International Journal of Farm Sciences **2(2)** :68-82, 2012

A study on the marketing of major crops grown in Gadag district of Karnataka

TN GODI

KSS Arts, Commerce and Science College, Gadag 582101 Karnataka
Email: dr.tngodi@redifmail.com

ABSTRACT

The various aspects of marketing of crops like chillies, groundnut and cotton have been studied in five Talukas of Gadag district of Karnataka taking 200 respondents. An effort has been made to identify and examine the problems in the various functional areas of marketing of these crops pertaining to assembling, processing, storage and warehousing, grading and trading, insurance, channels of distribution, finance, marketing costs and problems. It was found that government as well as private warehouses and APMC warehouses were used by the growers for storage. They used gunny bags for packing groundnut and chillies and bale for cotton. The responses have been identical from all the 40 respondents each in all the five Talukas of the Gadag district covered under the study. The farmers indicated more than one option since they could not avail only one of the options of storage due to inadequacy of space. The responses obtained from the 200 farmers in the 56 Talukas indicated that they preferred sales at APMC yard. Grading was generally done by the farmers themselves with the help of expert labour in case of chillies. The farmers did not insure their produce before it was sold. The sources of market information were reports of traveling salesmen, market intermediaries like wholesalers and retailers, records of business etc. Information obtained through personal interview with the farmers revealed that the main sources of market information were commission agents, APMC, newspapers, radio and TV. All the farmers were not satisfied with the present system of price fixing for their produce.

Keywords: Marketing; farmers; respondents; problems; warehouse

INTRODUCTION

Marketing of agricultural goods in India assumes greater significance as the major portion of the population is engaged in agriculture related activities. The recent developments in the field of agriculture like High Yield Variety Programme (HYVP) besides contributing to green revolution have further increased significance of agricultural marketing. Today agricultural sector is not only supplying the food requirements but also contributing to the foreign exchange of the country. Like in the case of marketing of other kinds of goods marketing of agricultural goods too is a business venture covering all activities in the flow of goods and services from the producer-sellers to the ultimate buyers. In the process of agricultural marketing the

farmer-sellers are on the supply side the ultimate buyers are on the demand side and in between these two the various intermediaries are functioning. Thus agricultural marketing is a process which starts with the decision to produce a farm commodity and it involves all aspects of market structure or system both functional and institutional through which goods move from producer to consumer'.

The major drawback in the country's development process however has been the neglect of marketing and over emphasis on production and production efficiency. The process of underdeveloped countries depends not only on their attainment in agriculture and manufacturing but also on the development of efficient marketing system (Gandhi 1999).

Marketing of farm products tends to be a complex process. Marketing of agricultural produce involves an elaborate and complex marketing organization in view of the growth of distance between the farm producer and the consumer as well as the small size and wide scatter of the producing units. The problems in marketing of agricultural produce spring from their conditions of production and nature of demand. The flow of farm produce from the farm to the market requires some preparation and processing. The market system has to provide the transport and storage facilities as well as finance and bear the risks. Farm sector is characterized by great variations both in the output and quality of the produce from year to year and between seasons. The farm products exhibit more weight and volume in comparison to manufactured goods. These products are generally perishable and cannot be stored for a considerable period of time. There is always a time lag before an adjustment of supply to demand. Prices of agricultural produce are most unstable.

The farmers have to face many problems and challenges for marketing their produce. The inadequacy of cropped area, low productivity, lack of adequate supply of quality seeds, inefficient crop management practices, absence of suitable soil and moisture conservation etc are the major problems in the area of production management.

The problem areas of marketing of farm products relate to absence of scientific assembling and storage, lack of adequate transport and grading facilities, insufficient market information etc. The role of market intermediaries and the APMC have been found unsatisfactory. High marketing costs and inadequate finance resulting in distress sales in the village local sales at low prices are the other marketing problems of farm products.

In view of the above areas of production and marketing inadequacies there is need for an in-depth study of the production and marketing of farm products.

