



**Research Paper**

# Marketing cost and price spread for spider lily in south Gujarat

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**ABSTRACT :** This study was conducted for estimation of marketing cost, marketing margin and price spread through different marketing channels of spider lily in South Gujarat region. The primary and secondary data was collected for year 2015-16. The flower market of Surat and Valsad were selected. Five village level wholesalers, five commission agent cum wholesalers, ten retailers and 140 spider lily producers were selected for present study. Two major marketing channels were identified for the spider lily flowers *i.e.* Channel-I: Producer → Retailer → Consumer and Channel-II: Producer → Village level wholesaler → Wholesaler cum commission agent → Retailer → Consumer. The net price realization for was found higher in Channel-II (Rs. 31.15/kg) as compared to Channel-I (Rs. 28.45/kg). The major constraint related to marketing of spider lily flowers were high perishability of flower buds, low price of produce, absence of regulated market for flowers, high cost of transportation and high margin of middleman.

**KEY WORDS :** Spider lily marketing channels, Marketing cost, Marketing margin price spread

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## INTRODUCTION :

Flower production, consumption and trade have been growing more folds in recent years. Floriculture has finally begun to form an important component of commercial agriculture and with the increasing awareness of its potential, more and more people are getting associated with flora business. Since last two decades there is increasing demand and supply of various types of flowers. As far as the floriculture is concerned Tamil Nadu, Karnataka, Andhra Pradesh, West Bengal, Maharashtra, and Gujarat are the major developed states. India with a population of over a billion is a big market. Domestic flower industry is growing at an annual growth rate of 7-

8 per cent with flower consumption rate 7-10 per cent (Anonymous, 2014). Although, spider lily is not yet regarded as a major loose flower crop of India, it has attained an enviable position in the loose flower basket of South Gujarat.

Marketing of flowers is highly challenging, complex and sophisticated task. It is much more critical for better performance in floriculture than farming due to its absolute commercial nature. Considering the perishable nature and bulkiness, the profitability depends upon how marketing of spider lily is undertaken by the producers. Marketing included all the functions involved in movement of flowers commodities from the producer to the ultimate consumers. Therefore, different aspects of marketing

viz., marketing function, marketing channels, marketing cost and margins etc. were studied and results were presented.

## MATERIALS AND METHODS :

The study was conducted in South Gujarat region. The flower market of Surat and Valsad were selected as these markets are near to production area. To study marketing cost, margins and channels of marketing the no. of market functionaries viz., five village level wholesalers, five commission agent cum wholesalers and ten retailers were selected according to the major channel found in marketing of spider lily by the 140 respondents.

The schedule was designed for collecting information from different market functionaries of selected market. The primary data was collected by survey method adopting personal interview of the market functionaries with the help of framed survey schedule.

The producer's share, marketing costs and margins of different middle-men in the marketing of Spider lily crop was worked out for the identified channels. Opinions of the respondents regarding the problems of spider lily flowers marketing were collected. A simple tabular analysis has been done.

### Price-spread :

The producer's share, marketing costs and margins of different middle-men in the marketing of pointed gourd crop was worked out for the adopted channels using the formula :

$$P_s = \frac{P_f}{P_c} \times 100$$

where,

$P_s$  = Producer's share in consumer's rupee.

$P_f$  = Price of the produce received by the farmer.

$P_c$  = Price of the produce paid by the consumer.

### Total cost of marketing:

The total cost incurred on marketing of pointed guard by the farmers and the intermediaries involved in the process of marketing was calculated as:

$$C = C_f + C_{m1} + C_{m2} + C_{m3} + \dots + C_{mn}$$

where,

$C$  = Total cost of marketing.

$C_f$  = Cost paid by the producer in marketing of pointed

guard.

$C_{mi}$  = Cost incurred by the  $i^{th}$  middlemen in the process of marketing.

### Marketing margin:

The absolute and percentage margin of middle men involved in the marketing of pointed gourd were be calculated as:

#### Absolute margin of $i^{th}$ middlemen ( $A_{mi}$ ):

$$= P_{Ri} - (P_{pi} + C_{mi})$$

#### Percentage margin of $i^{th}$ middleman:

$$= \frac{P_{Ri} - (P_{pi} + C_{mi})}{P_{Ri}} \times 100$$

where,

$P_{Ri}$  = Sale price of the  $i^{th}$  middlemen.

$P_{pi}$  = Purchase price of the  $i^{th}$  middlemen.

$C_{mi}$  = Marketing cost incurred by  $i^{th}$  middlemen.

