Costs and Returns of Potato Marketing in Dharwad District, Karnataka

N.M.KERUR, K.C.GUMGOLMATH, N.N.KARNOOL AND M.T.DODMANI

Department of Agricultural Marketing, Cooperation and Agri-business Management, Univeristy of Agricultural Sciences, Dharwad - 580 005

Abstract : For evaluating the objective of the study, the primary data for the year 1995 were collected from randomly selected 75 sample farmers growing potato and market functionaries (30) from the selected markets. Two main channels were identified in the potato marketing. It was found that many farmers sold at low price to village merchants due to perishability and the risk involved. The producer's share in consumer's rupee was more in channel-I and low marketing margin compared to channel-II. Thus, the channel-I was found efficient one of the study area.

Introduction

Potato is commonly cultivated crop in India as well as in Karnataka. It is widely used as vegetable by all people in the country. Among the vegetables, potato commands an important position having regular demand throughout the year. It cannot be stored under unfavourable conditions. Due to this reason, producer seller usually sell their produce immediately after harvest. It is generally believed that potato growers do not get remunerative price for the produce. While consumer has to pay higher price for the produce. The market functionaries absorb a major share of the consumer's rupee. The costs, margins and operational efficiency of market functionaries are important factors which determine the price spread. Handling and marketing of potato pose a great problem during glut season and fetches lower price to the farmers. The present study is an effort to know the marketing cost, margin and price spread and producer's share in the consumer's rupee.

Material and Methods

The study was conducted in Dharwad district, where potato is an important vegetable crop. In Karnataka, Dharwad district ranks fourth in potato cultivation, with an area of 3,504 hectares (Anonymous 1995). Among the 17 taluk in the district, Dharwad taluk had a maximum area of 3,450 hectare during 1993-94 was selected for the study. The criteria adopted for the selection of market was based on maximum arrivals of potato to a particular market. It was Hubli market where in almost all the farmers sold their produce was selected for the study. Three villages were randomly selected nearby Hubli market where in cultivation of potato was concentrated. From each villages 25 sample farmers were selected randomly and were post classified into small and large farmers based on their holdings as suggested by Bakshi and Banerjee (1983). Thus, total sample size consisted 75 farmers. For this study in all commission agent-cum-wholesalers, village merchants and ten retailers were randomly selected.

For evaluating the objective of the study, the primary data regarding cost of production, cost of marketing and channels used were collected from the farmers through the survey and also various market functionaries were interviewed to obtain data regarding marketing cost incurred by them. The data was analysed using the tabular analysis and percentages.

The marketing channels identified

Where:

Channel-I ------>Producer - Seller------->
Commision agent - cum - Wholesale
----> Retailers--------->Consumers.

Channel-II------>Produce - Seller
------>Village merchants------>Commission
agent-cum-Wholesaler-------> Retailers
Consumers.

Results and Discussion

Table 1 reveals the channelwise costs on various items incurred by producer-seller in b ing their produce from villages to Hubli market and disposing of potato through commission agents to wholesale merchants.

Results revealed that marketing cost incurred by small farmers worked out to be Rs 53.65 per quintal and large farmers incurred Rs 51.52 per quintal in Channel-I. Inter farm differences in the cost of marketing were marginal and cost structure did not bear definate relationship with size group of farms. Packaging cost formed the major component (27.00 per cent) in the total marketing cost incurred by farmers. These findings are in confirmity with reports of Chata and Kaul (1982). Farmers had to exercise judicious care for deterioration in case if the transaction is delayed. The cost incurred on grading and cleaning. Transporation charges and commission charge were Rs 8.92, Rs 6.00 and Rs 5.43 per quintal, respectively. On an average farmers sustained a loss of Rs 11.05 damaged caused during transist. Farmers also

Table 1. Cost incurred by producer-seller under different marketing channels in marketing of potato

(Rs. per quintal)

