

# MARKETING MANAGEMENT OF KASHMIR APPLE

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Marketing is a comprehensive function; it is concerned with every aspect of produce from its inception, design, pricing, distribution, setting and promotion until it finally reaches the hands of the consumer. In another way, Marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. It includes all activities involved in the creation of time, place, form and possession utility. Phillip Kotlar has defined marketing as a human activity directed at satisfying the needs and wants through exchange process. American Marketing Association defined marketing as the performance of business activities that directs the flow of goods and services from producers to users. Marketing activity in fact begins with espousal of appropriate technology at the farm level and ends at the final consumption level.

The apple industry in India is concentrated in the western Himalayas, but the entire country is consumer of Apple. It, therefore, gives a virtual monopoly to these areas to supply apples to a very vast market. The producer's position is more strengthened because when fruit matures in August and September, there is practically no other fresh fruit available in the Indian market.

Marketing of fruit consists, first of assembly of the fruit at the forwarding agency and the central places on the main road connecting nearby village to a distant markets. Assembly is an important stage in marketing involving collection of the produce at suitable place for distribution to consuming markets. This is followed by dispatch and dispersion of fruits to the terminal distributing markets like Delhi, Kolkata, Chennai, Ahmadabad, Bangalore and Mumbai. Apple merchants in these terminal markets distribute the fruit among traders in the surrounding markets all over the country. Apple dominates the horticulture produce of Kashmir in both area as well as production, but is of perishable nature. The perishable nature of commodities attributes to seasonal gluts and off-seasonal scarcity.

More or less this is the case with all agriculture produce. Therefore, due to the reason, marketing of the Kashmir apple is a complex process. It needs a ready market which is not possible in small towns around the area it is produced. But this fruit finds better markets in big cities. The consumers at these places have high income elasticity in terms of demand for apples. Delhi is the biggest and most suitable market for apple where loaded trucks remain unattended for several days due to very heavy arrivals during the peak marketing months. Delhi is also the biggest wholesale supplying market dispatching stocks to different markets throughout the year.

The marketing pattern of apple is different from the marketing pattern of other agriculture produce. Unlike many other agricultural commodities, which are first brought to the whole-sale markets, the dispersion process in case of apple is in opposite direction. The produce is first sent to the terminal market from the producing areas and then distributed to the primary and secondary markets. Consequently, a large number of middle men are involved in the channels of trade between the apple producers located on the hills and the consumers around the distant markets in the plains. There is also evidence on collusion amongst the apple merchants to control prices within the market and to influence pricing mechanism in other markets. The marketing system for apple is therefore, of utmost importance for those farmers who specialize in apple production and is of great interest to all those people who are concerned with the producers share in the consumer's price.

### **MARKETING CHANNELS**

For the evaluation of marketing structure, conduct and performance, the study of marketing channels is preliminary. Marketing channel means the passage through which a commodity travels from producers to final consumer. The consumers are generally located in a dispersed manner, far away from the production centers and these results in the absence of direct contact between the producers and consumers; and large scale producers and buyers have developed highly specialized agencies under their own control to perform marketing operations.

Apple marketing in the kashmir, virtually in its entirety, is carried out by the private sector comprising pre-harvest contractor, commission agent, forwarding agent, wholesaler and retailer. Earlier all marketing was done through the "Commission Agent." But now an orchardist has a number of alternative marketing channels to choose from.

Since the planning era, in the country in general and Jammu and Kashmir in particular, there are six marketing channels involved in Apple marketing, they are as follows:

- Channel-I Grower Pre-harvest contractor Commission agent Wholesaler Mashkhor Retailer Consumer.
- Grower forwarding agent Commission agent wholesaler Mashkhore Retailer Consumer.
- Grower Commission agent Wholesaler Mashkhor Retailer consumer.
- Grower Co-operative Marketing Society Commission Agent Wholesaler Mashkhor Retailer Consumer.
- Grower JKHPMC Wholesaler Mashkhor Retailer Consumer.
- Grower Consumer.

### **Marketing through pre-harvest contractor**

The pre-harvest contractor is the most common and most objectionable marketing agency engaged in the marketing of temperate fruits in India. These contractors being generally local operate in those areas, the orchards of which are well known to them for their cropping capacity, annual yield and the varieties grown. Their functions and the terms on which they

buy the crop vary. They may buy the crop even before blossoming time or at any time before the fruit rips, but ordinarily the bargain is made at the time of blossom.

