

# Investment feasibility and marketing of jasmine in Chitradurga district

■ S. KUMAR, P.K. MANDANNA AND SHRUTHI T. NAIK

Received : 12.09.2012; Revised : 07.01.2013; Accepted : 06.02.2013

## ABSTRACT

The paper discusses the investment feasibility and marketing of jasmine in Chitradurga district. The jasmine crop is becoming increasingly popular among the farmers in the district of Chitradurga. The results reveals that the net present value at 15% was Rs. 190602.32 per acre, The benefit cost ratio was 2.00, which was positive indicating the investment in jasmine is profitable financially and economically. The internal rate of return was more than 50% and pay back period was 4.6 years which indicates that the investment in jasmine is economically feasible and financially viable. Channel I- Producers - Commission agent - wholesaler - Retailer – Consumer was more popular. Through this channel the net return realized by commission agents, wholesaler and retailer worked out to Rs. 2550, Rs. 31374 and Rs. 9,600, respectively. About 75-80 % of flowers moved through channel-I the reason for the preference of channel was that the commission agent advances loans to farmer. The price spread in channel-I, Channel-II and channel -III was estimated to be Rs. 37.15, Rs. 36.48 and Rs. 25.13, respectively. Farmers got higher returns in channel III *i.e.*, selling directly to retailers which worked out Rs 44.20/kg.

**KEY WORDS :** Investment feasibility, Jasmine crop, Commission agent

**How to cite this paper :** Kumar, S., Mandanna, P.K. and Naik, Shruthi T. (2013). Investment feasibility and marketing of jasmine in Chitradurga district. *Internat. J. Com. & Bus. Manage.*, 6(1) : 9-13.

Jasmine (*Jasminum* spp.) belongs to the family *Oleaceae* and is one of the oldest fragrant flowers cultivated by man and were known to be cultivated in tropical and sub tropical regions throughout the globe. The products of jasmine are important natural raw materials in the perfume industry. Jasmine concrete is the most common of the jasmine extract products. It is used as such in making perfumed hair oil, preparation of absolute and hand kerchief perfumes. In addition it is used in toiletries, cosmetics, pharmaceuticals, food essences, chewing tobacco, dental preparations,

confectionaries etc. Even different parts of the plant suet. as leaf, stem, bark, root, seed and fruits are also used for medicinal purposes.

In India, Tamil Nadu, Karnataka, Bihar Gujarat, Andhra Pradesh, Maharashtra, Uttar Pradesh, West Bengal are the major jasmine producing states in india with an estimated area of 12,000 hectares. Among the major growing states, Tamil Nadu stands first with an area of 5,000 hectare and Karnataka stood second producing 24,581 tonnes in an area of 4,355 hectares during 2008-09 (Directorate of Horticulture, Government of Karnataka). The most commonly grown types are *Jasminum multiflorum* (kakada), *J. sabac* (Dundumallige), *J. grandiflorum* (Jaji mallige) and *J. auriculatum* (Sooji Mallige). Bangalore, Kolar, Tumkur, Mysore, Bellary, Mangalore, Chickmagalur, Chitradurga and Belgaum are the major jasmine growing districts.

Jasmine flowers are highly perishable and hence require careful handling and speedy disposal and hence the market remains localized. Location apart, perishability makes the flower trade complex and risky. In addition, the demand for

## MEMBERS OF THE RESEARCH FORUM

### Correspondence to:

S. KUMAR, Department of Agricultural Marketing, Co-operation and Business Management, University of Agricultural Sciences, G.K.V.K., BENGALURU (KARNATAKA) INDIA

### Authors' affiliations:

P.K. MANDANNA AND SHRUTHI T. NAIK, Department of Agricultural Marketing, Co-operation and Business Management, University of Agricultural Sciences, G.K.V.K., BENGALURU (KARNATAKA) INDIA

flowers is not uniform and steady. Factors like location, season and socio-religious festivals affect the demand - supply relationship in the flower marketing. In times of gluts during rainy season when the demand for flowers suddenly falls, more than 20 % of the produce remains unsold.

Thus the crop is confronted with various types of problems which calls for in depth study on economic aspect of investment and marketing . This study was an attempts to evaluate the investment pattern in production and marketing of jasmine flower in Chitradurga district.

## METHODOLOGY

Chitradurga is one of the major jasmine growing districts in Karnataka. The jasmine crop is grown extensively by the farmers in the region. Therefore, Chitradurga district was purposively selected for the study. Based on the highest area under the jasmine crop in the year 2003-04, the talukas of Chitradurga district were arranged in ascending order and the top three talukas were selected for the study. Thus, the talukas selected for the study were Molakalmur, Hosadurga and Challakere talukas. The selection of the study area was mainly based on the dominance of the crop in the talukas during the year 2003-04.

