



## Full Length Research Article

### MARKETING OF COIR FIBRE: A CASE OF EAST GODAVARI DISTRICT OF ANDHRA PRADESH

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#### ABSTRACT

India is not only the largest producer, but also, the main consumer of coir and coir products in the world. The Indian market constitutes around 45 percent of the world market for coir and coir products. Over 55 percent of the coir produced in India is consumed internally. The present study is focused on internal marketing of coir fibre, the information collected from 10 coir fibre extraction units, 20 local traders, 15 market traders, 10 wholesalers and 10 retailers from East Godavari District of Andhra Pradesh in the financial year 2013-14. The article mainly emphasised the marketing cost, marketing margin, price spread, efficiency of different marketing channel. The net price received by producers in consumer's rupee in marketing channel I is 54.36 percent, channel II: 64.14 per cent and channel III 67.30 per cent signifying producer-consumer channel the highest marketing efficiency channel according Shepherd's Acharya-Agarwal and Composite Index Method, the marketing Efficiency Index of Channel III is great than of channel I & channel II.

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#### INTRODUCTION

Coir industry is one of the most important traditional small Enterprises in India which provides employment to about 7 lakh persons of whom a majority is from rural areas belonging economically weaker sections of society India accounts for more than two thirds of the world production of coir and coir products and also largest consumer. It is an important cottage industry contributing significantly to the economy of major coconut growing states and union territories i.e. Kerala, Tamil Nadu, Andhra Pradesh, Karnataka, Maharashtra, Goa, Orissa, Assam, Andaman & Nicobar, Lakshwadeep and Pondicherry. The Indian coir products are in great demand in domestic and the international market for their special features like ability, price, workmanship, quality, attractiveness and eco-friendly, decomposable, renewable natural resources, non-pollutant, custom of the product is up to the expected level when compared to plastic and other environment pollutant item. The study mainly focused on marketing of coir fibre namely marketing channel, marketing cost marketing margin and marketing efficiency in three mandals of East Godavari District of Andhra Pradesh.

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#### Review of Literature

Gupta and Ram (1979) analyzed the behaviour of marketing margin and cost of vegetables in Delhi and concluded that producers received only 38% of the price paid by the consumer and the rest are earned by the middlemen as margin. Jeya Balaji J. (1989) in his study, "An Economic study of the coir industry in Kanyakumari District observed that private sector played a significance role in the marketing of coir and coir products in the district. He also focused on limited size of operations, delay in payments, lack of grading and standardization and lack of marketing knowledge were some of the problems identified in the internal markets of the District. Lastly the study emphasised the market status was weakened by failure of act of government agencies i.e., coir board and other agencies. Karnataka State Coir Development Corporation (1993) has made an attempt to examine the potentiality of coir industry in the State, and it is the first official survey in the state. But it has not focused on marketing of coir products. Agarwal and Saini (1995) in their study on marketing of brassica from 50 respondents deduce low share of farmers was due to high marketing cost and high margin charge by agents. Kutty (1999) in his article, stresses the vital importance of improving the marketing of coir and coir

products in India and elsewhere for survival and growth of coir industry. He warns that severe competition facing from synthetic coir products and natural substitute, Machine spun coir yarn and mats from Sri Lanka, and European Countries may create problems to the industry. Therefore publicity about the unsurpassable quality of Indian coir products is to be accelerated. Vijayachandran Pillai B. (2002) in his study, "Marketing Problems of Rural Coir Co-operatives in Kerala" found that, Coir industry is one of the most important agro-based and employment oriented traditional cottage industries in India. Marketing problem is the most crucial among them. The important problems of coirco-operatives in the area of marketing are low procurement price of the Government agencies in the coir sector. R. Ramkumar in his article "Costs and Margins in Coconut Marketing: Some Evidences from Kerala" which analysing the three marketing channels, observed that Channel III (Producer–Co-operative Society–Kerala Coconut Marketing Federation– Consumer) was the most efficient and cost-effective compared to costs found in Channels II (Producer–Oil miller–Consumer) and Channel I (Producer Copra Maker–Oil Maker–Consumer). He concluded that the presence of the intermediaries in the channels led to a low price realization to the producers. Chandaran (2005) in his article on the Indian Coir Industry" concentrated that the high labour cost in Kerala forced the producer to take the coconut husk to the neighbouring state for defibring and bring it back as coir fibre to Kerala which was another reason for the increase in the price of fibre. In addition, he was analysed the demand and supply of coir fibre and there had been highest recorded increase in the price of fibre.

