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Case Study

Marketing Efficiency of Different Marketing Channel of Mustard Crop in Swai Madhopur District of Rajasthan

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ABSTRACT

An attempt has been made to study the Comparative Marketing Efficiency of different marketing channel with reference of mustard crop in Swai Madhopur district of Rajasthan. The study was conducted in Chauth Mata Agro Producer Company Limited; Chauth ka Barwada blocks in Swai Madhopur district. For each selected randomly villages, a separate list of mustard growing farmers was prepared and 80 farmers, processor, retailers, wholesaler and consumers were selected. The primary data were collected from the mustard producers and market functionaries through personal interview method with the help of well prepared schedule and questionnaire for the production and post-harvest year for *Rabi* mustard 2017-18. The market efficiency of FPOs and Non FPOs channel worked out to be 1.23 and 1.09, respectively. Price spread of FPOs and Non FPOs channel work out to be 43.19 and 46.11 percent, respectively. Producer's share in consumer's rupee of FPOs and Non FPOs channel out to be 55.86 and 52.71 percent, respectively. The market margin and marketing cost of FPOs channel works out less than the Non FPOs marketing channel. According to finding of this study Farmer Producer Organisations channel were found to be more relevant and profitable for farmers.

Highlights

- The study compare the FPOs and traditional marketing channel by Acharya and Agarwal's Approach.
- The study shows that the FPOs marketing channel is efficient than the traditional marketing channel and the marketing cost of traditional channel is higher than FPOs

Keywords: Marketing channel, marketing efficiency, marketing cost and price spread

Agriculture plays a important role in the Indian economy. Although its contribution to the country's GDP is around 17 per cent, its share in total employment is about 48 per cent (World Bank, 2019). In India agricultural households were more than 57.8 percent of the total households of the country. With the introduction of green revolution, there has been a significant four-fold increase in the food grain production during the last five decades. Rajasthan have top position in many agricultural produces like mustard, gram and other food grain production. Small and marginal farmers represent the largest group (86 %) of cultivators in Indian agriculture. The contribution of small and marginal landholding in total landholding has increased from 80.8 per cent in 2000-01 to 85 per cent in 2010-11 (due to increased fragmentation of land holdings). The average sized holding in country is 1.15 ha (Economic review, 2019). Small and marginal farmers produce miniature quantity of produce and transporting that produce to urban and big town's markets is not viable. Therefore, they

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are selling their produce, particularly perishable commodities, to local and rural markets at lower prices. In Indian agriculture, around 41 percent of the cultivating households accessed technical help from any of the listed agencies and government sources (NSSO, 2014). So, a variety of approaches have emerged in response to the problem faced by the small and marginal farmers. The Farmer Producer Organisations (FPOs) are important approach for solving the farmer's problems and improving farmer's socio economy.

The FPOs provide a multiplicity of services for member producers such as financial services include provide loans for crops production and purchase the tractors, pump sets, constructions of wells and laying of pipelines. The FPOs provide Input Supply Services at low price, cost and quality inputs and Procurement and Packaging Services for member farmers. The FPOs also provide Direct Marketing after procurement of agricultural produce as well as Insurance Services and Technical Services to member farmers for enhancing farmer's income. FPOs also create opportunities for producers as well as farmers to get more involved in value adding activities such as input supply, credit facilities, processing, marketing and distribution etc. On the other hand, they lower transaction costs for processing and marketing agencies working with growers under contracts.

Channels of marketing

The important link in the marketing of mustard is the regulated market. As mustard is consumed in the mustard oil form; the processors have an important presence in the marketing of the oilseed. In order to ensure smooth supply of raw material for the oil mill, some of the millers have vertically expanded their operations by participating in the marketing of oilseed as traders.

However, there are many marketing channels be present in the study only few were operating efficiently.

