

# A Study of Marketing Channels and Marketing Efficiency of Kashmiri Apple, With Special Reference to District Shopian

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## 1. Introduction:

Among all the fruits grown in the Kashmir, Apples are most widely planted and is commercially the most important fruit crop. Apple is an extremely important source of nutritive diet, this provides a major source of income and employment. Apple industry is the backbone of the economy of Kashmir valley particular of Shopian district. Apple in India is concentrated in Jammu and Kashmir Himachal Pradesh and Uttar Pradesh yet, Kashmir enjoys the distinction of being still hub of apple industry of the country. This is obviously so because the State has not only superiority over Himachal and Uttar Pradesh in the field of production but also in marketing. Production of apple in the State is confined to seven districts of the valley viz, Shopian, Anantnag, Baramulla, Budgam, Pulwama, Kupwara, and Srinagar. However, in Jammu division apple cultivation is found in a limited scale in Doda district only. In tow districts of the valley namely Baramulla and Kupwara, the apple

Kashmir is the leading producer of apple in India known as apple basket being one of the major economy of Kashmir with a turnover of about Rs 2500 crores plus but still marketing is very hectic, expensive and laborious exercise but this has changed after taxes were waved off and local mandies were established. the apple production in the kashmir region has witnessed an increase of 3,06,609 metric ton the total production I 2013-2014 has been recorded at 16,333,349 MT against 1326740mt in 2012-2013. Similarly, the area under the apple crop has increased by 3378 hectares during this period. In 2012-2013, according to the report, the area covered under apple crop was 1, 40,156 hectares which has increased to 1, 43,534 hectares ended 2013-2014

The marketing pattern of apple is different from the marketing pattern of other agriculture produce. Unlike many other agricultural commodities, which are first brought to the wholesale markets, the dispersion process in case of apple is in

opposite direction. The produce is first sent to the terminal market from the producing areas and then distributed to the primary and secondary markets. Consequently, a large number of middle men are involved in the channels of trade between the apple producers located on the hills and the consumers around the distant markets in the plains. There is also evidence on collusion amongst the apple merchants to control prices within the market and to influence pricing mechanism in other markets. The marketing system for apple is therefore, of utmost importance for those farmers who specialize in apple production and is of great interest to all those people who are concerned with the producers share in the consumer's price.

## II. Review of literature:

**Umer maqbool dar (2007):** the fruit growers in Sopore apple town of valley have a grouse against Delhi based traders and state government holding them responsible for sudden fall of the fruit. Delhi based traders are exploiting them for decades the state government watching it as mute spectator. "Nearly 80% of the apple produce from the valley goes to Azadpur Mandi Delhi. The traders there have gained strong monopoly over this trade for last 40 years. He further

mentioned that the traders were promoting the fruit (Apple) of Himachal Pradesh despite it being low graded. The apple of Himachal Pradesh fetches good returns, while the price of apple from Kashmir has been reduced. This is due to that the state lacked a comprehensive marketing policy. It is responsible for the destruction of this trade, and growers are facing losses worth crores of rupees daily.

**Similarly Iqbal (1994):** reported that marketing margins for apple are 62%. The Producers share in consumer price was 38%. While the net marketing margins of Pre harvest contractor, commission agent, whole seller and retailer were 7.17, 3.95, 6.39 and 19.81% of consumer price respectively while the rest 28% Where marketing costing. Gross marketing margins for different fruits in several Countries where very high ranged between 30% to 81% of consumer price due to large number of intermediaries involve in the marketing process (FAQ, 1990).

**Dr. Musadiq Amin Shah, (1986)** stated in his paper Jammu and Kashmir is the largest apple producing state of India, but the state does not earn that from the apple industry what it should have. The main problem of apple industry in Kashmir is the lack of marketing information and techniques. Without a proper marketing

information system the market opportunity cannot be fully exploited. Growers should be provided proper market information to get dispose off their produce in those markets where it can yield maximum prices.

**Zahoor Ahmad Malik (2013):** Apple cultivation is the main occupation in the Kashmir Valley (India) and it constitutes 90% of total fruit crop in the valley. This sector involving about half a million households and play a key role in rural economy of the state with an average yearly turnover of Rs 750 cores, still it has not provided industrial status. The improvement in the production is quite important but marketing has also an equal importance to develop a commercial crop, which is purely produced to sell in the market. Though there have been multidimensional efforts to increase the production of apple in the State, but marketing has not received proper attention, also ignorance from government side, lack of infrastructure, research and development leads to negative effects

### III. Objectives:

1) To identify marketing channels for apple

2) To study the price spreads and marketing efficiency under different marketing channels

### Research methodology:

This study has been conducted in Shopian District. The district consists of 6 blocks viz, shopian, Keller, Ramnagri, Zainapora, Chetragam and imamsahab The Shopian block was selected by random sampling method, and from the selected block, 150 apple growers were selected by the convenience sampling in such a way that they represent small, marginal and large growers. Apart from apple grower's commission agents, forwarding agents, pre-harvesters, wholesalers, retailers and consumers were studied as per the required information for the present study.

