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Determining Distributive Marketing Margins of Selected Vegetables in Tangi Tehsil of Charsadda District

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Abstract: This study was aimed at determining the distributive marketing margins of three most commonly grown vegetables, i.e. potato, peas and marrow and the shares of different marketing functionaries involved in the marketing margins in Tangi Tehsil of Charsadda district during the year 2003. It was observed that total marketing margins for potato was 38.86%, for peas 54.89% and for marrow 62.89%. The net margins for potato, peas and marrow were 19.04, 27.25 and 30.50%, respectively. The producer received 61.136, 45.106 and 37.107% of the price paid by the consumer for potato, peas and marrow, respectively. The difference in marketing margins for various vegetables is due to high marketing and picking costs. It was observed that 30% of the potato fields were sold to pre harvest contractors. The highest marketing margins were observed for marrow followed by peas and potato, respectively. The highest net margins for producers were observed for potato followed by peas and marrow. The highest net margin for wholesales was found in marrow followed by peas and potato. The retailer's highest net margins were observed for marrow followed by peas and potato.

Key words: Marketing margin, marketing intermediaries, marketing channels, selected vegetables, pre-harvest contractor

INTRODUCTION

Charsadda is one of the most fertile land of NWFP. The total area of the district is about 996 square kilometers (243753 acres). Total cultivated area is 210255 acres (61%), irrigated area is 180339 acres, i.e. 86% of the total cultivated area. Major crops grown in the area are wheat, maize, sugarcane, tobacco and vegetables. Sugarcane, the main cash crop is grown on about 40% of the cultivated area. About 41% of the land is cultivated by tenants compared to 18% for the whole of NWFP^[1]. It has fairly well developed network of farm to market roads, mainly along irrigation canals, connecting every village to the larger towns. Charsadda city is also linked to Peshawar and the rest of Pakistan by railway network. About 80% of the population lives in rural areas^[2].

Fruits gardens are also numerous in the district and the area is known for guava and peaches. Vegetables are also grown due to their persistent demands from cities. The improved means of communication has led to more people growing vegetables and they now fetch better prices. Tangi Tehsil of Charsadda is famous for vegetables production and farmers have now started taking keen interest in growing more vegetables.

While marketing their commodities many problems are being faced by the vegetables growers of Tangi Tehsil as elsewhere in the country, including lack of quality seeds and other inputs such as pure pesticides and fertilizers, inadequate and poor extension services, lack of market intelligence, storage facilities and financial constraints. Due to lengthy and complex marketing channels the marketing costs are high and vegetables producers suffer tremendous economic losses.

Small farmers of the study area have little access to get credit from institutional sources because of high interest rate and prohibition of interest in Islam. Improved packaging and grading is still not popular in the area. These are some of the factors responsible for the low return to vegetables producers.

The common perception is that marketing margins are very high which diminish the return of the vegetables growers. This study was directed to investigate the vegetables growers share in consumer rupee and also sort out shares of various middlemen involved in marketing process. It also analyses the costs incurred at various stages of marketing process and highlights the marketing bottlenecks of vegetables growers, beoparies, commission agents, wholesalers and retailers. At the end makes

suggestions and recommendations for the improvements of vegetable marketing. The study was conducted in Charsadda district where no such study has been undertaken before this. The objectives of the study were.

- To identify the marketing channels of selected vegetables in Tangi tehsil of Charsadda district.
- To calculate the margins and cost of intermediaries at various stages of vegetable
- To highlight and investigate the bottlenecks in vegetable marketing system.
- To suggest policy guidelines for improving vegetable marketing.

In the past, several studies have been undertaken elsewhere to underscore the marketing margins of agricultural commodities, with the main focus on fruits and vegetables. In these studies efforts have been made to determine the cost of production of crops, marketing costs, marketing margins at various levels, net returns to producers, gap between price paid by the ultimate consumers and price received by the farmers and their marketing problems. In general, most of the studies show that the middlemen are exploiting farmers and big marketing margins exist for agricultural commodities, ranging from about 10 to more than 80%^[3-8].

