



*(Volume2, Issue8)*

Available online at [www.ijarnd.com](http://www.ijarnd.com)

# Marketing Efficiency, Price Spread, Share of Farmers In Case Of Horticultural Markets of Assam

Babita Kalita

*Research Scholar*

*Guwahati University*

[babitalita86@gmail.com](mailto:babitalita86@gmail.com)

## **ABSTRACT**

*Agricultural and allied activities play a predominant role in socio- economic development of Assam as this sector is a major contributor to the state. Assam is basically an agricultural state. So agricultural marketing especially rural market is a vital tool for developing the economy of Assam. Marketing is the performance of all business activities involved in the flow of goods and services from the point of initial agricultural production until they are in the hands of the ultimate consumer.*

*But the marketing of farmer's product is a complex phenomenon. Involvement of a large number of trade channels in the procurement of agricultural product and getting the immediate return is the main factors governing the whole marketing operation. The problems related to functional aspects are concerned with bottlenecks during grading, pricing, payments and other marketing operations. The physical infrastructure in Assam is weak in case of coverage of village, accessibility and marketing information. Due to lack of proper market information facilities, the price is varied across the rural markets and the supply chain is multi layered so the farmers get only 1/3 of retail or consumer's price and rest is absorbed by intermediaries. Market information is a means of increasing the efficiency of the marketing system. The result of the implementation of emerging marketing channel implies improvement of agriculture marketing system. So in this paper, my study is about the problems of agricultural marketing and how the marketing channels impact the share of farmers and give some suggestions to remove the problems. For this study, primary and secondary data are taken into account.*

***Keywords: Agricultural Marketing, Marketing Channels, Infrastructure, Marketing Information, Supply Chain.***

## **INTRODUCTION**

Agriculture and allied activities play an important role in socio – economic development of Assam as this sector is a major contributor to the state economy as well as providing livelihood to a significant proportion of the population of Assam. About almost 50 percent of the total land area is utilized for cultivation. The net cultivated area of the state is 4174023 hectares. The net area sown is 2810597 hectares and average operational holding is 1.15 hectare only and more than 83 percent of farmer families are small and marginal family. The contribution of agriculture sector to GSDP was pegged at 6.48 percent in 2014-15. This sector continues to support more than 53 % of work force. Assam covers an area of 78,438 sq. km with a population 2663840. The percentage share of area and population of the state are 2.4 and 2.6 in India's total population and total areas. (Economic Survey 2011 and statistical handbook 2014-15).

Marketing is a vital tool for developing agriculture sector of Assam. Marketing can be defined as a process of identifying, anticipating, knowing customer need and organizing all resources to satisfy them. The agricultural marketing especially the horticultural marketing in India is highly decentralized having wide capacities. There is no direct connection between farmers and consumers which imply that traditional marketing channels prevail in the rural horticultural markets of India. The traditional marketing can be defined as that type where a large number of middlemen are involved, marketing conditions are poor and where

marketing efficiency is less. The high and fluctuating consumer prices exist in horticultural markets and due to this fact only a small share of the consumer rupee reaching the farmers. Many committees review it and the reports stated that Indian farmers are good producers but not a good marketer. As early as 1976, National Commission on Agriculture pointed out the inefficiency in agricultural marketing with particular reference to fresh perishables and strongly recommended that "It is not enough to produce a crop; it must be satisfactorily marketed." The marketing of horticultural crops is complex especially because of perishing ability, seasonality, and bulkiness. Fruits and vegetables are the items of daily consumption, and though perishable in nature, they constitute an essential component of human diet. Many a time, fruits & vegetables are marketed mostly either through regulated APMC markets or totally unregulated local fruit and vegetable markets. Marketing through these traditional channels is characterized by very little attention to grading, sorting, and storage with weak regulation, poor handling during loading, unloading and transport resulting in loss of 30-40 per cent of the total production. This involves long distance transport. For these purpose good roads in the interior villages are necessary but there are no good roads in the interior areas. Vegetables are usually sold through commission agents and very little of pre-harvest contacting is done. Due to this, the net returns are generally low. In case of marketing of fruits and vegetables, the producer cannot go to the wholesale market or long distant market and he has to depend on some intermediaries to sell his produce. Therefore, in the marketing of fruits and vegetables costs are to be incurred for grading, packing, transport, loading/unloading, fees, etc. In addition, the intermediaries also charge some margins for them. These costs and margins determine the final price to be paid by the consumer. Hence retail price becomes very high

