Agriculture Update | August & November, 2010 | Vol. 5 | Issue 3 & 4| 375-379 | *RESEARCH ARTICLE*

Economics of broiler marketing in Allahabad district Uttar Pradesh

HAKIM SHABIR AHMAD AND IQBAL A. HAKIM

See end of the article for authors' affiliations

Correspondence to :
HAKIM SHABIR AHMAD
Sher-e-Kashmir University of Agricultural Sciences and Technology (K), SRINAGAR (J.K.) INDIA

ABSTRACT

Marketing analysis of broiler in Allahabad district of Uttar Pardesh revealed that the broiler enterprise is a renumerative enterprise and those involved in marketing get a substantial share to remain in trade. Among the five main marketing channels studied, channel I (Producer-Consumer) accounted for maximum producer's share in consumer's rupee (96.36 per cent) followed channel II (Producer-Retailer-Consumer) as 81.40 per cent.The least producer's share in Consumer's rupee was found in channel V (Producer-Wholesaler-Hotels and Institutions-Consumer) as 57.78 per cent. Marketing efficiency Index (Shepherd's method) was also calculated for all the five channels. Channel I (Producer-Consumer) was having highest marketing efficiency as 27.50 and lowest marketing efficiency was found in channel V as 2.36.Marketing led constraints were also studied. 87.50 per cent respondents viewed as price fluctuations and insufficient export facilities as major market constraints and 20.84 per cent viewed lack of storage facilities. Broiler farming is considered to have good prospects in the district as demand for broiler meat is on the rising graph over the years. It is recommended that efforts should be made to exploit this potential.

Key words :
Boiler marketing, Marketing cost, Marketing margin

Accepted :
May, 2010

INTRODUCTION

Agricultural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development. Marketing also innovates producer or entrepreneur to make necessary changes in marketing his produce. Its dynamic functions are of primary importance in promoting economic development. For this reason it has been described as the most important multiplier of agricultural development.

An efficient agricultural marketing system leads to the optimization of resource use and output management. It also ensures higher levels of income for the farmers / producers / entrepreneurs by reducing the number of middlemen or by restricting the commission on marketing services and the malpractices adopted by them in the marketing of their commodities. An efficient system guarantees the farmers/ producers better prices for their commodities and induces them to invest their surplus in the purchase of modern inputs so that production and efficiency may increase.

Broilers are considered important subsidiary occupation of Indian agriculture. Our country has a great potential in increasing its production and it can be a good foreign exchange earner by exporting dressed broiler to other countries. Most of the broilers produced in Uttar Pradesh especially in study area, Allahabad district, finds its place in restaurants, five star hotels, marriages, functions, parties and consumption outlets throughout the state and other neighbouring states like Madhya Pradesh, Bihar, Delhi etc.

India is now the world's 3rd largest egg producer (next to China and USA) and 5th major producer of broiler chicken meat (after USA, China, Brazil and Mexico). This study was conducted with the following objectives : to study the different marketing channels involved in the marketing of broilers, to find out the producer's share in consumer's rupee, price spread and marketing efficiency in different channels of marketing and to study the problems faced by the broiler rearers of the selected area in the marketing and suggest suitable measures to curb them.

METHODOLOGY

There are several methods of calculating the marketing costs and margins of the intermediaries. In the present study, concurrent margin method has been used. Concurrent margin refers to the difference between the prices prevailing at successive stages of marketing at a given point of time.