Sl. No.	Particulars	Channel-I			Channel-II		
		Small farmer	Large farmer	Overall	Small farmer	Large farmer	Overall
1.	Labour charges for grading and cleaning at farm	9.00 (16.77)	8.85 (17.18)	8.92 (16.97)	9.00 (100.00)	8.85 (100.00)	8.92 (100.00)
2.	Packaging charge	14.15 (26.37)	14.35 (27.85)	14.25 (27.11)	-	-	-
3.	Transportation charge	6.00 (11.18)	6.00 (11.64)	6.00 (11.41)	-	-	-
4.	Loading and unloading charges	2.25 (4.19)	2.05 (3.98)	2.15 (4.09)	-	-	-
5.	Cleaning charges	4.35 (8.10)	4.20 (8.15)	4.27 (8.12)	-	-	-
6.	Weighment charges	0.50 (0.93)	0.05 (0.97)	0.50 (0.95)	-	-	-
7.	Commission charges	5.80 (10.81)	5.07 (9.84)	5.43 (10.33)	-	-	-
8.	Losses during transit	11.60 (21.62)	10.50 (20.38)	11.05 (21.02)	-	-	-
	Total	53.65 (100.00)	51.52 (100.00)	52.57 (100.00)	9.00 (100.00)	8.85 (100.00)	8.92

Figures in parantheses indicate percentages to total.

incurred a cost of Rs 4.27 for cleaning at market and Rs 0.5 on weightment charges.

There was a marginal difference between small and large farmers in the cost incurred on various items. Except for packaging, small farmers incurred more cost on each item than large farmers due to dis-economy in each of the operations.

Table 1 also reveals the cost incurred by farmers in channels II. The only cost involved here includes cost on cleaning the produce on farm and it amounts to Rs 8.92 per quintal. As farmer use to sell his produce to village merchants on farm, all other items of costs were incurred by the village merchants.

It could be seen from table 2 that the total marketing cost incurred by commission agent-cum-wholesaler amounted to Rs 17.45 per quintal. This component was worked out based on findings of Shivakaran Singh (1975). The market fee constituted a major proportion (41.83 per cent) followed by licence fee, interest on working capital and shop rent (20.91 per cent 18.91 per cent and 14.61 per cent respectively).

Since, market fee is charged based on volume of transaction, it formed major item of cost. The commission agent-cum-wholesaler performs dual function. As a commission agent he arranges for sale of the farmers produce and charge commission after effecting the sale of produce and also acts as a purchaser.

The total marketing cost incurred by village merchant was Rs 49.56 per quintal which is more than any other market inter mediaries. This might be due to cleaning and sorting work undertaken by him. This phenomenon is reflected in the item of labour cost (30.16 percent) of cleaning and sorting which formed the major item of the total cost. As farmer did not take responsibility of packing, it also formed a substantial part of marketing cost for village merchants (27.94 per cent i.e. Rs 13.85). The other major items of costs per quintal of produce were commission charge (Rs. 6.91), transportation charges (Rs 6.25), cleaning at market (Rs 1.75) and loading and unloading (Rs 1.55).

Village merchants sold their produce through commission agent. Sometimes he use to take it to the distant places, depending on the prices in those markets. Village merchants took advantage of immediate cash need of farmer and non awareness of price at market, as a result he purchased produce relatively at lower price.

The difference between the price after deducting the cost act as a profit to the village merchants. Some of the well to do farmers themselves acted as a village merchants i.e. they supplied seeds at the time of sowing to the farmers with commitment of selling the produce to them only.

Table 2 also gives items of cost on which the retailer has to spend. The per quintal total marketing cost incurred by retailers was least among market intermediaries due to small scale of business and less investment cost. The total marketing cost was Rs 12.46 per quintal. The major proportion was accounted for tax paid to city corporation (27.28 per cent i.e., Rs 3.40) as a hire charge for using that place in the market. The other main item of cost was accounted for spoilage of produce during transit (26.88 per cent i.e. Rs 3.35 per quintal) and sale. Other items of costs were shop rent (Rs 1.86) and transportation cost (Rs 1.75).

Retailer in a day transacted on an average 1.5 quintals for which he has to pay a tax to city corporation of Rs 5/-. Therefore the per quintal charge was taken at Rs 3.40.

The losses accrued to retailers due to spoilage were more because sometimes they use to purchase more quantity expecting a good business. Even if some produce is left with them after the transaction on particular day, it use to get spoiled and also fetched low price on the second day.