METHODOLOGY

Choice of farm products

Three important farm products viz groundnut, cotton and chilli which are the major farm products grown by farmers were selected in the study.

Choice of the area

The study covers the five Talukas in Gadag district of Karnataka state viz Gadag, Ron, Mundargi, Shirahatti and Naragund. These areas have dry climate and have vast stretch of black and red soils suitable for growing crops like groundnut, cotton and chilli. These crops are grown extensively in the area and hence selected for the study.

Choice of respondent farmers

A total number of 200 respondent farmers growing groundnut, cotton and chilli were chosen for an intensive study of the marketing of farm products. Forty farmers in each Taluka were selected for personal interview for obtaining the data. The actual selection of the farmers and their location were done on a random sampling basis by taking into account the area under various crops in general and groundnut, cotton and chilli in particular.

Type and method of data collection

The study is based on both primary and secondary data. Primary data were collected from the 200 respondent farmers growing farm products in the 5 Talukas. The secondary data collected from the published sources from government and other relevant institutions such as APMCs, Dept of Agriculture, Dept of Statistics etc.

Period of data collection

The data collection was for a period of 5 years from 2006 –2007 to 2010-2011 for purpose of analysis and interpretation. The five year period was considered adequate to study the marketing of farm products like groundnut, cotton and chilli.

The main objective of the study was to identify and examine the problems in the various functional areas of marketing of farm products such as assembling, processing, storage and warehousing, grading and trading, insurance, channels of distribution, finance and marketing costs and marketing.

RESULTS AND DISCUSSION

Assembling

The first important step in the marketing of the farm products relates to proper assembling it in suitable premises. The farmers had been following the practice of assembling the farm products in specially designated storerooms or in their residential places. The responses were identical from all the 40 respondents in all the five Talukas of the Gadag district covered under the study. The data are given in Table 1.

Cost of assembling

The responses of the 200 selected farmers in the five Talukas indicated that the cost of assembling groundnut was Re 1 to Rs 2 per bag. However the cost of assembling chilli was Rs 10 to 15 per bag whereas in case of cotton it varied from Rs 50 to 60 per bale.

Storage

The next step in the process of marketing the farm products was moving the assembled produce to marketing centres from the local villages and storing them in suitable places in coordination with middlemen. Duddy and Rezvan (1954) have rightly recognized that 'Storage facilities act as the safety valve so as to release the goods as per the needs and moods of the markets. Storage invests the goods with time and place utility as determined by warehouse location'.

The storage options for the farm products for farmers were the government, private and APMC warehouses. The farmers indicated more than one option since they could not avail only one of the options of storage due to inadequacy of space (Table 2). It is evident from the Table that mainly APMC warehouse was used by the farmers to store their produce.

Packing

The usual practice of packing the farm products was using gunny bags. All the 200 respondent farmers used gunny bags for packing the groundnut and chillies and bale (gunny bardan) for packing cotton.

Location of sales

Gandhi (1999) has pointed out that by and large the direct selling objectives are expressed in the same way for individual members of the field sale force as they are expressed for the whole of sales organization. They refer to the goals of sales volume, sales profitability and expense.

The respondent farmers sold their produce at two locations viz local market and APMC yards. Sales had been taking place locally as well as at APMC yards. The local sales took place due to prior commitment of the farmers with the local merchants based on prior advances received by the farmers. Some farmers sold the produce locally due to transport or personal financial difficulties. Farmers who were able to wait for a better price and whose stock of farm products was of large volume took their produce to APMC yards.

Reasons for local sales of farm products

The respondent farmers expressed following reasons for the local sales of their farm products:

- Need for immediate cash
- To repay old debts to merchants, moneylenders etc.
- To avoid transport cost to carry the produce to APMC
- Quantity of produce was small

· Problem of storage facilities

Farmers who had higher production and could wait for the better price stored their produce in APMC yards.