Price spread, marketing costs and margin in broilers:

Marketing channels and margins retained

by different agencies involved in the process of broiler marketing was studied. The price spread has been analyzed in two terms:

– Rupees per kilogram (1000 g)

– As percentage of producer's share in consumer's rupee

Measures of price spread:

Producer's price:

This is the net price received by the farm owner at the time of first sale. If P_A is the wholesale price in the primary assembling market and C_F is the marketing cost incurred by the farmer, the producer's price (P_F) was worked out as follows:

$$P_F = P_A - C_F$$

Producer's share in the consumer's rupee:

It is the price received by the farm owner expressed as percentage of the retail price (i.e., the price paid by the consumer. If P_R is the retail price and P_P is the producer's price, the producer's share in the consumer's rupee (P_S) may be expressed as follows.

$$Ps = (P_P/P_R)/100$$

Marketing margin of a middleman:

This is the difference between the total payments (Cost + purchase price) and receipts (sale price) of the middleman (i^{th} agency). Two alternative measures have been used

(a) Absolute margin of the middleman (A_{mi})

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

(b) Percentage margin of the i^{th} middleman (P_{mi})

$$P_{mi} = \frac{P_{Ri} - (P_{Pi} + C_{mi})}{P_{Ri}} x100$$

where,

P_{Ri} = Total value of receipts per unit (Sale price)

P_{Pi} = Purchase value of goods per unit (purchase Price)

C_{mi} = Cost incurred on marketing per unit

Total cost of marketing:

The total cost incurred on marketing either in cash or in kind by the producer – seller and by the various intermediaries involved in the sale and purchase of the commodity till the commodity reaches the ultimate consumer, was computed as under.

$$C = C_F + C_{m1} + Cm_2 + Cm_3 + \ldots\ldots\ldots + C_{mn}$$

where,

C = Total cost of marketing of the commodity.

C_R = Cost paid by the producer – farm owner and

C_{mi} = Cost incurred by the i^{th} middleman in the process of buying and selling the product.

Marketing efficiency:

Marketing efficiency is essentially the degree of market performance, and in the following study, Shepherd's method was used which is as follows:

Shepherd's index of marketing efficiency:

Shepherd's Index of Marketing Efficiency (ME) was calculated by:

$$ME = \frac{\text{Retailer's sale price or consumer's purchase price}}{\text{Total costs \& margins}}$$

RESULTS AND DISCUSSION

For the present study 120 farm owners /producers were selected and contacted during the course of study who were disposing off their produce through different agencies. The disposal of broilers through different agencies is presented in Table 1.

Table 1: Disposal of broilers through different agencies

S.No.	Disposal agency	No. of producers
1.	Itinerant trader	22 (18.33)
2.	Wholesaler	61 (50.83)
3.	Retailer	27 (22.50)
4.	Consumer (Direct sale)	10 (8.34)
	Total	120 (100)

Figures in parentheses indicate percentage to total

It is evident from Table 2 that 50.83 per cent of producers were disposing off their produce through wholesalers, 22.50 per cent through retailers, 18.33 per cent through itinerant traders and 8.34 were doing direct sale.

Marketing channels:

The following marketing channels were identified in the field and studied.

Channel I =Producer –Consumer

Channel II =Producer –Retailer – Consumer

Table 2: Marketing cost, margin and price spread in different marketing channels of broilers

S. No.	Particulars	Channels				
		I	II	III	IV	V
Producer						
1.	Net price received by producer	53.00 (96.36)	49.25 (81.40)	48.00 (77.10)	51.00 (78.46)	52.00 (57.78)
Itinerant trader						
1.	Purchase price	-	-	50.00 (80.32)	-	-
2.	Marketing cost	-	-	2.00 (3.21)	-	-
3.	Marketing margin	-	-	2.75 (4.41)	-	-
Wholesaler						
1.	Purchase price	-	-	-	52.50 (80.76)	54.00 (60.00)
2.	Marketing cost	-	-	-	1.75 (2.69)	2.00 (2.23)
3.	Marketing margin	-	-	-	2.00 (3.07)	2.75 (3.05)
Hotels and Institution						
1.	Purchase price	-	-	-	-	58.75 (65.27)
2.	Marketing cost	-	-	-	-	15.75 (17.50)
3.	Marketing margin	-		-	-	15.50 (17.23)
Retailer						
1.	Purchase price	-	53.00 (87.60)	54.75 (87.95)	56.25 (86.53)	-
2.	Marketing cost	-	2.75 (4.54)	1.75 (2.81)	3.25 (5.00)	-
3.	Marketing margin	-	4.75 (7.85)	5.75 (9.23)	5.25 (8.46)	-
Purchase price of consumer		55.00 (100)	60.50 (100)	62.25 (100)	65.00 (100)	90.00 (100)
Gross price spread		2.00 (3.63)	11.25 (18.59)	14.25 (22.89)	14.00 (21.53)	38.00 (42.22)