In the process of a product reaching from producer to consumer it passes through various market intermediaries. Each market intermediaries will take away some margin. As

Table 2. Marketing cost incurred by different market functionaries at Hubli Market

No.	Particulars	Commission agent-cum-wholesaler	Village merchants	Retailers
	Interest on working capital	3.30 (18.91)	2.35 (4.74)	1.15 (9.23)
	Licence Fee	3.65 (20.91)	-	-
	Market fee	7.30 (41.83)	-	-
	Shop rent	2.55 (14.61)	-	1.86 (14.92)
	Transportation charges	-	6.25 (12.61)	1.75 (14.05)
	Packaging cost	-	13.85 (27.94)	-
	Labour charge for cleaning and grading	-	14.95 (30.16)	-
	Cleaning at market	-	1.75 (3.53)	-
	Weightment charge	-	0.50 (1.25)	-
	Commission charge	-	6.91 (13.94)	-
	Loading and unloading	-	1.55 (3.73)	-
	Total value spoiled	-	-	3.35 (26.88)
	Tax paid to city corporation	-	-	3.40 (27.28)
	Maintenance & others	0.65 (3.72)	-	0.95 (7.62)
	Total	17.45 (100.00)	49.56 (100.00)	12.46 (100.00)

Figures in parantheses indicate percentages of total.

umber of intermediary increases then nsumer has to pay high price.

In potato marketing (table 3) profit wholesaler was high (Rs 67.25 per quintal) compared to profit earned by retailer (Rs 2.34 per quintal) and the village merchant also alised least profit (Rs 47.15 per quintal). ecause, village merchant incurred more cost

(Rs 48.85 per quintal) as compared to wholesaler (Rs. 17.45 per quintal) and retailer (Rs. 12.46 per quintal). Cost incurred was high for village merchant as he happened to assemble produce from farmers field. Retailer incurred least cost since, he use to purchase potato at the same market at very less overhead costs. He does not incur any cost on packing which would have been major item of cost.

The per quintal price realised by farmers in Channel-I was high compared to chanel-II because of more cost (Rs 52.45) in channel-I compared to Channel-II (Rs 8.92). Even then the per quintal net price received in channel-I is high (Rs 263.05) compared to net price realised in Channel-II (Rs 210.58). Because, in channel-II village merchants purchased farmers produce at very low price.

It was observed from the table.4 that marketing margin varied between different size groups of farmers and between different channels. The marketing margin of small farmers was found to be relatively higher compared to large farmers in both the channels.

In channel-I, for large farmers the share of producer seller in the consumer's rupee was Rs. 56.82 per quintal. It was Rs. 56.31 per quintal for small farmers. These findings were contradictory to the reports of Gupta and Ram (1977) who found that the producers share was high in case of large

farmers. There was a marginal difference, because marketing cost incurred by small and large farmers. This similarity in cost was due to payment of labour charge on quit bases/works was given on contract basis.

In channel-II the share of producer seller in consumer rupee was Rs. 45.26 per quintal for small farmers and Rs. 45.23 per quintal for large farmers. Here also the producer share was almost same for both the farmers. This was mainly due to similarity in cost incurred by them. However, magnitude of producer's share in consumer's rupee was less in Channel-II compared to channel-I. It was mainly due to the presence of one more intermediaries village merchant in channel-II.

Based on the above findings it can be concluded that producer share is more in consumer's rupee in channel-I and low marketing margin compared to channel-II. Thus, we can conclude that Channel-I was found to be beneficial and economical to the producer seller.

References

ANONYMOUS, 1995, *Brochure on Irrigation Statistics in Karnataka* 1980-81 to 1993-94. *Directorate of Economics and Statistics*, pp. 20.

BAKSHI, S.K. AND BANARJEE,B.N., 1983, Economics of potato cultivation in Burdwam District (WB). *Agricultural Marketing*, 25(4):29-32.

CHATHA, I.S. AND KAUL, J.L., 1982, A study on price behaviour and marketing margins of potatoes in Punjab. *Agricultural Marketing*, 18(1). 13-15.

GUPTA, A.K. AND RAM, C.S., 1977, Behaviour of marketing margins and costsof vegetables in Delhi. *Indian Journal of Agricultural Economics*, 34(4): 210.

SIVAKARAN SINGH, 1975, Price spread and marketing margins for potato. *Agricultural Marketing*, 18(1): 13-15.