Reasons for preference for sales at APMC

The responses obtained from the 200 farmers in the 5 Talukas indicate that they preferred sales at APMC yard for some specific reasons which are:

· APMC ensured better price

· APMC provided facilities for storage

· APMC provided facilities for grading

· APMC did proper weighing

· APMC provided better market information

· APMC provided arbitrary decisions in case of quarrels between the farmers and the buyers in respect of quality, color, size etc.

Channels of distribution

As mentioned by Louis et al (1996) 'Marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption'. Marketing channels are the combination of agencies through which the seller who is often though not necessarily the manufacturer markets his product to ultimate user (Gandhi 1999).

Channel of distribution refers to the course taken in the transfer of the title to commodity. It is the route taken by the title to a product in its passage from its first owner the agricultural producer or a manufacturer as the case may be to the last owner, the ultimate consumer or the business user. The major participants in the distribution channel are: producers, intermediaries and consumers. The intermediaries are the wholesalers, retailers and facilitators who direct the products and service to the consumers.

The 200 farmers engaged in production and marketing of farm products told that they sold their produce through commission agents and cooperative marketing societies. The responses indicate complete unanimity among all the farmers selected for the study.

There was a divided opinion about the satisfaction level among the respondents regarding the channels of distribution (Table 3).

It is evident from the details given in the table that majority (186) of the respondents were satisfied with the channels of distribution of their sales of farm products. Fourteen respondents were not satisfied with the channels of distribution.

Table 1. Assembling of farm products

Taluka	No of Farmers	
	Storeroom	Residential premises
Gadag	-	40
Ron	04	36
Mundargi	-	40
Shirahatti	-	40
Naragund	02	38
Total	06	194

Table 2 . Storage of farm products

Taluka	No of farmers		
Gadag	Govt warehouse	Private warehouse	APMC warehouse
Ron	01	-	39
Mundargi	02	-	38
Shirahatti	-	-	40
Naragund	-	-	40
Total	03	-	197

Table 3. Opinion about the channels of distribution

Taluka	No of farmers	
	Satisfied	Not satisfied
Gadag	40	-
Ron	40	-
Mundargi	36	04
Shirahatti	40	-
Naragund	30	10
Total	186	14

Selling the farm products in more than one market

The responses of the 200 farmers indicate that they were all selling their produce in more than one market. The markets where they sold their farm products included local market and APMC.

Grading of the product

Grading has a functional role to play. It provides ethical basis for marketing of goods. Graded goods attract better market and better price. In the study it was found that grading was generally done by the growing farmers themselves with the help of expert labor in case of chillies. The annual cost of grading of chilli was Rs 200 per quintal but the grading of cotton and groundnut was done by the private graders and also by the APMC nominated graders.

The annual cost of grading in respect of groundnut and cotton varied from Re 1 to 1.50 per bag and Rs 1.50 to 1.75 per bag as shown in Table 4.

Insurance of farm products

The respondent farmers (200) asserted that they did not insure their produce before it was sold. Hence they did not incur any cost on insurance. The respondents suggested that the cost of insurance was high and hence they did not go in for insuring the farm products. But farmers usually insure their crops as per state government norms to get claims whenever there is loss of crops due to flood or drought.

However at the time of selling of cotton co-operative societies collected insurance charges Rs 3.75 per bale.

Transport of farm products for marketing

The major contribution of transportation management is in cost reduction because cost of transportation for example in respect of fertilizer at approximately one third of the total distribution cost representing 16 per cent of the total sales turnover is pretty significant (Gandhi 1999).

The respondent farmers used trucks and carts for transporting their produce. The farmers used both own vehicles and hired ones. It was found that a large majority of farmers (172) used hired vehicles while only 28 farmers used their own vehicles for transporting their products (Table 5).