This marketing of farmers' product is a complex phenomenon. Involvement of large numbers of trade channels in the procurement of agricultural product, the attitude of farmers towards selling their product and getting the immediate return is the main factors governing the whole marketing operation. There are various types of problems in the marketing of agriculture product pertaining to organizational, functional, physical and infrastructural aspects. The organizational aspects are mostly concerned with the state intervention in agricultural marketing by implementing market regulations as an instrument to offer a better price to farmers. The functional aspects are concerned with bottlenecks during grading, pricing, payments and other marketing operations. The physical infrastructure in Assam is weak in case of coverage of village, accessibility and marketing information. The rural go-down facilities are not so much available. Due to lack of proper market information facilities, the supply chain is multilayered. Intermediaries take large percentages of consumer rupee while farmers get a small share. Taking advantages of farmer's illiteracy and poor marketing condition, a set of middlemen at different stages have emerged as a channel for selling the agricultural product. So there is a need for improvement of marketing channels so that farmers are actually benefited. Due to the variation of price across the rural market, the farmers get only 1/3 of retail or consumers price. Rest is absorbed by intermediaries which are a loss to actual producers. My study area is Assam with special reference to Darrang District.

Thus, there is a need for addressing the problems of agricultural marketing in rural areas. There is also the need for studying the factors behind low price obtained by through various studies are done regarding agricultural marketing, there is a need for addressing the impact of traditional marketing channels of horticultural marketing in rural areas of Assam. It is also important to know how the emerging marketing channels reduce the share of intermediaries and increase the share of farmers in retail price. To study these aspects, Darrang district is chosen for taking sample survey. In Assam, Darrang district is a large supplier of agriculture especially horticulture crops. A lot of vegetables are supplied from Darrang district to different corners of Assam. But the most of the farmers of Darrang district are small and marginal farmers whose are very poor. Since most of them are illiterate they do not get proper marketing information, even they don't know the retail price of selling products. The trader, commission agent, wholesaler takes their crops at a very low price and sell them in the retail market at a very high price. The supply chain is multilayered and farmers are exploited. For studying their problems, supply chain and price spread of vegetable crops, Darrang district is taken into account.

## **REVIEW OF LITERATURE**

The review of literature is related to the problems related to agricultural marketing, the imperfection of market, the imperfection of information about price between producers and buyers, and importance of ICT on improving the marketing infrastructure.

Gopalan and Gopalan (1991), BC Mathur (2000), Elamathi .C (2013), Sanjay Kumar discussed various problems infrastructural problems, organizational problems, the price spread between producer's share and consumer rupee.

Saikia and Borah (1998), Pandey (2003), Kakaty (2009) discussed price spread between producers and market intermediaries share in the consumer price in the channels and showed that due to the prevalence of intermediaries producers get a lower share and suggested emerging marketing channel for improving marketing efficiency.

Shakeel, Selvaraj, Swenson and Yanagizana, Robert Jensen, Sandip Mitra. Internet facilities, mobile facilities drastically reduce the search cost and thereby reduce price which enable the market to become more competitive. He showed that the internet market places an alternative or supplements to traditional retail market and make the market more developed.

**OBJECTIVES OF STUDY:** The main objectives of this research paper are explained

1. To study rural marketing of Assam.
2. To study the share of farmers in consumer price of agricultural crops.
3. To study the constraints faced by the farmers in the rural agricultural market.
4. To study the price dispersion across the rural agricultural markets.

