

Marketing margin, marketing cost, marketing efficiency and price spread analysis on Tobacco.

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Abstract- A study was conducted to analyze the marketing pattern of Tobacco. It was conducted between various distribution channels of tobacco, in Chunar and Ahrauranagar block in the Mirzapur District of Uttar Pradesh, both primary and secondary data were used in this study, these blocks were selected purposively for this study due to its higher consumption of Tobacco and data was collected using pre tested questionnaires. It was observed, marketing efficiency index of channel I was the most efficient one, this is because channel I involves only few intermediaries and hence, it is the most efficient among the identified channels. Price Paid by consumer for Tobacco was high in channel-III, as compared with channel I and II.

Keywords: Marketing Channel, Marketing Margin, Total Marketing Cost, Marketing Efficiency, Price Spread.

1. INTRODUCTION

India produces various types of tobacco. Amongst the 66 known species of Nicotiana, *N. tabacum* and *N. rustica* are cultivated ones. *N. tabacum* is grown all over the country. while *N. rustica* is confined mainly to the northern and north eastern areas of the country (Goyal et al., 2004). Tobacco provided employment directly and indirectly to 36 million of people and contributed as much as Rs 19,891.50 crore as excise duty and Rs 4979 crore in terms of foreign exchange to the national exchequer, during 2012-13. In India tobacco is being cultivated in an area of about 4.93 Lakh ha which accounts for about 0.24% of total arable land in the country covering different styles/types of tobacco viz., cigarette tobacco, tobacco, chewing tobacco, hookah tobacco, cheroot tobacco, cigar wrapper tobacco, cigar filler tobacco, oriental tobacco, dark fire cured tobacco etc. with a production of 800 million Kilogram. Out of the total production about 50% is cigarette type and 50% is non-cigarette type of tobacco (Anonymous, 2012-13b). In Mirzapur total cultivated area of tobacco is 1.58 lakh ha and production are about 2784 million tones.

Marketing of tobacco in Mirzapur is a controversial and complex topic that has garnered significant attention in recent years. Mirzapur, a city in Uttar Pradesh, India, has a high prevalence of tobacco use, and the marketing practices of tobacco companies in the region have been under scrutiny for their impact on public health.

The distribution channel in study area owners buy tobacco from farmers, process it, and supply it to various enterprises that manufacture tobacco. These producers supply their dealers with their finished goods, and dealers then supply wholesalers and retailers with their products. Consumers of tobacco are directly supplied by retailers.

2. Methodology

2.1. Selection of District: -

One of the 75 districts that make up the northern Indian state of Uttar Pradesh, selected purposely Mirzapur district. that have 12 blocks and covers 4521 Km.² of area. This region was chosen because it has a large population of tobacco producers and purchasers.

2.2. Selection of block: -

Out of 12 Blocks in Mirzapur district, the **Chunar block** was purposively selected based on highest production and maximum number of Tobacco growers. There are about total area of cultivation is 17601 hectares in a chunar block.

2.3. Selection of Village:

Complete list of the village of selected block was obtained from the block development office of the concerned block. Out of which 2 villages were selected randomly (Ahraura Nagar Palika Parishad and Chunar Nagar Palika Parishad).

2.4. Selection of Respondents

A minimum of 100 respondents were randomly selected from each municipality to serve as the responder and personally interrogated to gather pertinent data for presenting the study's findings.

Tools Used for Analysis:

(1) Marketing Margin:

Marketing Margin = Retail or Selling price- Actual cost

(2) Marketing Efficiency:

Marketing Efficiency (E) = Consumer Price / Total Marketing Cost

(3) Price Spread:

(Consumer price – net price of producer) / consumer price

3. RESULT AND DISCUSSION

Channel-I:



Table 3.1. Marketing Cost, Marketing Margin and price spread in distribution channel I.

| S. No. | Particular | Rs/Quintal |
|--------|------------------------------------|------------|
| 1. | Net price received by producer | 9814 |
| 2. | Total cost incurred by producer | 186 |
| 3. | Sale price of producer to consumer | 10,000 |
| 4. | Total marketing cost | 186 |
| 5. | Price spread | 1.86 |
| 6. | Producer share in consumer rupee | 98.14% |
| 7. | Marketing Efficiency | 53.76 |

