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Price spread and marketing efficiency of groundnut marketing in Gorakhpur Districts of Eastern U.P.

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Abstract

The paper attempts to analyze the marketing cost, marketing margin and price spread of groundnut marketing. The study was based on intensive enquiry of 100 farmers, which selected randomly from 5 sampled villages in Khorabar block of district Gorakhpur. Three marketing channels were found in the study area i.e. (i) producer - consumer, (ii) producer - whole seller - retailer - consumer, and (iii) producer - village trader - whole seller - retailer - consumer. Overall per farm marketed surplus was worked out 79.24 per cent. The producer's share in consumer rupee was worked out 97.89, 83.13 and 80.79 per cent in channel - I, II and III respectively. The producer's share in consumer rupee was decreased with increase in number of intermediaries. The marketing cost came to 2.11, 6.20 and 6.71 per cent in channel - I, II and III respectively. Marketing margin of middlemen in consumer rupee came to 12.66 per cent and 12.50 per cent in channel - II and channel - III respectively. The marketing cost and marketing margin were increased with increase in number of intermediaries.

Keywords: marketing cost, marketing margin, price spread, groundnut, marketing

Introduction

Groundnut is one of the major commercial oil seed crops in India and ranked first in area and second in production in the world with an area of 6.14 million hectares and production 7.40 million tonnes, India share is 22.08 per cent in world's area and 21.67 per cent in production of groundnut (2014-15). During 2012-13 Uttar Pradesh occupied 0.09 million hectares area and 0.09 million tonnes production of groundnut. Groundnut is an income and employment oriented crop, but marketing of groundnut is mainly in the hands of middlemen, therefore produce; has to incur higher marketing cost and get less share of consumer's rupee. There is a great variation in the price from lean period to peak period affecting marketing costs, marketing margins and producer's share in consumer rupee and ultimately affecting the farmer's income. Keeping in view the above mentioned fact the present study entitled Price Spread and Marketing Efficiency of Groundnut Marketing in Gorakhpur District of Eastern U.P.

Research Methodology

Districts Gorakhpur was selected purposively, because of highest area under groundnut in eastern U.P. and convenience of the investigator. All the 19 blocks of Gorakhpur districts were arranged in descending order according to area under groundnut cultivation and one block namely Khorabar from top was selected for this study. A list of all 91 villages of the selected block was prepared and 5 villages were selected randomly out of them. A list of all the groundnut growers of the selected 5 villages was prepared and divided into three groups viz. marginal (below 1 ha), small (1-2 ha) and other (medium and large) farms (above 2 ha). The number of large farms was very less hence medium and large farms were merged altogether. A random sample of 74 marginal farms, 17 small farms, and 9 other farms (medium and large) were selected randomly. Thus, 100 farmers were selected randomly from 5 selected villages in each category proportionately. The pretested schedules and questionnaire were used to collect primary data through personal interview of two regulated markets namely Sahabganj and Maheva and four weekly local markets namely Motiram, Kadjaha, Kushmahi and Tarkutaha near sampled villages were selected, where major quantity of produce of the selected villages is disposed off. The relevant secondary data was collected from different sources i.e. books, journals, reports and records of district and block head quarters, marketing institutions/agencies.

Result and Discussion

The marketable surplus and marketed surplus of groundnut per farm are given in Table -1. Overall per farm marketable surplus was worked out 82.61 per

Table 1: Per farm marketable surplus and marketed surplus of groundnut (in Rs.)

| Size of farms | Total production | Family consumption | Seed | Other requirement | Marketable surplus | Marketed surplus |
|---------------------------|-------------------|--------------------|----------------|-------------------|--------------------|------------------|
| Marginal | 6.05 (100.00) | 0.62 (10.25) | 0.41 (6.78) | 0.33 (5.45) | 4.96 (77.52) | 4.62 (76.36) |
| Small | 14.91 (100.00) | 0.77 (5.16) | 1.04 (6.98) | 0.36 (2.42) | 12.74 (85.44) | 12.10 (81.15) |
| Others (medium and large) | 27.56 (100.00) | 0.78 (2.83) | 1.98 (6.86) | 0.51 (1.85) | 24.37 (88.43) | 22.67 (82.25) |
| Average | 9.49 (100.00) | 0.66 (6.95) | 0.65 (6.85) | 0.36 (3.79) | 7.84 (82.61) | 7.52 (79.24) |