### **RESEARCH QUESTIONS**

- Are the farmers getting the actual price of their product? If not why?
- What are the problems in agricultural marketing?

### **DATA SOURCE AND METHODOLOGY**

The data is collected through primary and secondary sources. The research is analytical in nature. The secondary data is collected through various reports published by the agriculture department, economic surveys, statistical handbooks, journals, websites such as the department of agriculture, economics and statistical department of Assam.

The primary data is collected by conducting the survey, with the help of multistage random sampling method. The survey is conducted by collecting data from farmers, retailers, traders, marketing committee and consumers. 10 farmers of each crop are taken into the survey, two blocks and three villages of two blocks are taken into sample survey. For a selection of buyer, contractor, commission agent, retailer, trader, farias 5 buyers, 5 contractors, 5 commission agent, 5 traders and 5 ferias for each vegetable crops are taken into the primary survey.

**CONCEPTUAL FRAMEWORK:** The concepts which are used to study the impact of traditional and emerging marketing channels are marketing cost, marketing network, marketing efficiency, marketing channels, price spread. These concepts are explained as follows-

- a. **MARKETING CHANNELS**-Marketing channels are routes through which agricultural products move from producers to consumers. There are two main *routes* – a. Direct routes- in which agricultural commodities directly pass from producer to consumer. There is a complete absence of middlemen or intermediaries and in Indirect route agricultural commodities generally, move from producer to consumers through intermediaries. The intermediaries are involved in indirect channels which are called traditional marketing channels.
- b. **MARKETING EFFICIENCY**- The term marketing efficiency may be defined as the effectiveness or competence with which a market structure performs its designated functions. Thus it implies the effectiveness with which a marketing service is performed. According to Acharya, an ideal measure of marketing efficiency, particularly for comparing the efficiency of alternate markets or channels should be such which takes into account all of these – MC=Total marketing cost, MM= Net marketing margins, FP= Price received by the farmers, Price paid by the consumers.

Thus the following modified measure is -  $MME = FP / MC + MM$ ,

### **c. PRODUCER'S PRICE**

This is the net price received by the farmer at the time of the first sale. This is equal to the wholesale price at the primary assembling center, minus the charges are borne by the farmers in selling his produce. Thus

$$P_f = P_a - C_f$$

### **d. PRODUCER'S SHARE IN THE CONSUMER'S RUPEE**

Producer's share is the price received by the farmers expressed as a percentage of the retail price. If  $P_r$  is the retail price, the producer's share in the consumer's price may be expressed as follows-

$P_s = (P_f / P_r) \times 100$ , where  $P_f$  is producer's price,  $P_s$  is the producer's share in consumer's rupee,  $P_r$  is retail price.

- e. **MARKETING MARGINS OF A MIDDLEMAN:** This is the difference between the total payments and receipts of the middleman. These alternatives measures may be used to know the market margin which is expressed as follows:
  - i. The absolute margin of ith the middleman.  $A_{mi} = P_{ri} - (P_{pi} + C_{mi})$

ii. Percentages margins of ith middleman

$$P_{mi} = P_{ri} - (P_{pi} + C_{mi}) / P_{ri} \times 100$$

**ANALYSIS AND DISCUSSION**

**1. RURAL MARKETING SYSTEM OF ASSAM**

Rural agricultural marketing can be defined as a function which manages all these activities in assessing, stimulating and converting purchasing power into effective demand for specific products and moving them to people in rural areas to create satisfaction and standard of living for them. These markets are located in rural and interior areas. They serve as a focal point to a great majority of farmers for selling of their product and marketing. It is estimated that there are 47000 haats of India out of which 75% are held once a week, 20 % twice a week and 5% are daily. 2/3 of haats are held at a distance of 16 km, 23 % are held at 6 to 15 km distance and 9 % in a distance of 1 to 5 km. These markets are largely unregulated. The rural market is managed by Anchalik Parishad and they have leased annually by inviting bids.

