
Chapter Six
Marketing

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The development of marketing is an integral part of agricultural development in a developing country. The role of an efficient agricultural marketing system as a key component for accelerating agricultural production and thereby promoting economic growth in developing nations is now widely accepted (Saini et al. 260). The growth of market economy is the result of the evolution of money as a medium of exchange which has transformed our society from subsistence economy to exchange economy. The gradual process of evolution of money economy has also separated the consumers and producers in two different groups and here the marketing machinery provides a link between the two ends.

Marketing has developed in importance and complexity as economic development and specialisation have increased our productive capacity and separated food producers from consumers (Kohls and Ull 14). Whatever development that took place in the sphere of marketing was due to the gradual progress made towards the commercialisation of agriculture. Increased commercialisation arises in part because farmers become more specialised in production as they enter the market economy (Mellor *The Economics of Agricultural Development* 331). The extent of specialisation depends, inter alia, upon the

performance of its marketing system. Agricultural marketing, thus, is intimately bound-up with the process of economic development which rests on the specialisation of production for sale to others (Jha and Singh 662).

Kohls defines marketing as "the performance of all business activities involved in the flow of goods and services from the point of initial agricultural production until they are in the hands of the ultimate consumer" (6).

Agricultural marketing, in its widest sense comprises all operations involved in the movement of products and raw materials from the field to the ultimate consumer. Thus the process of marketing includes activities such as assembling, processing, grading, transporting, storing, risk bearing and advancing credit.

An efficiently organised market system not only facilitates the proper and smooth disposal of what the farmer produces but also acts as a catalyst to stimulate increased production. In fact, any plan of agricultural development will remain half executed if agriculturists do not feel enthusiastic in viewing agriculture as a gainful occupation. An efficient and reliable marketing system by itself can stimulate increase in agricultural production while lack of it can lessen, subdue and shrink the impact of any number of production programmes, administrative efforts and volume of investment (Jha and Singh 662).

Agricultural marketing is not only the vehicle of exchange but it performs also the productive, distributive and allocation functions and thereby influences income, employment, pattern of distribution and agricultural and farmers development in general and economic development in particular (Jha 85).

For a greatly populous developing country like India where an enormously big chunk of population is yet to be freed from the grip of hunger, the importance of an efficient system of agricultural marketing can hardly be emphasised. The growth of non-agricultural sector is not impeded but actively encouraged through the availability of sufficient food in the urban centres.

In short, agricultural marketing buildup and creates required environment and conditions for rapid economic growth. Any plan of economic development that aims at diminishing the poverty of agricultural population, reducing consumer food prices, earning more foreign exchange or eliminating economic waste, has therefore, to pay special attention to the development of efficient marketing for food and agricultural products (Jha and Singh 664).

The study of marketing is important to both the individual and society:

To the individual, an understanding of marketing is important primarily because of the economic gains that understanding can bring.

To society, benefits accruing to a better informed public include lower costs, more output per dollar of expenditure or a better quality product (Purcell 5).

The State of Kerala is one of the most commercialised regional economies in India. Marketing of agricultural produce is of special significance in Kerala where high value cash crops dominate the agricultural sector.

This chapter discusses the marketing of fresh and dry ginger in the study area.

6.1. Utilization Pattern

Ginger is a cash crop which is propagated vegetatively. Produce stored for this purpose varies from region to region depending upon the seed rate, variety, soil, cultural practices and the cropping plan of the farmers for the next year. Some farmers are retaining larger quantities for future sales. On an average, about 15% of the produce is kept for seed in Ernakulam district while in Wynad, farmers kept about 18% for this purpose. Generally it can't be stored for long due to its perishable character. The practice of payment of wage in kind is not prevalent in Kerala.

6.2. Season for Marketing

The crop is ready for harvest by December to January. The dry ginger arrives in the market from January onwards. The peak arrivals of dry ginger are from January to April, when major portion of the harvested crop move into the assembling markets. For the sale of ginger as vegetable, harvesting is done from September onwards.

6.3. Marketing System

The marketing system for ginger in Kerala consists of ginger growers,

merchants and other intermediaries.

In Kerala, the major ginger growing state, there are no regulated markets while in some other states like Karnataka and Himachal Pradesh there are a few regulated markets transacting ginger (Lakshmanachar and Velappan 217).

Fresh ginger contains lot of moisture and is, therefore, perishable in nature, unless stored properly. In view of its perishability the farmers are interested to sell the same as early as possible. However, dry ginger has much lesser moisture and therefore, less perishable, but that too is mostly sold immediately after processing.

About 90% of the marketable surplus of ginger produced in Ernakulam district is marketed as dry ginger while in Wynad the crop is marketed mostly in fresh form. One of the best quality ginger in international market, viz., 'Kuruppampady ginger' is grown in Kuruppampady areas of Ernakulam district. The common variety of ginger cultivated in Wynad is 'Rio-de-janeiro' which is best suited for sale as fresh ginger. The rhizomes of 'Rio-de-janeiro' are bold in size and has higher moisture content. They are not suitable for drying purpose.

6.4. Mode of Marketing in Ernakulam District (Dry Ginger)

Since the ginger cultivators are mostly small and marginal farmers with limited surplus, they find it convenient to sell the produce to the itinerant or village merchants. Besides, most of them are not generally familiar with the

marketing practices followed in the upstream market.

In the villages or at the farms, the prices are decided by negotiations. Prices of dry ginger are settled on the basis of quality and moisture content of the produce. The price prevailing in the Cochin market is taken into account for fixing the procuring price of dry ginger.

The processing of the ginger is carried out by the cultivators as well as by the traders. Some of the village merchants make the purchase of green ginger from the growers and get them converted into dry ginger at their own place. Then the product reaches to the assembling markets or collection centres.

The assembling of ginger generally takes place in two ways. Firstly, the growers themselves take the produce to the nearby markets for sales. Secondly, the village merchants purchase ginger from growers in the villages and take the same to the assembling markets. Village merchants have a major role in assembling the product.

In Kerala, there are about 17 assembling markets or collection centres. They are Cochin, Calicut, Tellichery, Alleppy, Adoor, Konni, Ponkunnam, Palai, Thodupuzha, Muvattupuzha, Perambra, Valapattanam, Kattapana, Adimali, Nedumkandam, Kothamangalam and Perumbavoor (India, Ministry of Commerce, *Report on the Domestic Survey of Spices 19*).

From the assembling markets the product reaches the terminal markets. Terminal markets are the chief distributing centres or centres for export. Supplies to such market reach mainly from the assembling centres. The important

terminal markets of dry ginger in India are Cochin, Calicut, Bombay, Calcutta and Patna. Cochin is the most important assembling market for dry ginger in the country.