### Objectives

- To examine the role of different marketing intermediaries along the marketing channels.
- To study the marketing cost, marketing margin and price spread.
- To establish the producers share in consumer's rupee.
- To examine marketing efficiency i.e., the efficient channel in marketing of coirfibre in the study area.

### MATERIALS AND METHODS

The study was covered three mandals namely, Amalapuram, Ambajepeta and Rajol of East Godavari District of Andhra Pradesh. The total number of the coir fibre manufacturing units were running in East Godavari district are 150 coir units. Out of Which 40 coir units were selected from three mandals. The primary data were collected from the 10 entrepreneur of coir units, 10 local traders, 10 market traders, 10 wholesalers. Primary data have been collected mostly by direct contact method. The Questionnaires and schedules have been used for whole study. Primary data have been collected from the selected three mandal with pre-structured questionnaires on a number of major aspects of marketing of coir fibre, different marketing channels, marketing cost, marketing margin, efficiency of marketing and problems of coir fibre marketing. Field survey is conducted during the year 2014- 2015.

Marketing Cost :  $TC = P_c + \sum MC_{ith}$

Where ,

TC= Total marketing cost

$P_c$ - Marketing cost of Producers

$MC_{ith}$ - Marketing cost of ith intermediaries

**Marketing margin:**  $MM = S_p - (P_p + M_c)$

Where,

MM - Marketing margin

$S_p$ - Selling Price

$P_p$ - purchase price

$M_c$  - Marketing cost

**Producers share:**  $PS = P_r / C_p \times 100$

Where,

PS = Producer share

$P_r$  = Price received by Producer

$C_p$  = Consumer price

**Price Spread:**  $PS = PC - PR$

Where,

PS= Price Spread

PC = Price paid by final consumer

PR = Price received by ultimate producer

### Marketing Channels of Coir Fibre

The Coir fibre in East Godavari District is sold through various intermediaries namely local trader, market traders, commission agents, wholesalers, The marketing channels identified are:

- Marketing Channel I = Producer - Local Traders - Commission Agents -Wholesalers- Industrial User
- Marketing Channel II = Producer - Commission Agents -Wholesalers- Industrial User
- Marketing Channel III = Producer - Wholesalers- Industrial User

### Marketing Cost, Marketing Margin and Price spread

Marketing costs differ from commodity to commodity and changes overtime depending on the nature of commodity, consumption, storage, transportation, market distance, packing, labour, price. Marketing cost and marketing margin differ significantly from marketing channel to channel and are related directly to the length of the marketing channel, i.e., longer the channel, marketing cost and marketing margin will be more. Marketing margin is the profit earned by different intermediaries involved in moving the product from the point of production till it reaches the ultimate industrial user while difference between the price paid by the industrial user and the price received by the producers for an equivalent quantity of coir fibre produce is the price spread. In the view point of marketing efficiency, this gap has to be reduced to the closest minimum (Gunwant *et al.*, 2012)<sup>2</sup>. Marketing Channel wise analysis of marketing cost, marketing margin, price spread and net price received by producer of coir fibre is presented from Table 1. From Table 1, shows that the Price spread is worked out for every 100 kg of coir sold by the city, share of the producer in the price paid by the consumer is 54.36 per

cent, 70.92 per cent, 73.37 per cent in Channels I, II, and III respectively.

to the absence of commission agents. The wholesalers earned the same rate of margins irrespective of the channels.

**Table. 1 Price Spread Coir Fibre**

Particulars	Marketing Channels					
	I		II		III	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Net Price received	790	54.36	935	64.14	978	67.30
Marketing Cost			98.52	6.78	88.32	6.07
Gross Price received or paidby Local traders/ Markettraders, Wholesaler	790	54.36	1033	70.92	1066.32	73.37
Local Trader			-	-	-	-
Price paid	790	54.36				
Marketing Cost	105.82	7.28				
Marketing Margin	170.50	11.73				
Price received	1066.32	73.38				
MARKET TRADER						
Price paid	1066.32	73.38	1033	71.09	1066.32	73.38
Marketing Cost	109.52	7.53	109.52	7.53	87.31	6.008
Marketing Margin	65.00	4.47	98.32	6.76	87.21	6.001
Price received	1240.84	85.38	1240.84	84.38	1240.84	85.389
WHOLESALE						
Price Paid	1240.84	85.39	1240.84	85.39	1240.84	85.39
Marketing Cost	102.09	7.03	102.09	7.03	102.09	7.03
Marketing Margin	110.10	7.58	110.10	7.58	110.10	7.58
Price received or paid by the Industrial user/end user	1453.03	100.00	1453.03	100.00	1453.03	100.00

Source: Primary Data.

