

# MARKETING MANAGEMENT OF PROCESSED SPICES PRODUCTS IN PUNE DISTRICT OF WESTERN MAHARASHTRA – A CASE STUDY

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## ABSTRACT

**Spices are the pearls of developing countries. India, known as the home of spices, boasts a long history of trading with the ancient civilizations of Rome and China. India has the largest domestic market for spices in the world. The annual production of spices in India is about 7.07 million tones and is exporting around 180 spices products in over 150 nations. The annual production in Maharashtra is about 0.37 million tones. The net share of Indian spices in world trade is about 35 percent.**

**The present study was undertaken for estimation of marketing costs, margins, price spread and to identify the different channels existing in marketing of selected processed products in selected processing industry.**

**The total marketing cost in channel-I accounted to Rs. 13.38, Rs. 16.18 and Rs. 18.98 per kg for Onion garlic masala, Garam Masala and Goda masala respectively. The total marketing cost incurred by the producer in Channel-II were Rs. 12.18, Rs. 14.68 and Rs. 18.43 whereas marketing cost incurred by the retailer were Rs. 18.00, Rs. 19.00 and Rs. 18.75 per kg for Onion garlic masala, Garam Masala and Goda masala respectively.**

**Producer's profit margin was Rs. 45.50, Rs. 68.22, Rs. 32.75 per kg in channel-I and Rs. 22.70, Rs. 39.72, Rs. 22.30 per kg in channel-II for Onion garlic masala, Garam Masala and Goda masala respectively. It was concluded that producer is getting more profit in Channel - I than the Channel - II due to no intermediaries. It was concluded that the producer's profit margin in channel-I was more than in channel-II. Producer's share in consumer's rupee was more in channel-I than in channel-II due to no intermediaries in channel-I.**

**KEY WORDS: Marketing channel, Price spread, Margins, Producer's share in Consumer's rupee.**

## INTRODUCTION

India, known as the home of spices, boasts a long history of trading with the ancient civilizations of

Rome and China. Today, Indian spices are the most sought-after globally, given their exquisite aroma, texture, taste and medicinal value. India has the largest domestic market for spices in the world. Spices are the pearls of developing countries.

Spices are the pearls of developing countries. Spices are demand in the industrialized world, the export of these basic agricultural commodities by India can be relied upon to earn valuable foreign exchange. India, blessed with agro-climatic zones, exports spices to 120 countries. At present, production is around 3.2 million tones of different spices valued at approximately 4 billion US \$, and holds a prominent position in world spice production.

The annual production of spices in India is about 7.07 million tones and is exporting around 180 spice products in over 150 nations. The annual production in Maharashtra is about 0.37 million tones. The total area under spices in India is 3.53 million hectares (Source: Spices Board of India, 2016-17). Total spices export from India stood at 947790 tones valued at US\$ 2.63 billion in the year 2016-17, registering a year-on-year growth of 6 per cent in value terms. The net share of Indian spices in world trade is about 35 percent. India accounts for about 45% of the global spice exports, though exports constitute only some 8% of the estimated annual production.

India has the largest domestic market for spices in the world. India is the world's largest producer, consumer and exporter of spices; the country produces about 75 of the 109 varieties listed by the International Organization for Standardization (ISO) and accounts for half of the global trading in spices. The Indian spice processing industry have the various problems like availability of standardized raw material, unscientific production method, negligence in training of personnel; obtaining finance, marketing problems etc. The Indian spice processing industry have bright future as agro processing units because India may be a big spice basket for majority of countries in the world as India is the largest producer and processor of spices.

The present study was undertaken for estimation of marketing costs, margins, price spread and

to identify the different channels existing in marketing of selected processed products in selected processing industry.

Keeping in view the increasing production, demand, daily need and high export of spices products, one spices processing unit was selected for the study with the following specific objectives.

**OBJECTIVES**

1. To identify the different marketing channels existing in the selected unit.
2. To study the marketing cost, profit margin and price spread for selected processed products.
3. To estimate the producer’s share in consumer’s rupee.

**METHODOLOGY:**

**1. Selection of Unit**

The small scale ownership based spices processing industry viz “M/s. Shreekant Masale” Chakan, Pune was purposively selected for the study. The data pertaining to the year 2016-17 were collected.

The selected unit was established in 1975. The Pune district where it is established is developing very fast in industrial production as well as information technology. As a requirement of professional peoples and with a view to tap the potential market in Maharashtra, mainly Pune, Mumbai and Nashik, Spices processing unit is established at Chakan village 25 km away from Pune.