Ginger received at Cochin is mostly from Muvattupuzha, Thodupuzha, Kothamangalam, Kuruppampady, Perumbavoor and other neighbouring areas. Cochin is a major point of distribution. Dry ginger is supplied from there throughout the country. Wynad is a major source of supply of dry ginger to Calicut. The arrivals of dry ginger to Calicut are reported to be small compared to Cochin.

From this distributing centres dry ginger is dispatched to consuming centres in other states. Cochin is an important point of export of dry ginger from India. The dry ginger is graded by the exporters before exporting.

6.5. Mode of Marketing in Wynad (Fresh Ginger)

In Wynad district, a very small quantity of the produce is converted into dry ginger. The survey conducted as part of this study has found that about 90 % of the farmers sell the product in fresh form. The cultivators sell fresh ginger either to the village merchants or small traders in nearby towns. These towns, viz., Kalpetta, Meenangadi, Pulpalli, Sultan's Battery and Manantody act as collection centres. Local consumption is not significant. The wholesale traders of these markets dispatch the product to consuming centres in other states like Madras, Coimbatore, Trichy, Bangalore and Hyderabad.

6.6. Processing of Ginger

Processing is a very important function in the marketing process of product. The conversion of farm produce into more tradable and consumable form is known as processing. The Central Food Technological Research Institute has developed know-how for mechanical processing of dry ginger. But this method of processing is not popular in Kerala. The traditional process of preparing dry ginger involves the following steps.

The plant materials are removed after harvesting by using a knife or a sharp instrument. After cleaning, the outer skin is removed with sickle or knife. Carelessness and excessive scrapping may remove epidermis cells containing essential oils affecting the quality of the dry ginger adversely. Peeled fresh ginger is spread out uniformly on a clean floor and allowed to dry for 8 - 10 days. When the rhizomes break easily, drying is considered as complete. This is called unbleached dry ginger. The presence of excess moisture is harmful for the quality of the produce. The whole processing method takes about 15 - 20 days.

To get good appearance, peeled rhizomes are soaked in 2% quicklime water for six hours and then dried and this is known as bleached ginger. But the practice of making bleached ginger is not prevalent at farmers' level.

The sampled farmers report that the yield of dry ginger is 20 to 28% of the fresh ginger depending on variety and location where the crop is grown. The cost of processing of one quintal of ginger is about Rs.400 (Table 6.1).

Table 6.1.**Cost of Processing Ginger (Rs per quintal)**

Particulars	Cost.(Rs.)	Percentage
Peeling	320.00	80
Sun-drying	80.00	20
Total Cost	400.00	100

Source: Primary data

6.7. Storing

Agricultural production has a number of peculiarities which influence the marketing of the produce. Most farm products are seasonal and hence require their preservation. In fact the need for storage arises fundamentally out of the lack of adjustment between the time of production and the time of consumption of goods. Storage enables the producer to realise a better price for his produce. Storage provides a distinct benefit to the producers and traders.

6.7.1. Storage of Seed Rhizome

Ginger is always propagated by portions of the rhizomes, known as seed rhizomes. There is a gap of 4 to 5 months between harvesting and planting of ginger. The rhizomes are required to be preserved during this period. The rhizomes to be stored for seed are given a coating of cow-dung by dipping it in cow-dung solution and is allowed to dry in a shady place. These are kept in a clean dry room and a layer of dry leaves is spread over it. The room is periodically subjected to smoking to avoid insect infestation. It is carried out twice in a week till the rhizomes are taken out for planting.

6.7.2. Fresh Ginger

Supply of ginger is limited to only a few months immediately after harvest where as the demand for the commodity is throughout the year. Fresh ginger is highly perishable and the producers do not store it more than the minimum period required for disposal. No elaborate arrangement is made for the storage of fresh ginger. Till the ginger is sold, it is kept in ordinary rooms. In case they are to be stored for longer period, a clean dry place is selected. Under ordinary conditions fresh ginger can be stored for 2 to 3 months depending upon season and maturity of the produce. Occasionally, water is sprinkled to maintain the freshness of the produce and avoid drying. The qual-

ity deterioration is quicker in immature ginger as compared to matured ginger. The retailers generally get the stock which they are able to dispose of within a reasonable period.

6.7.3. Dry Ginger

The dry ginger can be stored for a longer period without much quality deterioration. The dry ginger can be kept in storage for about 6 months. It is kept in godowns or in ordinary rooms in gunny bags. In storage, during rainy season, the dry ginger often get infested by weevils. The infested product fetches a lower price. The cooperative marketing societies in the study area are not providing storage facilities to farmers. They are handling only a small quantity of total ginger production. Traders and few big farmers store the product in godowns in Cochin through commission agents. Carefully cleaned, dried bagged dry ginger is stored in large quantities mainly in Cochin market.

6.7.4. Wastage in Storage.

The important factors responsible for losses in storage of ginger are dehydration, rhizome rot and damage by insects. The extent of storage losses depends upon the nature of storage facilities, conditions of the product stored, weather conditions and the storage period.

The wastage in storage of fresh ginger may be high unless adequate precautions are taken. The rhizome rot is a very serious disease and spreads quickly under congenial conditions. The wastage in storage can be as high as 20% of the stock especially for seed rhizomes. It is important that the stock preserved for the purpose of seed is often inspected to remove the affected rhizomes. Aeration is the other important consideration.

The loss in storage of fresh ginger at the level of traders may be to the extent of 5 to 10%. The loss increases with the period of disposal. There is also certain loss due to dehydration of the stock.

In the case of dry ginger, wastage is less compared to green ginger. The loss on account of dehydration is negligible in well dried stock. The wastage can be 1.5 to 2% of the stock, depending upon the period of storage and weather conditions.

6.8. Packing

Producers generally use gunny bags to take ginger to the markets. The capacity of the bag varies from region to region. In Ernakulam district, growers and traders generally pack 50 to 60 kilograms of ginger in a gunny bag. In Wynad, however, pack 60 kilograms in the same type of container. The cost of a new gunny bag is about Rs.15. In view of lower cost, use of second hand gunny bag is common. In certain cases, village merchants purchase fresh ginger directly from the field or residence and no packing material is used.

Green ginger is highly perishable and aeration is an important consideration. The containers used for packing of fresh ginger should have adequate space for aeration and compact packing should be avoided.

6.9. Transportation

Transportation is an important link in the process of marketing of agricultural produce. For improved and orderly marketing, the existence of quick, reliable and cheaper means of transportation system is essential. A well developed and efficient system of transport helps in expanding the size of the market, reduce transit time and economises cost of transportation.