Figure in parenthesis indicates percentage to total amount

cent on sampled farm. The marketable surplus on marginal, small and other farms (medium and large) came to 77.52, 85.44 and 88.43 per cent, respectively. The marketable surplus was observed 4.69, 12.74 and 24.37 quintal under marginal, small and other farms (medium and large) respectively, with on an average per farm marketable surplus of 7.84 quintal. The percentage of marketable surplus was increased with the increase in size of farm. Overall per farm

79.24 per cent of the produce was marketed by the sample formers. The marketed surplus on marginal, small and other farms (medium and large) came to 76.36, 81.25 and 82.25 per cent, respectively. The marketed surplus was observed 4.62, 12.10 and 22.67 quintal under marginal, small and other farms (medium and large) respectively, with on an average per farm marketed surplus of 7.52 quintal.

Table 2: Disposal of groundnut under different marketing channel (in quintal)

| Size of farm | Channel-I | | Channel-II | | Channel-III | | Total Quantity |
|--------------------------|---------------|---------------|---------------|----------------|---------------|----------------|-----------------|
| | No of Farmers | Quantity | No of Farmers | Quantity | No of Farmers | Quantity | |
| Marginal | 31 | 56.45 (16.52) | 10 | 51.25 (14.99) | 55 | 234.05 (68.49) | 341.75 (100.00) |
| small | 6 | 11.50 (5.49) | 4 | 54.44 (25.81) | 15 | 143.75 (68.69) | 209.25 (100.00) |
| Other (medium and large) | - | - | 7 | 152.50 (74.75) | 4 | 51.50 (25.25) | 204.00 (100.00) |
| Total | 37 | 67.96 (9.00) | 21 | 257.75 (34.14) | 74 | 429.30 (56.86) | 755.00 (100.00) |

Figure in parenthesis indicates percentage to total amount

Disposal of groundnut through various marketing channels are presented in Table -2 Marketing of groundnut in the study area was made through three marketing channel i.e. (i) producer - consumer, (ii) producer - wholesaler - retailer - consumer, and (in) producer - village trader - whole seller - retailer - consumer the disposal of groundnut on marginal farms was 16.52, 14.99 and 68.49 per cent through channel I, II and III, respectively In case of small farms, it was 5.49, 25.81 and 68.69 per cent through channel I, II and III, respectively while in case of other farms (medium and large), it was 74.75 and 25.25 per cent through channel II and channel III, respectively. It is obvious from table that maximum farmers of marginal and small farms sold higher quantity of their produce through channel- III. It was observed that 37 farmers had sold their produce through channel - I, 21 farmers through channel - II and 74 farmers through channel - III from three size groups of framers.

Net price received by producer/ former, marketing costs, marketing margins and consumer price for groundnut on different marketing channel are given in Table- 3. It is

obvious from table that, producer's share in consumer's rupee decreased with increase in number of intermediaries. In case of channel - II whole seller's margin and retailer margin were found 5.06 per cent and 5.60 per cent, respectively of the consumer price. In case of channel - III village trader's margin, whole seller's margin and retailer's margin were found 5.07 per cent, 3.50 per cent, and 3.93 per cent respectively of the consumer price. Similarly, as a marketing cost, the producer incurred 2.11 per cent, in channel - I and 2.55 per cent in channel -II, the village trader incurred 2.99 per cent in channel -III, the whole seller incurred 2.43 per cent in channel - II and 2.45 per cent in channel - III and retailer incurred 1.22 per cent in channel - II and 1.27 per cent in channel -III as marketing cost of the consumer price. The average consumer price was worked out Rs.2144.06, Rs 2379.61 and Rs 2410.51 in channel - I, II, and III, respectively. Gross marketing margin, marketing cost and consumer price were incurred with increase in number of intermediaries (i.e. channel - II and III).