## RESULTS AND DATA ANALYSIS :

From the study it was revealed that packaging, transportation and selling were the main marketing functions involved in the process of marketing of spider lily flowers. There were two major marketing channels patronized for marketing of spider lily in the study area.

Channel-I: Producer → Retailer → Consumer (Valsad) and

Channel-II: Producer → Village level wholesaler → Wholesaler cum commission agent → Retailer → Consumer (Navsari and Surat).

### Marketing cost:

*Marketing cost incurred by producer:*

A close perusal of Table 1 revealed that the total marketing cost borne by producers for spider lily flowers were Rs. 2.75 per kg (Channel-I) and Rs. 2.65 per kg (Channel-II). In Channel-I, among the various cost components, transportation cost occupied the highest share of 44 per cent of total marketing cost incurred by the producer, followed by market fee (22 %), packaging cost (18 %) and miscellaneous charges (16 %). In Channel-II the major cost was transportation cost (57 %) followed packaging cost (32 %) and miscellaneous charges (11 %).

**Marketing cost incurred by village level wholesaler:**

The total marketing cost borne by village level wholesaler (Channel-II) was Rs. 1.2 per kg. The share of major cost component was losses due to spoilage (50 %), marketing fees (38 %) and miscellaneous charges (12 %) of total marketing cost incurred by village level wholesaler.

**Marketing cost incurred by the wholesaler cum commission:**

The total marketing cost incurred by the wholesaler cum commission agents was Rs. 2.05 per kg and the share of significant component of the cost was losses due to spoilage (51 %). The other expenses incurred were market fees (24 %), grading and packaging (15 %) and miscellaneous charges (10 %) of total marketing cost

incurred by wholesaler cum commission agents.

**Marketing cost incurred by retailers :**

The total marketing cost incurred by retailers in Channel-I was Rs. 3.35 per kg. The breakup of the share of cost components at retailer level indicates that the transportation cost ranked first which accounted as 30 per cent of total marketing cost, followed by losses due to spoilage (31 %), packaging charges (27 %) and miscellaneous charges (12 %) also. In Channel-II retailer incurred Rs. 3.5 per kg. Similar trend for cost component was also observed in Channel-II.

**Price spread and producer's share in consumer's rupee :**

The cost, margin and price spread in marketing of spider lily through Channel-I and Channel-II were

<b>Table 1: Marketing cost incurred by producer and market functionaries in marketing of spider lily flowers</b>					<b>(Rs./kg)</b>	
Sr. No.	Particulars	Channel I	Per cent of total cost	Channel II	Per cent of total cost	
<b>Marketing cost incurred by producers</b>						
1.	Grading and Packing	0.50	18	0.85	32	
2.	Transportation	1.20	44	1.50	57	
3.	Market fee	0.60	22	-	-	
4.	Miscellaneous charges	0.45	16	0.30	11	
	Sub total	2.75	100	2.65	100	
<b>Marketing cost incurred by village level wholesalers</b>						
1.	Market fees	-	-	0.45	38	
2.	Spoilage	-	-	0.60	50	
3.	Miscellaneous charges	-	-	0.15	12	
	Sub total	-	-	1.20	100	
<b>Marketing cost incurred by wholesaler cum commission agents</b>						
1.	Grading and packing	-	-	0.30	15	
2.	Market fee	-	-	0.50	24	
3.	Spoilage	-	-	1.05	51	
4.	Miscellaneous charges	-	-	0.20	10	
	Sub total	-	-	2.05	100	
<b>Marketing cost incurred by retailers</b>						
1.	Transportation cost	1.00	30	1.20	34	
2.	Packing charges	0.90	27	0.65	19	
3.	Spoilage	1.05	31	1.10	31	
4.	Miscellaneous charges	0.40	12	0.55	16	
	Sub total	3.35	100	3.50	100	

Source: Field survey

presented in Table 2.

The total marketing cost incurred by different functionaries in Channel-I and Channel-II were accounted to Rs. 6.1 and Rs. 9.4 per kg which was 12.92 per cent and 15.22 per cent of the consumer's price, respectively. The similar phenomenon was also observed in the study conducted by Jagtap *et al.* (2009) and Kumar *et al.* (2013) on marigold. The total marketing margin received by various functionaries in Channel-I and Channel-II were estimated to Rs. 12.65 and Rs. 21.2 per kg which accounted to 18.08 and Rs. 30.60 per kg of spider lily flowers. In Channel-I, spider lily farmers sold their produce directly to retailers at Rs. 31.2 per kg of spider lily. The retailer incurred marketing cost of Rs. 3.35 per kg with profit margin Rs. 12.65 per kg. The producer's share in consumer's rupee was 60.28 per cent with net price received of Rs. 28.45 per kg.