The pre-harvest contractors practically handle all small orchards and some large ones as well in their respective areas. The practice of leasing out orchards on contract basis is so popular that even the Government orchards are sold to pre-harvest contractors. Thus, all the fruit orchards are leased out for a price fixed by mutual negotiation. The Government orchards are sold by inviting tenders, the highest bidder being entitled to the lease. Another difference lies in the fact that the Government orchards are leased out only for a period of one season; the private ones are contracted for one or more than one season. These contractors usually prefer the bigger orchards as the contractor has to engage watchman to look after the orchards till the fruit is harvested. Usually a written agreement is executed between the pre-harvest contractors and the grower at the time of sale. Usually 25% of the agreed sum is paid at the time of transaction and the balance is paid in two or three installments, extending to the time till the last part of the crop is harvested. These contractors are usually financed by the forwarding (commission) agents on the understanding that produce would be marketed through them only to those who are well to do. However, the contractors do not depend upon the forwarding agents all the time; they sell and export the produce to distant terminal markets themselves.

This channel has become very common in disposing off apple fruit from valley. The main reasons for adopting this channel are as:

- Small size of orchards and hence small production.
- Lack of time during marketing season due to the perishable nature of the fruit and pre-occupation in other agricultural operations.
- Non-availability of marketing finance within growers.
- Lack of marketing knowledge and performance to shift the risk.

Although this system of marketing is adopted by some growers but it is full of defects usually the owner does not know the real value of his produce and in any case he can do nothing but accept the best price offered. Tendency of contractor is to bend their efforts solely to the production of the fruit, with no thought for the care of the trees. Lastly, the money is ordinarily paid in installments and, if for any reason, production falls short of expectation, the contractor seldom completes the payment.

### **Marketing through forwarding agent**

A forwarding agent acts as a forwarding agency between the producer and the commission agent at the terminal market. The forwarding agent performs the function of transporter to the desired markets. They help in marketing small lots of produce of small orchardists well in time which if individually sent to the market by these producers will be an uneconomical process due to small quantities of individual lots. Forwarding agents, through their planning, make full use of transportation capacity by gathering small lots of different producers of an area to be sent to same destination.

Most of the forwarding agents finance the producers themselves. A forwarding agent not only transports the fruits but also pays octroi, taxes and loading charges. These forwarding

agents charge Rs. 10 to Rs. 12 per standard box as their commission. As a forwarding agency between the grower and the commission agent, forwarding agent is responsible for the payment to the grower. Money, in installments, is passed from commission agent to the grower through them and they maintain all accounts between the producer and the commission agent.

Written on a proforma called “Watak” is send to the producer, through these forwarding agents, mentioning the sales price and costs incurred on its marketing.

This type of marketing channel is usually opted by the growers who want to minimize the transport risk. But there are some serious weaknesses in this system as well. Firstly, the grower who channelizes his produce through these forwarding agents often does not know the real value of his produce, and in any case he can do nothing but accept the best price offered. Secondly, many of these agents bill the growers with a number of unauthorized charges. Thirdly, forwarding agents act as one more intermediary in the trade of apple. It is a common observation that as the number of middle men is large, there is a large difference between the price that consumer pays and the price that the producer receives.

### **Marketing through commission agent**

This channel is most popular in trading and marketing the Kashmir apple. These commission agents otherly are called “*arthis*”. The fruit is consigned to them which they sell by auction. Fruit growers after plucking, grading and packing their fruit send it to these commission agents, at terminal markets for sale. The commission agents sell these lots to wholesalers or *mashkhors*.

Commission agents not only sell the fruits of growers but also finance those growers who dispatch their produce to them. Financing starts from the month of March with the spray. In the month of June, growers are financed for fungicides to protect the fruits from the harmful effects of “Scab”. In harvesting season, commission agents finance for empty boxes, *Radii* papers etc. for packing of fruit and in return charge a commission approximately at the rate of 8 to 10% of the gross sale value of the fruits as reported in the study area.

Moreover, It was found that the commission agents usually sell fruits to those wholesalers who are known to them and with whom they have a tacit under-standing. Consequently, some serious malpractices arise in this system of marketing and this adversely affects the producers. The producer is at the mercy of a commission agent. The commission agent may even prepare and send fictitious “*Watak*”. It was also observed that the commission agents at the terminal market cheat the growers by “*Hatha*” system of sale. The commission agents have also been found charging as much as 10% –13% of gross sale as commission in addition to charges in the name of charity; *hundi*, entrance tax and others. The defects of this system, therefore clearly necessitate setting up of some sort of public commission agency at the terminal market. In fact, the orchardists have become conscious of the malpractices on part of the commission agents. Some of the well-to-do orchardists now send their nominee to the terminal market so that the produce is auctioned in his presence. However, this channel i.e. producer commission agent wholesaler Retailer consumer was identified prevailing in the study area.