The marketing efficiency of apple in different channels in the present study has been calculated with the following formula:

$$ME = \frac{PCR - PPS}{MC} \times 100$$

Where,

ME= Marketing Efficiency

PCR= Consumers retail price

PPS= Producers selling price

MC= Marketing cost

#### IV. Empirics:

Apple marketing in the Kashmir, virtually in its entirety, is carried out by the private sector comprising pre-harvest contractor, commission agent, forwarding agent, wholesaler and retailer. Earlier all marketing was done through the “Commission Agent.” But now an orchardist has a number of alternative marketing channels to choose from. Since the planning era, in the country in general and Jammu and Kashmir in particular,

there are four marketing channels involved in Apple marketing in district shopian they are identified as:

Channel-1 Grower Pre-harvest contractor  
Commission agent Wholesaler  
Retailer Consumer.

Channel-2 Grower forwarding agent  
Commission agent wholesaler Retailer  
Consumer.

Channel-3 Grower Commission agent  
Wholesaler Retailer consumer.

Channel-4 Grower Consumer.

#### The performance of these channels is presented in the table (1)

(unit: no of apple boxes)								
s.no	Size group	No. of boxes per year	No of boxes marketed	No of boxes disposed	Marketing channels			
					P-C	P-C-W-R-C	P-F-C-W-R-C	P-PH-C-W-R-C
1	large	213750	212750 (100)	1000 (0.87)	21280 (1.00)	191830 (90.16)	7567 (3.55)	112255 (5.27)
2	Small	148800	148050 (100)	750 (0.50)	1480 (1.00)	93251 (62.96)	20059 (13.55)	33260 (22.46)
3	marginal	65250	64950 (100)	300 (0.45)	650 (1.00)	13210 (20.33)	44325 (68.26)	6765 (10.42)
4	overall	427800	425750 (100)	2050 (0.48)	4258 (1.00)	298291 (70.06)	71951 (16.81)	51250 (12.03)

Note: figures in parenthesis shows percentage

The above table reveals that on an average basis 427800 of standard apple boxes were

available for sale from the sampled growers. The overall disposed rate was

calculated to be approximately 0.48 percent. The rest of apple boxes were available for marketing for different channels.

### **Marketing channels and sale:**

The length of the marketing channels always depend on the nature of the product as well as the quality of the product marketing channels involves the transfer of goods from the place of production to the place of consumption. It involves middle man/intermediaries who facilitate the flow of products from production point to ultimate consumption point (consumers).

#### **Channel 1: G-C (Grower-consumer)**

In this channel there is a direct connection between producer and consumer and there is no role of intermediaries in this channel in the distribution of apple. In such a channel, the producer enjoys a lion's share in the price whatever the consumer paid. In the above table it has been found that large, small and marginal growers dispose off only 1 percent of their apple boxes through this channel.

#### **Channel 2: G-C-W-R-C (Grower-Commission agent-Wholesaler-Retailer-Consumer)**

The most common approach adopted in apple marketing is through this channel.

The price of apple is raised in this channel due to the involvement of intermediaries and their margins. Due to this the producers profit is reduced and the reduced portion of profit goes in the pockets of these intermediaries. In terms of percentage the large small and marginal growers sold their produce at 90.16%, 62.96% and 20.33% respectively. On the average basis the overall sale through this channel has been recorded 70.06%.

#### **Channel 3: Grower-F-C-W-R-C (Grower- Forwarding agent-Commission agent-Wholesaler-Retailer-Consumer)**

Marginal kind of apple growers mostly prefer this type of channel followed by the small growers. From the above it has been observed that marginal growers have sold 68.26% and small growers has sold 13.55% through this channel.

#### **Channel 4: Grower-PH-C-W-R-C (Grower- Pre-harvester-Commission agent- Wholesaler-Retailer-Consumer)**

These contractors are usually financed by the forwarding (commission) agents on the understanding that produce would be marketed through them only to those who are well to do. However, the contractors do not depend upon the forwarding agents all the time; they sell and export the produce

to distant terminal markets themselves. In the above table 1 on the average basis 5.27%, 22.46%, 10.42% of apple boxes sold by different growers (large, small and marginal) respectively through this channel. In the above table 1 on the average basis 5.27%, 22.46%, 10.42% of apple boxes sold by different growers (large, small and marginal) respectively through this channel. On an overall average basis only 12.03% of apple boxes was sold through this channel. It is so

because this channel is full of defects and the producer does not have any particular information about the real value of his produce.

#### **Price spread of apple (per standard box)**

Market margins are often used to work out the efficiency of marketing system and traders. Market margins are price spread comprises of two elements (1) explicit costs paid for the performance of various marketing functions and (2) profit of the market intermediaries.