It is found to be the highest in channel III when compared to channels I and II. It is clear the above table that the producer's share is the minimum in channel I ever though absence of marketing cost. The highest share of coir marketing margin is earned by local trades no marketing is incurred by the produces in channel I it is incurred that the too much high in II & III marketing channel, which constituted 6.78 per cent & 6.07 per cent receptivity in industrial user and weirs price in the channels marginal cost is increased by the local trades which is 7.28 per cent in C - I and for the market trader constituted 7.53 per cent in both I & II Marketing Channels. Which was the highest among the cost in erred by all the middlemen. This table 1 also shows that the largest share of marketing margin was taken by the local trades it was 11.73 percent when the local trades surcharge of coir fibre directly from. Coir Producers in addition for that a highest marketing margin was earned by other intermediaries. The market margin earned by the market trader remains the same for channels I and II and it was very low 4.47 percent in channel I. The wholesaler earned the 7.58 percent of market margin all the three channels.

**Table 2. Marketing Margin of Different Marketing Channels**

Sl.No	Particulars	Channels		
		I	II	III
1	Local Trades	170.50	-	-
2	Market Trades	65.00	98.32	87.21
3	Wholesaler	110.10	110.10	110.10
	Total	345.6	208.42	197.31

Source: Primary Data

Marketing Margin of different Marketing Channels presented in the table 2. It is shows that per 100 kg of coir fibre sold, the margin for the Local traders is the highest in marketing channels where they are present. There is no change in the marketing margin earned by the market traders in channel I and channel II but their share increases in channel III. It is due

**Table 3. Price Spread Different Marketing Channels (Rupees per 100 Kg)**

Sl.No	Particulars	Channels		
		I	II	III
1	Industrial Vis's Price	1453.03	1453.03	1453.03
2	Producers Price	790	935	978
3	Price Spread	663.03	518.03	475.03
4	Marketing Cost	227.43	211.61	189.4
5	Marketing Margin	345.6	208.42	197.31

Source: Primary Data

Price Spread Different Marketing channels table 3 reveals that the price spread was Rs.663.03 per 100 kg of coir fibre found in channel I which was the highest because higher marketing cost of Rs. 227.43 and the marketing margin of 345.6 due to the presence of more intermediaries. As a result, the net price received by the manufacturer was lower. It is followed by the less price spread Rs. 475.03 in Channel III because of less marketing cost of Rs. 189.4 and marketing margin of Rs. 197.31. It resulted in the highest Producer's price in Channel III. It is followed by Marketing channel II where price spread was Rs. 518.03 and with the marketing cost Rs.211.61 and marketing margin of 208.42. The producer's price in the Channel II was Rs. 935, which is the second highest among the marketing channels.

### Marketing efficiency

Marketing efficiency is essentially the degree of market performance. It is the ratio of market output to marketing input; higher is the ratio, greater the efficiency. Any increase in this ratio results good marketing efficiency while decrease shows poor marketing efficiency. A reduction in the cost for the same level of output or an increase in the output at a given cost results in the efficiency of marketing (Khol's and Uhl, 1980)30. The improvement in marketing efficiency means the reduction of marketing cost without reducing the quantum of

services to the consumer (Thamizhselvan and Murugan, 2012)<sup>31</sup>In the present study, marketing Efficiency was analyzed for the three different marketing Channels high. Shepherd's method. AcharyaAgarwal's method and composite Index method. Marketing efficiency can be assessed with price, marketing cost, marketing margin and price – spread. In the present study, only the consumer price and marketing cost per 100kg of coir fibre are taken into account to estimate the marketing efficiency of the various channels. The marketing efficiency is measured by using the following formula given by Acharya and Agarwal (2001).

less than that channel II The means score of the two marketing channels I and II is 2.33 and 2.00.

### Problems in Marketing of Coir Fibre

The Marketing problem of the coir units in the study area mainly focused nature of the process of production they follow. Coir fibre extraction being the only activity of the units the problem of marketing of fibre becomes more tricky and poses several problems. An attempt has also been made to identify the problems faced by producer in marketing of fibre

**Table 4. Marginal Efficiency analysis method under Acharya Agarwal Method**

Particulars	Channel I	Channel II	Channel III
TMC- I	31	2116	18.94
Value added (CP-PP) <sup>0</sup>	663.03	518.03	475.03
ME Index ME × 100	2138	2448	2508

Source: Computed Data.

