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An Economic Analysis of Marketing of Tobacco (Flue Cured Virginia) in West Godavari District of Andhra Pradesh

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ABSTRACT

The study is an analysis of price spread, producer's share in consumer's rupee and marketing efficiency of Fcv tobacco in Andhrapradesh state. The study was carried out in West Godavari district of the state. A multistage sampling technique was employed to select the market functionaries from whom information were collected and analyzed. The data were collected using well structured questionnaires from three different marketing channels Channel-I: Producer- Consumer, Channel-II: Producer- Village merchant/Retailer- Consumer, Channel-III: Producer- Wholesaler/Commission agent-Retailer/Village merchant- Consumer. Then the data is analyzed using tabulation method along with statistical tool.

Keywords: Tobacco, Price spread, Producer's share in consumer's rupee, Marketing efficiency.

INTRODUCTION

Tobacco is one of the economically and commercially significant agriculture crops in the world. It is drought tolerant, hardy of short duration crop which can be grown on soils where other crops cannot be cultivated profitably. Tobacco is the common name of the plant *Nicotianatabacum* Tobacco Nicotiana tabacum, is an herbaceous annual or perennial plant in the family solanacae grown for its leaves. The tobacco plant has a thick, hairy stem and large, simple leaves which are oval in shape. The tobacco plant produces white, cream, pink or red flowers which grow in large clusters, are tubular in appearance and can reach 3.5-5.5 cm (1, 25-2 in) in length. Tobacco may reach grown as a manual, surviving only one growing season. Tobacco may also be referred to as Virginia tobacco or cultivated tobacco and originates from South America. Bidi, pipe and hookah. Currently, Indian tobacco is exported to more than 80 countries spread over all the continents. Around 0.25% of India's cultivated land is being used for tobacco production.

Tobacco is cultivated in an area of 0.4 million ha producing annually around 700 million kg of cured leaf out of which 260 M kg is Flue-Cured Virginia tobacco (cigarette type). The other types are Bidi, Hookah and Chewing, Cigar filler, Cigar Wrapper, Cheroot, Burley, Oriental HDBRG, Lanka etc. Tobacco is consumed in the form of cigarettes, cigar, and cheroots.

It provides employment directly and indirectly to 38 millions of people. As a commercial crop, tobacco forms an important item in the Indian export basket. FCV tobacco accounts for around 85 per cent of total tobacco exports. Andhra Pradesh 99 per cent of total FCV tobacco production in India. Increasing productivity and thereby reducing costs will greatly enhance the competitiveness of tobacco industry both globally as well as in the domestic market. The flue-cured Virginia tobacco is now an essential ingredient of cigarettes all over the world. The main objective of this paper is to study cost and return per hectare and input output ratio of different size of farm groups and to estimate disposal pattern and marketable surplus of tobacco in different size of farm groups.

RESEARCH METHODOLOGY

The study was conducted in West Godavari district of Andhra Pradesh which is one of the 13 districts of Andhra Pradesh. West Godavari district comprises of 46 blocks among that 2 blocks i.e, Devarapalli and Koyalagudam blocks were selected for this study. From that 2 blocks 5% village's viz., Yeranagudem, Sangayagudem, Ponguturu, Gavaravarm, Bayyangudem, Gandhi Nagaram, were selected. A list of all tobacco farmers/respondents is prepared with the help of head of the village tobacco board auction or head of each selected villages in both block, there after farmers/respondents is categorized in 3 size groups on the basis of their land holding and then from each village 10% farmers were selected randomly from all the different size of farm groups. Data for the study was collected from 100 farmers randomly (i.e) 50 small farmers, 35 medium farmers and 15 large farmers. Tabulation method is used for analysis of data along with required statistical tool for the interpretation of the result.

RESULTS AND DISCUSSION

The study was conducted in West Godavari district of Andhrapradesh. The necessary data were collected from the market functionaries in above mentioned district. The present chapter is going to tell about the results and discussion for various objectives. The chapter is arranged in different sub-sections according to objectives of the study.

- To work out price spread, producer's share in consumer's rupee and marketing efficiency in different existing marketing channels

Marketing channels:
There are three marketing channels for the fcv tobacco marketing in West Godavari district given below.

