price spread have been consolidated and presented in table 3. It reveals that, the total marketing cost incurred by the various intermediaries is the highest in channel - II for Robusta. The marketing margin is the highest in channel - II also the consumer's price is highest in channel - II (Red banana). The price spread is the lowest in channel - I for Poovan, whereas the marketing cost is minimum. The producer's price is less in channel - I (Poovan).

Conclusion

The net price received by the producers was found to be higher in channel - II compared than channel - I. The study concluded that, Channel - II (Producer - Pre-harvest Contractor - Wholesaler - Retailer - Consumer) has been considered as the most preferable channel in the study area due to the producers directly sold the produce to wholesaler rather than to pre harvest contractor or local traders, or through commission agent generally, they would get more profit.

Table 1: Channel - I: Producer - Wholesaler - Retailer - Consumer
(Rs. /Tonne)

Particular	Robusta	Percent	Red banana	Percent	Poovan	Percent
Producer						
Gross price received	3014.04	54.32	3385.2	52.45	2718.01	57.67
Sorting/Grading	71.25	1.28	62.50	0.97	60.00	1.24
Packing	0	0	0	0	0	0
Loading/Unloading	78.50	1.41	83.50	1.29	75.25	1.56
Transport cost	103.50	1.87	104.25	1.62	100.50	2.08
Weighing charges	52.25	0.94	42.50	0.66	55.00	1.14
Spoilage loss	30.25	0.55	21.50	0.33	36.25	0.75
Marketing cost	335.75	6.05	314.25	4.87	327.00	6.78
Net price received	2678.29	48.27	3070.95	47.58	2391.01	49.59
Wholesaler						
Purchase price	3014.04	54.32	3385.2	52.45	2718.01	56.37
Transport cost	75.25	1.36	83.50	1.29	70.50	1.46
Weighing charges	63.50	1.14	63.25	0.98	60.25	1.25
Spoilage loss	23.00	0.41	22.5	0.35	19.50	0.4
Marketing cost	161.75	2.91	169.25	2.62	150.25	3.12
Margin	610.00	10.99	820.00	12.7	400.50	8.31
Sale price	3785.79	68.22	4374.45	67.71	3268.76	67.79
Retailer						
Purchase price	3785.79	68.22	4374.45	67.71	3268.76	67.79
Sorting/Grading	85.25	1.54	86.25	1.34	80.75	1.67
Transport cost	101.25	1.82	102.75	1.59	97.25	2.02
Spoilage loss	52.50	0.95	41.25	0.64	54.50	1.13
Marketing cost	239.00	4.31	230.25	3.57	232.50	4.82
Margin	1524.25	27.47	1850	28.66	1320.50	27.39
Sale price	5549.04	100	6454.70	100	4821.76	100
Price paid by the consumer	5549.04		6454.70		4821.76	
Price Spread	2535.00		3069.50		2103.75	

Source: Primary Data

**Table 2: Channel - II: Producer - Pre - harvest Contractor - Wholesaler - Retailer - Consumer
(Rs./Tonne)**

Particular	Robusta	Percent	Red banana	Percent	Poovan	Percent
Producer						
Price received by producer	2734.75	44.44	3085.50	45.79	2468.25	44.59
Pre-harvest contractor						
Purchase price	2734.75	44.44	3085.5	45.79	2468.25	44.59
Harvesting	510.00	8.29	439.50	6.52	405.25	7.32
Sorting/Grading	34.25	0.56	57.25	0.85	42.25	0.76
Loading/Unloading	59.25	0.96	91.25	1.35	73.50	1.33
Transport cost	110.50	1.80	65.00	0.96	73.75	1.33
Weighing charges	35.50	0.58	60.25	0.89	53.75	0.97
Spoilage loss	92.25	1.50	83.00	1.23	65.00	1.17
Marketing cost	841.75	13.68	796.25	11.82	713.50	12.89
Margin	197.00	3.20	230.00	3.41	170.00	3.07
Sale price	3773.50	61.32	4111.75	61.02	3351.75	60.56
Wholesaler						
Purchase price	3773.5	61.32	4111.75	61.02	3351.75	60.56
Transport cost	115.00	1.87	107.25	1.59	101.25	1.83
Weighing charges	61.75	1.00	62.50	0.93	61.25	1.11
Spoilage loss	24.75	0.40	38.75	0.58	20.25	0.37
Marketing cost	201.5	3.27	208.5	3.09	182.75	3.30
Margin	1152.00	18.72	865.25	12.84	1101.50	19.90
Sale price	5127.00	83.32	5185.50	76.95	4636.00	83.76
Retailer						
Purchase price	5127.00	83.32	5185.50	76.95	4636.00	83.76
Sorting/Grading	21.50	0.35	35.25	0.52	40.25	0.73
Transport cost	65.50	1.06	68.25	1.01	60.50	1.09
Spoilage loss	49.50	0.80	53.62	0.80	52.75	0.95
Marketing cost	136.50	2.22	157.12	2.33	153.50	2.77
Margin	890.25	14.47	1396.00	20.72	745.50	13.47
Sale price	6153.75	100	6738.62	100	5535.00	100
Price paid by the consumer	6153.75		6738.62		5535.00	
Price Spread	3419.00		3653.12		3066.75	

Source: Primary Data

**Table 3: An Over View of Price Spread in Different Marketing Channels
(Rs. /Tonne)**

Channel - I				
Sl. No.	Particulars	Robusta	Red	Poovan
1	Marketing Cost	400.75	399.50	382.75
2	Marketing Margin	2134.25	2670.00	1721.00
3	Producer's Price	2678.29	3070.95	2391.01
4	Consumer's Price	5549.04	6454.70	4821.76
5	Price Spread (Marketing Cost + Marketing Margin)	2535.00	3069.50	2103.75
Channel - II				
Sl. No.	Particulars	Robusta	Red	Poovan
1	Marketing Cost	1179.75	1161.87	1049.75
2	Marketing Margin	2239.25	2491.25	2017.00
3	Producer's Price	2734.75	3085.50	2468.25
4	Consumer's Price	6153.75	6738.62	5535.00
5	Price Spread (Marketing Cost + Marketing Margin)	3419.00	3653.12	3066.75

Source: Primary Data

Suggestions

- ❖ Varieties suitable for export, higher yield potential and better quality will help increase average yields.
- ❖ Higher price fluctuations can be avoided by going for proper storage facilities, monitoring, controlling movement of banana.
- ❖ Proper measures to be taken for stabilizing the price fluctuation, which will improve standard of living of farmers.

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