

ANALYSIS OF RICE MARKETING THROUGH FCI IN NALGONDA DISTRICT OF ANDHRA PRADESH

Y. ARCHANA KARUNI, DR. K. SUHASINI

Abstract: The present study was conducted in Nalgonda District of Andhra Pradesh during 2012-13. A total of four marketing channels were identified. The results revealed that lowest producer's share in consumer's rupee 65.19 % for parboiled rice and 65.92 % from raw rice was realized from channel 4 (F- FF/ML/CA -M -FCI -PDS-C) while highest marketing efficiency 4.89 and 12.57 was observed in the channel 2 (F-M-FCI-PDS-C) for both parboiled rice and raw rice through Shepherds approach and through. Channel 3 (F-CA-M-FCI-PDS-C) is realized to have higher marketing efficiency 2.71 and 3.90 for parboiled rice and raw rice respectively, with less number of intermediaries and less marketing margin.

Keywords: Marketing efficiency, FCI, marketing channels, and value chain.

Introduction: India is one of the leading producers in the world of many major crops like paddy, wheat, pulses, sugarcane, spices, and plantation crops. Agricultural Marketing is an area for the "second generation" of green revolution problems. Indian Marketing is undergoing a significant metamorphosis because of economic liberalization and globalisation (AGMARK). The agricultural marketing sector is characterized by complex and diversified value chain. Multiple market intermediaries; higher transaction costs, lack of awareness and several other socio-economic factors are some of the acute problems being faced by the Indian agriculture. Hence, studying the marketing of agricultural commodities occupies prime position in agricultural economics research. As paddy is important staple food crop it is difficult to plan design policy related to paddy without examining the existing marketing network margins to various stakeholders. The present study has been undertaken in Nalgonda district of Andhra Pradesh. As it has major markets for paddy and is grown as the major crop in the Nagarjunasagar project (NSP) canal area. The marketing of paddy based on diversified value addition to paddy before it reached the final consumer is studied. As the district has FCI storage holding capacity, the marketing channels running through FCI agency were analyzed.

Justification / Motivation of the study : Study of value chain will provide information on different marketing channels of paddy and provide insights about different stages of value chain. The results would be useful to both farmers and policy makers to realize the extent of exploitation of middlemen in different sub chains and need for new market innovators to help the farmers.

Materials and methods: The present study was conducted in Miryalaguda and Huzurnagarmandals of Nalgonda District in Andhra Pradesh during 2012-13. The sample size of 120 farmers and 12 intermediaries 10 parboiling mills 2 fair price shops

were randomly selected for data collection. Data on profits of the various market functionaries involved in moving the produce from the initial point of production till it reached the ultimate consumer were collected.

a. Sum-of-Average Gross Margin Method: The average gross margins of all the intermediaries were added to obtain the total marketing margin as well as the breakup of the consumer's rupee.

b. Producer's Share in Consumer Rupee: Further, the Farmer's share in consumer rupee was calculated with the help of the following formula.

$$F_s = (F_p / C_p) * 100$$

Where, F_p = Farmer's price, C_p = Consumer's price.

c. Analysis of marketing efficiency under different marketing channels.

Shepherd (1965), suggested that the ratio of total value of goods marketed (retailer's sale price or consumer's purchase price) to the marketing cost may be used as measure of marketing efficiency. An alternative measure was suggested by Acharya which includes, Total marketing costs (MC), Net marketing margins (MM), Net prices received by the farmer (FP), Price paid by the consumer

Results and discussions: The producers marketed their produce directly to the millers and also marketed their produce to intermediaries. The commission agents would collect the produce from nearby five to six villages and trade them to millers. The farmers also preferred to sell to commission agents rather than millers. The AMC at miryalaguda had arrivals of paddy from nearby villages located around approximately within 4-8 km. The farmers would obtain the price information from fellow farmers, progressive farmers, commission agents. It was identified that the produce of rabi season was procured by (IKP) Indira Kranthi Pathakam centres. FCI procured 75 percent of the milled paddy either raw or parboiled from the millers. While the millers

exported both raw and parboiled through commission agents to both outside the state and country categorised as C-form and H-form respectively.