Channel-II

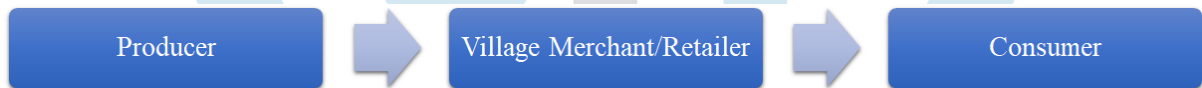


Table 3.2. Marketing Cost, Marketing Margin and price spread in distribution channel II.

| S.NO. | PARTICULAR | Rs/Quintal |
|-------|--|------------|
| 1. | Net price received by producer | 9814 |
| 2. | Total cost incurred by producer | 186.00 |
| 3. | Sale price of producer to village Merchant | 10,000.00 |
| 4. | Total cost incurred by village merchants | 185.00 |
| 5. | Village merchant margin | 850.00 |
| 6. | Total marketing cost | 371 |

| | | |
|----|----------------------------------|-------|
| 7. | Price spread | 9.38 |
| 8. | Producer share in consumer rupee | 90.44 |
| 9. | Marketing efficiency | 29.74 |

Channel-III**Table 3.3.** Marketing Cost, Marketing Margin and price spread in distribution channel III.

| S. No. | Particulars | |
|--------|--------------------------------------|--------|
| 1. | Net price received by producer | 8469 |
| 2. | Total cost incurred by producer | 161 |
| 3. | Sale Price of Producer To Wholesaler | 8630 |
| 4. | Total cost incurred by wholesaler | 180 |
| 5. | Wholesaler margin | 950 |
| 6. | Sale price of Wholesaler to retailer | 9760 |
| 7. | Total cost incurred by retailer | 150 |
| 8. | Retailers margin | 1010 |
| 9. | Total marketing cost | 491 |
| 10. | Sale price of retailer to consumer | 10920 |
| 11. | Price spread | 20.97 |
| 12. | Producer share in consumer rupee | 79.02% |
| 13. | Marketing efficiency | 22.24 |

4. SUMMARY AND CONCLUSION

Nicotiana spp., or tobacco, is a significant cash crop. It is grown for its leaves, which are used to make cures. It comes in a variety of forms and can be smoked as a pipe, cigar, cigarette, or hookah, used as snuff, or eaten as a liquid. India is second in the exports of flue-cured tobacco and third in the production of tobacco worldwide. It makes approximately

Rs. 577 crores through excise taxes and Rs. 112 crores through foreign exchange. Also, it offers about 56 lakh people the possibility of employment each year in its factories, cottage industries, and methods of cultivation, curing, and grading. Moreover, it produces nicotine sulphate, an important industrial chemical used as a pesticide.

The study reveals that **price spread** in the **first channel** was **Rs. 1.86**. Tobacco is purchased by the consumer for Rs. 10,000 per quintal. The respective **marketing efficiency** was **53.76**. **Price spread** on the **second channel** was **9.38**. The tobacco was purchased by the consumer for Rs. 10,000.00, and the **marketing effectiveness** was **roughly 53.76**. **Price spread** in the **third channel** was **Rs. 22.97**. The tobacco was purchased by the consumer for Rs. 10920, and the **marketing effectiveness** was **about 22.24**. Study reveals about the **Total marketing cost** was **high in Channel III in comparison of other channel**.

Conclusion

The study's focus on tobacco marketing included a number of different tactics. Nonetheless, there has been a steady decline in production and marketing over the past few years due to a number of factors, and this decline has had a significant impact on tobacco growers because it is forcing them to switch to growing lucrative crops. The board or other state government agency should begin integrating the region's approach to overall farming, taking other businesses into mind for the improved use of farmers' resources.

For farmers, the production of tobacco per hectare is profitable, and there is a little tendency for cultivation costs to rise as land area increases. Furthermore, tobacco has a variety of advantages, and it is anticipated that it will become a commercial product in the future. If these advantages are made known, demand may rise. So, it is advantageous to both researchers and farmers.

Channel III for tobacco (Producer, Commission Agent, and Consumer) was more effective because farmers' percentage share of the consumer rupee and low-price spread is larger.

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