

CHAPTER 3

CHAPTER 3

CHANNELS OF DISTRIBUTION

3.1 DEFINITION

A channel of distribution for a product is the route taken by the title of the product on its journey from producer to the ultimate consumer or industrial user.

As regards the distribution of agricultural goods is concerned, it is more complicated than the manufactured goods. Basically the agricultural goods face the problem of assembling, since the farm products are produced on a vast area in small quantity. This small quantity of production has to be then assembled at a central place in order to regulate its marketing. Subsequently, the movement of the goods from this central place to the final consumer involves many agencies.

Thus, the marketing of the agricultural goods involve first, the concentration of the agricultural produce and secondly, the dispersion of these products to the ultimate consumer. Normally in the process of concentration and dispersion number of wholesalers are used.

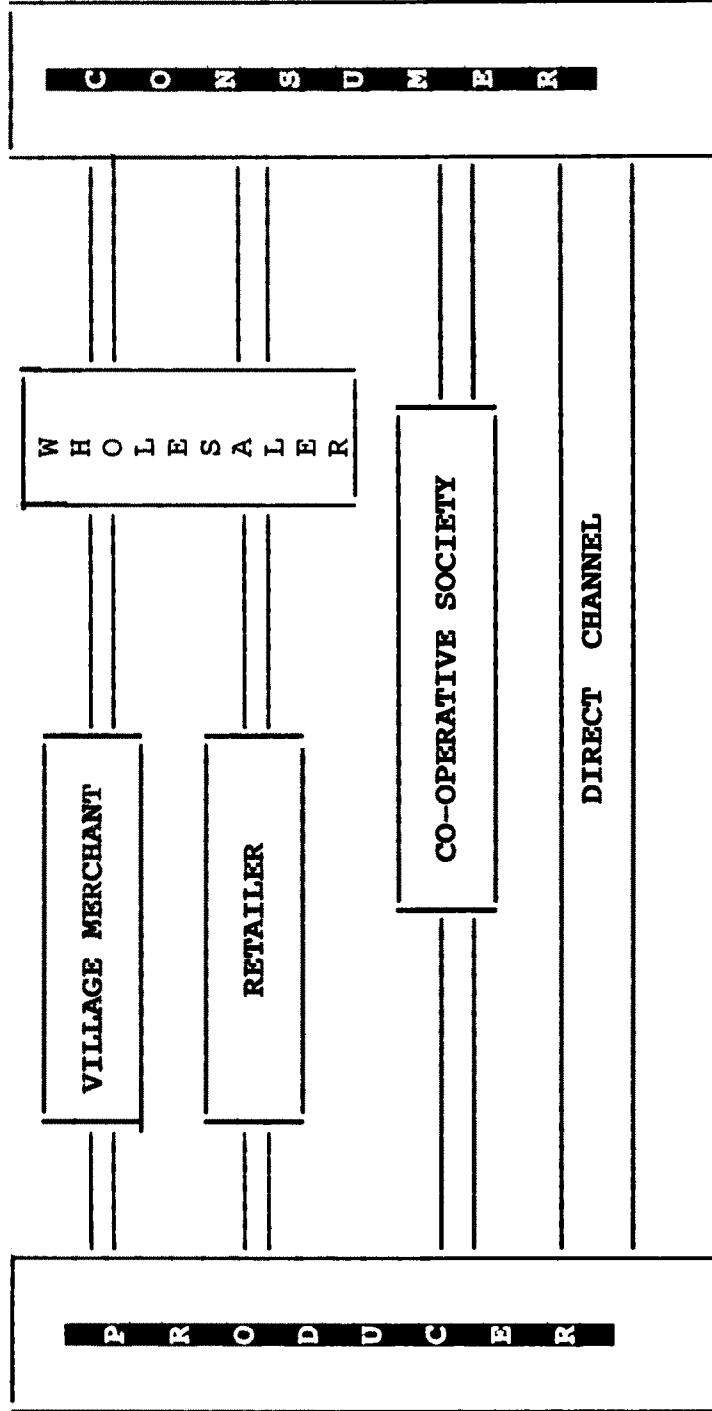
3.2 CHANNELS OF DISTRIBUTION IN GROUNDNUT MARKETING

There are four channels of distribution used in groundnut marketing in Athani Taluka, which are widely used by the farmers. These are enumerated below.