In the case of fresh ginger, delay in transit results in considerable losses. Normally, the produce is to be moved from the farm to assembling centres, from there to distributing centres and then to the consuming centres. The assembling markets are located within a short distance and the farmers or village merchants make use of tempo, jeep and auto-ricksha according to the saleable quantity. The cost of transport depends on the mode of transport and distance. The mode of transport is same in Ernakulam and Wynad district. On an average, the cost of transporting one bag (50 kgs.) of ginger to assembling market within a distance of 15 kilometers is estimated as Rs. 7/-

6.10. Grading

In order to gain the consumers' confidence and establish a rational relationship between the quality of a produce and its price it is necessary to devote some attention to the proper preparation, sifting and sorting of a material according to certain attributes before it is taken to the market. This is sought to be achieved by grading the produce in conformity with certain accepted quality standards, viz., shape, form, weight and other physical and technical characteristics.

In producing areas, practically no grading is followed by the producers. At traders level also, the grading is very limited. In trade, the quality of dry ginger is assessed on the basis of the factors like maturity, colour, size, weight of the rhizome, aroma, pungency, fibre content, moisture and cleanliness. For green ginger, besides aroma and pungency, maturity, freshness, colour, shape, size, weight, cleanliness, and wetness are considered as important over other. The grading and inspection of ginger is done by the exporters.

6.11. Marketing Channels

The study of marketing channels is essential for evaluating the market structure, conduct and performance. The marketing channel means the passage or channel through which a commodity travels from the producer to the final consumer.

Ginger is grown in certain areas having favourable agroclimatic conditions but consumed throughout the country. Many of the consuming centres are located far away from the producing centres adding to the problem of distribution. In the distribution system of ginger, generally, producers do not have any significant role. The distribution is mainly in the hands of the traders. There are a number of intermediaries like village merchants, small traders, commission agents, exporters, wholesalers and retail merchants between the producer and the ultimate consumer.

The role of cooperative societies in marketing of ginger in the country as a whole is insignificant. In Kerala, the State Cooperative Marketing Federation Limited, NAFED and a few cooperative marketing societies occasionally deal with ginger. But their share in the total ginger trade is small.

Due to the existence of various agencies working between producer and consumer there are different channels for the same commodity. Various marketing channels are summarized below. Since the mode of marketing in Ernakulam district differs from that in Wynad, marketing channels in the two districts are analysed. The important channels are described below:

6.11.1. Farmer → Village Merchant → Wholesaler/Town Merchant → Commission Agent → Secondary Wholesaler → Retailer → Consumer

This is the most commonly used method of sale among the ginger growers. It has been found that about 42% of farmers of Wynad district and about

Table 6.2
Method of Sale

Inter- mediaries	Wynad District			Emakulam District		
	Pullpalli	Ambalayayal	Meenangadi	Paingottoor	Kavalangad	Pothanicad
	Number of farmers	Number of farmers	Percentage	Number of farmers	Number of farmers	Percentage
	Total	Total	Total	Total	Total	Total
Village Merchant	13	15	10	38	42	49
Town merchants	10	10	17	37	41	---
Wholesalers	---	---	---	---	---	---
Commission Agents	7	5	3	15	17	12
Total	30	30	30	90	100	100.00

Source: Primary data.

49% of farmers of Ernakulam district disposed of their produce through this channel (Table 6.2).

This channel is more popular with the marginal and small farmers. Due to poor holding capacity and inadequate facilities the farmers do not generally hold the produce for a very long period. Secondly, the quantity of produce also happens to be meagre. Prices are settled by negotiations between the producers and the merchants on the basis of quality and moisture content of the produce. These merchants in turn sell the produce to traders in nearby towns or assembling market.

6.11.2. Farmer → Wholesaler / Town Merchant → Commission Agent → Secondary Wholesaler → Retailer → Consumer

About 39% of the farmers in Ernakulam district market their produce through this agency. These merchants in town sell dry ginger to wholesalers/exporters through commission agents.

In Wynad district, town merchants sell the fresh ginger to the agents of wholesalers. They dispatch the product to the consuming centres of other states on behalf of wholesalers. The commission per bag (60 kgs.) of fresh ginger is reported to be 10 rupees. The wholesale merchants have collection centres all over India.

6.11.3. Farmer → Commission Agent → Wholesaler → Retailer → Consumer

About 12% of the sampled farmers of Ernakulam district and 17% of farmers in Wynad district adopt this channel for the sale. Conditions of sale are negotiable between the two parties. Commission agents sell the produce to industrial users/wholesalers/exporters. The wholesalers dispatch the dry ginger to consuming centres in other states.

6.11.4. Farmer → Cooperative Marketing Society → Kerala State Co-operative Marketing Federation / NAFED → Wholesaler → Retailer → Consumer

No one among the sampled farmers reported marketing of the produce through this channel. Only a few cooperative marketing societies deal in dry ginger. In Kerala, these societies deal in ginger along with other hill produce and the total quantity handled is very small. Societies in turn sell either to Kerala State Cooperative Marketing Federation or to NAFED.

The State Cooperative Marketing Federation procured ginger in 1978-79 when over production and the consequent fall in price even below the economical level caused crisis in ginger trade. So also during 1985-86, they had to enter the field to make procurements at economic price and regularise its supply. But the KSCMF and NAFED are not regularly procuring ginger every year. So this channel may not be found in all the years.

Marketing Channels of Dry Ginger.

