

PRICE SPREAD AND MARKETING MARGINS OF CUT ROSE IN PUNJAB, PAKISTAN

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ABSTRACT:- The paper analyzes the structure and operation of the flower marketing system in Punjab, Pakistan. Based on cross sectional data collected from 34 farmers, 13 wholesalers-cum-commission agents and 20 retailers from main flower producing areas of Kasur and Faisalabad districts from Punjab province, the structure and marketing margins of producers and other marketing intermediaries are quantified along the existing two marketing channels for cut flowers. In the first channel the main players were producers, wholesalers-cum-commission agents, retailers and consumers. In the second channel producers were directly linked with retailers. In Channel-I the highest consumer's price of Rs. 444.78 per 100 pieces of cut roses indicated that consumers have to pay more there. The price spread was greater in Channel-I which was Rs. 243.36 per 100 pieces of cut roses. In Channel-II where producers were directly linked with retailers, producer's share was maximized up to 46.86% which increases the marketing efficiency of Channel-II as compared to Channel-I. The study revealed that as the number of marketing intermediaries in the marketing channel increases the producers and consumers are least benefitted. Therefore there is need for more vertical integration in the cut roses market.

Key Words: Cut Rose; Price Spread; Marketing Margins; Marketing Efficiency; Pakistan.

INTRODUCTION

Cut flower production in the world gained importance in the early 20th century, especially after the Second World War. Rapid developments and changes have occurred in the cut flower production, storage, classification and marketing. By means of this change, new techniques and technologies are used in the cut flower industry from production to consumption (Ozkan et al., 1997; Sayin, 2003; Boran, 2008). Therefore, floriculture has become one of the

important high value agricultural industries in many countries of the world. International trade in cut flowers have an annual growth rate of 25%. The international trade is around US\$ 11 billion and cut flowers contribute 60% of the world trade in floriculture. The global exports increased over ten folds from 0.5 billion in 1990 to 5.1 billion in 2005, which is expected to double in 2025 (Singh et al., 2010).

Agriculture is the mainstay of Pakistan's economy with 21 % share in GDP, employing 45% of the

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country's total labour force and provides direct livelihood for 62 % of country population (GoP, 2012). As agriculture in Pakistan is dominated by the small farmers and production of conventional crops is no more profitable for the small farmers, therefore the shift from conventional to high value crops and introduction of new crops like flowers production is increasing overtime. Production of high value crops especially the flowers gives premium prices almost throughout the year and there is no need to wait for a long time as other routine crops. The net profit against the investment is also much higher from these crops as compared with other conventional crops such as wheat, cotton, rice and sugarcane (Khan and Rehman, 2005).

Horticulture of Pakistan (pomology, olericulture, floriculture, spices and condiments) is an important sub-sector of the agricultural economy. Approximate yearly production of fruits, vegetables and spices is 12 million tons. Besides these, the floriculture industry has significantly emerged as a viable non-traditional produce, particularly, in the urban centers of the country in recent years. A large number of flowers and foliage plants are now being grown for ornamental purposes (PHEDC, 2012).

Pakistan is also engaged in the production of cut flowers for past few decades; however it is an infant industry as compared to other cut flower producing countries. Though Pakistan has one of the most fertile lands and favorable climatic conditions for production of flowers but due to lack of resources and skilled persons, the industry has not been developed at par with other sectors of

the economy. Most of the flowers produced in Pakistan are sold locally and a small quantity is exported to Middle East. Similarly a large number of fresh cut flowers are wasted due to lack of infrastructure, improper packing, mishandling and other related problems (SMEDA, 2009). The most important floricultural crops in the Pakistan cut Flower trade are Roses, Gladiolus, tuberose, Iris, Carnation, Narcissus, Lilies, Freesia, Statice and Gerbera etc. (Riaz et al., 2007). According to a rough estimate 10 to 12 thousand tons of the products of ornamental horticulture (floriculture) are being produced in Pakistan. Area under floriculture crop is estimated as 6880 ha. But there is no official record of the statistics on the fresh flowers in Pakistan (Khan and Ahmad, 2005).

In Pakistan, the demand for cut flowers, especially roses, is growing tremendously as more and more people are becoming aware of the beauty of flowers as decorative items. Weddings, birthday parties, seminars, and other such social events are incomplete without floral decorations. Flower bouquets and garlands have been gaining wide popularity among the people of the country.