Figures in parentheses indicate percentage to purchase price of consumer

Channel III=Producer–Wholesaler–Retailer–Consumer

Channel IV =Producer–Itinerant trader –Retailer –Consumer

Channel V =Producer–Wholesaler–Hotels and Institutions– Consumer

Table 2 shows price spread in different marketing channels of broilers. Five channels were studied for the present study. In first channel (Producer-Consumer), purchase price of consumer was Rs. 55.00 with net price received by producer as Rs. 53.00 and Rs. 2.00 as gross price spread. In channel II (Producer-Retailer-Consumer), purchase price of consumer was Rs. 60.50, with the gross price spread as Rs. 11.25. Net price received by producer in channel II was found out to be Rs. 49.25. In marketing channel III (Producer-Itinerant trader-Retailer-Consumer), the gross price spread came out to be Rs. 14.25, with the purchase price of consumer as Rs. 62.25. The net price received by producer in this channel was Rs.48.00. Marketing channel. IV was Producer-Wholesaler-Retailer-Consumer. In this channel, purchase price of consumer being Rs.65.00 with the gross price spread as Rs.14.00. The net price received by producer in this channel was Rs. 51.00. In channel V (Producer-Wholesaler-Hotels and Institutions-Consumer), the gross price spread was Rs. 38.00, with the purchase price of consumer as Rs.90.00. The reason for high purchase price of consumer as well as price spread was due to high marketing cost and marketing margin incurred by hotels and institutions. The net price received by producer in this channel (channel V) came out to be Rs. 52.00.

It is observed from Table 2 that the maximum margins were taken by hotels and institution followed by retailers. The maximum marketing costs were also incurred by the same intermediaries. The gross price spread was highest in channel V, due to the fact the huge marketing cost incurred by hotels and institutions in making broiler ready to serve to consumers.

The producer's share in consumer's rupee was highest in direct channel *i.e.* Producer – consumer (channel –I), followed by channel II, channel IV, and channel III (Table 3). The producer's share in consumer rupee was low in channel V, because of the huge margin received by hotels and Institution as they also incured huge marketing cost.

It is also observed that as the number of intermediaries reduced, the marketing efficiency increased. Chauhan *et al.* (1999) also confirmed the findings that the price received by the producer declined with the increase in the number of intermediaries in marketing channels. As the produce or product moved from the wholesaler to distant markets, the marketing costs

Table 3: Producer's share in consumer's rupee and marketing efficiency in different marketing channels of broilers.

Particulars	Channels				
	I	II	III	IV	V
Producer's share in consumer's rupee	96.36	81.40	77.10	78.46	57.78
Index of marketing efficiency (Shepherd's index)	27.50	5.37	4.36	4.64	2.36

increased and the marketing efficiency decreased.

Constraints / problems in the marketing of Broilers:

The various problems related to marketing of broilers faced by producers, were identified and these have been presented in the Table 4.

Regarding the production side, the broiler farmers were not given ample support from the government led agencies, which included non-availability of one day old chicks timely at concessional rates. The producers were forced to procure chicks from private firms that too on high rates. Chicken feed was not readily available to producers, as the feed used plays vital role in the weight gaining of broilers, which ultimately is directly proportional to profitability of broiler farm owners. Outbreak of disease like bird flu etc. were also hurting the producer's interest as mere rumour about disease outbreak sharply declines the demand of broiler meat consumption, which ultimately reduces the profit of producers. Producers sometimes insure losses that too huge losses. These huge losses were not compensated by the government led agencies. Risk involved in the enterprise was also seen a factor responsible for disinterest of the entrepreneurs towards this trade/ enterprise. Low production of broilers was also due to unawareness of the farmers towards raising of broilers on scientific lines. They were still having hatcheries as well their broiler units based on traditional lines.