Table 2: Price spread of apple through different channels in J&K (Per standard box)

Particulars	G-C	G-C-W-R-C	G-F-C-W-R-C	G-PH-C-W-R-C
Net price received by producer	700	600 (61.03)	550 (56.81)	490 (50.35)
Cost incurred by wholesaler				
Commission to commission agent	-	60 (6.100)	60 (6.19)	60 (6.16)
transport	-	15 (1.52)	15 (1.54)	15 (1.54)
Godown charges	-	18 (1.83)	18 (1.85)	18 (1.84)
Telephone charges	-	2 (0.20)	2 (0.20)	2 (0.20)
labour	-	4 (0.40)	4 (0.40)	4 (0.40)
Margin of wholesaler		105 (10.68)	105 (10.84)	105 (10.79)
margin of forwarding	-	-	35 (3.61)	-

agent				
Margin of pre harvester	-	-	-	100 (10.27)
Expenses of retailer				
transport		25 (2.54)	25 (2.58)	25 (2.56)
Godown	-	20 (2.03)	20 (2.06)	20 (2.05)
Telephone	-	2 (0.20)	2 (0.20)	2 (0.20)
labour	-	7 (0.71)	7 (0.72)	7 (0.71)
Margin of retailer	-	125 (12.71)	125 (12.91)	125 (12.84)
Price paid by consumer	700	983	968	973
producers share in consumer rupee	100	61.03	56.81	50.35

Note: figures in parenthesis shows average

Table 2 reveals that there is no scope for the market of intermediaries in the channel 1 the Grower and consumer, both deals directly with each other in other words we can say that the producers share in consumer's price is 100%.

By marketing through channel 2 (G-C-W-R-C) 70% of the apple boxes were disposed off in this channel three intermediaries- commission agent, wholesaler and retailer have come in to picture as table 2 depicts that the growers share in the price paid by the consumer has reduced to 61.03%. This channel insured regular cash inflows. The profit share of

grower reduced due to the entry of intermediaries.

Through channel 3 (G-F-C-W-R-C) The producer sold only 16.89% of their apple boxes. In this channel the profits of growers are reduced more than former channel as the involvement of fourth middle person in this channel.so producer receives only 56.81% of consumer's rupee

Through channel 4 (G-PH-C-W-R-C) the producer sold 37.80% of their apple boxes. In this type of channel the producer receives less amount so far the channel second and third is concerned. It is due to the involvement of pre-harvester

contractor which feeds away more commission as compared to forwarding agent. In such type of marketing channel only 50.35% of the price out of the consumers paid has been received by grower.

### Marketing efficiency

Efficiency of marketing of any product is worked out by the size of share which the producer receives from the price paid by the consumer. The relationship between

the producers and the consumer's price is known as price spread. In other words price spread refers to the difference between the price paid by the consumer and the price received by the producer. It consists of various components of marketing cost and the margins of intermediaries which ultimately reflect the overall effectiveness of marketing system. In nut shell it explains the variance between the prices received by the producer and paid by the consumer.

s.no	Particulars	channels			
		1	2	3	4
1	Producers price	700	600	550	490
2	Producers share n consumers rupee	100	61.03	56.81	50.35
3	Marketing cost	-	153	188	253
4	Consumer's price	700	983	968	973
5	Marketing efficiency	0.00	250.32	222.34	190.90

From the above table it has been observed that channel 2 is the most efficient channel followed by the channel 3, 4 and one in order. In channel 2 and third the involvement of forwarding agent and pre-harvester in this channel increases the marketing cost of due to which Growers share in consumers rupee get reduced. The grower receives only 56.81% and 50.35% share of consumer's rupee in channel 3rd

and 4th . The growers share in consumer rupee has been found slightly better in channel 2. as for as marketing efficiency is concerned, it may be noted that channel 2 is most efficient, followed by channel 3, 4 and 1.

### V. Conclusion

From this study it has been found that in the marketing of apple four channels are operating

in district Shopian viz, direct channel (P-C), commission agents channel (P-C-W-R-C), forwarding agents channel (P-F-C-W-R-C) and pre-harvesters channel (P-PH-C-W-R-C). On an overall basis 70.06% of sampled growers produce has been marketed through the commission agents channel and 16.81% through forwarding agents channel only 1% through direct channel. In the direct channel the producer receives all the share of consumer's price. By marketing through second channel (P-C-W-R-C) producer receives 61.03% share of consumer's rupee. In the channel fourth the producer receives only 50.35 of consumer's rupee. In this study it has been found that the marketing costs are very high in channel 4 and least in channel 2. This is due to the involvement of pre-harvester in the said channel that reduces the share of producer. Among all the channels except direct channel there is not much difference in the prices paid by the consumer but the marketing cost exceeds due to the entry of forwarding agent and pre-harvester. As far as the efficiency of marketing is concerned, the most efficient channel is channel 2 followed by 1, 3, 4.

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