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Comparative Marketing Margins for Kaja (Red Delicious) and Shin Kulu (Golden Delicious) Apple in Pishin

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Abstract: The main focus of this study is to find out and compare the marketing margins for two apple varieties Shin Kulu (Golden Delicious), and Kaja (Red Delicious). The shares of apple producer and other intermediaries in consumer's price for both the varieties and the comparison of their profit abilities to the farmers were also sorted out. The marketing channel common in the area is: producer - preharvest contractor - commission agent - wholesaler - retailer - consumer. It was observed that marketing margin for Shin Kulu was 7 % more than Kaja. The marketing margins were 76 and 69 % of consumer price for Shin Kulu and Kaja respectively. Farmer's share in consumer's price/rupee for Shin Kulu and Kaja was, 24 and 31%. It means that farmers got 7 % higher net margin in Kaja than Shin Kulu apple showing a considerable difference between their profit abilities.

Key words: Margins, Shin Kulu, Kaja

Introduction

At country level Balochistan's contribution in deciduous fruits production is 70 percent (GOP, 1994-95). Among other deciduous fruits apple is the major one i.e., about 70 percent, which is grown on an area of 35 thousand hectares and its production is 480 thousand tones (GOB, 1997-98). In the province district Pishin ranks first in the province as for as the production of apple is concerned. It accounts for about 24 percent of apple produced which is 1,16,120 tones from an area of 8,189 hectares. (GOB, 1997-98). Shin Kulu (Golden Delicious), Tor Kulu and Kaja (Red Delicious) are the popular commercial apple varieties grown in Pishin while Amri, Mashadi and Kashmiri are mainly used as pollenizers. These varieties contributes about 95 percent of apple produced in the province. Shin Kulu is grown on large scale and its share in total apple production is about 40 percent while Kaja which is comparatively a newly introduced variety accounts for about 8 percent of apple produced in Balochistan. (FAO, 1990b). The study aimed at determining and comparing the marketing margins of the two commercial apple varieties Shin Kulu and Kaja in Pishin. In Balochistan several studies were undertaken to find out the marketing margins of fruits. Bashir *et al.* (2001), find out the marketing margins for Tor Kulu apple in Pishin which were 71 % of consumer price.

Farmers of Pishin are facing various problems. lack of regular dissemination of price information from various markets to the farming community, lack of systematic grading and standardization of fruits. "Topping" of produce is a common practice in Pishin in which good quality apple is mixed with the poor quality apple in the same pack by placing the good quality produce on the top layer of crate and poor quality on the bottom layers. Due to this practice the apple did not fetch substantial price in the market and cause financial losses to the farmers. Preharvest contractor plays important role by marketing more than 80 % of farmers apple. Farmer use this channel due to shortage of capital, lack of marketing expertise and shortage of man power. Iqbal (1989) also argued that the existence of preharvest contractor is a distinctive character of marketing in Pakistan and marketing middlemen are exploiting the farmers on one hand and the consumer on the other hand. There are many reasons responsible for low return to farmers of Pishin. Poor and inadequate roads, lack of credit facilities, poor grading and cold storage facilities for perishable products and shortage of warehouses are the common marketing problems leading to big marketing margins as reported by Bashir *et al.* (2001). Most of the studies shows that marketing middlemen exploits the farmers which is indicated by the existence of big marketing margins for fruits and vegetables ranged from about 10 to 80 percent of consumer price, e.g., Abid, 1980; Bashir *et al.*, 2001; Mittendorf and Heritage, 1982; Mohy-ud-din, 1989.

The objectives of this study were to find out and compare the marketing margins for Shin Kulu and Kaja apple in Pishin and to highlight the marketing problems of apple growers in the area.