In rural markets, trade is characterized by direct sales of a small quantity of production by the producer to village trader or faria and trader to the retailer and is also characterized by direct sales by retailers to consumers.

Rural marketing In Assam generally performs three functions- selling of local produce within the area, assembling of local produce for selling to others, retailing of wholesalers from producers to local areas. There are 1273 markets in Assam comprising primary and secondary markets. In each market area, there is one market yard and more sub market yards.

The rural agricultural market of Assam can be divided mainly into the rural primary market, secondary market, and wholesale markets. The concepts of these markets are explained below:

- Rural primary markets include mainly periodic markets known as haats, shandies, fair. These are oldest trading institutions which give opportunity not only to purchase consumer goods but also to sell surplus agricultural products.
- Secondary markets- The secondary markets cater to distant demand. These markets attract potential buyers or traders who assemble the product and consolidate a truck load for sale in the city wholesale market.
- Wholesale market – These markets provide a convenient point for gathering a large amount of produce from different sources and for its division into small assortment to meets the needs of retailers.
- Retail market- Retail markets are an assembly of retail shops centralized and located in a specific place which cater to the demand of a particular locality. They constitute the direct link to the consumer.

Thus these are some main classifications of the agricultural market.

**MARKETING NETWORK**

In Assam the marketing network is explained below:

Rural godown= 66 Rural seed storage godown- 13, cold storage- 25, Principal Marketing yard- 20, Sub Market – 206, regulated marketing committee- 24, Total Regulated Market- 224, wholesale market- 409 no, rural primary markets- 735. Total markets- 1175, organized market:

**Profile of District**

Year	Fruits			Spices			Vegetables		
	Area(lak h hect)	Production (lakh MT)	Productivity MT/hct	Area(lak h hect)	Production (lakh MT)	Productivity	Area(lak h hect)	Production (lakh MT)	Productivity
2005-06	1.13	13.52	12005	0.86	2.12	2475	2.32	18.18	16485
2006-07	1.14	13.72	12139	0.86	2.12	2476	2.36	38.87	16469
2007-08	1.16	14.08	14142	0.88	2.18	2478	2.38	39.18	16462
2008-09	1.34	16.61	12425	0.93	2.80	3023	2.46	44.20	17923

2009-10	1.27	15.65	12370	0.94	2.35	2505	2.51	42.55	16952
2010-11	1.37	16.56	12485	1.01	2.30	2271	2.57	44.33	17231
2011-12	1.38	17.75	12885	1.04	2.56	2464	3.66	52.51	24325
2012-13	1.51	20.74	13760	1.10	3.28	2970	3.86	60.34	27536
2013-14	1.42	20.25	14219	1.04	2.67	2578	3.65	53.30	24797

The economy of Darrang district is mainly agriculture based. With the area 1850.58 sq km, the district is rich with the sizable production of vegetables. The climate of the district is congenial and the soil is very fertile for cultivation. The main economy of the district is agriculture where 85 % is engaged in agriculture and allied activities. The demographic features of the district are as Literacy rate- 64.55%, Sex ratio- 923, population growth – 19.81, population density- 491(According to economic survey 2011)

**2. Area, production, and productivity of horticultural crops in Assam in 2014-15**

The area, production and productivity of horticulture crops in Assam can be shown with the help of a table

Source: Directorate of Agriculture, Assam, and directorate of horticulture & FP, In Darrang district the Agriculture sector is dominated by the horticulture especially vegetables. The various types of vegetables are cultivated in Darrang district in large amount so this district is considered as a greater contributor to total vegetables in Assam.