The primary data relating to area under jasmine was obtained from the offices of Assistant Director of Horticulture of the respective talukas. The top three villages having the highest area under jasmine were selected from each taluka for the purpose of the study. From each of the villages, ten farmers were selected randomly. Thus a total of 90 farmers were selected and data collected comparisons. To study the marketing cost, margin and channels of marketing, 10 each from each commission agents, wholesalers and retailer were selected. The technique of financial analysis is the most important tool for evaluating the economic performance of any crop. It brings

out the efficiency of capital use in production. The project analysis techniques used for financial analysis were: net present value (NPV), benefit cost ratio (B : C Ratio), internal rate of return (IRR) and pay back period.

## ANALYSIS AND DISCUSSION

An analysis of feasibility of investment in jasmine garden reveals that the net present value at 15% was Rs. 190602. per acre, The results were in confirmative with Ramesh Kumar (1989) and Neeraja Devi(1990) that the net present worth being positive. The benefit cost ratio was 2.00, which was positive indicating the investment in jasmine is profitable financial and economical. This findings was also in confirmative with results of Subrahmanyam (1989). The internal rate of return was more than 50% and pay back period was 4.6 years which indicates that the investment in jasmine is economically feasible and financially viable as indicated in the Table 1.

The study has identified three marketing channels in jasmine marketing and they are;

Channel I: Producers - Commission agent - wholesaler - Retailer - Consumer

Channel II: Producer - Wholesalers - Retailer – Consumer

Channel III: Producer - Retailer - Consumer

Among three identified channels, majority of jasmine growers preferred to sell through channel -I. where they sell their produce through commission agent. About 75-80 % flowers moved through channel I .The reasons for the preference of channel was that the commission agents gave advance loans to farmers to carry out their farming operations and also the social attachments associated with commission agents.

In channel II The producer directly sells to the wholesaler and wholesaler to retailer. Small quantity of flowers was marketed through channel III.

Table 1 : Financial feasibility of the investment					
Years	Cost	DF @15%	Discounted cost	Benefit	Discounted benefit
1	15438	0.87	13431	0	0
2	19501.3	0.756	14743	0	0
3	40050.92	0.658	26354	88895	58493
4	42804.08	0.572	24484	96625	55270
5	43177.23	0.497	21459	108220	53785
6	44701.94	0.432	19311	110153	47586
7	45089.4	0.376	16954	115602	43466
8	44285.7	0.327	14481	115950	37916
9	43137.32	0.284	12251	112085	31832
10	39598.8	0.247	9780.9	102461	25308
11	38236.61	0.215	8220.9	69570	14958
12	40137.69	0.187	7505.7	58633	10964
		Total	188975		379578

NPV =190602.32, B: C ratio=2.00 IRR>50%

Cost and returns of commission agent are presented in Table 2 and 3. The total quantity handled by the commission agent was 3761 kg valued at Rs. 1,12,845 during season. The average value (price/kg) of jasmine was estimated at Rs. 30 and the commission at 10 per cent of the produce. The months of May to July were the peak months for jasmine during which commission agents handled highest quantity of jasmine. The average maintenance cost incurred by commission agents during jasmine marketing season (Feb. to Sept.) worked out to be Rs. 8,734.

Cost and returns of wholesaler are presented in Table 4 and 5. The total quantity handled by the wholesalers was 4735 quintals ranging from 150 kg in September to 1,130 kgs in July valued at Rs. 1,83,007. The average cost incurred by wholesaler worked out to be Rs. 22,368.

Cost and returns of retailer presented in Table 6 reveal

that retailer sold around 900kgs during the season. The retailer purchase value was Rs. 45000 and sale value was Rs. 65000. On an average Retailer incurs Rs 8400 as marketing cost.

The cost and returns structure of different market intermediaries is presented in Table 7. The net returns realized by commission agent, wholesaler and retailer worked out to be, Rs. 2550.50, Rs. 31374.25 and Rs. 9600, respectively.