Annual cost of transportation

Generally the major factors affecting the cost of transportation relates to distance, quality of products, mode of transportation, road conditions, nature of products and risk associated with transportation work. The transportation cost was generally borne by the growing farmers. It was Rs 20 per bag in case of

groundnut, Rs 25 per bag in case of chillies and Rs 75 per Docrs in case of cotton for 1 km to 40 km. There would be 25 per cent increase in transport cost if distance was above 40 km.

Marketing information

Marketing information refers to any information about the market and the products traded in the market. The information pertains to demand and supply conditions of the product, price conditions, transport and warehousing conditions, channels of distribution, competition and facilities of infrastructure like banking insurance, grading etc. The sources of market information were reports of traveling salesmen, market intermediaries like wholesalers and retailers, records of business etc.

Sources of market information for farm products farmers

Information obtained through personal interview with the farmers revealed that the main sources of market information were commission agents, APMC, newspapers, radio and TV as given in Table 6.

A significant revelation from the discussion with the respondent farmers was that none of them incurred any expenditure in obtaining the market information from the above mentioned sources. However they did not get any benefit from the market information they obtained from those sources.

Pricing of farm products in the study area

Pricing plays a fairly greater role in the marketing mix and significantly contributes to the effectiveness and success of marketing strategy. A study revealed that a very large number of companies (80%) ranked pricing as the most important variable next only to product which affected the success or failure of the enterprise (Kapoor and Kumar 1978).

The market supply and demand no doubt influence the price of farm products some imperfections in the farm products market influence the prices greatly. As mentioned earlier the local merchants and money lenders who advanced cash to small farmers and exploited them through quoting un-remunerative prices. Thus farm products seller like other farmers was forced to become a price taker rather than a price maker. The influence of APMCs was still not fully felt in villages because of the local sales taking place due to financial limitations of growers.

Responses of the 200 growers covered by the study clearly indicate that they were not satisfied with the present system of price fixing for their products because of the following reasons.

- Prices were not commensurate with cost of production
- Prices were arbitrary
- Prices indicated the exploitation of middlemen

Table 4. Cost of grading of farm products

Taluka	No of farmers					
	Groundnut		Cotton (per docros)		Chilly (per quintal)	
	Re 1 – Rs 1.50	Rs 1.50 – 1.75	Re 1 – Rs 1.50	Rs 1.50 – 1.75	Rs 200	Above Rs 200
Gadag	-	40	05	35	34	06
Ron	-	40	-	40	38	02
Mundargi	40	-	40	-	40	-
Shirahatti	40	-	40	-	40	-
Naragund	40	-	03	37	33	07
Total	120	80	88	122	185	15

Table 5. Use of own and hired vehicles for transport of farm products

Taluka	No of farmers	
	Own vehicles	Hired vehicles
Gadag	-	40
Ron	12	28
Mundargi	-	40
Shirahatti	-	40
Naragund	16	24
Total	28	172

Table 6. Sources of market information (No of Farmers)

Source/Taluka	Gadag	Ron	Mundargi	Shirahatti	Naragund	Total
Wholesale merchants	-	-	-	-	-	-
Commission agents	40	40	40	40	40	240

- Prices were not influenced by government price support policy

However all respondents suggested the following suggestions for better price of farm products :

- Organizing cooperative marketing societies for sales of the produce
- More active role for APMC in getting better price
- Selling directly to mills and avoid middlemen

Price trends of farm products during 2006-07 to 2010-11

The farm products prices in the study area prevailed at a steady range of Rs 2,000 to Rs 3,000 per quintal (Table 7) as per the response received from the 200 farmers. The responses were identical in all the Talukas under study.