Some of the studies, e.g., Sial and Anjum^[9] pointed out that marketing intermediaries are performing useful role by providing financial assistance, inputs and other marketing facilities to the farmers and like other businesses their motive is also profit making. These studies have stated that like other businesses it is competitive in nature and the belief that middlemen make high profits is contrary to the facts.

MATERIALS AND METHODS

The study was based on primary as well as secondary data. The primary data was collected from producers of vegetables, beoparies, commission agents, wholesalers and retailers during the years 2003. The secondary information, about different respondents, i.e. the lists of commission agents and wholesalers of vegetables, was obtained from Market Committee Peshawar.

Tangi Tehsil is divided into 12 union councils. Vegetables are grown in only three union councils. Two union councils were selected at random. A list of all the villages of these two union councils was prepared and three villages from each union council were selected randomly. Many vegetables are grown in the area. Three major and important vegetables peas, potato and marrow

were selected. The study was conducted in six villages selected randomly and sample sizes of 45 vegetables growers were interviewed. A list of all the beoparies of vegetables was compiled and 10 beoparies were selected randomly. Commission agents, wholesalers, hawkers and shopkeepers each 10 in numbers were interviewed. Separate questionnaires were prepared for growers, wholesalers, commission agents and retailers. The questionnaire was pretested before regular survey. The information from farmers included sale Price, harvesting cost, packing cost, packing material costs, transportation cost, commission agent fee and market committee fee. Information from commission agents included auction price and commission agent fee. The results were arrived at by computing simple arithmetic average.

RESULTS AND DISCUSSION

Marketing channels: Marketing channels is a chain of middlemen involved in the process of selling of different vegetables at different stages. Each functionary in the marketing channel has a role and gets payments for his role. The most common distribution channels observed were:

- Producer→commission agent→wholesaler (Pharia)→retailer→consumer.
- Producer→beopari→commission agent→wholesaler→retailer→consumer.

Henceforth, the first marketing channel will be called as channel-1 and second marketing channel as channel-2.

Marketing margins: The marketing margin is the difference between the price paid by the ultimate consumer and the price received by the producer. The number of middlemen involved in various channels of the marketing has a strong effect on the marketing margin. Marketing margins of all the three vegetables i.e. potato, peas and marrow and for each functionary in both the channels are as follows.

Marketing margins for potato (Rs/kg): In channel-1, the farmer received Rs. 9.439 kg⁻¹ for potato crop whereas price paid by the final consumer was Rs. 13.2. The overall marketing margin is Rs. 3.76 kg⁻¹. In channel-2, the farmer received Rs. 7 kg⁻¹ for potato crop whereas price paid by the final consumer was Rs. 13.2 kg⁻¹. The overall marketing margin is Rs. 6.2 kg⁻¹. The marketing margins of various marketing functionaries for both the channels are the same (Table 1).

Table 1: Marketing margins of various marketing functionaries for potato (Rs/kg)

Marketing functionaries	Marketing margin for channel-1			Marketing margin for channel-2		
	Gross margin	Cost	Net margin	Gross margin	Cost	Net margin
Commission agent	00.46	00.026	0.434	00.46	00.026	0.434
Wholesaler	10.56	09.77	0.790	10.56	09.77	0.79
Retailer	13.20	11.56	1.640	13.20	11.56	1.64

Table 2: Marketing margins of various marketing functionaries for peas (Rs/kg)

Marketing functionaries	Marketing margin for channel-1		
	Gross margin	Cost	Net margin
Commission agent	00.97	00.064	0.91
Wholesaler	18.00	16.97	1.03
Retailer	25.90	19.88	6.02

Table 3: Marketing margins of various marketing functionaries for marrow (Rs/kg)

Marketing functionaries	Marketing margin for channel-1		
	Gross margin	Cost	Net margin
Commission agent	00.422	00.046	0.376
Wholesaler	08.80	07.84	0.96
Retailer	14.00	10.73	3.27

For various marketing functionaries the marketing margins in both channels 1 and 2 are the same, showing no difference. In both channels 1 and 2, the highest net margin was observed for retailer (Rs. 1.64) followed by wholesaler (Rs. 0.79) and commission agent (Rs. 0.434).

