

Marketing and Market Structure for Grapes in Dindigul Division - Madurai District

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A study was conducted to find out the existing market structure and marketing practices for grapes. It was revealed that 72 per cent of the farmers were selling grapes by the contract sale. Marketing margin of the whole salers was 15.52 out of 46.67 per cent of marketing cost exclusive of all other charges met. The whole salers were able to exploit both producers and retailers.

With the extension of area under grapes economic importance, particularly the market facilities are assuming greater importance. The market system prevalent for grape is weak and more conducive for the intermediaries to play major roles. In the present study an attempt is made to study the market structure and price spread in the marketing of grapes.

MATERIAL AND METHODS

Dindigul Division was purposively selected for the study. A list of grape growing villages in each of the three selected blocks was prepared and a total of 60 farmers was selected from 10 villages by random sampling method. For studying the market structure all the wholesalers and 10 per cent of the retailers were interviewed. The study was conducted in the year 1974-75.

RESULTS AND DISCUSSION

Producer farmers sell their produce either directly to the wholesalers at

Dindigul or through commission agents at Madurai. The wholesalers themselves do commission business also. Entire process of assembling, grading and packaging is done by them. They arrange the supply to distant places through lorry and rail services. Kodai Road, Vellodu and Dindigul are the important assembly markets doing whole sale business.

The wholesalers in Dindigul enter into contract with producers to buy grapes with field itself at negotiated prices and sell the same to outside agents. In principle, they should buy outright and have to sell at their risk. But however, when the price of grapes fall below the negotiated price, the wholesalers charge a commission as a percentage upto ten percent of the value of produce sold by them from the producers. If the prices rule higher, they do not share the same with producers who are paid only the contracted price. So the name 'Commission agent' is a mis-nomer in respect of these wholesalers.

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Producers are in large numbers each supplying a small lot and so are retailers each selling small quantities. Therefore, both assembling market and retail trade appears to be competitive. Produce, by quality, is more or less homogeneous. However, produce differentiation by quantity, the immobility of buyers and sellers creates locational differentiation in retail trade. Therefore, in shandies and at retail level, the market is a *monopolistically competitive one*. This fact is supported by the performance of market at these level as judged from the variations in price. Estimated at the same place and at the same time, variation in farm harvest prices is presented in the Table I.

TABLE I. Difference in prices paid by the wholesale agents to producers/kg.

Name of Village	Average price paid by the		
	whole saler No.1	whole saler No.2	whole saler No.3
Ambathurai	2.00	2.25	2.00
Kelakottai	2.25	2.25	2.25
Munnalakottai	2.50	2.25	2.25
Panjampatty	2.50	2.75	2.50
Veerakkal	2.25	2.25	2.25
Adiyanoothu	2.00	2.50	2.25
Thottanoothu	2.50	2.50	2.50
Pallapatti	2.75	2.50	2.50
A.Velloodu	2.50	2.75	2.25
Deramathupatty	2.50	2.50	2.50
Average	2.38	2.40	2.30

The Table reveals that in the same village, there exists different prices for the same quantity of grapes purchased from the grape growers.

Therefore this price discrimination makes both primary and terminal (retail) markets monopolistically competitive. As the price noted is for the same variety, viz. 'Pannir drakshai' more or less of similar quality, difference is mainly due to other forms of differentiation earlier cited.

MARKET STRUCTURE

Wholesale market in grapes is more important for its structure. The fruit trade in the wholesale market was highly concentrated in the hands of few large buyers who set the tone of market. Since the short term supply was highly price in-elastic for perishables, it offered a scope for taking oligopsony gains. For the Dindigul centre, which records a transaction of about 1,300 tonnes on an average, per annum, there are only three wholesalers to buy the produce. This concentration of trade in a few hands makes the market imperfect and offers a good ground for exploitation to flourish. Therefore the performance of this market was studied in detail to know the basic structure of it.

First, the price spread was studied to know the share of producers, in the consumer rupee for sale through these wholesale market. Then it was compared with that for sale directly to the commission agents at Madurai who cater to the needs of the retailers. The study indicated that 66.67 per cent of total produce in the area of the study was received by the wholesalers at Dindigul, the balance sent to Kodai Road or Madurai directly. The estimates are furnished below (Table II).