Table 3: Inter channel comparison of marketing cost and margin of Groundnut (in Rs.).

| S.N. | Particular | Channel -I | Channel -II | Channel -III |
|------|--------------------------------|-----------------|-----------------|-----------------|
| 1 | Net price received by producer | 2098.75 (97.89) | 1978.12 (83.13) | 1947.42 (80.79) |
| 2 | Expenses incurred by producer | 45.31 (2.11) | 60.75 (2.55) | - |
| I | Transportation | 14.61 (0.68) | 19.86 (0.83) | - |
| II | Weighting | 2.37 (0.11) | 1.48 (0.06) | - |
| III | Loading unloading | 5.10 (0.23) | 7.28 (0.30) | - |
| IV | Market fee | 5.91 (0.27) | 5.03 (0.21) | - |
| V | Commission | 8.46 (0.39) | 17.59 (0.74) | - |
| VI | Losses | 4.3 (0.20) | 4.74 (0.20) | - |

| | | | | |
|------|--|---------------|------------------|------------------|
| VII | Miscellaneous | 4.47 (0.27) | 4.73 (0.20) | - |
| 3 | Selling price producer / purchase price of village trader | - | - | 1947.41 (80.79) |
| 4 | Expenses incurred by village trader | - | - | 72.12 (2.79) |
| I | Gunny bag | - | - | 11.37 (0.47) |
| II | Packing | - | - | 2.10 (0.08) |
| III | Weighting | - | - | 3.96 (0.16) |
| IV | Loading unloading | - | - | 6.00 (0.25) |
| V | Transportation | - | - | 18.60 (0.77) |
| VI | Market fee | - | - | 3.97 (0.16) |
| VII | Commission | - | - | 17.12 (0.71) |
| VIII | Losses | - | - | 4.87 (0.20) |
| IX | Miscellaneous | - | - | 4.11 (0.17) |
| 5 | Village trader's margin | - | - | 122.21 (5.07) |
| 6 | Selling price of producer or village trader / purchase price of whole seller | - | 2083.86 (85.68) | 2141.75 (88.85) |
| 7 | Expenses incurred by whole seller | - | 57.89 (2.43) | 59.05 (2.45) |
| I | Gunny bag | - | 10.03 (0.42) | 7.46 (0.31) |
| II | Packing | - | 1.93 (0.08) | 1.81 (0.07) |
| III | Weighting | - | 2.13 (0.09) | 3.66 (0.15) |
| IV | Loading unloading | - | 5.94 (0.25) | 5.64 (0.23) |
| V | Transportation | - | 10.26 (0.43) | 9.98 (0.41) |
| VI | Storage / godown | - | 2.85 (0.12) | 3.15 (0.13) |
| VII | Market fee | - | 4.94 (0.20) | 3.12 (0.13) |
| VIII | Commission | - | 12.20 (0.51) | 14.31 (0.59) |
| IX | Losses | - | 3.79 (0.16) | 4.99 (0.21) |
| X | Miscellaneous | - | 3.79 (0.16) | 4.8 (0.20) |
| 8 | Whole seller margin | - | 120.56 (5.06) | 84.31 (3.50) |
| 9 | Selling price of whole seller/ purchase price of retailer | - | 2217.31 (93.18) | 2285.11 (94.79) |
| 10 | Expenses incurred by retailer | - | 29.00 (1.22) | 30.67 (1.27) |
| I | Gunny bag | - | 4.32 (0.18) | 4.7 (0.19) |
| II | Packing | - | 2.01 (0.08) | 2.07 (0.08) |
| III | Loading unloading | - | 4.43 (0.18) | 4.12 (0.17) |
| IV | Transportation | -- | 5.08 (0.21) | 5.54 (0.23) |
| V | Market fee | - | 5.10 (0.21) | 4.96 (0.20) |
| VI | Losses | - | 4.11 (0.17) | 4.04 (0.16) |
| VII | Miscellaneous | - | 3.93 (0.16) | 5.15 (0.21) |
| 11 | Retailer's margin | - | 133.30 (5.60) | 94.73 (3.93) |
| 12 | Gross marketing margin | 45.31 (2.11) | 401.49 (16.87) | 463.09 (19.21) |
| 13 | Selling price of retailer / consumer price | 2144.06 (100) | 2379.61 (100.00) | 2410.51 (100.00) |