**3. Study about Traditional marketing channel and its impact on price spread, marketing efficiency in horticultural marketing**

This study is about the marketing of vegetables which are perishable in nature. We can study the involvement large numbers of middlemen such as trader, faria, retailer, a wholesaler in traditional marketing channels. Due to the prevalence of a large number of intermediaries, the price spread between producer and consumers become larger and producer gets less than the actual price. The traditional marketing channels can be defined as that type of marketing channels in which a large number of middlemen are involved, marketing efficiency is less and producer get less than the actual price. In vegetable market, there is no direct connection between producers and consumers. Price spread of traditional marketing channel 2 can be presented as follows

**Channel:**

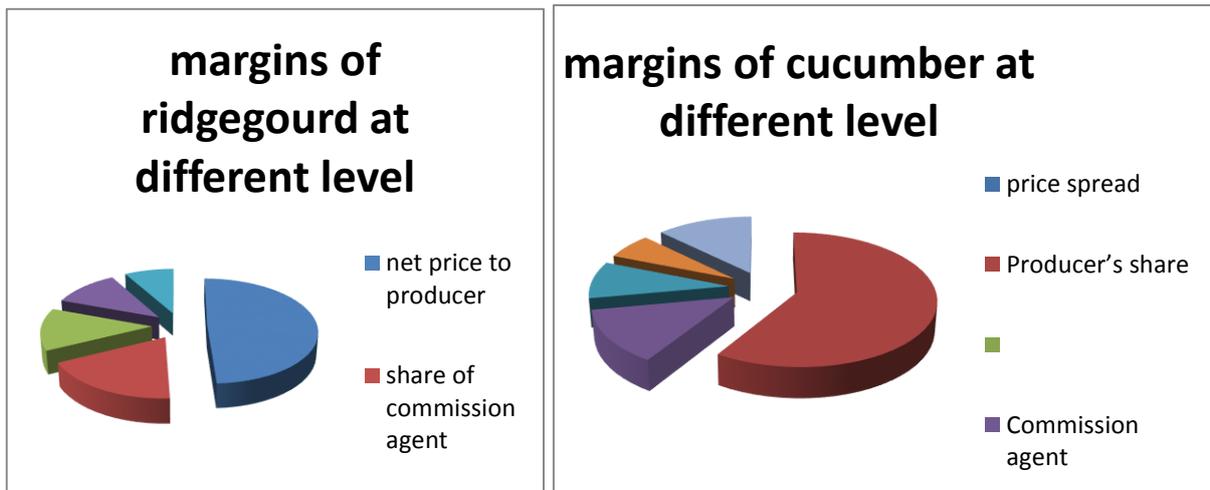
**(Producer- commission agent- wholesaler- retailer- consumer)**

**Price spread of ridge gourd and cucumber in traditional marketing channel is explained below**

Sl no	Item cost and market functionaries	Average price of ridge gourd(per quintal)	Margin at different level	Percentage share	Average price of cucumber(per quintal)	Margin at different level	Percentage share
1.	Net price to the producer	1000	1000	45.45	800	800	55.17
2	Commission agent's marketing cost	25	25	1	22	22	1.5
	Labour charge	10.00			7.20		
	Transportation cost	5.30			4.60		
	Weighting cost	3.20			3.20		
	Storage cost	5.50			5.00		
	Wastage	1.00			2.00		
3	Commission agent's selling price or wholesaler's purchase price	1400	375	17.04	1000	178	12.22
4	Wholesaler's marketing cost	136.00	136	6.18	123	123	8.48
	Labour charge	60.00			50		
		50.00					

	Transportation cost	5.30			40		
	Weighting cost	5.00			4.30		
	Storage cost	10.00			4		
	Marketing fee	5.70			20		
	wastage				4.70		
5	Wholesaler's selling price or retailer's purchase price	1800	264.00	12	1250	127	8.78
6	Retailer's marketing cost	171	171	7.7	127	127	8.78
	Labour charge	80.00			40		
	Transportation cost	60.00			60		
	Weighting cost	5.20			5.40		
	Storage cost	5.00			5		
	Market fees	10.00			10		
	other expenses	10.80			6.60		
7	Retailer's selling price	2200	229	10.00	1450	73	5.03
8	Total			100.00	1450		100

From the above, it is seen that the share of the producer in the sale of ridge gourd and cucumber are 45.45 and 55.15. The shares of commission agent of ridge gourd, cucumber are 17.04 and 12.22 respectively. The share of the wholesaler in the sale of ridge gourd is 12 and it is 8.78 percent in the sale of cucumber. Retailer's share is 10 and 5. Percent in the sale of ridge gourd and cucumber respectively. Since there is no so much prevalence of direct marketing in daring district of Assam so its impact on the share of the producer is not taken into account. The share of farmers, intermediaries in the consumer price in different crops can be explained with the help of diagrams.