Among the market led constraints, price fluctuations was viewed as a core problem by majority of the producers / respondents. The prices of broilers witness day to day fluctuation, which was causing serious concern to producers and marketers. Discouraging market mechanism and lack of government intervention was expressed as the serious problem. Price fluctuations and insufficient export facilities were viewed by the farm owner as the major problems.

Table 4: Problems faced by broiler farmers

Sr. No.	Problems/Constraints	Number of respondents	Per cent
Market led constraints			
1.	No regulated market	35	29.17
2.	Discouraging market mechanism	54	45.00
3.	Lack of government intervention	98	81.67
4.	Non-availability of credit facilities	75	62.50
5.	Lack of storage facilities	25	20.84
6.	Delay in payments	50	41.66
7.	Price fluctuations	105	87.50
8.	Insufficient export facilities	105	87.50
9.	High cost of transportation	90	75.00
10.	No sale promotion schemes	80	66.67

Authors' affiliations:
IQBAL A. HAKIM, The Business School, University of Kashmir, Hazratbal, SRINAGAR (J.K.) INDIA

REFERENCES

Ashutosh, Shrivastava (1999). Economics of poultry production and marketing in Jabalpur district Madhya Pradesh : 46-*book*.

Biswas, S., Goswami, A.L., Jana, C., Das, A. K. and Pal, R. N. (2003). A study on broiler chicken production and marketing situation in coastal belt of West Bengal, *Indian J. Animal Health*, **42**(1): 51-57.

Chauhan, R.S., Singh, J. M., and Thakur, D.R. (1999). Marketing of important enterprises in Uttar Pradesh. *Indian J. agric. Mktg*., **13**(2): 56.

Cobanoglu, F., Konak, K. and Bozkurt, M. (2002). Marketing and economic analysis of broiler farms in Aydn province, *Ziraat Fakultesi Dergisi Akdeniz Universitesi.*, **15** (1) : 27-36.

Gittinger (1976). Economic analysis of agricultural projects *Agricultural Refinance and Development Corporation*, Bombay-India, 48-100

Hakeem, Shabir Ahmad (2006). Poultry in Kashmir, *Daily Greater Kashmir*, Dec 26, 2006, 7.

Khan, Sarbiland, Durrani, Farooq, M., Naveed, F. R., R. and Khan, Hamayun (2004). Economic analysis of broiler farms in Arid zone, *Sarhad J. agric.*, **20** (3): 337-341.

Kim, J.M. (1998). Economic Analysis of broiler producing in Korea, *Acta- Agraria Kaposvariensis*, **2** (1): 10-11.

Pandey, N. K. and Tewari, S.K. (1985). Economics of commercial poultry enterprises, *Indian J. Poultry Sci.*, **20**: 321-325.

Prasad, Jagdish, (2000). Poultry production and management. In: *Eco. Poultry Frmg.*, pp.332-336.

Riaz, Abdul Halim and Syed, M.D. Toufique Chistie (2000). Economics of broiler farming in Kamrup district of Assam. *J. Interacademicia*, **4**(2) : 294-303.

Richardson, D. I. S. (1976). The United Kingdom broiler Industry 1960-75 production, marketing and consumption. Economics of broiler production. Pub. Bulletin, Department of Agricultural Economics, Manchester University. 156/EC 66,

Sokoowicz, Z. and Krawczyk, J. (2004). Profitability of broiler chicken production in 2001-2003, *Roczniki Naukowe Zootechniki*, **31**(1) :133-141.

Srivastava (1999). Economics of poultry production and marketing in Jabalpur district, M.P. 46.

Yanakieva, I. (1987). A factual analysis of the economic performance & marketing of broiler raising, *Bulgarian Scientific Literature*, **13**:

****
****