(i) Farmers – Commission Agent – Trader – Processors – Wholesaler – Retailer – Consumer

(ii) Farmers – Farmer Producer Organisation - Traders - Processors – Wholesaler – Retailer – Consumer

Since most of the produce was created to be flowing through channel I and channel II only these two channels have been considered for the detailed analysis of marketing costs and margins.

MATERIALS AND METHODS

Keeping in view the objective of the study, Chauth Mata Agro Producers Company Limited in Swai Madhopur district of Rajasthan state was purposively selected. Mustard is main *Rabi* crop in Swai Madhopur district so mustard crop was selected. For each selected randomly villages, a separate list of mustard growing farmers was prepared and 80 farmers, 5 processor, 10 retailers, 10 wholesaler and 15 consumers were selected. The primary data were collected by survey method through personal interview on well-structured and pre-tested schedule, while secondary data were collected from books, journals, report and records of the district and block headquarters. The Marketing efficiency of different Marketing channels considered under the study was estimated by Acharya and Agarwal's Approach.

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$$ME = FP / (MC + MM)$$

Where,

ME = Index of marketing efficiency; FP = Price received by the farmer; MC = Total marketing costs; MM = Net marketing margins

RESULTS AND DISCUSSION

Analysis the marketing efficiency of Farmer producer organisations

FPOs have helped to enhance farmers' competitiveness and gave them a level playing field in rising market and prevented exploitation by middlemen. It was a challenge to overcome the competition by traditional middlemen and brokers in this business by offering a more competitive price and fair procurement than the prevailing market conditions. This study provides detailed information regarding flow of mustard through different channels in the study area.

Table 1: Analysis of marketing cost under different channels in the marketing of mustard (₹ /q)

Sl. No.	Functionaries	Marketing cost (₹/q)			
		Farmer Marketing (Channel I)		FPO (Channel II)	
		Amount	Percentage	Amount	Percentage
1	Producer – Farmer	210	9.38	85	4.22
2	Commission Agent	145	6.47	0	0
3	Farmer Producer Company	0	0	45	2.23
4	Trader	185	8.26	185	9.18
5	Processor	1350	60.27	1350	67.00
6	Wholesaler	160	7.14	160	7.94
7	Retailer	190	8.48	190	9.43
	Total	**2240**	**100**	**2015**	**100**

Table 2: Analysis of marketing margin under different channels in the marketing of mustard (₹/q)

Sl. No.	Functionaries	Marketing margin (₹/q)			
		Farmer Marketing (Channel I)		FPO (Channel II)	
		Amount	Percentage	Amount	Percentage
1	Producer – Farmer	0	0	0	0
2	Commission Agent	65	7.39	0	0
3	Farmer Producer Company	0	0	40	4.68
4	Trader	135	15.34	135	15.79
5	Processor	410	46.59	410	47.95
6	Wholesaler	145	16.48	145	16.96
7	Retailer	125	14.20	125	14.62
	Total	**880**	**100**	**855**	**100**

Marketing efficiency of FPO

The study provides understanding regarding availability of information that provides maximum opportunities to buyers and sellers to effect transactions with minimum transaction costs. In this study, marketing costs, marketing margins, producer's share in consumer's rupee and marketing efficiency are discussed.

Marketing cost

It is observed from below Table 1 that total marketing cost incurred for mustard in channel I was ₹ 2240 per quintal and in channel II was ₹ 2015 per quintal. It implies that farmers who disposed the produce on their own incurred relatively more costs compared to the FPO shareholder farmers.

Comparing the total marketing costs incurred by different intermediaries in the marketing of mustard, the highest cost was incurred by the processor followed by retailer, trader, wholesalers and commission agents. Moreover, it was found that half of the total marketing costs were incurred by the processors.

Market margin

The analysis of marketing margins presented in Table 2 revealed that comparatively higher margins were retained by various functionaries operating under FPO channel compared to farmer's marketing channel. It is revealed from the table that the margins earned in marketing of mustard through channel II (₹ 855) was less than channel I (₹ 880). It implies, when the farmer is selling his produce to FPO, marketing margins earned by market functionaries is minimized.