Marketing channel through FCI towards fair price shops for raw/ parboiled rice: Raw rice was distributed through FCI within state while parboiled rice was moved out of the state for the requirement of various welfare schemes like AAY, APL and BPL. Particulars of channel 1, 2, 3 and 4 are presented in table 1. The parboiled rice channels through FCI to fair price shops are worked out with reference to the movement towards Tamil Nadu.

Channel 1: Farmer – Miller (AMC, Miryalaguda) – FCI - PDS (Dealer of fair price shops) – Consumer: Channel 1 indicated paddy milled for parboiled rice and raw rice. The Table I reveals that the farmers received a sale price of Rs.12800 per ton of paddy and on an average the producers incurred a marketing cost of Rs.260 per ton of paddy towards transporting costs, loading costs hamali, weigh men and others. The marketing cost of miller was more for parboiled rice (Rs.2769.77) than for raw rice (Rs.2297.77) which was due to the difference in processing charges. The major items of costs incurred by miller were rural development cess, (Rs.773.67) VAT (Rs.773.25) followed by gunny bags cost, market fee and hamali charges among the minor costs. The net marketing margin of miller was found to be Rs.1442.88 per ton of paddy milled to obtain parboiled rice while the net margin from raw rice was Rs.1914.88 per ton of paddy milled. The miller has delivered the parboiled and raw rice to FCI at Rs.22189 and Rs.22100 per ton respectively.

The FCI agency incurred a total marketing cost of Rs.1826 per ton for parboiled rice and Rs. 460 per ton for raw rice. The high marketing cost for parboiled rice is due to the movement of rice to other states while raw rice is consumed within the state and distributed from FCI godowns to the fair price shops. Thus the FCI supplies to various states like Tamil Nadu and Kerala incurring costs (Rs.1826/t) including the components such as transport, storage loading weighing and unloading. Further the price in fair price shop for through PDS raw rice was Rs. 1/Kg in AP while in Tamil Nadu it is distributed free of cost. Thus subsidy cost for parboiled rice was found to be Rs.18949/697 kg of rice which is produced by processing one ton paddy. While the subsidy cost in AP was Rs.17738.65 per 697 kg. The producer's share in consumer's rupee was worked out to be 66.17 and 66.92 for parboiled and raw rice respectively. The price including the subsidy is considered as consumer's price and producer's share is worked out.

Channel 2: Farmer – Miller – FCI -PDS (Dealer of fair price shops) – Consumer: This channel

appears to be shorter as farmers themselves bring the produce to the nearby millers. A perusal into Table I of channel 2 revealed that the farmers received a net sale price of Rs.12630 per ton of paddy and on an average the producers incurred a marketing cost of Rs.170 per ton of paddy towards transporting costs, loading and unloading costs. The marketing costs of miller were found to be similar to that seen in channel 1. The net marketing margin of miller was found to be Rs.1442.88 per ton of paddy milled to obtain parboiled rice while the net margin from raw rice was Rs.1914.88 per ton of paddy milled. The miller has delivered the parboiled and raw rice to FCI at Rs.22189 and Rs.22100 per ton respectively. However the producer's share in consumer's rupee is computed to be 66.65 percent and 67.40 percent for parboiled and raw rice respectively.

Channel 3: Farmer -- Commission agent – Miller – FCI - PDS (Dealer of fair price shops) – Consumer: It is seen in Table I that in channel 3, the net price received by the farmer was Rs. 12625 per ton which constituted 56.8 percent of consumer's price. The marketing cost incurred by producer accounted to Rs.175. The intermediaries namely trader, fellow farmer or money lender on an average incurred a marketing cost of Rs. 245. The marketing cost incurred by the miller was worked out to be Rs. 2791.92 for parboiled rice and Rs.2261.92 for raw rice. The pattern of marketing costs was similar to those incurred in channels 1 and 2. The net margin of miller constituted Rs.720.3 for parboiled rice and Rs.1188.70 for raw rice. And the producer's share in consumer's rupees was worked out to be 66.62 and 67.37 percent.