In Channel-II, producers sold spider lily flowers through village level wholesalers at price of Rs.33.8 per kg of spider lily. The village level wholesalers paid of Rs.1.2 per kg and earned profit margin of Rs. 2.7 per kg. The wholesaler cum commission agents purchased spider lily flowers from the village level wholesalers at Rs. 37.7 per kg and sold to retailer at Rs. 46.35 per kg. In this process wholesalers incurred cost of Rs. 2.05 per kg with profit margin of Rs. 6.6 per kg. The retailers sold spider lily flowers to consumers at Rs. 61.75 per kg and incurred cost of Rs. 3.5 per kg and received profit margin of Rs.11.27 per kg. The producer's share in consumer's rupee was estimated to 50.45 per cent with net price of Rs. 31.15 per kg of spider lily flowers.

The foregoing analysis indicated that producer got the higher share in consumer's rupee per kg in Channel-I as compared to Channel-II. But net price received by

Particulars	Channel	
	Channels-I	Channels-II
Net price received by producers	28.45 (60.28)	31.15 (50.45)
Marketing cost incurred by producer	2.75 (5.83)	2.65 (04.29)
Sale price of producer/ purchase price of village level wholesaler	-	33.80 (54.74)
Marketing cost incurred by the village level wholesaler	-	1.20 (1.94)
Village level wholesaler margin	-	2.70 (4.37)
Sale price of village level wholesaler/ purchase price wholesaler cum commission agent	-	37.7 (61.05)
Marketing cost incurred by the wholesaler cum commission agent	-	2.05 (3.32)
Wholesaler cum commission agent margin	-	6.60 (10.69)
Sale price of wholesaler cum commission agent / purchase price retailer	31.20 (66.10)	46.35 (75.06)
Marketing cost incurred by retailer	3.35 (7.10)	3.50 (5.67)
Retailers margin	12.65 (26.80)	11.90 (19.27)
Retailer selling price/ consumer's purchase price	47.20 (100.00)	61.75 (100.00)
Total marketing costs	6.10 (12.92)	9.40 (15.22)
Total marketing margins	12.65 (26.80)	21.20 (34.33)
Price spread	18.08 (39.72)	30.60 (49.55)

Figures in parenthesis indicate percentage to consumer's price **Source:** Field survey

Sr. No.	Constraints	Frequency	Per cent	Rank
1.	High perishability	136	97.14	I
2.	Low prices	118	84.29	II
3.	Absence of regulated markets	115	82.14	III
4.	High cost of transportation	109	77.86	IV
5.	High margin of middleman	103	73.57	V
6.	Distant market	82	58.57	VI
7.	Lack of transportation facilities	64	45.71	VII

**Source:** Field survey

producer in Channel-II was higher than Channel-I. This was mainly due to a very little quantity of the produce was sold through Channel-I and lower price offered by the retailers to the spider lily growers. These results are on conformity with the results obtained by Vanishree (2007).

### Bottlenecks in production and marketing:

The Table 3 revealed that, over 97.14 per cent of the respondents opined that high perishability of flower buds were major problem in marketing of spider lily flower buds. More than 84 per cent of the farmers expressed that low price of produce was also one of the major problems. Absence of regulated market for flowers was another constraint which was expressed by 82.14 per cent of the respondents. Regarding transportation, 77.86 per cent of the respondents expressed that they have to pay high cost of transportation.

Other problems felt by the respondents were high margin of middleman (73.57 %), distant market (58.57 %) and lack of transportation facilities (45.71 %) Similar types of marketing problems were observed by Ghadge *et al.* (2010) on cut flowers and Verma *et al.* (2013) on marigold.

### Conclusion and policy implication:

The study revealed that Surat and Valsad flower market have emerged as the most important centre for marketing of Spider lily flowers in the area under study.

The producer's share in consumer's rupee was found higher in channel-I as compared to Channel-II but net price received by the producer was highest in Channel-II as compared to channel-I. Several bottlenecks were identified in marketing of spider lily flowers. Major of them were high perishability of flower buds, low price of produce, absence of regulated market with latest technologies for flowers and high cost transportation etc. Thus, establishment of modern regulated market along

with cold storage facilities in nearby areas will go a long way in enhancing the income of the farmers. Higher marketing efficiency and better return to producers through direct marketing is a clear indicator for developing farmer's market in the region. This will also increase competition in flower marketing for benefit of both producers and consumers.

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