Marketing margins for peas (Rs/kg): In channel-1, the farmer received Rs. 15.15 kg⁻¹ for peas crop whereas price paid by the final consumer was Rs. 25.9. The overall marketing margin is Rs. 10.75 kg⁻¹.

In channel-1, the highest net margin was observed for retailer (Rs. 6.02) followed by wholesaler (Rs. 1.03) and commission agent (Rs. 0.91). Channel-2 is not popular for peas (Table 2).

Marketing margins for marrow (Rs/kg): In channel-1, the farmer received Rs. 6.744 kg⁻¹ for marrow crop whereas price paid by the final consumer was Rs. 14.00. The overall marketing margin is Rs. 7.256 kg⁻¹.

In channel-1, the highest net margin was observed for retailer (Rs. 3.27) followed by wholesaler (Rs. 0.96) and commission agent (Rs. 0.376). Channel-2 is not popular for marrow (Table 3).

Iqbal^[5-8] observed that the gross margins of producer, preharvest contractor, wholesaler and retailer were 13.11, 30.90, 12.51 and 43.48% for plums in Balochistan, respectively while the margins of preharvest contractor, pharia and retailer for apple were 32.65, 9.90 and 26.99%, respectively. Similarly, net margins of apple were 7.17 and 6.39%. The producer share was 38.65% and the net commission agent share was 3.95%. The net margins of

almond for producer, preharvest contractor, wholesaler and retailer were 25.2, 24, 10.2 and 37.2%, respectively. He noted that the producer of almond who self marketed were able to improve his share from 25.2 to 45% while the commission agent charged the commission at the rate of 2% of the auction price. Khair^[10] observed that overall marketing margins for apple varieties were 73% while the producer is receiving 27% of the consumer price. The marketing cost are very high due to exploitative marketing set up, lack of marketing intelligence of farmers, expensive packaging material and transport. Thakur *et al.*^[11] concluded that vegetable production in the hilly areas is highly profitable and can be used to significantly increase the income of small and marginal farmers. There is a need for an integrated approach to tackle the production and marketing problems faced by farmers. However, similar study related to the marketing margins of vegetables and fruits could be found by Khusk^[12].

CONCLUSIONS, POLICY IMPLICATIONS AND RECOMMENDATIONS

The main focus of the study was to investigate the marketing channels and margins of the selected vegetables. The popularly grown vegetables are potato, peas and marrow. The most commonly used marketing channel for potato is Producer-commission agents-wholesalers (Pharia)-retailer-consumer. The producer got 61.136, 45.166 and 37.107% of the consumer price for potato, peas and marrow respectively as net margin. For potato crop another channel is also used. This channel is Producer-beopari-commission agent-wholesaler-retailer-consumer. In this channel the producer share was 61.44% of the price paid by the final consumer.

In the light of results of the study following are the recommendations.

- A large-scale comprehensive study is needed to evaluate marketing costs and marketing margins of various marketing functionaries.
- The farmers themselves should carry out the marketing activities. This will increase their share in consumer rupee by 8-10%. Agricultural extension should encourage farmers for direct marketing.
- If farmers have easy access to credit facilities; it will discourage the role of certain middlemen.

- Interest free micro credit facilities should be provided to overcome financial constraints faced by the farmers, which diminish their real income.
- Various marketing intermediaries are exploiting farmer by charging higher rates under various heads, so it is suggested to implement the market regulations strictly.

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