Channel-I: Producer- Consumer

Channel-II: Producer- Village merchant/Retailer- Consumer

Channel-III: Producer- Wholesaler/Commission agent- Retailer/Village merchant- Consumer

Table 1: Comparison of total marketing cost, total marketing margin, price spread, producer share in consumer rupee (%) and marketing efficiency in three different channels. Value (Rs/quintal)

S. No.	Particulars	CHANNEL-1	CHANNEL-2	CHANNEL-3
1	Producer sale price	3700	3700	4700
2	Cost incurred by the producer			
	Packing cost	5 (0.16)	5 (0.13)	5 (0.13)
	Packing material cost	7.5 (0.24)	7.5 (0.20)	7.5 (0.19)
	Transportation cost	20 (0.65)	20 (0.55)	20 (0.53)
	Market cost	8 (0.26)	8 (0.22)	8 (0.21)
	Labour cost	5 (0.16)	5 (0.14)	5 (0.13)

	Loading and unloading charges	10 (0.32)	10 (0.27)	10 (0.26)
	Weighing charges	5 (0.16)	5 (0.13)	5 (0.13)
	Miscellaneous charges	3 (0.09)	3 (0.08)	3 (0.08)
	Total cost	63.5 (2.05)	63.5 (1.73)	63.5 (1.69)
3	Net price received by producer	4640.5 (80.21)	4640.5 (67.94)	4640.5 (65.99)
4	Sale price of producer to commission agent	5985 (100)	5985 (84.70)	5985 (82.27)
5	Cost incurred by the commission agent			
	Loading and unloading charges	10(0.32)	10(0.27)	10 (0.26)
	Packing cost	5(0.16)	15(0.13)	5 (0.13)
	Market fee	8(0.26)	8(0.22)	8 (0.21)
	Commission of trader	–	–	–
	Losses & Miscellaneous charges	3(0.39)	5(0.13)	5(0.13)
	Total cost(i-v)	63.5 (2.05)	60 (1.64)	58 (1.54)
6	Margin of commission agent	–	–	–
7	Sale price of commission agent to wholesaler	5800(100)	5465(84.7)	5985(100)
8	Cost incurred by wholesaler			
	Weighing charges	5(0.16)	5(0.13)	5(0.13)
	Loading and unloading charges	10(0.32)	10(0.27)	10(0.26)
	Town charges	-	25(0.68)	25(0.66)
	Carriage up to shop	–	15(0.41)	15(0.40)
	Miscellaneous charges	8(0.26)	5(0.13)	5(0.13)
	Total cost	20(0.65)	60(1.64)	60(1.59)
9	Wholesalers Margin	–	–	–
10	Sale price of wholesaler to consumer	3700	5465	6650(100)
11	Price spread	88(17.74)	1224.5(30.33)	1659(32.32)
12	Consumer paid price	5436	6400	6650
13	Producer share in consumer rupee	85.9	71.17	70.64
14	Marketing Efficiency (in %)	64.7	5.17	4

Above table shows that marketing cost, marketing margin, and price spread for channel I. No intermediaries were identified through which tobacco reaches to the consumer's. The producer sells his produce to the consumer. Marketing cost when producers sold their produce to consumer in the market was Rs.88/quintal. Net price received by the producer is 1500/quintal. Producer share in consumer price was 97.5 per cent. Price spread is Rs.88. Marketing efficiency was 64.7 per cent.

Channel II. Two intermediaries were identified through which tobacco reaches to the consumer's i,e. Traders, Retailers. This is the channel among two identified channels. The producer sells his produce to the traders, and traders who in turn sell it to it to retailers in the market. Finally the produce reaches to consumers after collecting margin. Marketing cost when producers sold their produce to traders was Rs.59.5/quintal. Among these cost transportation charges was most important which accounted for Rs.20/quintal, followed by loading and unloading cost Rs.10/quintal, market cost Rs.8/quintal, labour cost was Rs.2/quintal and miscellaneous cost Rs.2/quintal respectively. Sale price of the producer to traders was Rs.3700/quintals inn different farms size group.