**2. Collection of Data**

The primary information was obtained by personal interviews of owner, managers, supervisors and workers. The secondary information was obtained from the various records of the company. The data was collected related to the marketing channels, marketing cost, profit margin and price spread. The data was analyzed by simple tabular method and various statistical tools.

**3. Analytical Tools**

**i) Price Spread (PS) and Profit Margin (PM):** The price spread is referred to the difference between Producer’s Net Price (PNP) and Retailer’s Selling Price (RSP).

$$PS = RSP - PNP$$

In other words, it includes (i) the Total Cost of Marketing (TMC) incurred by producer and various market

intermediaries and (ii) the Net Profit (NP) incurred to the producer and intermediaries in the process of moving the produce from producer upto the consumer.

$$PS = TMC + NP$$

The Profit Margin (PM) is referred to the difference between Retailers Sale Price (RSP) and Producers Total Cost (PTC). Producer’s Total Cost includes Production Cost (PC) and Total Marketing Cost (TMC).

$$PM = RSP - PTC \text{ or } PM = RSP - (PC + TMC)$$

**ii) Producer’s share in the consumer’s rupee:** This refers to the producer’s net price expressed as percentage of the retailer’s sale price of the produce.

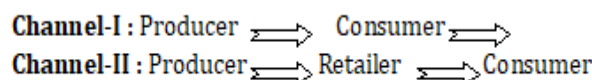
$$\text{Producer's share in Consumer's Rupee} = \frac{\text{Price received by the Company}}{\text{Price paid by the consumer}} \times 100$$

**RESULTS AND DISCUSSION**

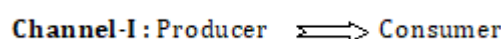
Shreekant Masale now employed more than 50 peoples and reached its customers through a network of 2000 retailers. Now they are having 27 outlets for customer’s belief and satisfaction.

A systematic analysis of costs and returns of various market functionaries involved in marketing of Onion Garlic Masala, Garam Masala and Goda Masala would help to know the various services rendered by these intermediaries and their economic performances in the marketing of these products. The price spread is one of the measures of market efficiency as it indicates the increase in the price of a commodity as it changes hands from intermediaries to another in the marketing set up. The price spread includes marketing costs incurred and profit margins obtained by various marketing intermediaries and producers. Apart from this, market integration was studied to understand the performance of marketing of these spices and the findings are discussed as under the following.

**A) Marketing Channels:** Following two marketing channels were used in the company for marketing of these spices.



**B) Marketing Cost, Profit Margin and Price Spread**



The company is having their own 27 outlets for customer's belief and satisfaction. The spices which were marketed in their own outlets, company was given 20% discount to the customers. VAT 5% was taken on consumers purchase price. The major items of the

marketing cost were VAT, advertisement and transportation costs. The total marketing cost in channel-I (Table 1) accounted to Rs. 13.38, Rs. 16.18 and Rs. 18.98 per kg for Onion garlic masala, Garam Masala and Goda masala respectively.

**Table 1: Marketing Cost of (i) Onion Garlic Masala (ii) Garam Masala (iii) Goda Masala**

Channel-I : Producer $\rightleftarrows$ Consumer							
Sr. No.	Particulars	Onion Garlic Masala		Garam Masala		Goda Masala	
		Rate (Rs/Kg)	Percent (%)	Rate (Rs/Kg)	Percent (%)	Rate (Rs/Kg)	Percent (%)
<b>1. Cost incurred by the Producer</b>							
1.	Advertisement Cost	1.18	8.82	1.18	7.29	1.18	6.22
2.	Transportation Cost	5.0	37.37	5.0	30.90	5.0	26.34
3.	VAT (5%)	7.2	53.81	10.0	61.81	12.8	67.44
<b>Total Marketing Cost</b>		<b>13.38</b>	<b>100</b>	<b>16.18</b>	<b>100</b>	<b>18.98</b>	<b>100</b>
Channel-II : Producer $\rightleftarrows$ Retailer $\rightleftarrows$ Consumer							
Sr. No.	Particulars	Onion Garlic Masala		Garam Masala		Goda Masala	
		Rate (Rs/Kg)	Percent (%)	Rate (Rs/Kg)	Percent (%)	Rate (Rs/Kg)	Percent (%)
<b>1. Cost incurred by the Producer</b>							
1.	Advertisement Cost	1.18	3.91	1.18	3.50	1.18	3.17
2.	Transportation Cost	5.0	16.57	5.0	14.85	5.0	13.45
3.	VAT (5%)	6.0	19.88	8.5	25.23	12.25	32.95
<b>Sub-Total</b>		<b>12.18</b>	<b>40.36</b>	<b>14.68</b>	<b>43.58</b>	<b>18.43</b>	<b>49.57</b>
<b>2. Cost incurred by Retailer</b>							
1.	Storage	5.0	16.57	5.0	14.85	5.0	13.45
2.	Loading & Unloading	5.0	16.57	5.0	14.85	5.0	13.45
3.	Transportation	5.0	16.57	5.0	14.85	5.0	13.45
4.	VAT (5%)	3.0	9.93	4.0	11.87	3.75	10.08
<b>Sub- Total</b>		<b>18.0</b>	<b>59.64</b>	<b>19.00</b>	<b>56.42</b>	<b>18.75</b>	<b>50.43</b>
<b>Total Marketing Cost</b>		<b>30.18</b>	<b>100</b>	<b>33.68</b>	<b>100</b>	<b>37.18</b>	<b>100</b>