#### 4. The Marketing Efficiency in Traditional Marketing Channel in Traditional Marketing Channels

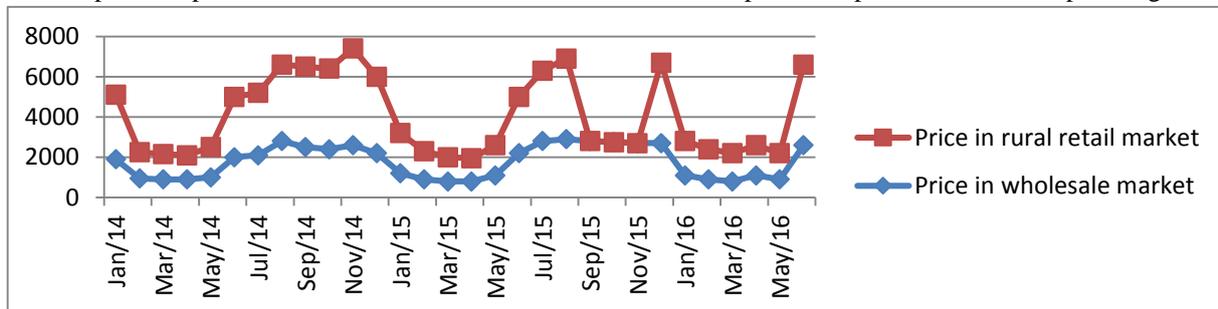
S no	p a r t i c u l a r s	T r a d i t i o n a l m a r k e t i n g c h a n n e l	
		R i d g e g o u r d	c u c u m b e r
1	R e t a i l e r s a l e p r i c e	2 2 0 0	1 4 5 0
2	T o t a l m a r k e t i n g c o s t i n R s / q n t	3 3 2	1 7 2
3	T o t a l n e t m a r g i n o f i n t e r m e d i a r i e s	8 6 8	3 7 8
4	N e t p r i c e r e c e i v e d b y f a r m e r i n R s / q n t a l	1 0 0 0	8 0 0
5	V a l u e a d d e d i n R s / q n t l s	1 2 0 0	6 5 0
	<b>M M E r a t i o</b>	<b>0 . 8 3</b>	<b>1 . 2 3</b>

- Spatial price dispersion of tomato between wholesale market and retail market

There is spatial price dispersion of tomato between wholesale price and rural price. This can be explained with the help of a table-

time	Price in wholesale market	Price in rural retail market
January 2014	1900	3200
February 2014	950	1300
March 2014	900	1250
April 2014	900	1200
May 2014	1000	1500
June 2014	2000	3000
July 2014	2100	3100
August 2014	2800	3800
September 2014	2500	4000
October 2014	2400	4000
November 2014	2600	4800
December 2014	2200	3800
January 2015	1200	2000
February 2015	900	1400
March 2015	800	1200
April 2015	800	1150
May 2015	1100	1500
June 2015	2200	2800
July 2015	2800	3500
August 2015	2900	4000
September 2015	2800	0.00
October 2015	2750	0.00
November 2015	2700	0.00
December 2015	2700	4000
January 2016	1100	1700
February 2016	900	1500
March 2016	800	1400
April 2016	1100	1500
May 2016	900	1300
June 2016	2600	4000

The spatial dispersion of tomato between the wholesale and retail price is explained with the help of diagram



• **PROBLEMS OF RURAL AGRICULTURAL MARKETING**

Agricultural Marketing is a complex phenomenon. There are different types of problems in the marketing of the agricultural product. The functional aspects of problems are concerned with bottlenecks involved in a transaction during grading, pricing, payment and other market operations. The problems prevail in rural agricultural marketing are explained below-

