



## **Marketing Management of sugar and its by-products in Malaprabha Cooperative Sugar Factory Ltd., M.K.Hubli**

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### **ABSTRACT**

*The present study was conducted in the Belgaum district of Karnataka State during 2011-12. The major findings of the study revealed that the marketing of sugar from the factory to consumer was identified and it was through three channels. The factory had the liberty to sell 60 percent of sugar produced through channel-I, (Producer-Wholesaler-Retailer-Consumer) marketing of sugar through this channel as also regulated by the government. The government released monthly quota for sale of sugar further in the open market. The factory divided the quota to be released in four weeks and the remaining 20 percent at any week in the month as per the wishes of the factory management. The tender would be opened in a meeting which consisted of Managing Director, Administrative Officer, one member from cane grower and one member from the employee. The highest quoted tender would be accepted and sugar would sell to that dealer. Forty percent of sugar produced was sold as levy sugar through channel-II (Producer-Public Distributor System-Consumers). In this channel, the factory was required to sell 40 percent of sugar produced to the Central Government under an order made under clause (7) of sub section (2) of sections 3 of Essential Commodities Act, 1955. In channel-III (Producer- Consumer) sugar was directly sold to the grower member at ₹3350 per quintal (one q/member) and half of quintal sugar was sold to the employee at ₹3850 per quintal (half q/employee).*

**Key words:** Sugarcane, By-products, Marketing

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### **INTRODUCTION**

Sugarcane (*Saccharum officinarum* L.) cultivation was first started in South-East Asia and Western India in 327 B.C. It was introduced to Egypt around 647 A.D. and about a century later, spread to Spain (755 A.D.). Since then, cultivation of sugarcane was extended to nearly all tropical and sub-tropical regions. Portuguese and Spaniards introduced the crop to other parts of the world early in the 16<sup>th</sup> century. It was introduced to the United States of America (Louisiana) in 1741 [1-2].

Sugar cane cultivation, Sugar Industry and Sugar Trade play a very significant economic role both at national and international level. Sugar Industry is one of the major agro-based industries contributing for overall economic and social development of the rural mass wherever sugar factories are located [3-5].

The Sugar (Control) Order 1966 provides for power to the Government to regulate production of sugar, restrict sale of sugar by producers, movement of sugar and quality of sugar, call for information from producer or recognized dealer, inspection, entry, search, sampling and seizure of sugar and delegation of powers conferred by the Sugar (Control) Order, 1966 to any officer or authority of the Central or State Government. On the basis of the quarterly free sale quota decided by the Government, month-to-month release orders for sale of sugar in open market were issued under clause 5 of the Sugar (Control) Order, 1966.

### **MATERIAL AND METHODS**

The present study was conducted in the Belgaum district of Karnataka. Belgaum district is located at 15.87°N 74.5°E.<sup>[10]</sup> It has an average altitude of 751 metres (2463 feet). The district is situated in the North-Western parts of Karnataka, Maharashtra and Goa on the Western Ghats (50 km from Goa State border). It is one of the oldest towns in the state, lying at a distance of 502 km from Bangalore; 515 km

from Hyderabad and 500 km from Mumbai. The district comprises 1278 villages with an area of 13,415 km<sup>2</sup> with a population of around 48 lakhs or 4.8 million (47, 78,439) according to the census 2011.

The study was based on primary and secondary data. The secondary data were collected from the published annual reports and other publications of the sugar factory and primary data were collected from the concerned persons of the management at different levels for eliciting the information.

## RESULTS AND DISCUSSION

Marketing channel was the route through which a commodity passes through the producer to consumer. Three marketing channels were identified in sale of sugar.

Channel I: Producer-Wholesaler-Retailer-Consumer

Channel II: Producer –Public Distributor’s System-Consumer

Channel III: Producer –Consumer (member and employee of the factory)

The Government directly procured the 40 percent of sugar production to supply the consumers at subsidized rate, and hence the question of calculating the cost of channel-II. Since the producer sold sugar directly to grower members and employee of the factory at a fixed price decided by Managing/ Technical Committee. At present, the grower members got one quintal of sugar per member at ₹3350.00 and employee got half quintal of sugar at ₹ 3850.00.

The marketing of sugar from the factory to consumer was identified and it was through three channels. The factory had the liberty to sell 60 percent of sugar produced through channel-I, (Producer-Wholesaler-Retailer-Consumer) marketing of sugar through this channel as also regulated by the government. The government released monthly quota for sale of sugar further in the open market. The factory divided the quota to be released in four weeks and the remaining 20 percent at any week in the month as per the wishes of the factory management. The tender would be opened in a meeting which consisted of Managing Director, Administrative Officer, one member from cane grower and one member from the employee. The highest quoted tender would be accepted and sugar would sell to that dealer. Forty percent of sugar produced was sold as levy sugar through channel-II (Producer-Public Distribution System-Consumers). In channel-III (Producer- Consumer) sugar was directly sold to the grower member at ₹3350 per quintal (one q/member) and half of quintal sugar was sold to the employee at ₹ 3850 per quintal (half q/employee).