- Percent indicates percentage in the total

**Table 2 : Profit Margin and Price Spread of (i) Onion Garlic Masala (ii) Garam Masala (iii) Goda Masala**

Channel-I : Producer $\rightleftarrows$ Consumer							
Sr. No.	Particulars	Onion Garlic Masala		Garam Masala		Goda Masala	
		Cost (Rs/Kg)	Profit Margin Rs. (%)	Cost (Rs/Kg)	Profit Margin Rs. (%)	Cost (Rs/Kg)	Profit Margin Rs. (%)
<b>I. Producer's Margin</b>			<b>45.50 (100)</b>		<b>68.22 (100)</b>		<b>32.75 (100)</b>
1.	Production cost per kg	85.12		115.60		204.27	
2.	Marketing cost incurred by Producer	13.38		16.18		18.98	
3.	Producer's total cost	98.50		131.78		223.25	
4.	Producer's sale price	144		200		256	

Channel-II : Producer $\rightleftarrows$ Retailer $\rightleftarrows$ Consumer							
Sr. No.	Particulars	Onion Garlic Masala		Garam Masala		Goda Masala	
		Cost (Rs/Kg)	Profit Margin Rs. (%)	Cost (Rs/Kg)	Profit Margin Rs. (%)	Cost (Rs/Kg)	Profit Margin Rs. (%)
<b>I. Producer's Margin</b>			<b>22.70 (35.08)</b>		<b>39.72 (39.44)</b>		<b>22.30 (28.39)</b>
1.	Production cost per kg	85.12		115.60		204.27	
2.	Marketing cost incurred by Producer	12.18		14.68		18.43	
3.	Producer's total cost	97.30		130.28		222.70	
4.	Producer's sale price	120		170		245	
<b>II. Retailer's Margin</b>			<b>42.00 (64.92)</b>		<b>61.00 (60.56)</b>		<b>56.25 (71.61)</b>
1.	Retailer's Purchase Price	120		170		245	
2.	Cost incurred by the Retailer	18.00		19.00		18.75	
3.	Retailer's Total Cost	138.00		189.00		263.75	
4.	Retailer's Sale Price	180		250		320	
<b>Total Profit Margin (Rs.)</b>			<b>64.70 (100)</b>		<b>100.72 (100)</b>		<b>78.55 (100)</b>
<b>III. Consumer's Purchase Price (Rs.)</b>		<b>180</b>		<b>250</b>		<b>320</b>	

- Figures in parenthesis indicates the percentage of the total

From the Table 2, it was observed that the MRP for Onion garlic masala, Garam Masala and Goda masala was Rs. 180, Rs. 250 and Rs. 320 per kg respectively. The production cost for Onion garlic masala, Garam Masala and Goda masala was Rs. 85.12, Rs. 115.60 and Rs. 204.27 per kg respectively. The producers sale price or consumers purchase price was Rs. 144, Rs. 200 and Rs. 256 per kg for Onion garlic masala, Garam Masala and Goda masala respectively by giving 20% discount on MRP at outlet centers.

Producers profit margin was Rs. 45.50, Rs. 68.22, Rs. 32.75 per kg in channel-I and Rs. 22.70, Rs. 39.72, Rs. 22.30 per kg in channel-II for Onion garlic masala, Garam Masala and Goda masala respectively. It was concluded that the producers profit margin in channel-I was more than in channel-II.