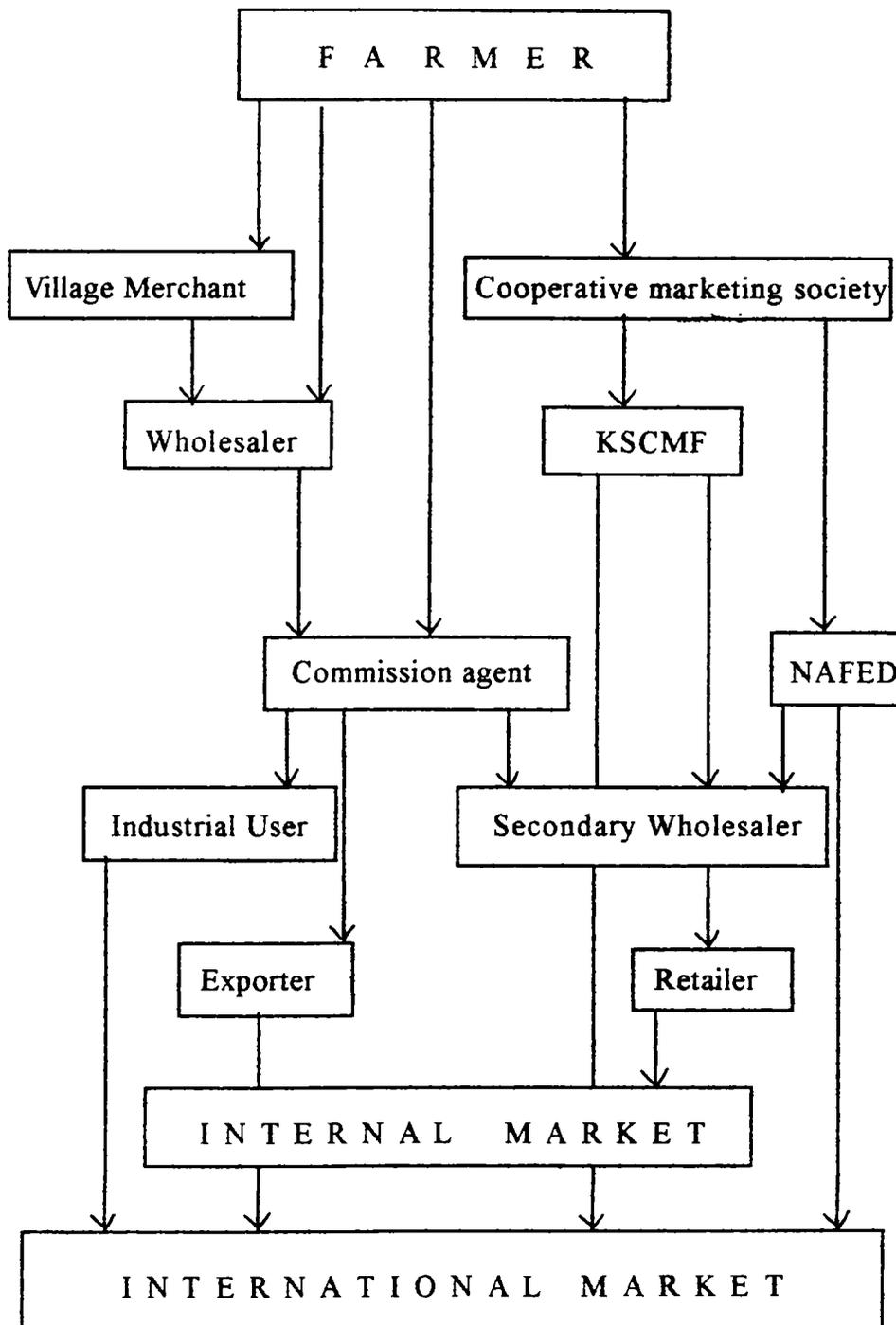
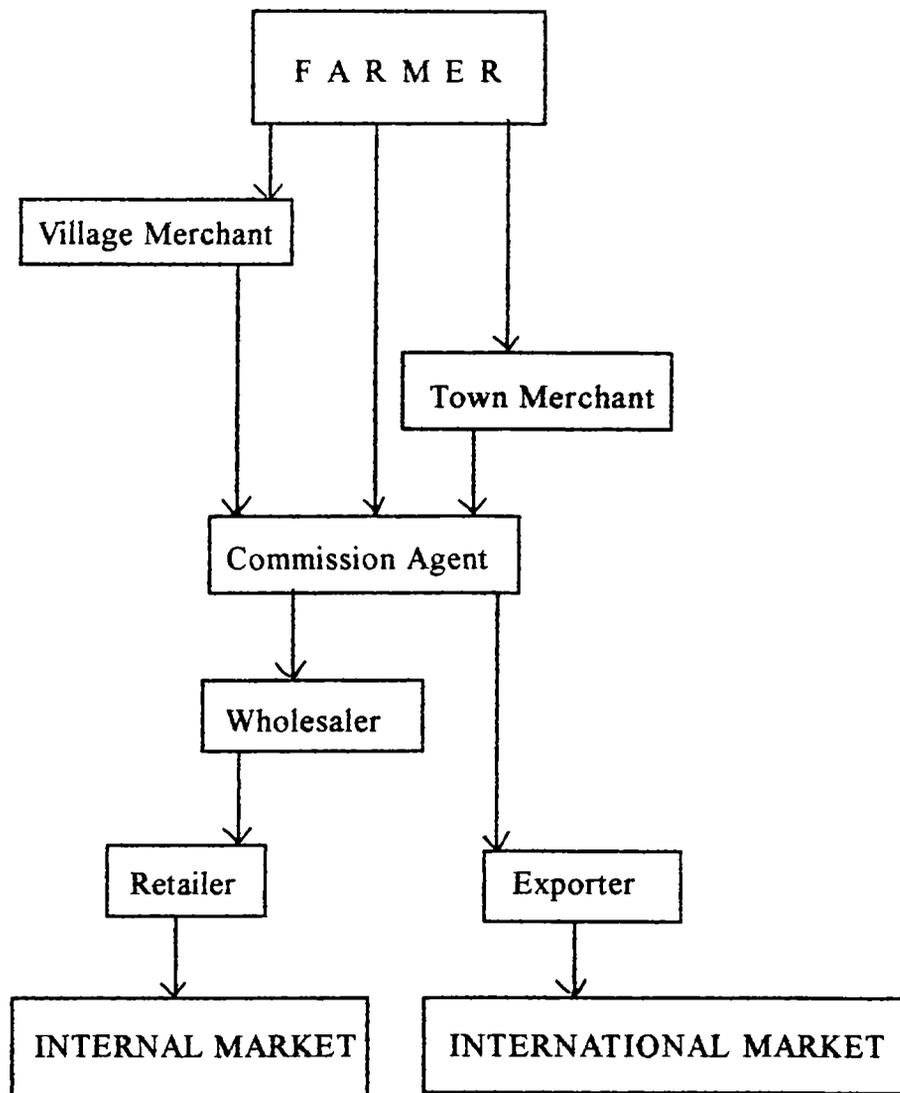


Figure 6.1

Marketing Channels of Fresh Ginger.**Figure 6.2**

6.12. Seasonal Price Behaviour of Ginger

Agricultural price analysis is one of the most important and well-developed parts of price analysis. It is well-known that agricultural prices have a tendency to display wider inter and intra year fluctuations. The three main factors responsible for such wide fluctuations are relatively low price elasticity of demand for agricultural commodities; biological nature of agricultural production and seasonal nature of agricultural industry, i.e., the output becomes available at particular time or times in a year (Kahlon and Tyagi 1). The year to year fluctuations in production give rise to large fluctuations in farm prices because of the low elasticity of demand for most farm produce (Kaur 1).

Farmers do not have a full control over the output and yield of the crop. The volume of production in the agricultural sector varies unpredictably from year to year, depending upon the weather conditions. It has been a well-known dictum in the text on Indian economic problems that vagaries of monsoon and other factors cause great fluctuations in the production and prices of agricultural commodities (Nadkarni 51).