Channel 4: Farmer – Fellow farmer/ Money lender/Commission agent – Miller-FCI- PDS (Dealer of fair price shops) – Consumer: It is depicted in Table I that in marketing channel 4, the producer incurred a total marketing cost of Rs.447. The net sale price of the producer was worked out to Rs.12353 per ton both for parboiled and raw rice. The commission agent incurred a cost of Rs.90 towards hamali charges and the sale price received by commission agent was Rs.13300 per ton while the net margin of commission agent was found to be Rs.410. The marketing costs incurred by miller were estimated to Rs.2749.92 for parboiled and Rs.2319.92 for raw rice. The difference in costs was due to processing charges. The net margin secured by miller was Rs.962.3 and Rs.1330.7 for parboiled and raw rice respectively while the producer's share in consumer's price for parboiled rice and raw rice was worked out to be 65.19 and 65.92 percent respectively.

There is no significant difference in the three channels 1,2 and 3 as the producer's share remained Rs.0.66 to 0.67 of the consumer's rupee.

Marketing efficiency: The results of marketing

efficiency for parboiled rice presented in Table II and III revealed that the marketing efficiency was relatively higher in marketing channel 2 (F-M-FCI-method channel 3 (F-CA-M-FCI-PDS-C) was identified to have higher marketing efficiency. In Acharya's approach the net marketing margin realized by the intermediaries in channel 3 was lower resulting in higher marketing efficiency.

Perceived constraints in marketing of paddy by the farmers: The constraints faced in marketing of paddy by the sample farmers were, high marketing cost transportation & commission, forced sale, low price for the produce at the time of harvest, defective and faulty weighing, lack of adequate storage facilities.

PDS-C) in both the approaches. With regard to raw rice the marketing efficiency was high in channel 2 through Shepherd approach while in Acharya's **Conclusion:** The producer's share in consumer's rupee was lower in the channel with more number of intermediaries. The lower net marketing margin realized by the intermediaries resulted in higher marketing efficiency. It is recommended that FCI involves the procurement through IKP centers during kharif also, as direct procuring was found to be during rabi only. The defective and faulty weighing, high marketing costs are the major constraints revealing the exploitation of farmers by intermediaries.

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	Purchase price of miller	12800 (67.55)	12800.00 (68.31)	12800 (67.55)	12800 (68.31)	13500.00 (71.24)	13500.00 (72.04)	13300 (70.19)	13300 (70.98)
	Transport costs	34.85 (0.18)	34.85 (0.19)	34.85 (0.18)	34.85 (0.19)	50.00 (0.26)	50.00 (0.27)	50 (0.26)	50 (0.27)
	Processing charges	800 (4.22)	250.00 (1.33)	800 (4.22)	250 (1.33)	800.00 (4.22)	250.00 (1.33)	800.00 (4.22)	250 (1.33)
	Hamali charges	100 (0.53)	100.00 (0.53)	100 (0.53)	100 (0.53)	100.00 (0.53)	100.00 (0.53)	100 (0.53)	100 (0.53)
	Market fee	128 (0.68)	128.00 (0.68)	128 (0.68)	128 (0.68)	135.00 (0.71)	135.00 (0.72)	135 (0.71)	135 (0.72)
	Cost of gunny bags	160 (0.84)	238.00 (1.27)	160 (0.84)	238 (1.27)	160.00 (0.84)	180.00 (0.96)	238 (1.26)	238 (1.27)
	Rural development cess	773.67 (4.08)	773.67 (4.13)	773.67 (4.08)	773.67 (4.13)	773.67 (4.08)	773.67 (4.13)	773.67 (4.08)	773.67 (4.13)
	VAT	773.25 (4.08)	773.25 (4.13)	773.25 (4.08)	773.25 (4.13)	773.25 (4.08)	773.25 (4.13)	773.25 (4.08)	773.25 (4.13)
	Total marketing costs	2769.77 (14.62)	2297.77 (12.26)	2769.77 (14.62)	2297.77 (12.26)	2791.92 (14.73)	2261.92 (12.07)	2869.92 (15.15)	2319.92 (12.38)
	Marketing costs without tax	1222.85 (6.45)	750.85 (4.01)	1222.85 (6.45)	750.85 (4.01)	1245.00 (6.57)	715.00 (3.82)	1323 (6.98)	773 (4.13)
	Net margin of miller	1442.88 (7.61)	1914.88 (10.22)	1442.88 (7.61)	1914.88 (10.22)	720.73 (3.80)	1188.70 (6.34)	842.73 (4.45)	1330.7 (7.10)
	Purchase price of FCI per 697 kg	15465.73 (81.62)	15465.73 (82.53)	15465.73 (81.62)	15465.73 (82.53)	15465.73 (81.62)	15403.70 (82.20)	15465.73 (81.62)	15403.70 (82.20)
	Purchase price of FCI per ton	22189	22100.00	22189	22100.00	22189	22100.00	22189	22100.00
3	Costs incurred by FCI agency RS./ton	0							
	Transport costs	1050 (5.54)	150.00 (0.80)	1050 (5.54)	150.00 (0.80)	1050 (5.54)	150.00 (0.80)	1050 (5.54)	150.00 (0.80)
	Storage costs	576 (3.04)	130.00 (0.69)	576 (3.04)	130.00 (0.69)	576 (3.04)	130.00 (0.69)	576 (3.04)	130.00 (0.69)
	Loading charges	80 (0.42)	80.00 (0.43)	80 (0.42)	80.00 (0.43)	80 (0.42)	80.00 (0.43)	80 (0.42)	80.00 (0.43)
	weighing and unloading	120 (0.63)	100.00 (0.53)	120 (0.63)	100.00 (0.53)	120 (0.63)	100.00 (0.53)	120 (0.63)	100.00 (0.53)
	Total costs incurred RS./t	1826 (9.64)	460 (2.45)	17291.73 (91.25)	15925.73 (84.99)	1826 (9.64)	15863.70 (84.66)	1826 (9.64)	15863.70 (84.66)