TABLE II. Sales estimate

Particulars	Volume (tonnes)	Percentage to total sales
Sales through wholesalers at Dindigul	1,300.00	66.67
Sales elsewhere	649.85	33.33
Total sales	1949.86	100.00

Total sales and share of different agencies were projected from the sample data to the whole universe consisting of the whole universe consisting of three sample blocks on the assumption that the trend in the sample is a true estimate of that for the whole universe. The above Table indicates that the farmers prefer to sell through the wholesale merchants at Dindigul. This preference may be due to the proximity and convenience at Dindigul, or farmers indifferent to other sources resulting from his ignorance of availability of better sources outside or inertia or it may be due to inducements provided by the traders at Dindigul. A careful analysis of percentage of bound-sales where sale to a particular merchant is a binding condition for the advances received by the producers to the total sales, it was observed that more than 72 per cent of the farmers are under contract sale. Others sell to these merchants for reasons of convenience, long association and friendship and others. Therefore cultivation credit appears to be a binding force and a handy tool for the wholesalers to exploit the producers.

When the existence of a favourable market structure for exploitation was revealed by the study, attention was paid to measure the extent of exploitation atleast indirectly. The price spread estimated for sale through the wholesalers at Dindigul to the retail market at Madurai and for sales directly at Madurai revealed the following. Table III.

TABLE III. Sales at Dindigul and Madurai

Type of sale	Producers' share of consumers' rupees (Per cent)	Market cost (Per cent)
1. From sale through wholesalers at Dindigul	53.33	46.67
2. From sale directly to traders at Madurai	69.59	30.41

Since both the estimates represent all the costs that are involved between producer and the consumer, difference between them is only additional cost of wholesalers service at Dindigul. The market cost has increased by 16 per cent for this. Even after making reasonable allowance of - say 10 per cent of cost for all the services made by them and the trade risk, their share of profit is high. Therefore one conclusion that can be drawn is that the market is not competitive. It is oligopsony with three buyers only against innumerable sellers. But further analysis is necessary to determine the type of oligopsony. For the purpose, the weighted average price per unit of produce bought and sold by each of the merchants was studied. Details are presented in the Table IV.

TABLE IV. Volume of wholesale transactions and prices paid by wholesalers

Wholesalers	Volume of trade (Tonnes)	Percentage to total	Price paid per Kg. Rs	Percentage to mean price
1	145.60	36.80	2.12	102.41
2	125.20	31.71	2.06	99.62
3	124.00	31.41	2.00	96.62
Mean	—	—	2.07	100.00

It may be observed that the total sales by sample farmers i.e. 394.80 tonnes is more or less equally shared by the three wholesalers at Dindigul. The prices paid by them per kilogram of grapes do not differ from the mean price level per kilogram of grapes by more than five per cent in any case. Therefore, it may be concluded that there is

TABLE V. Price spread for one quintal of Pannir Drakshai Grape produced around Dindigul and marketed at Madurai - Distance of 45 KM

Particulars	For sale through wholesaler at Dindigul		For direct sale through Commission Agent at Madurai	
	Rs.	Percentage	Rs.	Percentage
Producers selling price	200.00	53.33	300.00	80.00
Cost of packages	—	—	1.25	0.33
Cost of loading and unloading	—	—	7.25	1.93
Transport charges	—	—	0.55	0.15
Commission charges	—	—	30.00	8.00
Purchasing price of wholesaler/ Commission agent or price obtained by producer	200.00	53.03	260.00	69.59
Cost of handling	18.50	4.93	—	—
Cost of packages	7.25	1.93	—	—
Cost of loading and unloading	0.80	0.22	—	—
Other charges like stall rent establishment charges	15.25	4.07	—	—
Wholesalers/Commission agents margin	58.20	15.52	39.05	10.41
Retailer margin	75.00	20.00	75.00	20.00
Consumers price	375.00	100.00	375.00	100.00
Different between producers net selling price and consumers purchase price	175.00	46.67	114.05	30.41

tacit collusion-formal or informal-among the wholesalers in market-sharing and pricing. Since there is no appreciable qualitative difference in produce sold, absence of market difference makes the market undifferentiated oligopsony.

Summing up, it may be stated that market-structure for grapes in the case of farm producer to wholesalers in assembling market in Dindigul is undifferentiated oligopsony while it is differentiated monopolistic competition in the dispensing market from wholesalers to consumers.

The price spread : In this study to estimate the price spread of grapes 60 farmers, 3 wholesale agents and 10 retailers were contacted. The lagged margin was followed to calculate the marketing cost.

The Table V reveals that the farmer who sold the grape in the wholesale market at Dindigul received 53.33 per cent of consumers rupee and the marketing cost was estimated at 46.67 per cent. Of the 46.67 per cent of marketing cost, the wholesalers margin alone amounted to 15.52 per cent, exclusive of all other charges met.

Another farmer who sold the produce at Madurai directly to the wholesale trader received 69.59 per cent of consumers rupee and the marketing cost was 30.41 per cent of the consumers money. The retailers margins are comparatively very high in the two consignment studied. This may be due to the fact that among middleman involved in the trade, the retailer have to bear the risk, spoilage and deterioration of quality and hence they usually fix high prices.