Monthly Average Domestic Price of Ginger

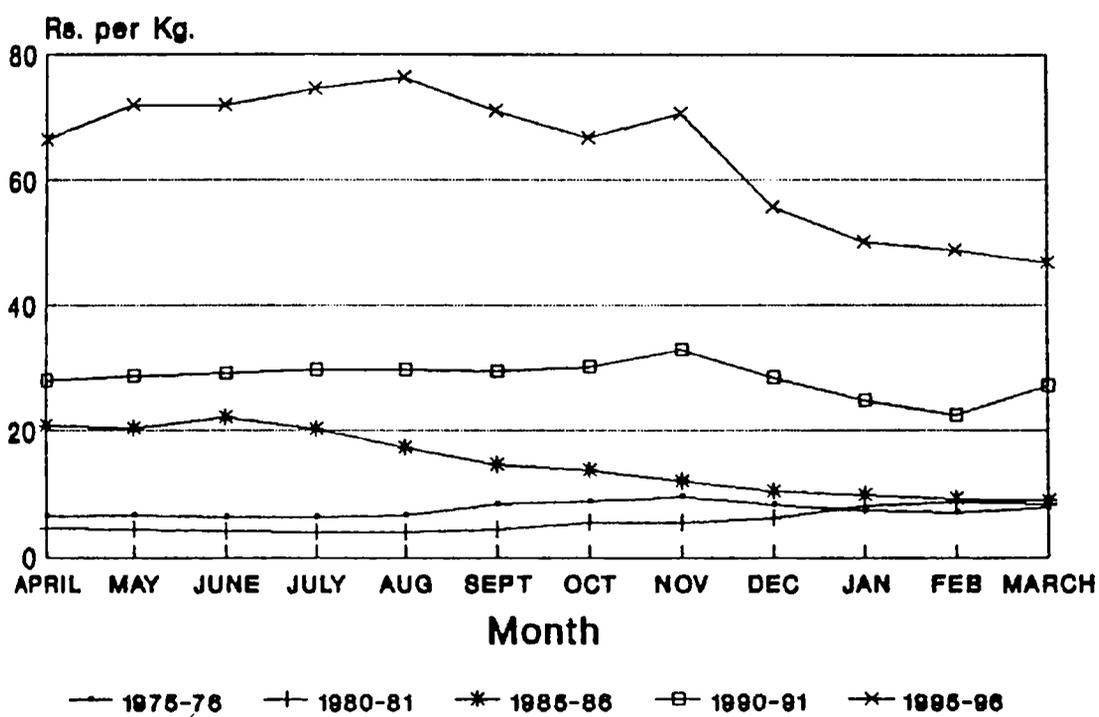


Figure 6.3

Again, the production in agriculture, unlike the production in industries, is not a continuous one. In other words, the seasonal nature of agricultural production results in uneven distribution of supplies in any year while the consumption of most of the agricultural commodities is evenly spread over the entire period.

Perishable or semi-perishable commodities that are difficult to store must move into consumption at harvest time. The increased quantity is moved to consumers at lower prices. Then when market receipts diminish as the commodity goes out of season, higher prices can be obtained (Snodgrass and Wallace *Agriculture, Economics and Resource Management* 306).

Ginger like any other agricultural commodities is subject to seasonal price variations, normally the post-harvest prices being low and pre-harvest prices being high. Supply of ginger is mostly limited to only a few months immediately after harvest whereas the demand for it is throughout the year. A basic element in the formation of ginger price is the moderate storability of the product. Even dry ginger deteriorates after 6 to 8 months. This necessitates market clearance within the crop year, thereby ruling out speculation.

The monthly prices of ginger in different years given in Fig. 6.3 shows the seasonal movements. From the Table 6.3 it is clear that there was a substantial increase in the price of ginger during 1974-75 to 1995-96.

Table 6.3

Monthly Average Prices of Ginger (Rs. per quintal)

Year	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
1974-75	639	711	719	669	689	675	671	653	646	660	612	597	662
1975-76	630	647	625	627	657	822	875	937	806	725	697	764	734
1976-77	1,020	1,115	1,400	1,540	1,506	1,690	1,700	1,560	1,160	1,144	1,208	1,481	1,377
1977-78	1,615	1,594	1,581	1,580	1,512	1,560	1,406	1,212	1,170	1,150	1,125	1,108	1,384
1978-79	1,275	1,362	1,362	1,194	1,125	990	1,019	875	825	660	594	585	985
1979-80	563	494	364	500	479	504	495	464	470	483	461	435	476
1980-81	440	438	403	381	390	438	540	538	608	802	859	831	556
1981-82	906	925	904	838	875	821	790	799	906	845	968	1,206	899

(Cont'd...)

Year	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
1982-83	1,366	1,324	1,283	1,387	1,459	1,490	1,436	1,631	1,550	1,593	1,828	1,875	1,519
1983-84	2,233	2,469	2,497	2,678	2,866	3,203	2,994	3,369	2,911	2,771	2,850	3,175	2,835
1984-85	3,525	3,513	3,638	3,544	3,231	3,245	3,231	2,734	2,280	1,969	1,609	1,630	2,846
1985-86	2,081	2,025	2,210	2,019	1,733	1,447	1,369	1,183	1,022	972	916	879	1,488
1986-87	894	815	794	809	720	1,044	1,291	1,150	1,266	1,493	1,656	1,359	1,108
1987-88	1,556	1,430	1,464	1,300	1,693	1,872	1,775	1,553	1,581	1,467	2,194	2,034	1,660
1988-89	1,430	1,819	1,738	1,683	1,600	1,369	1,260	1,271	1,185	1,713	2,156	2,219	1,672
1989-90	2,210	2,150	2,094	2,369	2,350	2,281	2,300	2,170	2,436	2,213	2,113	2,405	2,258
1990-91	2,788	2,856	2,910	2,956	2,969	2,937	3,009	3,281	2,825	2,475	2,237	2,700	2,829

(Cont'd...)

Year	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
1991-92	2,670	2,440	2,590	2,670	2,815	2,810	2,580	2,475	2,400	2,175	2,115	2,175	2,492
1992-93	2,225	2,205	2,080	2,210	2,660	3,315	3,285	2,925	3,125	2,675	2,375	2,315	2,617
1993-94	2,500	2,325	2,350	2,625	2,856	3,440	3,155	2,688	3,219	3,165	3,056	3,575	2,913
1994-95	3,760	3,625	3,900	4,350	5,656	5,450	5,270	5,256	5,120	5,281	5,213	6,169	4,921
1995-96	6,640	7,200	7,188	7,460	7,638	7,110	6,675	7,063	5,560	5,016	4,875	4,680	6,425

Source: Spices Board, Kochi.

Generally, the ginger prices are lower in January and the decline in prices continues up to June. Gradually it increases and reaches peak level in August-October. However, the pattern of seasonal fluctuations differs from year to year.

6.13. Price Spread of Ginger

Marketing efficiency of any agricultural commodity is judged on the basis, inter-alia, of price received by the producer. In recent years the consumers have complained about high prices for agricultural as well as other commodities and the agriculturists have also complained about receiving low prices as well as lower share in the consumers' rupee (Suryaprakash, Venkataraman and Ramanna 142) Prevailing market practices and market charges made a deep cut in the share of the producer in the price paid by the consumers (Rao 632). One of the main reasons advanced for the low prices received by the agriculturists and relatively high price paid by the consumers is the existence of more market intermediaries for agricultural commodities.