### Price Spread in Marketing of Sugar: Channel-I: Producer-Wholesaler-Retailer-Consumer

The producer did not incur any cost for marketing of sugar, since the wholesaler collect the sugar at their cost. The wholesalers transported the sugar from the factory premises to their shop-cum-godown and sold them to the retailer after keeping a margin of ₹ 98.80 (2.57 percent of consumer’s price) for every quintal of sugar sold. The major costs incurred by the wholesaler were rent for shop and godown accounting for 0.21 percent of consumer’s price and interest charges accounting for 0.23 per cent of consumer’s price. Wholesaler’s sale price or retailers purchase price was ₹ 3547.60 for one quintal of sugar (which formed 92.14 percent of consumers’ purchases price). The major cost incurred by the retailer were rent and electricity charges accounting for 0.25 percent of consumers price and the retailer margin was ₹ 302.40 accounting for 7.86 percent of the consumer price for sugar sold through this channels. Hence, the producer price in the consumer rupee was 87.02 the remaining 12.98 percent accounted for the wholesaler’s margin, retailer’s margin and also different costs incurred by them. The price spread in this channel was ₹ 500.00 (12.98 percent).

The producer sale price and wholesalers purchase price were the same. The marketing cost and marketing margin incurred in this channel were discussed in this paper. The wholesalers retained only 2.57 percent of the consumer’s price as their margin. But the retailers retained as high as 7.86 percent of the consumer’s price as their margin. The margin realized by the retailers was out of proportion to their services rendered and the amount of risk taken by them. The producer received only 43.47 percent of the consumer’s price.

### Revenue from Sugar and by-product sales:

The production and sale of molasses indicated a fluctuating trend over the study period as it was influenced by the extent of crushing, efficiency, and quality of cane. The revenue realization from molasses sales was the highest in 2011-12 (₹ 981.94 crores) and lowest in 2005-06 (₹ 57.39 crores). The average sale of molasses was ₹ 367.92 crores during the study period. On an average molasses contributed around 35.16 per cent to the overall revenue of the factory.

The sale of sugar indicated varying trend over the study period. The revenue realized from the sugar sale was highest in 2004-05 (₹1602.24 crores) and lowest in 2006-07 (₹ 278.31 crores). On an average sugar contributed 64.08 percent to the overall revenue of the factory.

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The factory on an average sold ₹ 367.92 crores worth of molasses. After the government decontrol on sale of by-products, the revenue of the factory from the sale of by-products had substantially increased. The sale of molasses was varying from ₹155.20 to ₹ 981.94. The average value of sugar from sale of sugar was ₹ 656.34crores. The sale of sugar varied from ₹ 457.21crores to ₹1206.31 crores during 1997-98 to 2011-12 periods. The total revenue of sugar and by-product sales was ranging from ₹ 700.72 crores to ₹ 2188.25 crores with an average of ₹1024.26 crores over the study period.

**Table-1. Price Spread in Marketing of Sugar under Channel-I (2011-12)**

Sl. No	Item of the cost	Amount ₹/q sugar	Proportion to the Consumer Price( Percent)
1	Wholesalers purchase price at factory gate	3350.00	87.01
2	Cost incurred by the Wholesaler		
a	Rent for shop and godown	8.00	0.21
b	Labour charges for loading and unloading	4.00	0.10
c	Transportation charges	25.00	0.65
d	Licence fee	20.00	0.52
e	Storage lossess	2.00	0.05
f	Electricity charges	10.00	0.25
g	Interest charges	9.00	0.23
h	Miscellaneous charges	20.80	0.54
	Wholesalers margin	98.80	2.57
3	Retailers purchase price at wholesaler point	3547.60	92.14
4	Cost incurred by the Retailer		
a	Transportation charges	30.00	0.78
b	Handling and Storage lossess	10.00	0.25
c	Rent and Electricity charges	10.00	0.25
d	Licence fee	25.00	0.65
e	Miscellaneous charges	25.80	0.67
	Retailer's margin	302.40	7.86
5	Retailer price/ Consumer purchase price	3850.00	100
6	Price spread	500.00	12.98
7	Producer share in consumer rupee	1800.00	43.47
8	Processor share in consumer rupee	1550.00	40.25

Source: Records maintained by Sales Office

**Table-2. Revenue from Sugar and By-products sales (1997-98 to 2011-12) (₹ in crores)**

Years	Sugar	Contribution of Sugar to the Total Revenue(percent)	Molasses	Contribution of Molasses to the Total Revenue(percent)	Total Revenue
1997-98	545.52	77.85	155.20	22.15	700.72 (100)
1998-99	585.92	77.70	168.20	22.30	754.12 (100)
1999-00	620.45	77.56	179.50	22.44	799.95 (100)
2000-01	735.23	75.73	235.62	24.27	970.85(100)
2001-02	745.20	69.93	320.52	30.07	1065.72(100)
2002-03	550.25	58.52	390.04	41.48	940.29 (100)
2003-04	841.60	56.31	653.13	43.69	1494.73 (100)
2004-05	1602.24	88.81	201.87	11.19	1804.11 (100)
2005-06	457.21	88.85	57.39	11.15	514.60 (100)
2006-07	278.31	26.34	778.28	73.66	1056.59 (100)
2007-08	338.79	45.00	414.04	55.00	752.83 (100)
2008-09	368.73	46.73	420.42	53.27	789.15 (100)
2009-10	567.22	78.46	155.69	21.54	722.91 (100)
2010-11	402.05	49.69	407.02	50.31	809.07 (100)
2011-12	1206.31	55.13	981.94	44.87	2188.25 (100)
Average	656.34	64.84	367.92	35.16	1024.26(100)

Source: Annual Reports (1997-98 to 2011-12) of Rani Sugar

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