Price in fair price shop/Purchase price of the consumer @ Re 1 per kg for 697 kg under AAY	0	697.00 (3.72)	0	697.00 (3.72)	0	697.00 (3.72)	0	697.00 (3.72)
Price in fair price shop/Purchase price of the consumer per ton	0	1000.00 (5.34)	0	1000.00 (5.34)	0	1000.00 (5.34)	0	1000.00 (5.34)
Subsidy by Govt. for 697 kg including the marketing costs and cost of rice	18949 (100.00)	17738.65 (94.66)	18949 (100.00)	17738.65 (94.66)	18949 (100.00)	17738.65 (94.66)	18949 (100.00)	17738.65 (94.66)
Subsidy by Govt. (Rs./ton) including the marketing costs and cost of rice	27180	25450.00	27180	25450.00	27180	25450.00	27180	25450.00
Total sale price per 697 kg	18949 (100.00)	18738.65 (100.00)	18949 (100.00)	18738.65 (100.00)	18949 (100.00)	18738.65 (100.00)	18949 (100.00)	18738.65 (100.00)
Total sale price per ton	27180	26450.00	27180	26450.00	27180	26450.00	27180	26450.00
Producer share in consumers' price	66.17	66.92	66.65	67.40	66.62	67.37	65.19	65.92

Table II Marketing efficiency of parboiled rice and raw rice through Shepherd method

S.No	Market channel	Value of goods sold		Total marketing cost		Marketing efficiency	
		Parboiled rice	Raw rice	Parboiled rice	Raw rice	Parboiled rice	Raw rice
1	Market channel 1	18949.00	18738.65	3308.85	1470.85	4.73	11.74
2	Market channel 2	18949.00	18738.65	3218.85	1380.85	4.89	12.57
3	Market channel 3	18949.00	18738.65	3491.00	1595.00	4.43	10.75
4	Market channel 4	18949.00	18738.65	3686.00	1770.00	4.14	9.59

Table III Marketing efficiency of parboiled rice and raw rice through Acharya's approach

S.No.	Market channel	Net price received by farmer		Marketing cost + marketing margin		Marketing efficiency	
		Parboiled rice	Raw rice	Parboiled rice	Raw rice	Parboiled rice	Raw rice
1	Market channel 1	12540.00	12540.00	4751.73	3323.70	2.64	3.77
2	Market channel 2	12630.00	12630.00	4661.73	3295.73	2.71	3.83
3	Market channel 3	12625.00	12625.00	4666.73	3238.70	2.71	3.90
4	Market channel 4	12353.00	12353.00	4938.73	3510.70	2.50	3.52

Agricultural University, Hyderabad.