The existence of intermediaries is an inevitable feature in any market where the producers can't have direct contact with the ultimate consumers. Agricultural marketing is different in that individual agricultural producers ordinarily have no significant control over the marketing of their output (Stanton 586). Each agency renders some service in the process of marketing and also earns a varying margin of profit for himself and at the same time bears risk

involved in the process. Price differentials for a particular commodity arising from place, time and form, differences would correspond closely to the costs incurred in providing the respective transportation, storage and processing facilities (Baharumshah and Habibullah 205). As the product moves closer and closer to the ultimate consumer, price per selling unit increases in order to provide margins to the various intermediaries and provide auxiliary services as well. In this process the farmers appear to be the great loser whereas the middlemen to be the gainer.

6.13.1. Marketing Cost and Margin

The difference between the price paid by the consumer and that received by the producer consists of marketing cost and marketing margin. The cost of marketing is considered to be very important since it directly affects the net returns to the producers' as well as consumers' satisfaction. Therefore, the cost of marketing is regarded as an index to measure the marketing efficiency (Pushpavalli 44).

Cost of marketing is the sum of expenses incurred in the various stages of marketing and includes costs of such diverse market services as assembling, processing, storage, transportation, handling, financing, risk-bearing, wholesaling and retailing (Pavaskar and Radhakrishnan A-41). Marketing costs are the actual expenses incurred in the marketing process. They include not only the cost of performing the various marketing function but taxes and other assess-

ments as well (Moore, Johl and Khusro 40). These functions do what their names suggest, they facilitate the smooth performance of the market and hold down the costs of exchange and functions. They are the grease that makes wheels in our marketing system perform easily (Snodgrass and Wallace *Agriculture, Economics and Growth* 165). Direct estimation of real marketing cost is a complex statistical exercise, because of the difficulty in identifying and quantifying the various elements of such costs.

Marketing margin is the difference between the price paid for commodity by the ultimate consumer and that received for it by the producer. Though, day to day marketing margin may actually exceed or fall short of the total marketing bill, such difference will generally be evened out if an average margin is computed for a sufficiently long period of time, say, a year. Such an average margin usually equals or approximates the total marketing costs (Pavaskar and Radhakrishnan A -41).

The study of marketing margin is very essential in the formulation of an appropriate marketing policy. With due consideration to the quality of various services and functions carried out within the agricultural marketing system the most important yardstick to measure the efficiency of a given marketing system is the marketing costs and marketing margin (Kahlon and George 36). In an efficient marketing system, the marketing margins and price spread are fairly near transportation costs, handling charges and normal profits of the traders (Thakur *Foodgrain Marketing Efficiency* 64).

Marketing efficiency implies the use of the best and low cost methods

of marketing with the maximum effectiveness to reduce costs, margins, spoilage, waste and price spreads in the whole marketing system and all agricultural markets (Thakur *Marketing efficiency of Agricultural Markets* 132).

To ensure remunerative prices to the producer, to reduce nonfunctional margins of traders and commission agents as also to promote movement of surpluses for economic development, a properly structured market is an essential prerequisite (Agarwal 444).

6.13.2. Method of Estimation

Margin may be calculated either on a concurrent basis or a lagged basis. 'Concurrent margins' refer to the difference between the prices prevailing at successive stages of marketing on the same date, while 'lagged margins' is the difference between the price of farm produce obtainable at a particular stage of marketing during an earlier period, the length of time between the two dates being the average period for which the marketing agency holds the product (Sinha et al. 137). Concurrent margins do not take into account the time that elapses between purchases and sale of the produce by the same party either due to procuring or stock holding for price consideration.

Pavaskar points out the superiority of concurrent margin over lagged margin. For most agricultural commodities, complete and reliable data on storage and transit period between any two stages of marketing are generally not

available to make good approximation of time lags between different geographical and vertical stages of marketing. Most studies, therefore, prefer calculation of margins on the basis of concurrent prices.

The method followed here is to calculate gross margins by comparing the prices at successive levels of marketing and then to have an idea of the margin of the intermediaries by deducting ascertainable costs from the gross margin at different stages of marketing.

6.13.3. Marketing Channels of Dry Ginger

The price spread varies from channel to channel according to the number of intermediaries. The marketing channels prevalent for the marketing of dry ginger are presented below.

Marketing Channels of Dry Ginger:

- A. Farmer (fresh form) → Village Merchant → Wholesaler → Commission Agent → [Industrial User
Secondary Wholesaler-
Exporter] → Retailer → Consumer
- B. Farmer (dry ginger) → Village Merchant → Wholesaler → Commission Agent → [Industrial User
Secondary Wholesaler
Exporter] → Retailer → Consumer
- C. Farmer → Wholesaler → Commission Agent → [Industrial User
Secondary Wholesaler-
Exporter] → Retailer → Consumer
- D. Farmer → Commission Agent → [Industrial User
Wholesaler
Exporter] → Retailer → Consumer
- E. Farmer → Co-operative Marketing Societies → [K.S.C.M.F. Wholesaler
NAFED
Exporter] → Retailer → Consumer

6.13.4. Price Spread of Dry Ginger

Price spread and farmers' share in terminal market price in different marketing channels and shares of marketing cost and marketing margin in the total price spread are presented in Tables 6.4 and 6.5. Being one of the largest terminal market for dry ginger in India, Cochin price is taken for the calculation of price spread. The results show that the price spread is highest in Channel A and it is 29.06% of the wholesalers' price, while it is 17.15% in Channel D.

The farmers who sell their produce in fresh form receives a smaller share of terminal market price (70.94%) than those who sell in dry form. The fresh ginger requires further processing and higher margins are to be kept by traders. The share of the farmer is 76.85% when it is sold in dry form (Channel B). However, the farmer earns 80.34% of the price when it is marketed through Channel C. The margins retained by the wholesalers in assembling markets are lower compared to the village merchants. When the farmer sells the product directly through commission agents, the farmer's share is as high as 82.85%. The present rate of margin of commission agents in Cochin market is 1.5%. Details of price spread are given in tables B-4 in Appendix B.

Table 6.4
Price Spread of Dry Ginger in Different Marketing Channels (Rs. per quintal)

Particulars	Channel A	Channel B	Channel C	Channel D
1. Farmer's share in terminal Market Price	940.00 (70.94)	4,073.00 (76.85)	4,258.00 (80.34)	4,390.90 (82.85)
2. Marketing Cost	230.75 (17.42)	942.80 (17.79)	870.80 (16.43)	829.60 (15.65)
3. Marketing Margin	154.25 (11.64)	284.20 (5.36)	171.20 (3.23)	79.50 (1.5)
4. Price Spread	385.00 (29.06)	1,227.00 (23.15)	1,042.00 (19.66)	909.40 (17.15)
5. Selling Price (Terminal Market Price)	1,325.00	5,300.00	5,300.00	5,300.00

Note: Figures in parenthesis indicate percentage to the terminal market price.