Table 7. Price of farm products in 2006-07 to 2010-11 (No Of Farmers)

Taluka	2006-07	2007-08	2008-09	2009-10	2010-11
			Groundnut		
Gadag					
Rs 2,000-3,000	40	40	40	35	31
Rs.3,000 & above	-	-	-	05	09
Ron					
Rs 2,000-3,000	40	40	40	24	20
Rs 3,000 & above	-	-	-	16	20
Mundargi					
Rs 2,000-3,000	40	40	40	38	36
Rs 3,000 & above	-	-	-	02	04
Shirahatti					
Rs 2,000-3,000	40	40	40	40	38
Rs 3,000 & above	-	-	-	-	02
Naragund					
Rs 2,000-3,000	40	40	40	19	08
Rs 3,000 & above	-	-	-	21	32
Total200	**200**	**200**	**200**	**200**	

Note: During 2009-10 and 2010-11 there was considerable rise in the price of groundnut ranging in between Rs 3,000 to 3,800 per quintal due to shortage of supply of groundnut and thereby raise in oil price.

Chillies

Gadag					
Rs 10,000-13,000	32	40	40	-	-
Rs 13,000 & above	08	-	-	40	40
Ron					
Rs 10,000-13,000	31	40	40	-	-
Rs 13,000 & above	09	-	-	40	40
Mundargi					
Rs 10,000-13,000	40	40	40	-	32
Rs 13,000 & above	-	-	-	40	08
Shirahatti					
Rs 10,000-13,000	40	40	40	-	40
Rs 13,000 & above	-	-	-	40	-
Naragund					
Rs 10,000-13,000	38	39	38	-	-
Rs 13,000 & above	02	01	02	40	40
Total	**200**	**200**	**200**	**200**	**200**

Cotton

Gadag					
Rs 2,600-3,000	40	40	40	40	34
Rs3,000 & above	-	-	-	-	06
Ron					
Rs 2,600-3,000	40	40	40	40	38
Rs 3,000 & above	-	-	-	-	02
Mundargi					
Rs 2,600-3,000	40	40	40	40	40
Rs 3,000 & above	-	-	-	-	-
Shirahatti					
Rs 2,600-3,000	40	40	40	40	40
Rs 3,000 & above	-	-	-	-	
Naragund					
Rs 2,600-3,000	40	40	40	40	08
Rs 3,000 & above	-	-	-	-	32
Total	**200**	**200**	**200**	**200**	**200**

Major marketing problems of farm products

Major marketing problems of farm products in the study area were ascertained and identified through personal discussions with the 200 respondent farmers covered under the study as under:

- Inadequate storage and high cost of storage
- High cost of packing material
- High commission charged by the commission agents
- High cost of transportation
- High insurance cost
- Inadequate market information
- Faulty weighing
- The samples taken by the merchants in more quantities
- Faulty pricing and non-consideration of cost of production by the buyers
- Delayed payment by the buyers like mills and marketing societies

The foregoing analysis resulted in the emergence of the following major findings and suggestions on the marketing dimensions of farm products in the study area:

Findings

- The responses have been identical from all the 40 respondents each in all the five Talukas of the Gadag district covered under the study.
- The responses of the 200 selected farmers in the five Talukas indicated that the cost of assembling groundnut was Re 1 to Rs 2 per bag. However the cost of assembling chillies was Rs 10 to 15 per bag whereas in case of cotton it varied from Rs 50 to 60 per bale.
- The storage options for the farm product to farmers were the government, private and APMC warehouses. The farmers indicated more than one option since they could not avail only one of the options of storage due to inadequacy of space.
- All the 200 respondent farmers used of gunny bags for packing the produce before the same was sold in respect of groundnut and chillies. And bale (gunny bardan) was used for packing of cotton.
- The respondent farmers exercised two options of locations for the sale of farm products. Sales took place locally as well as at APMC yards. The local sales of farm products took place due to prior commitment of the farmers with the local merchants based on prior advances received by the farmers.
- The responses obtained from the 200 farmers in the 56 Talukas indicated that they preferred sales at APMC yard.
- Majority respondents (186) were satisfied with the channel of distribution of their sales of farm products. Only 14 respondents

were not satisfied with the channel of distribution.