Although there is a great potential for export of the cut flowers but Pakistan is still far behind in competition at international level in quality and other international standards. The research and development in floriculture sector is also very little and the data on production, marketing and other aspects of floriculture is very scanty. Therefore the present paper is an effort to examine the marketing channels of cut roses, to quantify the margins of intermediaries involved in these

marketing channels, to analyze the producer's share to the consumer price, and to identify the problems associated with cut flower marketing. The information will be helpful for understanding the current scenario of the cut roses prevailing marketing system in Punjab, Pakistan and also identifies the issues to be addressed for future development of the floriculture.

MATERIALS AND METHOD

As compared to other provinces floriculture is relatively better developed in Punjab due to increasing competition in agriculture sector and the presence of major markets of Faisalabad, Islamabad, Lahore, and Rawalpindi. However it is still far behind in competition at international level. Pattoki is the major center for floricultural production and serves as main flower market from where flowers are distributed to all parts of the country including Faisalabad, Islamabad, Karachi, Lahore, and Peshawar. Therefore, keeping in view the main production area for cut rose production and the availability of rose producers Faisalabad and Kasur districts were selected for producers and retailers survey while Pattoki city was selected to collect data from wholesalers, commission agents and retailers. There were no separate commission agents and the wholesalers were working as wholesaler-cum-commission agents in the flower market of Pattoki. The respondents were classified into three groups namely, producers; wholesaler-cum-commission agents; and retailers. Using purposive random sampling technique a sample of 34 cut rose producers, 15 wholesalers-

cum-commission agents and 20 retailers were selected. The data was collected using a structured questionnaire including information on socio-economic profiles of the respondents, marketing channels, marketing costs, prices, variation of prices according to seasons, constraints of flower business and the possible solutions of flower production to get a detailed data set. Descriptive data analysis was carried out to determine costs and returns to cut flower production and marketing.

RESULTS AND DISCUSSION

The data on the socio economic indicators were collected to find the socio economic conditions of the cut flower producers, wholesalers and retailers. The data shows that mostly the young, educated and experienced farmers were linked with flower production as it needs some special skills and knowledge of sophistication of the flowers. The average family size of the producer was about 8 with more than two family farm workers and one hired farm worker. The average land holding of the farmers in the area was nearly 4.58 ha with 26.41 % area under cut flowers (Table 1). The wholesalers and retailers were young and educated with an experience of 10 and 15 years, respectively. More family labour was involved in retailer's shops as compared to wholesaler.

Marketing Channel of Cut Roses

The main marketing channel through which majority of the products and farmers (96%) are linked is the traditional marketing system in which middlemen are involved (Figure 1). However some of

Table 1. Socio economic characteristics of the respondents

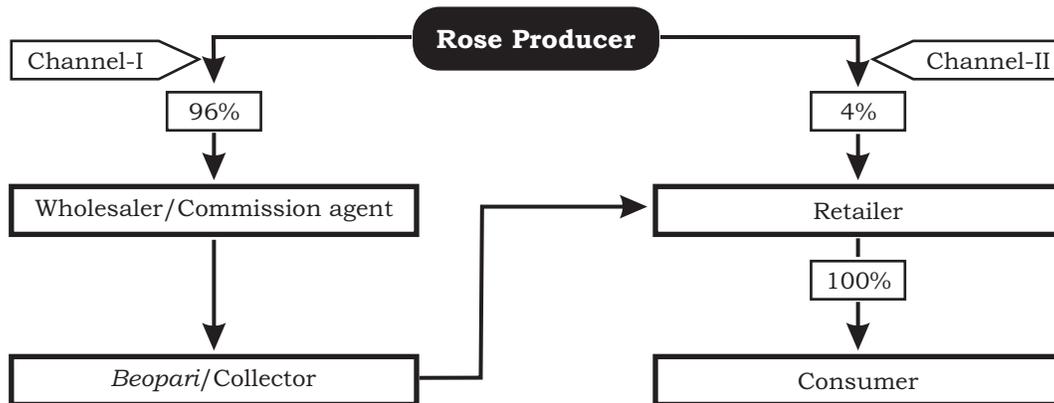
Characteristic	Producer	Commission agents/ wholesaler	Retailer
Age (years)	35.37	32.60	36.15
Education (years)	9.27	10.00	7.60
Experience (years)	12.11	10.00	15.25
Total family size (No.)	8.55	7.00	6.50
Family farm workers (No.)	2.30	1.00	2.95
Total farm workers (No.)	3.63	3.00	4.20
Average land holding (ha)	4.58	--	--
Area under cut flowers (ha)	1.21	--	--
Percent area allocated to cut flowers	26.41	--	--

the producers (4%) were also vertically linked directly to the retailers.