The trader margin was estimated to be 564.25 per cent and the retailer's margin was 577 per cent of the consumer paid price. Producer share in consumer price was 71.17. Price spread was Rs.1224.5 of consumer paid price. Marketing efficiency was 5.17 percent.

Channel III. Three intermediaries were identified through which FCV tobacco reaches to the consumer's i,e. cooperatives, commission agents/ wholesalers and Retailers. The producer sells his produce to the cooperatives who in turn sell it to commission agent/wholesalers and who in turn sell it to retailers in the market. Finally the produce reaches to consumers after collecting margin. Marketing cost when producers sold their produce to cooperatives in the market was Rs.59.5/quintal. Among these cost transportation charges was most important which accounted for Rs.20/quintal, followed by loading and unloading cost Rs.10/quintal,

market cost Rs.8/quintal, package material cost Rs.7.5/quintal, packing cost Rs.5/quintal and weighing charges Rs.5/quintal respectively. Sale price of the producer to traders was Rs.5050/quintals inn different farms size group.

The cooperative margin was estimated to be Rs.4700, commission agent/ wholesaler's margin was estimated to be Rs.466.5 and the retailer's margin was Rs.617 of the consumer paid price. Producer share in consumer price was 70.69. Price spread was Rs.1659 of consumer paid price. Marketing efficiency was 4.00 percent.

Table 2: Comparison of total marketing cost, total marketing margin, price spread, producer's share in consumer's rupee(%) and marketing efficiency in three different channels:

Sl. No	Particulars	Channel-I	Channel-II	Channel-III
1	Total marketing cost	97.5	123.25	150.5
2	Total marketing margin	0	564.25	617
3	Price spread	88	1224.5	1659
4	Producer share in consumer rupee (%)	85.9	71.17	70.67
5	Marketing efficiency	64.7	5.17	4

Table 2. Reveals that total marketing cost in channel-I was Rs.97.5/quintal, price spread Rs.88/quintal, producer share in consumer rupee 85.9, marketing efficiency 64.7 percentage and there is no total marketing margin respectively.

The total marketing cost in channel-II was Rs.123.25/quintal, total marketing margin Rs.564.25/quintal, price spread Rs.1224.5/quintal, producer share in consumer rupee 71.17 and marketing efficiency 5.17 percentage.

The total marketing cost in channel-III was Rs.150.5/quintal, followed by total marketing margin Rs.617/quintal, price spread Rs.1659/quintal, producer share in consumer rupee 70.67 and marketing efficiency 4 percentage.

ANOVA

Source	d.f.	S.S.	M.S.S.	F. Cal.	F. Tab. 5%	Result	S. Ed. (±)	C.D. at 5%
Channel	2	1035440.78	517720.39	2.77090144	4.46	**NS**	352.932	728.452
Particular	4	2689491.14	672372.79	3.598619543	3.84	**NS**	273.380	564.257
Error	8	1494734.92	186841.86	-	-	-	-	-
TOTAL	14		-	-	-	-	-	-

In the above ANOVA table,in due to size group degrees of freedom is 2, sum of squares is 1035440.78, mean sum of squares is 517720.39, F. Calculated value is 2.7090144, F. tabulated value @ 5% is 4.46, result is not significant, standard deviation is 352.932 and critical difference is @ 5% is 728.452. In due to particulars, degrees of freedom is 4, sum of squares is 2689491.14, mean sum of squares is 672372.79, F. Calculated value 3.598619543,

F. tabulated value @ 5% is 3.84, result is non significant, standard deviation is 273.380 and critical difference is 564.257. In error, degrees of freedom are 8, sum of squares is 1494734.92 and mean sum of squares is 186841.86.

CONCLUSION

Among the three marketing channels identified in Devarapalli regulated market, the Channel-

III, i.e. Producer-Wholesaler-Retailer-Consumer was found more popular in marketing of tobacco. The prices of tobacco have not influenced by the arrivals in Devarapalli market. The maximum prices of tobacco were observed during the month of April. Thus, the sellers prefer these months for selling of tobacco in Devarapalli market.

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