- All the 200 farmers indicated that they were selling their produce in more than one market which included local market and APMC.
- Grading was generally done by the farmers themselves with the help of expert labour in case of chillies.
- The farmers (200) did not insure their produce before it was sold.
- Majority of farmers (172) used hired vehicles while only 28 farmers used their own vehicles for transporting of their farm produce.
- The sources of market information were reports of traveling salesmen, market intermediaries like wholesalers and retailers, records of business etc.
- Information obtained through personal interview with the farmers revealed that the main sources of market information were commission agents, APMC, newspapers, radio and TV.
- All the farmers were not satisfied with the present system of price fixing for their produce.

The following recommendations are based on the study:

1. The productivity level of the farm products was low in the areas cultivated by the respondent owners. It was obvious that one of the main reasons for the low productivity in farm products is the use of poor quality seed for sowing which often resulted in low plant population leading to lack of response to improved management practices. This called for the use of quality seed which was the foundation of efficient and productive agriculture. High quality seed was the most remunerative input in successful crop production and also better utilization of inputs.
2. It was found that the seed rate was very high (100-120 kg/ha) with low yields (8-10 kg/ha) the seed multiplication ratio was very low (1:8) compared to other crops. This is serious constraint in farm products for faster coverage of improved seeds of farm products. There is therefore need to make use of all the viable seeds in farm products to minimize the cost of the seed and to cover more area under high yield.
3. Dependence on rainfed cultivation of farm products needs to be reduced. Measures should be initiated to increase irrigation facilities for farm products farming during rabi season. Research studies have shown that cost benefit ratio was higher in terms of net income, farm business income, family labour income and farm investment income on irrigated

farms compared to rainfed farms.

4. There is need for reducing the local sales by arranging bank finances to these farmers. The APMC can play a more active role in this direction to minimize the incidence of local sales and the consequent loss of income of the farm products growers.
5. There is need for arranging cheaper means of transport for lifting the farm products produce from the premises to assembling market. APMCs should arrange for the cheaper transport facilities so that there can be more inflow of farm products at the market yard which would be useful to both the farmers and the APMC.
6. The government agencies and the APMCs should try to provide greater facilities of storage at lower cost.
7. There is need for organizing alternative channels like marketing and processing cooperatives to operate in the market to create price competition in different channels to provide better decision-making.
8. The intervention of government and corporate bodies like oil federations National Dairy Development Board etc. would be helpful in increasing the market competition and also in reducing the disparities in distribution of marketing margins among intermediaries by stabilizing the price trend to some extent.
9. It is necessary to retain commission agents as an alternative. However there is need for effective enforcement of market regulation for farm products marketing declaring the crop as a notified commodity.
10. It is necessary for the government agencies and the APMCs to bring down the overall level of marketing costs in the areas of storage, packing, transport, grading and payment of charges to commission agents.
11. The farmers and the APMCs should try to enhance the value addition of farm products through proper processing of seeds so that the farmers can get a better price for their produce.
12. The marketing malpractices like faulty weighing of the produce, taking excess samples from the farmer's sales stock and excessive charges of commission agents excluding excessive quantity of farm products on grounds of damage etc. should be properly dealt with by the regulated markets.
13. Proper market information to the farm products growers should be disseminated through proper channels by the APMCs and the government agencies.

14. The delay in payment of the sale proceeds to the farmers by the buyers like oil mill units, commission agents etc should be prevented by the APMCs and the government.

REFERENCES

Duddy EA and Rezvan DA 1999. Marketing – an institutional approach. McGraw Hill, New York.

Gandhi JC 1999. Marketing - a managerial introduction. Tata McGraw Hill Publishing Co Ltd, New Delhi, 263p.

Kapoor MC and Kumar S 1978. Price management in Indian companies: an empirical study. Indian Management, New Delhi.

Louis W, Stern and Adel I EI Ansary1996. Marketing channels. Prentice Hall of India Pvt Ltd, New Delhi.

Received : 17.12.2011 *Accepted : 26.2.2012*