The price spread in channel-I, channel-II and channel - III was estimated to be Rs. 37.15, Rs. 36.48 and Rs. 25.13, respectively. The producers' share in consumer rupee found to be 46.93%, 47.89% and 63.14% in Channel I, II and III, respectively. From Table 8 it could be seen that farmers got higher returns in channel III *i.e.*, selling directly to retailers which worked out Rs. 44.20/kg whereas, when the farmer sell their produce directly to wholesaler the return was Rs. 33.52/kg. The farmer realized least returns from channel I through

Month	Qty (kg)	Value	Commission
February	284.5	8535	853.5
March	285	8550	855
April	437.5	13125	1312.5
May	680	20400	2040
June	805	24150	2415
July	1012	30360	3036
August	120	3600	360
September	137	4125	412.5
total	3761.5	112845	11284.5

Particulars	Value (Rs)
Rent	3000 (34.34)
Hamali	2000 (22.9)
Salary of the staff	2500 (28.6)
Telephone	800 (9.16)
stationery	300 (3.43)
License fee	134 (1.53)
Total	8734 (100.00)

Months	Quantity (kg)handled	Purchase value (Rs.)	Sale value (Rs.)
February	435	16812.75	21750
March	500	19325	25000
April	630	24349.50	31500
May	780	30147.00	39000
June	910	35171.50	45500
July	1130	43674.50	56500
August	200	7730	10000
September	150	5797	7500
Total	4735	1,87,007.75	236750

**Table 5 : Average cost incurred by the wholesaler (8months) in Chitradurga**

Particulars	Value (Rs.)
Shop rent	4500 (20.12)
Telephone	920 (4.11)
Labour charge	8400 (37.55)
Transportation	700 (3.13)
Cost of packing material	2367(10.58)
Loading and unloading	947 (4.23)
License fee	134(0.60)
Salary of staff	4000(17.88)
Stationary	400(1.79)
Total	22368 (100)

**Table 6 : Cost and return of the retailer**

Particulars	Amount (Rs.)
Quantity purchased (kg)	900
Purchase value (Rs.)	4500
Sale value (Rs.)	63000
<b>Cost</b>	
Rent(Rs.)	1200
Labor	7200
Total (Rs.)	8400
Gross margin (Rs.)	18000
Net margin (Rs.)	9600

**Table 7 : Cost and returns of different market intermediaries**

Particulars	Total cost	Gross returns	Net returns
Commission agent	8734	11284	2550
Wholesaler	22368	53742	31374.25
Retailer	8400	18000	9600

**Table 8 :**

Particulars	Channel-I	Channel-II	Channel-III
Net price received by the farmer	32.85	33.52	44.20
Marketing cost of producer	5.80	5.13	5.80
Commission agent net returns	0.15	-	-
Marketing cost of commission agent	2.85	-	-
Producer sale price or wholesalers purchase price	38.65	38.65	50.00
Wholesalers net returns	6.64	6.64	-
Wholesalers cost	4.71	4.71	-
Wholesalers price or retailers purchase price	50.00	50.00	50.00
Retailers net returns	12.50	12.5	12.50
Retailers cost	7.50	7.50	7.50
Retailers sale price	70.00	70.00	70.00
Price spread	37.15	36.48	25.80
Producer share in consumer rupee	46.93	47.89	63.14

commission agent which was found to be Rs. 32.85/kg. Producer share in consumer that channel III was found to be most promising one as farmers have highest share in consumer rupee

## REFERENCES

Annual Report (2003). Directorate of Horticulture, Lalbagh, Government of Karnataka, pp: 25-29.

District Statistics - At a glance (2002). *Annual report*, Directorate of Economics and Statistics, Government of Karnataka.

Neeraja Devi (1990). Economics of production and marketing of kakada flowers in Bangalore Rural district. M.Sc. (Ag.) Thesis, University of Agricultural Sciences, Bangalore, KARNATAKA (INDIA).

Ramesh Kumar, S.C. (1989). Economics of production and investment in jasmine flowers in Madurai district of Tamil Nadu. M.Sc. (Ag.) Thesis, University of Agricultural Sciences, Bangalore, KARNATAKA (INDIA).

Subrahmanyam, K.V. (1986 a), Economics of Production and Marketing of chrysanthemum flowers in Karnataka. *Indian J. Hort.*, **43**(3&4): 281-286.

Subrahmanyam, K.V. (1986 b). Profitable lime cultivation in Andhra Pradesh. *Indian J. Hort.*, **31**(4): 3-6.

Subrahmanyam, K.V. (1988). Flower marketing in Karnataka. *Krishipet*, **15**(1): 6-10.

Subrahmanyam, K.V. (1989). Economics of cultivation of horticultural crops in South India. *Technical Bulletin*, No.7. Indian Institute of Horticultur Research, Bangalore, KARNATAKA (INDIA).

## WEBLIOGRAPHY

APEDA, [www.apeda.com](http://www.apeda.com)