**Table 5. Marketing Efficiency under Shepherd's Method (Rupees per 100kg of fibre)**

Marketing channel	Marketing cost	Marginal	Marketing Efficiency
Consumer's Price (V)	145.30 (I)	145.30 (II)	145.30 (III)
TMC (I)	31	21.16	18.94
Marketing Efficiency	3.68	5.86	6.67

Source: Computed Data

**Table 6. Marketing Efficiency under Composite Index Method for Coir fibre**

Marketing Channels	Scores As Indicator			Mean Score	Rank
	Producer's share in Consumer Price (per cent of consumer price)	Marketing Cost (per cent of consumer price)	Marketing Margin (per cent of consumer price)		
I	3	3	1	2.33	III
II	2	2	2	2	II
III	1	1	3	1.67	I

Source: Primary Data.

**Table 7. Marketing Problems of Coir Fibre**

Sl. No.	Nature of Problem	Mean Score	GarrettRank
1	Inadequate finance	55.69	V
2	High Transport Cost	80.26	I
3	Heavy commission	51.68	VI
4	Inadequate Market Information	60.39	IV
5	Lack of Storage facilities	48.69	VII
6	Poor implementation of the Govt. policy	69.68	III
7	Lack of training facility to the Seller	36.35	X
8	No direct contact with industrial users	40.69	IX
9	Insufficient marketing mechanism for coir fibre	44.65	VIII
10	Inadequate State and Central Government support	71.24	II

Source: Primary Data.

The table 4 shows that the marketing Efficiency Index of Channel III is great than of channel I & channel II. Marginal Efficiency of Channel III is greater than channel I. The result indicate that the coir fibre had highest valued added in channel III and achieved highest Marginal Efficiency in that Channel. The Table 5 shows that the Marginal Efficiency is in marketing Channel III is better this channel II & I due to the low marketing cost.

The table 6 shows that the Marketing Efficiency under composite Index Method for 10 coir mats. Marketing Channel III more efficient its mean score is the lowest with 1.67. on the Other hand marketing margin in channel I is greater than Channel II, but marketing efficiency of marketing channel I is

in the study area. The coir producers were asked to rank the problems faced by them in the marketing of coir fibre and the percentage of the individual ranks was converted into scores using the Garrett rank table and thereby the mean scores and the ranks were assigned to the problems encountered by the coir fibre producer in the study area and the details are presented in Table 7. It could be seen from table 7that the heavy transport cost, inadequate state and central government support, poor implementation of government police, inadequate market information, inadequate finance, heavy commission are the major problems faced by coir manufacturers in the study area. They have to incur high transportcosts. Therefore, it is found to be the first and foremost problem which had a mean score of 80.26. The

inadequate State and Central government support is the next important marketing problem faced by the producer which has the mean score of 71.24. There is no government agency to look after the functions of marketing in the study area. Government had introduced many schemes for development of coir sector but these schemes are not implemented properly ranked third with the mean score of 69.68. Majority of the coir producers are moderately educated and every information about production, recent trends in export and the like has to come from the market which is far away from the production centres. Hence the lack of market information ranked fourth with the mean score of 60.39. Inadequate finance is also another major problem which stood fifth with a mean score of 55.69. The high commission paid is also another major problem, as more intermediaries were involved in the channels of coir which stood sixth with a mean score of 51.68. The remaining problems like, lack of storage facilities, insufficient marketing mechanism for coir fibre, lack of training facility to the seller and no direct contact with industrial users, with the mean scores of 48.69, 44.65, 40.69 and 36.35, are ranked seventh, eighth and ninth and tenth respectively.

### Suggestions

- The State and Central government and coir board should improve their policy relating to coir fibre and marketing in East Godavari district and provide assurance to coir and coir products manufacturers.
- Provide information on marketing should be passed on to producer and intermediary through mass media and other means of communication.
- The state, Central and Coir Board to relieve entrepreneur from the burden of marketing of coir fibre through eliminating various intermediaries in the channel of marketing.

### Conclusion

The coir industry plays a significant role in the development of the economy of India, it provides employment opportunity to about 7 lakh people, particularly 80 percent belongs to women. The Indian coir fibre is in great demand in the domestic and international market for its special features like ability, price, workmanship, quality, attractiveness and eco-friendly,

decomposable, custom of the product is up to the expected level when compared to plastic and other environmental pollutants. The efficiency of the market shown as a relative percentage share of the industrial user received by the Producers. The greater the portion that goes to the Producers, the higher is the efficiency of the market. The Marketing Efficiency Index of Channel III is greater than of Channel I & Channel II. Marginal Efficiency of Channel III is greater than Channel I. The results indicate that the coir fibre had the highest value added in Channel III and achieved the highest Marginal Efficiency in that Channel. The present study is focused on various issues relating to the marketing aspects of coir fibre. The policy implications suggested, if properly implemented, may result in increased prospects and revenue for the nation and for the people concerned.

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