Source: Primary data.

Table 6.5
Shares of Marketing Cost and Marketing Margin in Total Price Spread of Dry Ginger (Rs. per quintal)

Particulars	Channel A	Channel B	Channel C	Channel D
Total Price Spread	385.00	1,227.00	1,042.00	909.10
Marketing Margin	154.25 (40.07)	284.20 (23.16)	171.20 (16.43)	79.50 (8.75)
Marketing Cost	230.75 (59.93)	942.80 (76.84)	870.80 (83.57)	829.60 (91.25)

Note: Figures in Parenthesis indicate percentage to the total price spread.
Source: Primary data.

Among the different intermediaries involved in ginger marketing, village merchants retain the highest margin. The wholesalers and commission agents are larger in number and their margins are uniform in all the channels. Thus, the village merchants retain higher profit at the cost of the farmers.

6.13.5 Marketing Channels of Fresh Ginger

The different marketing channels of fresh ginger in the study area are given below.

Marketing Channels of Fresh Ginger

- A. Farmer ---> Village Merchant ---> Commission Agent --> Wholesaler / Exporter --> Retailer ---> Consumer
- B. Farmer ---> Town Merchant ---> Commission Agent --> Wholesaler / Exporter--> Retailer --> Consumer
- C. Farmer ---> Commission Agent --> Wholesaler / Exporter ---> Retailer --> Consumer

6.13.6. Price Spread of Fresh Ginger

Most of the sampled farmers in Wynad district are growing the variety which is not fit for dry ginger preparation. Therefore, usually they are disposing of the product in fresh form, just after the harvest. The price of fresh ginger in vegetable markets during the harvesting period is taken for the calculation of price spread. The farmer's share in terminal market price and shares of marketing cost and marketing margin in total price spread for three marketing channels are summarised in Tables 6.6 and 6.7.

The price spread of fresh ginger is higher when it is sold through the village merchants and lower when it is moved through the commission agents.

The study reveals that the farmers earn only 69% of the terminal market price when they adopt Channel A. There is only marginal difference between the farmer's share in Channel A and B. The farmers can earn only 71.70% even from Channel C. Margins retained by different intermediaries in the marketing of fresh ginger are given in tables B-5 in Appendix B.

Table 6.6
Price Spread of Fresh Ginger in Different Marketing Channels (Rs. per quintal)

Particulars	Channel A	Channel B	Channel C
1. Farmer's share in terminal market price	690.00 (69.00)	692.00 (69.2)	717.00 (71.7)
2. Marketing Cost	206.50 (20.65)	211.50 (21.15)	198.50 (19.85)
3. Marketing Margin	103.50 (10.35)	96.50 (9.65)	84.50 (8.45)
4. Price Spread	310.00 (31.00)	308.00 (30.80)	283.00 (28.30)
5. Selling Price	1,000.00	1,000.00	1,000.00

Note: Figures in parenthesis indicate percentage to the terminal market price
Source: Primary data.

Table 6.7
Shares of Marketing Cost and Marketing Margin in Total Price Spread of Fresh Ginger (Rs. per quintal)

Particulars	Channel A	Channel B	Channel C
1. Total Price Spread	310.00	308.00	283.00
2. Marketing Margin	103.50 (33.39)	96.50 (31.33)	84.50 (29.86)
3. Marketing Cost	206.50 (66.61)	211.50 (68.67)	198.50 (70.14)

Note: Figures in parenthesis indicate percentage to the terminal market price.

Source: Primary data.

The farmers and traders report that the higher price spread is due to monopoly trade practice of the wholesalers. In Wynad ginger marketing is controlled by one or two wholesalers who have agents in all towns. These agents dispatch the product to the wholesaler's collection centres in other states.

6.14. Price Spread of Substitute Crops of Ginger

Two substitute crops of ginger, viz., cured turmeric and pineapple are selected for comparing price spread of ginger.

6.14.1 Marketing Channels of Cured Turmeric

The marketing channels prevalent for cured turmeric are presented below.

Marketing Channels of Cured Turmeric

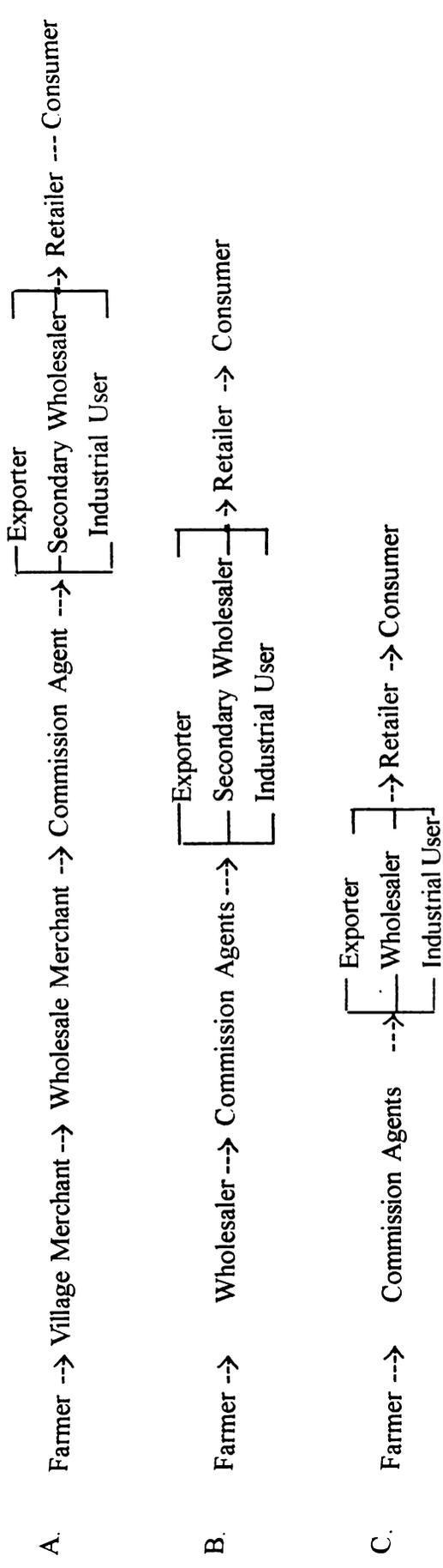


Table 6.8
Price Spread of Cured Turmeric in Different Marketing Channels (Rs. per quintal)

Particulars	Channel A	Channel B	Channel C
1. Farmer's share in terminal market price	1,870.00 (78.75)	1,955.20 (82.33)	2,022.50 (85.17)
2. Marketing Cost	379.25 (15.97)	352.25 (14.83)	316.55 (13.33)
3. Marketing Margin	125.55 (5.28)	67.55 (2.84)	35.60 (1.5)
4. Price Spread	504.80 (21.25)	419.80 (17.67)	352.50 (14.83)
5. Selling Price (Terminal Market Price)	2,375.00	2,375.00	2,375.00

Note: Figures in parenthesis indicate percentage to the terminal market price.