- 1] Producer to village merchant to wholesaler to consumer/miller.
- 2] Producer to retailer to wholesaler to consumer/miller.
- 3] Producer to co-operative society to consumer/miller.
- 4] Direct from producer to consumer.

The above four channels of distribution in groundnut marketing in Athani taluka are depicted pictorially in the Figure on the next page. It is observed that the first two channels are linked through two tiers whereas, the other two are linked through one tier between the producer and the ultimate consumer.

FIGURE 1



DISTRIBUTION CHANNELS FOR GROUNDNUT MARKETING IN ATHANI TALUKA

3.2.1 Producer to Village Merchant to Wholesaler to
Consumer / Miller

In Athani market normally the groundnut is sold by the growers through the merchants who are moving around the villages and contact the farmers on the field only.

In the selected four villages of the present study, it was noticed while collecting the data that 75 percent of the farmers use to sell their produce to the village merchants. This however, is due to their illiteracy and lack of the market information.

Moreover, village merchants use to give advances to these farmers even before harvesting season so as to bind them for the sale of the goods. This also helps the farmers to meet their obligations, which forces them to sell to village merchants only. Subsequently, these village merchants or so called the banias, move the assembled products to terminal or the secondary markets in large quantities and sell to the wholesalers. The wholesalers then deliver in still larger quantities to the miller or the ultimate consumers. Thus, in fact the village merchants play a crucial role in this distribution channel.

3.2.2 Producer to Retailer to Wholesaler to Consumer/Miller

The second channel introduces the retailer into the picture instead of village merchant. The retailer collects the groundnut from farmers or even from the merchants on retail basis. He is the licence holder from the regulated market of Athani, by paying the fees of Rs. 100/- per year. There are 64 retailers in Athani market and do the wholesaling business as well. They have separate licence for this by paying Rs. 200/- per year, and are called as retailer-cum-wholesaler. Approximately 30 percent of the farmers bring their goods to the wholesalers and charge 3 percent commission from the farmers. However, this is illegal. Wholesalers also collect groundnut from their agents who move in the villages through their retailers.

Since October 1988, the Government of Karnataka has introduced a new policy about the commission, that the commission should be given to the agent by the buyer and not by the seller. Hence the producers are saved from deduction of their share. The wholesaler then sells to the private miller which ultimately goes to the oil mill, which is the final customer in the Athani area or he sells in other markets where he gets more profit.

3.3.3 Producer to Co-operative Society to Consumer / Miller

With the major limitations and the drawbacks of the first two methods of selling, the farmers have realised the importance of co-operative societies.

Under this system of distribution, the co-operative society purchases the farmers goods directly as an agent. The co-operative society in this taluka was established in the year 1941, working under direct control of Athani Agricultural Produce Marketing Committee. It purchases through the agents or traders or farmers. Particularly now a days groundnut has become a common product in the Athani Co-operative society. Earlier however, cotton was the only product which was marketed in large quantity in this area.

Thus, the Athani Agricultural Produce Marketing Co-operative Society purchases the groundnut from the farmers and others as an agent and sells on farmers' behalf and help them to get high price for the groundnut. However, the response of the farmers is very poor for such an arrangement. About 5 percent of the total farmers market their produce through this society. Thus, the co-operative society has a very limited share in the total distribution system of groundnut marketing.

The gone are the days of this taluka, where the groundnut market was successfully running. But due to shifting of the market from Athani to the nearby markets like Sangli and Bijapur, where the purchasers are more, Athani has lost the major chunk of its market for groundnut.

The producers as a result are put to great inconvenience. Their produce has no value in the taluka. Farmers therefore, prefer to sell either in Sangli or in Bijapur market. The co-operative society of Athani, however, as a counter strategy, invites the traders from outside market and try to sell the farmers' goods in the most beneficial manner.

3.2.4 Direct from Producer to Consumer

Athani taluka has very few private mills and recently some of these have closed down. Only one private oil mill is working successfully namely, M/s Nadaf Oil Mill, which is attracting the nearby farmers to sell their produce directly to the mill through rendering following measures.