### **Marketing through co-operative marketing societies**

A Co-operative marketing society is a public owned channel in the trade of apple. These societies buy the apple of different orchardists who are their members and sell the produce at terminal market through the usual channel of commission agent, mashkor, wholesaler, retailer and consumer. These societies advance finance to its member orchardists from the beginning of the season till the total supply of produce is marketed. The society deducts the marketing charges incurred by them and also a normal rate of commission from the gross sale. The remaining amount is paid to the grower of the produce.

The co-operative marketing societies have some special advantages. They are better suited for getting the supply of information from a number of markets. This leads to a reduction in cost of procuring market information. Also, as transport is crucial for fruit marketing, the co-operatives can own means of transportation. The co-operatives can also send the produce to any market or markets depending upon the grower's interest. Co-operative can also, more easily, establish cold storages and processing units. They can also take risks of export markets. As such it is very desirable to establish more and more co-operatives societies for fruit marketing. However, once established, such co-operatives have to bear with the responsibility of tackling many delicate problems that are associated with fruit marketing and this calls for efficient management of co-operatives. This channel is not practised now for the reasons under:

First, these societies lack sincere workers who can gain public confidence.

Second, the traders are very powerful and they undercut co-operatives by every mean.

Third, Co-operatives did not have enough financial resources to compete with middlemen, and since people do not have confidence in those associated with the cooperatives, they do not come forward to become members of those associations.

### **Marketing through Jammu and Kashmir horticulture produce marketing and processing cooperation (HPMC)**

A joint venture of Government of India and Government of Jammu and Kashmir to implement world Bank Assisted project emerged a new channel for marketing the horticultural produce of the valley under this channel producers hand-over their packed fruits to the corporation which acts as a forwarding agent. The corporation also acts as a commission agent if the producers desire so. This, in other words, means that the corporation takes the responsibility of transporting the fruit boxes from road-head to respective markets. The fruit lots are either handed over to the wholesaler/commission agent named by the producer or sold by the corporation itself. If the producers like, the corporations keep the fruit in cold storages.

Jammu and Kashmir HPMC is a world bank sponsored Public Project executed for the objectives as:

- To extend marketing period.
- To extend marketing in new cities and diversification of trade.
- To improve the marketing efficiency.

- To reduce marketing costs in all respects including transport, intermediary margins etc.
- Utilization of large quantities of culls.
- To improve the fruit quality and its public usage by introducing quality control, higher grading standards etc.
- To establish competent and efficient marketing organization engaged in trade of fruit and fruit products by creating an alternative to the existing unsatisfactory wholesale channel of commission agents with their malpractices.

This corporation has its centers at Sopore, Handwara, Anantnag, Sumbal, Chandura, Baramullah, Pattan and Pulwama. Some packing and grading houses have also been installed in different districts of Kahsmir valley. The JKHPMC has a sale centre at Delhi. Although it is expected that it will prove highly beneficial to the fruit growers of the state in marketing their produce as this corporation on the principal minimum marketing costs. But at present no fruit is marketed through this channel.

### **MARKETING DIRECT TO CONSUMER**

Among the all Marketing channels, the most profitable channel in marketing of apples in Kashmir is the “direct sale to consumer”. As in this channel not a single middle man is working as intermediary, so this channel is the shortest distribution channel with the elimination of chain of middlemen between the grower and the consumer. The marketing costs are very low; therefore, consumers are able to get good quality of fruit at the cheaper price. In addition, the producers take great care to prepare and handle the produce during transmission to the consumers in order to maintain their good will and reputation. Producers using this channel for marketing usually have small sized orchards. The success of this channel depends largely on vast contacts with the consumers to get orders for fruits. The growers generally publish information in the newspapers or publish small pamphlets containing details regarding the varieties of fruits, their grade and the size of the lot to get orders from the consumer. This channel is mostly practiced by the growers, owing orchards near the places of tourist interests on the road side, especially on highway, and as well as sell their fruits on small shops, or make supply to hotels, restaurants or super *Bazars*.

The marketing channel, direct sale to consumer, is no-doubt the most profitable channel, but in practice it is very rare due to a number of problems faced by growers to get the produce marketed. All marketing function has to be performed by the grower himself which is a very tough task for an individual.

The evaluation of channels of marketing is practised by the apple growers of Kashmir valley to get their produce marketed. As it is observed that every channel is operating along with some serious weaknesses up to the present situation. Apple growers are bound to get their produce marketed through any one of these channels. But the greatest hurdle found is that the most fruit is marketed through the powerful network of middlemen.

This has created the marketing structure such that the restructuring of apple marketing is the utmost need of the hour, so that to transmit the returns to producers and production. Because it has been found that the existing marketing channels have tendency to give more returns to

intermediaries i.e. middlemen, pre-harvesting contractors, forwarding agents etc. Therefore, in light of the above discussion, it is need of the hour to design a suitable marketing model in public private co-operation to address the present marketing challenges.