The Profit Margin (PM) per kg for the spices in Channel-I were as under (Table 2):

- (i) Onion Garlic Masala,  $PM = RSP - PTC = 144 - 98.50 = Rs. 45.50$
- (ii) Garam Masala,  $PM = RSP - PTC = 200 - 131.78 = Rs. 68.22$
- (iii) Goda Masala,  $PM = RSP - PTC = 256 - 223.25 = Rs. 32.75$

The Price Spread (PS) per kg for the spices in Channel-I were as under (Table 2):

- (i) Onion Garlic Masala,  $PS = TMC + NP = 13.38 + 45.50 = Rs. 58.88$
- (ii) Garam Masala,  $PS = TMC + NP = 16.18 + 68.22 = Rs. 84.40$
- (iii) Goda Masala,  $PS = TMC + NP = 18.98 + 32.75 = Rs. 51.73$

It was concluded that producer is getting more profit in Channel - I than the Channel - II was due to no intermediaries.

**Channel-II : Producer  $\rightleftarrows$  Retailer  $\rightleftarrows$  Consumer**

Table 1 revealed that the total marketing cost incurred by the producer in Channel-II were Rs. 12.18, Rs. 14.68 and Rs. 18.43 whereas marketing cost incurred by the retailer were Rs. 18.00, Rs. 19.00 and Rs. 18.75 per kg for Onion garlic masala, Garam Masala and Goda masala respectively. The major items of the marketing cost were VAT, advertisement, transportation, storage, loading and unloading costs.

The total Profit Margin (PM) per kg for the spices in Channel-II were as under (Table 2):

(i) Onion Garlic Masala,  $PM = RSP - (PC + TMC) :$

(ii) Garam Masala,  $PM = RSP - (PC + TMC) = 250 :$

(iii) Goda Masala,  $PM = RSP - (PC + TMC) = 320 :$

The Price Spread (PS) per kg for the spices in Cha

(i) Onion Garlic Masala,  $PS = TMC + NP = 30.1$

(ii) Garam Masala,  $PS = TMC + N$

(iii) Goda Masala,  $PS = TMC + N$

It was observed that producers profit margin in Channel-II was decreased due to more number of intermediaries. Therefore, the Channel-I is more economical than the Channel-II. Also, the price spread value in Channel-II were higher than the Channel-I.

**C) Producer's share in the consumer's rupee:** This refers to the producer's net price expressed as percentage of the retailer's sale price of the produce.

**Producer's share in Consumer's Rupee =**

Producer's share in consumer's rupee per kg for the spices in Channel-II were as under:

(i) Onion Garlic Masala,  $Producer's\ share\ in\ Consumer's\ Rupee = (120/180) \times 100 = 66.66\%$

(ii) Garam Masala,  $Producer's\ share\ in\ Consumer's\ Rupee = (170/250) \times 100 = 68.00\%$

(iii) Goda Masala,  $Producer's\ share\ in\ Consumer's\ Rupee = (245/320) \times 100 = 76.56\%$

Average producer's share in consumer's rupee was 70.40 percent

#### CONCLUSIONS:

1. There were two existing marketing channels in the selected industry.

**Channel-I : Producer  $\rightleftharpoons$  Consumer**

**Channel-II : Producer  $\rightleftharpoons$  Retailer  $\rightleftharpoons$  Consumer**

2. The company is having their own 27 outlets for marketing of their own spices where company was given 20% discount to the customers. It was concluded that producer is getting more profit in Channel - I than the Channel - II due to no intermediaries.
3. The total marketing cost in channel-I accounted to Rs. 13.38, Rs. 16.18 and Rs. 18.98 per kg for Onion garlic masala, Garam Masala and Goda masala respectively.
4. The total marketing cost incurred by the producer in Channel-II were Rs. 12.18, Rs. 14.68

and Rs. 18.43 whereas marketing cost incurred by the retailer were Rs. 18.00, Rs. 19.00 and Rs. 18.75 per kg for Onion garlic masala, Garam Masala and Goda masala respectively.

5. The MRP for Onion garlic masala, Garam Masala and Goda masala was Rs. 180, Rs. 250 and Rs. 320 per kg for Onion garlic masala, Garam Masala and Goda masala respectively. But the producers sale price or consumers purchase price was Rs. 144, Rs. 200 and Rs. 256 per kg for Onion garlic masala, Garam Masala and Goda masala respectively by giving 20% discount on MRP at outlet centers (Channel-I).
6. Producer's profit margin was Rs. 45.50, Rs. 68.22, Rs. 32.75 per kg in channel-I and Rs. 22.70, Rs. 39.72, Rs. 22.30 per kg in channel-II for Onion garlic masala, Garam Masala and Goda masala respectively. It was concluded that the producer's profit margin in channel-I was more than in channel-II.
7. Producer's share in consumer's rupee was more in channel-I than in channel-II due to no intermediaries in channel-I.

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### DECLARATION

We solemnly declare that the article entitled, "**Marketing Management of Processed Spices Products in Pune District of Western Maharashtra - A case Study**" has neither been published nor under consideration for publication elsewhere.

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