- 1) Giving immediately cash payments on the sale of groundnut.
- 2) Giving advances to its permanent customers.

- 3) By deducting the charges which the traders or the middle-men used to charge to the farmers for their services.

Despite giving such liberal concessions and facilities to the local farmers, the mill owner reiterated when enquired in personal interview that approximately 3 to 5 percent of the total farmers take advantage of this. He further confirmed that this is one of the major reasons for the closure of such units in nearby area. Furthermore, he envisages even such threat for his unit's viability.

3.3 ROLE OF THE CO-OPERATIVE SOCIETY

The concept of developing regulated markets in India was to establish the regulated markets to eliminate the problems of farmers and improve the agricultural marketing scenario in the country. Under this, the Athani Agricultural Produce Co-operative Marketing Society was formulated on 31st January 1941, with the aim to help the poor farmers of the taluka. The working of the co-operative society is enumerated below.

- 1) **Functions** :- The Athani Agricultural Produce Marketing Co-operative Society has undertaken the work of

wholesale distribution of essential commodities. It distributes the seeds, fertilizers, chemicals, foodgrains, sugar, cement, text books, and note books of the primary schools in addition to its role as an agency.

It purchases the agricultural products like cotton, foodgrains, chilli, etc., directly from the farmers (even non-members) similar to the traders who purchase in the market. It acts just like an agent or a middlemen and helps the farmers to get reasonable price without any profit. However, it takes commission only from the purchasers.

2) Advancing Facility :- This society has been following the rules and regulations of the other co-operative societies and the regulated markets in Karnataka with its bye-laws. It gives advances to its members upto 75 percent of the value of their goods stored in their warehouses. Whereas, the remaining portion is paid after the sale of their produce. The contracted and the deposited goods thus become the security for advancing the farmers.

3) Financial Sources :- This co-operative has the practice of borrowing from the financial institutions

such as the District Credit Co-operative Bank (DCCB) or the apex bank. The cash credit loans are taken from the DCCB only at the concessional rate of 13.5 percent interest.

It does the business by purchasing and selling of levy products at the Government prescribed rates. The Karnataka Government on the other hand, gives subsidy every month, which comes to about 2.5 to 3 lakhs of rupees to this society.

4) Management :- The Agricultural Produce Co-operative Marketing Society of Athani has 10 members in its Board of Management, who are also designated as Directors. Further, it has one Manager, an Accountant, a first divisional clerk and a second divisional clerk . In all it has 9 members functioning office.

The Athani Society has its own lorry with a driver and a cleaner, under the jurisdiction of the co-operative marketing society, there are 62 co-operative societies working in the taluka (i.e. all the villages have their own co-operative marketing society).

Besides above there are 187 co-operative institutions like Urban Co-operative Banks and other

institutions of seed farms under the management of this society. However, purely agricultural marketing societies are just 62 in number, for which this society distributes on wholesale basis the monthly quota of various food grains and other essential commodities.

5) Limitations :- The major limitation of the Co-operative Marketing Society of Athani is that it does not function properly. The major cause of this is attributed to the Government taxation policy and the shifting of markets to nearby Sangli and Bijapur market, where the farmers get competitive prices. Formerly the purchasers were coming to this place from outside places. whereas, now the farmers are taking the entire produce to the nearby markets.

Even the supply of seeds by this society to the farmers has stopped recently. This is due to the fact that there is cut throat competition by the private licenced dealers. Specially, cotton seeds were sold by this marketing society along with groundnut seeds at very reasonable prices. But due to the private dealers competition this was also not feasible for the society to develop its activities.

Moreover the Government is also responsible for the non-development of this co-operative society. The basic cause is the financial stringency. The subsidy amount, due to the co-operative, is not given or released by the Government from time to time making it financially unviable. For this reason the loans taken from the D. C. C. Bank had to pay the interest at the rate of 13 percent. This financial burden over a long time made the co-operative society to function at its peak. Hence only hand to mouth business is now-a-days done by the Athani Co-operative Marketing Society.