Source: Primary data

Tabel 6.9
Shares of Marketing Cost and Marketing Margin in Total Price Spread of Cured Turmeric (Rs. per quintal)

Particulars	Channel A	Channel B	Channel C
1. Total Prices Spread	504.80	419.80	352.50
2. Marketing Cost	379.25 (75.13)	352.25 (83.91)	316.55 (89.80)
3. Marketing Margin	125.55 (24.87)	67.55 (16.09)	35.60 (10.20)

Note: Figures in parenthesis indicate percentage to the terminal market price.

Source: Primary data.

6.14.2. Price Spread of Cured Turmeric

The same group of merchants are dealing ginger and turmeric. The market intermediaries like village merchants, wholesalers, and commission agents are common for both the crops. The price spread is calculated on the basis of Cochin price during the harvesting period. Tables 6.8 and 6.9 shows that the price spread is higher in Channel A (21.25%). The producer's share in terminal market price is maximum in Channel C (85.17%) and minimum in Channel A (78.75%)

Within the price spread, the village merchants retain the highest margin (Tables B- 6 in Appendix B). At wholesalers' level margin is relatively higher in ginger. Merchants report that higher margins to be kept in ginger in order to cover price risk arising from price fluctuations.

6.14.3 Marketing Channels of Pineapple

Different marketing channels of pineapple are given below.

Marketing Channels of Pineapple.

- A. Farmer --> Pre-harvest contractor --> Commission agent --> Wholesaler / Exporter --> Retailer --> Consumer
- B. Farmer --> Local Retailer --> Consumer
- C. Farmer --> Village Merchant --> Commission Agent --> Wholesaler / Exporter --> Retailer --> Consumer
- D. Farmer --> Wholesaler --> Commission Agent --> Wholesaler / Exporter --> Retailer --> Consumer
- E. Farmer --> Commission Agent --> Wholesaler / Exporter --> Retailer --> Consumer.

6.14.4. Price Spread of Pineapple

Pre-harvest contractor, village merchant, local retailer, commission agent and wholesaler are the intermediaries operating in pineapple marketing. In case of pineapple, the time-gap between the commodity enters the marketing system and the time within which it is consumed is rather narrow due to its high perishability rate. There is more than 30% post-harvest losses observed from the field survey (Padmini 72). Post-harvest losses are loss of weight, loss of juice content and decaying. Besides, prices of pineapple are subject to frequent fluctuations in accordance with the changes in climatic conditions. All these problems in pineapple marketing result in high price spread.

It is not possible to calculate price spread of pineapple in Channel A because the conditions of sale are settled by negotiations and no uniform pattern is followed by the pre-harvest contractors. The average price in retail market during the last season is taken for the calculation of price spread. Of the other four Channels (B, C, D and E) studied price spread is minimum in Channel B (29.09%) and maximum in Channel C (50.90%). The farmer's share in consumer price is highest (71%) when it is sold to local retail merchants (Table 6.10). The shares of marketing cost and marketing margin in total price spread are given in Table 6.11. Details of marketing cost and marketing margin are given in Tables B-7 in Appendix B.

Table 6.10
Price Spread of Pineapple in Different Marketing Channels (Rs. per quintal)

Particulars	Channel B	Channel C	Channel D	Channel E
1. Farmer's share in terminal market price	390.00 (70.91)	270.00 (49.10)	296.80 (53.96)	361.30 (65.69)
2. Marketing Cost	70.00 (12.73)	188.20 (34.21)	188.20 (34.22)	177.70 (32.31)
3. Marketing Margin	90.00 (16.36)	91.80 (16.69)	65.00 (11.82)	11.00 (2.00)
4. Price Spread	160.00 (29.09)	280.00 (50.90)	253.20 (46.04)	188.70 (34.31)
5. Selling Price (Terminal Market Price)	550.00	550.00	550.00	550.00

Note: Figures in parenthesis indicate percentage to the terminal market price.
Source: Primary data.

Table 6.11
Shares of Marketing Cost and Marketing Margin in Total Price Spread of Pineapple (Rs. per quintal)

Particulars	Channel B	Channel C	Channel D	Channel E
Total price spread	160.00	280.00	253.20	188.70
Marketing margin	90.00 (56.25)	91.80 (32.79)	65.00 (25.67)	11.00 (5.83)
Marketing Cost	70.00 (43.75)	188.20 (67.21)	188.20 (74.33)	177.70 (94.17)

Note: Figures in parenthesis indicate percentage to the terminal market price.

Source: Primary data

6.15. Conclusion

The marketing system for ginger consists of ginger growers, merchants and other intermediaries. In Ernakulam district, the product is marketed as dry ginger while in Wynad, the crop is marketed mostly in fresh form. About 60% of farmers of both the districts prefer to sell their produce to the village merchants because it is convenient for them to dispose of their small marketable surplus in the village, particularly, when there is no well organised market centre nearby.

Most of the studies reviewed on price spread concluded that larger the number of intermediaries involved, the lower the farmer's share in trader's selling price. The reasons advocated for lower share of producer in consumer price is the larger magnitude of marketing cost and margin.

The results of this study clearly indicate that the price spread of agricultural commodities varies from channel to channel and between commodities. The farmer's share in terminal market price varies from 69 to 71.7% for fresh ginger, 70.94 to 82.85% for dry ginger, 78.75 to 85.17 % for cured turmeric and 49.1 to 70.91% for pineapple.

A comparative analysis of price spread of fresh and dry ginger with other two crops shows that the major factors significantly influencing price spread are different for different commodities. The price spread of the same commodity varies considerably according to the nature and location of the market. In spite of the smaller number of intermediaries, the price spread is higher in Wynad. Monopoly control by wholesalers is the reason for the higher

price spread.

The marketing pattern and the number of intermediaries are same for dry ginger and cured turmeric. However, price spread is relatively higher in dry ginger due to higher net margin kept by the traders. Among the three crops studied price spread is the highest in pineapple. Pineapple being highly perishable in nature, requires immediate marketing. Instability of prices also leads to higher marketing margins.

Thus it can be concluded that the price spread depends on a number of factors, viz., monopoly trade practices, instability of price and nature of the commodity. The study also indicates that a larger number of intermediaries does not mean higher price spread and vice versa. This is a major departure from the findings of previous studies on the subject.