Most of the functionaries involved in the marketing of mustard earned margins in proportion to the cost incurred by them except for processors and retailers. Compared to total marketing margins,

Table 3: Price spread and producer's share in consumer's rupee under different channels in the marketing of mustard (₹/q)

Sl. No.	Items	Farmer Marketing (Channel I)		FPO (Channel II)	
		Amount	Percentage	Amount	Percentage
1	Producer's net price	3400	53.88	3525	55.81
2	Producer's market price	3610	57.21	3610	57.21
3	Commission agent's selling price	3610	57.21	0	0
4	Farmer producer company's selling price	0	0	3610	57.21
5	Trader's selling price	3930	62.28	3930	62.28
6	Processor's selling price	5690	90.17	5690	90.17
7	Wholesaler's selling price	5995	95.01	5995	95.01
8	Retailer's selling price	6310	100	6310	100
9	Price spread	2910	46.11	2785	43.19
10	Producer's share in consumer's rupee	52.71		55.86	

Table 4: Indices of marketing efficiency in the selected marketing channels

Sl. No.	Particulars	Farmer marketing (Channel I)	FPO (Channel II)
1	Price received by the farmer	3400	3525
2	Marketing costs + Marketing margins (MC + MM)	3120	2870
3	Index of Marketing Efficiency (MME)	1.09	1.23

margins earned by processors, traders, wholesalers and retailers are comparatively less in channel I compared to channel II. Within the channel, processors marketing margin is higher compared to other functionaries (46.59 per cent and 47.95 per cent in channel I and channel II respectively) followed by wholesalers (16.48 per cent in channel I and 16.96 per cent in channel II) backed by trader in channel I and wholesalers in channel II.

Price spread analysis

The price spreads under two prominent channels i.e., channel I (Farmer Marketing) and channel II (FPO Marketing) in the marketing of mustard presented in Table 3 revealed that the price spread in the case of channel I was ₹ 2910 (46.11 per cent) which was higher than channel-II ₹ 2785 (43.19 per cent). Since price spread is directly proportional to the number of intermediaries involved in the marketing of a produce, the channel-II where producer was directly approaching the market through FPO was found to have less price spread when compared to farmer marketing (channel I).

The producer's share in consumer's rupee in channel II (55.86 per cent) was more than in channel I (52.71 per cent). The producer's share in consumer's rupee in channel II is 55.86 per cent which means approx 56 per cent of the consumer price was received by the farmer/producer, whereas in channel I it was only 52.71 per cent which means that farmers' share was only approx 53 per cent of consumer's purchase price.

Due to more number of market functionaries in channel I, producer share in consumer's rupee has decreased compared to channel II. FPC channel is helping the farmers to have a better producer's share in consumer's rupee by preventing exploitation of middlemen.

Marketing efficiency

The marketing efficiency was computed using Acharya's method and the results are presented in Table 4 The marketing efficiency of channel I was 1.09 and channel II was 1.23. It infers that channel II is more efficient that channel I.

The sum of marketing cost and marketing margin of channel I (₹ 3120/q) was more than channel II (₹ 2870/q). This implies that more the numbers of intermediaries in the existing channel lesser the marketing efficiency of the particular channel compared with other channel with less number of intermediaries. Moreover, FPO is taking the initiative of grading the produce; the price received

by farmer in channel II is comparatively on higher side compared to channel I.

Due to better price received by farmer and low marketing cost and marketing margin of channel II is higher than channel I. Farmer despite taking all the risks in arranging his produce to sell directly, he is exploited by market intermediaries at some stages.

CONCLUSION

It was concluded that Farmer Producers Organizations (FPOs) were beneficial for the farmers. The price spread, marketing cost and marketing margin is less of FPOs channel compare to non FPOs channel. The marketing efficiency and producer's share in consumer's rupee are more of FPOs channel compare to non FPOs channel. The marketing channel of FPOs is more benefited than non FPOs channels.

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