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Role of Middleman in Pricing of the Product

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ABSTRACT

Everybody knows that the middle traders are required to reach the goods from the producers to consumers. But in case of industrial goods, a trader plays a minimum role for controlling the share of income. In this system, the producer will fixed his and other traders share of income. On the other hand, for agricultural goods, a producer or farmer produces goods but in many cases middle traders fix the price and distribution of income between the producer and traders. So in this system, traders play a key role sharing of income. In this system the distribution of income, the average earning of the farmer is lower than the traders. As a result, the trend of cultivation of various crops like paddy, wheat, jute, onion decreases rapidly in our country and in near future agricultural growth as well as economic development will effect seriously and problems of producing various agricultural goods will arise.

KEYWORDS : middle traders, producer, distribution, farmer, crops, agricultural

Introduction:-

We all know that middleman i.e. middle traders are needed to reach the products from the producers to consumers. So both in case of secondary goods or primary goods the middleman or traders bridge the gap between the producers and consumers. With help of this traders, the consumer can easily consumes the different kinds of goods at our home which are produced in several parts of the world. But in case of industrial or secondary goods, there is a well-established and well planned marketing strategies to reached the products from the producers to consumers. In this system, a producer will fixed his share of profit from the price of the product, then the producers fixed the share of income of different traders or middleman who are mainly distributed the goods. So, in this mechanism of income distribution, there is no chance of share of income or profit of producer to be less than the traders. For this system, a consumer can easily purchase goods from the market by paying the Maximum Retail Price (MRP) for the product. We know that – Selling price = cost + profit With some expectations, it is seen that there is no chance of the middleman for getting more profit than the producers and middleman plays a limited role for controlling the share of income.

On the other hand, in case of primary goods especially agricultural goods, we can see an opposite direction. A producer/farmer produces his goods but in many cases middle traders fix the price and share of income i.e. earnings of the producer. Although, we have to remember that the price of the product is determined by the demand and supply of the market. For example, suppose the market price of the product has been fixed up Rs. 100 per Kg and manufacturing or cultivation cost of the product is Rs. 50 per Kg. Then the profit would be Rs. 100 – Rs. 50 – Rs. 50 per Kg. And it is also assumed that there are five trader required for reaching or distributing this goods from the producer to consumers. In this context, how much share of income those 5 traders, will enjoy out of that total profit Rs. 50 will fix up at first. After that it is fixed up by the middleman that whether the producer will get his share of profit or not.

Result and Discussion:-

Now, the production cost income of some agricultural products are discussed below

Name of the cultivation – Boro Paddy
Name of the variety – IET – 4786 [Local name - Minikit]
Area of land – 33 decimal [One Bigha]

Table – 1
Statement of cost and profit:-

	Amount (Rs.)
Land preparation cost	800.00
Seed [Treatment, Preparation	
Protection cost]	790.00
Labour cost [Transplantation,	
Harvesting & Inter culture]	3520.00
Manure & Fertilizer	1527.00
Irrigation	3200.00
Pesticides	225.00
Miscellaneous	450.00
Total cost (A)	10512.00
Average Yield:-	
Main Product – Paddy	
– 840 Kgs @ 14.17/Kg.	11900.00
By product – Straw	1000.00
Total Income (B)	12900.00
Profit (A-B)	2388.00

If the paddy is converted to rice, then the conversion or processing cost of rice will be as follows:-

Table – 2
Statement of cost and profit of rice:-

	Total
Cost of paddy	11900.00
Add: Conversion cost [Heating,	
Thrushing, carrying]	1960.00
	13860.00

Yield:-

Main product -Rice	560 Kgs.
By – product – Husk	238 Kgs.

If by products are sold @ 2 per Kg. , then sale proceeds of Husk will be Rs. (238x2)= Rs. 476. Then cost per Kg. Of Rice will be (Rs. 13860-476/560 Kg.)= Rs. 23.90

If customer price is Rs. 40 then profit (40-23.90)= Rs. 16.10

From the above cost and income statement it is seen that a paddy crop cultivation earns profit Rs. 2388/840 Kgs. = Rs. 2.84/Kg. For the time period of 90-100 days. Although not considered. The producer of rice earns profit Rs. (28-23.90) i.e. 4.10 if he sells his rice Rs. 28/Kg. To the trader. If the customer price is Rs. 40, then total profit of the traders is Rs. (40-28)=12/Kg. And if there are four (4) middleman to supply the rice from the producer will be Rs. 12/4=3/Kg. For their 5-10 days shorter time period.

Again, if we considered other than food crops like onion, potatoes, ginger etc then the different of profit between middleman and the producers will be increased more and more. Here the cost and profit structure of onion cultivation is shown below:-

Area of land – decimal [One Bigha]

Table – 3
Statement of cost and profit of onion:-

	Amount(Rs.)
Land preparation cost	900.00
Seeds and other expenses	1800.00
Manure and fertilizer	4000.00
Pesticides	500.00
Irrigation	1600.00
Labour cost	4500.00
Carrying	600.00
Total cost	13900.00
Average Yield	30 Quantals
Here, producer price	Rs. 800/ Quantals
But, customer price	Rs. 2000/ Quantals
So, total income of the traders	Rs. 10100/ Quantals

[Rs. 24000 - 13900] i.e. 367/ Quantals
And total income of the traders Rs. 26000
(60000 - 24000) i.e. 867/ Quantals

Findings:-
So, it is clear from the above statement that the income of the middleman would be higher than the producers income. In this sector, middle traders play a vital role for sharing of income among producers and traders. They earn more income by spending shorter time, low risk and investing, minimum capital. On the other hand, the cultivators of the goods will earn minimum income in comparison to traders other risk and investing bigger capital. [Even they incurs huge losses for producing goods if the price of the product falls.]

So, the average income of the farmers is lower than the traders. As a result, the trend of cultivation of various crops decreases rapidly in various states of our country like West Bengal. For this reason, in near future our economic development will affect deeply and problems of producing various agricultural goods will arise. In that reasons, the most of the rural people will switch over themselves from this sector to other sector like service sector, industrial sector, Construction sector etc for better living.

Suggestion & Recommendation:-
1. Like industrial goods, if the maximum retail price (MRP) on agricultural goods would be fixed up then the net income of the farmers may not be less than the income of the traders.
2. In this sector a huge investment is needed whether it is our own or foreign investment. Due to the investment of the capital the modern technologies like pre reservation of food, communication system or other modern technologies will be developed and farmer will be able to reach the product directly to the consumers.
3. If the consumers purchase goods directly from the farmers then the price of goods will reduce and this will be benefitted for them. And the traders can not increase the price of the goods willingly and the rate of inflation will be under control.
4. If the goods are directly sold to the consumers, the average income of the farmers will increase and as a result standard of living of those people as well as society will be developed.
5. The average income of the farmer will be increased and most of the farmers are above the below poverty line.

Conclusion:-
So, if we can confirm the fair price of the agricultural products, then we will be able to secure the social protection of maximum people of our country. It will be possible to save the country from the uncertainty and distress of industry based economy. In the year 2008, economic recession was started and all the strong economic developed counties like U.S.A., European country etc were major financial crisis but our economy has not been effected so much due to agricultural wealth. There is proverb is village oriented Bengal, there is no matter of thought if there is rice in the stock. So we need to accept long term planning, the stock of rice in the room otherwise there is no remedy of coming generation.

REFERENCES

Primary data collected from the farmers in the district of Nadia and Murshidabad, West Bengal.