Materials and Methods

This study was undertaken in Pishin district of Balochistan in 1998. A well structured and pretested questionnaire was used to collect the data. This study is based on primary data collected from apple producers, preharvest

contractors, commission agents, wholesalers, retailers and consumers. A list of major apple producing villages in sub division Pishin was obtained from the Agriculture officer Pishin. A sample of five villages were selected through random sampling technique out of entire population. The names of these villages are, Manzaki, Huramzai, Samzai, Kakazai and Alizai. Stratified random sampling technique was used for the selection of apple producers. 45 apple producers, 30 preharvest contractors, 10 commission agents, 10 wholesalers, 10 retailers and 30 consumers were selected for interview. The arithmetic means and weighted averages were used for analysis and interpretation of the data.

Results and Discussion

Price spread: Price spread is the difference between the retail price and the price received by growers at the farm gate. It is the best indicator of marketing efficiency. Less price spread indicates better marketing efficiency. Price spread for Shin Kulu and Kaja was Rs. 331 and 235, respectively. Which indicates higher price spread for Shin Kulu than Kaja, which means that Kaja is beneficial for farmers than Shin Kulu apple. Price spread for Shin Kulu and Kaja is given in Table 1.

Marketing margins: Marketing margin is the difference between the price paid by the ultimate consumer and the price received by the producer. It is also computed as the percentage share of final price received by each marketing intermediary. The high marketing margins reflect less income to apple producers and more benefits to middlemen. The marketing margins for Shin Kulu and Kaja apple varieties were, 76 and 69 %, which means that 76 and 69 % consumer price is going to different marketing middlemen for both the varieties respectively. Just 24 and 31 % of consumer rupee is going to apple producer for Shin Kulu and Kaja, respectively as shown in Table 2, Fig. 1 and 2, which reflect an inefficient, exploitative and middlemen friendly marketing setup. The net share of producer in consumer price was high for Kaja than Shin Kulu apple due to higher prices of Kaja at the consumer level. Kaja is an early maturing variety therefore, it fetch higher prices in the market. The values under different parameters represented in the form of Table 2.

Apple producer margin costs⁻¹: Apple producer receive 7 % higher net margin in case of Kaja than Shin Kulu. His share in consumer's price/rupees was Rs. 81 (24%) and Rs. 150, (31 %) for Shin Kulu and Kaja. Thus showing the Kaja's profitability over Shin Kulu. As the producer is marketing his produce through preharvest contractor, therefore, no cost incur (Table 2, Fig. 1 and 2).

Preharvest contractor margin costs⁻¹: Preharvest contractor's net share in consumer price for Kaja was 4.23 % higher than Shin Kulu which was Rs. 60.50, (12.45 %) for Kaja and Rs. 27.80, (8.22 %) for Shin Kulu, while his costs were Rs.109.50, (22.53 %) and Rs. 98.20, (29.06 %) of consumer price, respectively (Table 2, Fig. 1 and 2).

Khair *et al.*: Comparative marketing margins for Kaja and Shin Kulu

Table 1: Farm gate, auction, wholesale and retail prices of shin kulu and kaja apple

Apple Variety	Price (Rs./crate)				Price spread (Rs./crate)			
	Farm gate	Auction	Wholesale	Retail	Farm gate	Auction	Wholesale	Retail
Shin Kulu	102	200	240	338	100	196	235	331
Kaja	208	317	370	486	100	153	179	235

Source: Annexure-I

Table 2: Marketing costs and margins for Shin Kulu and Kaja apple (Rs./crate)

Trade levels	Kaja Net margins/costs		Shin kulu Net margins/costs	
	Total Rs/crate	% of consumer price	Total Rs/crate	% of consumer price
Farmer	150.00	30.86	81.00	23.96
Pre-harvest contractor	60.50	12.45	27.80	08.22
Wholesaler	32.35	06.66	15.35	04.54
Retailer	65.00	13.37	47.00	13.91
Other costs	178.15	36.66	166.85	49.37
Consumer price	486.00	100.00	338.00	100.00

Source: Annexure-I

Annexure-I: Marketing margin and costs for Kaja (Red delicious) and shin Kulu (Golden delicious) apple (Rs/crate)