Figure in parenthesis indicates percentage to total amount

Price spread of different marketing channel of groundnut is given in Table -4. The difference between the price received by the producer and the price paid by ultimate consumer refers to the price spread. The producer's share in consumer's rupee was worked out 97.89, 83.13 and 80.79 per cent in channel I, II and III respectively. The marketing costs were worked out 2.11, 6.20 and 6.71 per cent in done) - I, II and HL

respectively. The gross marketing margin of middlemen came to 12.66 per cent and 12.50 per cent in channel - II and III, respectively. The consumer price was observed Rs. 2144.06, Rs. 2379.61 and Rs. 2410.51 per quanta! in respect of channel -I, II, and III respectively. It is obvious from table that, producer's share in consumer's rupee decreased with increase in number of intermediaries.

Table 4: Price spread of different marketing channel of groundnut (in Rs.)

| S.N. | Particulars | Per quintal(Rs.) | | | % share in consumer's rupee | | |
|------|--------------------------------|------------------|---------|---------|-----------------------------|--------|--------|
| | | Channel | | | Channel | | |
| | | I | II | III | I | II | III |
| 1 | Net price received by producer | 2098.75 | 1978.12 | 1947.42 | 97.89 | 83.13 | 80.79 |
| 2 | Marketing cost | 45.31 | 147.62 | 161.84 | 2.11 | 6.20 | 6.71 |
| 3 | Marketing margin | - | 253.86 | 301.25 | - | 10.66 | 12.50 |
| 4 | Price paid by consumer | 2144.06 | 2379.61 | 2410.51 | 100.00 | 100.00 | 100.00 |

Table 5: Marketing efficiency of different marketing channel of groundnut

| Channel | Consumer's price | Total costs & margins | Marketing efficiency |
|---------|------------------|-----------------------|----------------------|
| I | 2144.06 | 45.31 | 46.32 |
| II | 2379.61 | 401.49 | 4.92 |
| III | 2410.51 | 463.09 | 4.20 |

Marketing efficiency of different marketing channel of groundnut is given in Table — 5. Marketing efficiency refers

to the effectiveness with which a market structure performs its designated function. The movement of produce from producers to consumers at the lowest possible cost, consistent with the provision of the services designed by the consumer is known as marketing efficiency. The value of marketing efficiency in different marketing channel is presented in Table – 4. It is obvious from the table that, channel-I was most efficient and well supported by the foregoing analysis of marketing costs and margins. The reasons are obvious as the number of intermediaries was less practically no middlemen

in channel - I, over channel- II and channel- III, The marketing efficiency decreased with increase in number of intermediaries. Therefore, it was observed that, there is inverse relationship between marketing efficiency and number of intermediaries in the channel of groundnut marketing.

Conclusion

The study was based on intensive enquiry of 100 farmers of the selected villages in the block. It was concluded that, the percentage of marketable surplus was increased with the increase in size of farm. Marginal and small group of farmers sold higher quantity of their produce through village trader (channel - III). The producer's share in consumer's rupee decreased with increase in number of Intermediaries. Gross marketing margin, marketing cost and consumer price were increased with increase in number of intermediaries (i.e. channel -I II and III), there is inverse relationship between marketing efficiency and number of intermediaries in the marketing channel.

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