- The absence of proper transport facilities- There are some constraints related to physical access to markets. The problems are bad connections of roads which increase transport cost and retail price at a higher rate.
- The absence of proper telephone and mobile facilities- Markets are poorly linked with telephone and internet facilities. Only 45% of the market is linked with telephone facilities and rest of markets have no access to information and communication technology. In Assam, only 85 markets are connected by telephone and 3 are conveyed by email.
- No knowledge about pricing- Farmers have no knowledge about what they should ask for products during transactions. Few educated farmers keep in mind the cost of production, cost of transportation while negotiating in the market. 64 % of farmers are not able to decide sell on a certain price.
- Unavailability of agriculture credit at proper sense- There is no proper availability of agricultural credit to farmers in Assam. 22 districts remain under banked. Per capita credit disbursement to farmers was Rs 91 only in Assam.
- Lack of proper trading facilities- Traders place vegetables in smaller quantity are even retailed by farmers themselves on the market day. Itinerant traders are common in selling paddy that collects them and sells to the market directly.
- No authorized commission agents- In haats only unauthorized middleman operated as buyers who neither maintains a document nor issue any receipt which makes markets non-transparent.
- Lack of proper marketing information- Marketing information on commodity markets arrivals and suppliers are much important for small and marginal farmers. The low level of literacy and lack of proper market information leads to loss of income and exploitation of farmers by the middle man. 40 % of farmers are aware that transportation cost must be included in pricing.

## **CONCLUSION**

The main aim of rural agricultural marketing is to develop the rural economy and reduces poverty. The government should implement some measures to solve these problems. Suitable marketing system, innovative and creative approaches must be implemented so that it brings fruits to the sweat of the farmers and ensures farmers fair prices. Proper physical infrastructures and effective distribution system must be provided so that produce must be reached to the ultimate user at right time and minimum cost. Effective land reform must be implemented as they are assets of the farmers. The marketing staff should be increased and training programs must be conducted so that they must be familiar with new farming technology and thus rural agricultural marketing can be developed. The length of the supply chain should be reduced by the implementation of emerging marketing channels so that a large number of intermediaries can get eliminated and the producer gets a large share in the marketing of their product. The price information system should be strengthened and illiteracy of consumers should be strengthened for proper development of rural agricultural marketing system of Assam.

## **REFERENCES**

1. Dutt, P.K., ‘‘Agricultural Rural Marketing’’2011
2. Shakeel- Ul- Rehman, ‘‘ Indian Agricultural Marketing- A Review’’, Asian Journal of Agricultural and Rural Development, Vol2, issue no 1 pp 69-75
3. Elamathi, C.E., ‘‘Agricultural Marketing in India’’, Indian Journal of Research, Vol 2, Issue; August 2013
4. C.S.G. Krishnamacharyulu and Lalitha Ramakrishna, Rural Marketing- Text and cases, Pearson Education, 2008
5. Kashyap Pradeep, Rout Siddhartha, The Rural Marketing Book, 2010
6. S.S. Acharya and N. L. Agarwal, Agricultural Marketing in India, Oxford and IBH Publishing Co. Pvt Ltd, 2008
7. RahmanUl Shakeel, Selveraj.M, Ibrahim .M [2012] ‘Indian Agricultural Marketing, A Review’, Asian journal of agricultural and rural development, vol2 pp69.75
8. Khan Nizamuddin, Khan Muqoot [2012] ‘Marketing of agricultural crops in rural Indian economy’ Journal of economics and sustainable development’
9. Vadivolu. A and Kiran B.R. [2013] ‘Problems and prospects of agricultural marketing in India; A Review’ international journal of Agricultural and food science’
10. Kumar Sanjay [2015] ‘ Rural marketing of agricultural produce India: problems and prospects, Global Journal of Engineering, Science, & Social Studies.