Channel: Producer-Preharvest contractor-C.Agent-W.Saler-Retailer-Consumer

Trade level and Costs	Margin/cost (Kaja) Rs	Margin/cost (S.K) Rs	Margin % (Kaja)	Margin%(S.K)
Producer				
Contracted price	150.00	81.00	30.86	23.962
Preharvest Contractor				
Purchase price	150.00	81.00		
Orchard management costs	08.50	08.50		
Packing, sorting, grading, packing costs	15.00	15.00		
Packing material	25.00	25.00		
Transport including loading/unloading costs	12.00	12.00		
Cold storage charges	12.00	12.00		
Commission agent fee	32.00	20.70		
Value of physical losses	02.00	02.00		
Zilla tax and octroi etc.	02.00	02.00		
Other costs	01.00	01.00		
Total costs (add I through x)	259.50	179.20		
Gross income (selling through auction)	320.00	207.00		
Net margin (xii minus xi)	60.50	27.80	12.45	08.223
Commission Agent				
Auction price	320.00	207.00		
Net margin @ 10% of auction price	32.00	27.00	06.60	07.984
Wholesaler				
Purchase price	320.00	207.00		
Transport charges	01.20	01.20		
Rent of shop	07.73	07.73		
Sorting and repacking charges	03.00	03.00		
Wastage	05.72	05.72		
Total costs (add I through v)	337.65	224.65		
Gross income (sale price)	370.00	240.00		
Net margin (vii minus vi)	32.35	15.35	06.66	04.545
Retailer				
Purchase price	370.00	240.00		
Rent of shop	02.46	02.43		
Sorting costs	01.63	01.63		
Repacking costs	01.50	01.50		
Transport charges	04.75	04.75		
Labor charges	07.15	07.15		
Other costs	03.46	03.46		
Wastage	30.16	30.16		
Total costs (add I through viii)	421.11	291.00		
Gross income (sale price)	486.00	338.00		
Net margin (x minus ix)	65.00	47.00	13.37	13.916
Consumer				
Purchase price	486.00	338.00		

Note: (Standard weight per crate = 18 kg), S. K = Shin Kulu, C. Agent = Commission Agent, W.Saler = Wholesaler, Source: Survey, 1998

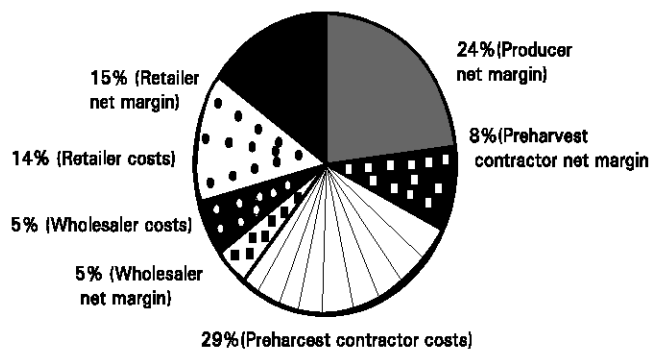


Fig.1: Marketing margins and costs for Shin Kulu apple

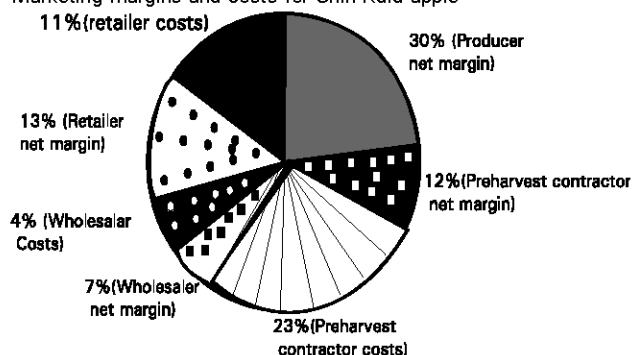


Fig.2: Marketing margins and costs for Kaja apple

Commission agent margin costs⁻¹: The net share of commission agent in consumer's price for Kaja and Shin Kulu was Rs. 24.98, (5.14 %) and Rs. 13.68, (4.05 %), which mean that Kaja give him 1.09 % higher net margin than Shin Kulu. The costs for Kaja and Shin Kulu were, Rs. 6.99, (1.44 %) and Rs. 10.06, (2.07 %) of consumer price (Table 2, Fig. 1 and 2).

Wholesaler margin costs⁻¹: Wholesaler obtained 2.12 % higher net margin in Kaja than Shin Kulu. His net share was, Rs. 32.36, (6.66 %) and Rs. 22.06, (4.54 %) for Kaja and Shin Kulu. Marketing costs incurred by him were, Rs. 17.64, (3.63 %) and Rs. 17.64, (5.22 %) of consumer price for Kaja and Shin Kulu, respectively (Table 2, Fig. 1 and 2).

Retailer margin/costs: Retailer's share in consumer price for Kaja and Shin Kulu were, Rs.64.97, (13.37 %) and Rs. 46.98, (13.90 %), while his costs were, Rs.51.03, (10.50 %) and Rs. 51.07, (15.11 %) of consumer's price (Table 2, Fig. 1 and 2).

Marketing costs: These costs were incurred by different marketing functionaries in the marketing process. These costs include orchard management, picking, packing, sorting, grading, taxes, transport, rents, labor, haulage, and cold storage expenses, losses and wastage costs at preharvest contractor, wholesaler and retailer levels are Rs. 1.78 per crate for Kaja and Rs.1.67 per crate for Shin Kulu apple. Details of these costs are given in Table 2 and annexure 1).

Marketing problems: The main marketing problems of apple producers observed in the area were, lack of capital, illegal import of Irani and Afghani apples which depress the prices in the market for domestic apples, poor infrastructure, expensive packaging material, high transport costs and lack of storage facilities. The above mentioned factors are eroding the income of apple producers in Pishin in the shape of wide marketing costs.

Discussion

The survey results indicated that farmers got 7 % higher net margin for Kaja than Shin Kulu apple. Other market intermediaries like, preharvest contractor, commission agent and wholesaler also got 4.23, 1.09 and 2.12% higher net margin for Kaja than Shin Kulu respectively., while retailer's got 0.5% less net margin (mainly due to less shelf life of Kaja as compare to Shin Kulu), thus showing Kaja's profitability over Shin Kulu Apple. Due to existence of excessive number of intermediaries in the marketing chain the overall marketing margins for both the varieties were very high, i.e., 76 and 69% for Shin Kulu and Kaja respectively, which means that major portion of consumer's rupee is going to various middlemen. Iqbal (1994) reported that marketing margins for apple were 62 %. The producer's share in consumer price was 38 percent, while net marketing margins of preharvest contractor, commission agent, wholesaler and retailer were 7.17, 3.95, 6.39 and 19.81% of consumer price respectively, while the rest 28 percent were costs. FAO (1990a) reported that gross marketing margins for different fruits in several countries were very high i.e., ranged between 30 to 81% of consumer price due to large number of intermediaries involve in the marketing process. Many marketing problems were observed which are eroding farmers incomes these are; lack of capital, illegal import of Irani and Afghani apples which depress the prices in the market for domestic apples, poor infrastructure, expensive packaging material, high transport costs and lack of storage facilities. Ranasinghe (1988) reported that middlemen behavior, monopolistic operations of transport system and poor storage facilities are the problems eroding the farmers income on one hand and supply to consumers at a higher price on other hand. Singh and sikka (1990), reported that, a decline in apple producer's share in consumer rupee are due to, high cost of packaging material, greater dependence of grower on middlemen, malpractice in the market and inadequate facilities of transport. The main objective of this study was to determine and compare the marketing margins for the two apple varieties Kaja and Shin Kulu. The results showed the Kaja profitability over Shin Kulu by 7%. Excessive marketing margins were observed for Shin Kulu and Kaja i.e., 74 and 69 %, which mean apple producers are merely getting 24 and 31% of consumer rupee, the rest is going to different middlemen, thus showing an exploiting and inefficient marketing setup. The results of this study further indicated that reasons for these high marketing margins are, large number of market intermediaries, expensive packaging material, high cost of transportation, illegally imported apples and lack of capital.

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