The cut rose flower producers in the study areas received on an average Rs. 199.35 against a consumer's price of Rs. 444.78 per 100 pieces of cut roses. The average consumer's price (market price) of one basket of rose flowers was Rs.100. Therefore, the producer's share to the consumer's rupee was 45% that were the highest in Channel-I while in the Channel-II the

consumer price for 100 roses and producer share was relatively higher i.e. 47% as compared to the Channel-I (Table 2). Therefore the findings of the study are in line with the previous studies (Jyothi and Raju, 2003 and Khushk and Lashari, 2003) which concluded that the producers get high benefits in direct marketing as compared to the conventional marketing system.

In the marketing of cut rose flowers in Channel-I the total marketing cost for farmers was Rs.

**Figure 1. Marketing channel of cut rose in Punjab, Pakistan**

PRICE SPREAD AND MARKETING MARGINS OF CUT ROSE

Table 2. Price spread of cut roses in channel-I

Particular	Cost price (Rs.100 pieces)	Percentage share in consumer's Rupee
Net price received by the producer	199.35	44.82
Expenses incurred by the producer		
a. Packing cost	0.62	0.14
b. Transportation cost	1.45	0.33
Total marketing cost of producer	2.07	0.47
Producer's sale price/wholesalers- cum-commission agent's purchase price	201.42	45.29
Cost incurred by the wholesalers- cum-commission agent		
a. Packing cost	7.15	1.61
b. Loading /unloading cost	1.28	0.29
c. Transportation cost	17.18	3.86
d. Share in wages	0.68	0.15
e. Miscellaneous cost	0.37	0.08
Total marketing cost of wholesaler- cum-commission agent	26.66	5.99
Wholesaler-cum-commission agent's selling price /retailer's purchasing price	235.35	52.91
Net margin of wholesaler cum commission agent	7.27	1.63
Cost incurred by the retailer		
a. Share in wages	11.81	2.66
b. Share in rent	3.43	0.77
c. Share in value of damage quantity	4.45	1.00
d. Miscellaneous cost	4.06	0.91
e. Total marketing cost	23.75	5.34
Net margin of Retailer	185.67	41.74
Retailer's sale price/consumer's purchase price	444.78	100.00
Price spread	243.36	54.71

2.07 per 100 pieces. Whereas, the marketing margins for wholesaler and retailer were 1.63% and 41.74% respectively. The consumer's price i.e., the market price for 100 pieces of rose flowers was Rs. 444.78. The marketing cost was higher in the wholesalers-cum-commission agents which was 5.99%. The price spread was estimated at Rs. 243.36 which

was 54.71% of the consumer's purchase price.

In the Channel-II, the flower producer received on an average Rs. 199.35 per 100 pieces of cut roses out of total consumer's price of Rs. 425.40. Therefore, producer's share in consumer's rupee was 46.86%. The retailer's margin in this channel was 43.62%. The total consumer's price

Table 3. Price spread of cut roses in Channel-II

Particular	Cost price (Rs.100 pieces)	Percentage share in consumer's rupee
Net Price received by the Producer	199.35	46.86
Expenses incurred by the producer		
a. Packing cost	0.62	0.15
b. Transportation cost	1.45	0.34
Total marketing cost of producer	2.07	0.49
Producer's sale price/retailer's purchase price	201.42	47.35
Cost incurred by the retailer		
a. Share in wages	10.97	2.58
b. Share in rent	2.08	0.49
c. Share in value of damage quantity	20.11	4.73
d. Miscellaneous cost	5.25	1.23
Total marketing cost	38.41	9.03
Retailer's profit (Rs.)	185.57	43.62
Retailer's sale price/consumer's purchase price	425.40	100.00
Price spread	223.98	52.65

i.e., market price for 100 pieces of rose flowers was Rs. 425.40. The marketing cost was higher for retailers (9.03%). The price spread was Rs. 223.98 which was 52.65% of the consumer's purchase price (Table 3).

Marketing Efficiency of Cut Roses

The marketing efficiency of cut rose flower was calculated for the identified two Channels. It was the highest in Channel -II because of the absence of Intermediaries resulting in low marketing cost (Table 4).

Reasons for Sale to Middleman in the Study Area

The cut rose producers were asked to answer the question why they sale their produce to middlemen. The highest 46.3% farmers reported that they sold cut rose to middleman due to easy, quick and daily cash pay-

ments, whereas 35.19% were of the view that they saved time during selling. The analysis with respect to farm size indicate that almost 60% small and 46.34% large category farmers considered quick, daily and easy payment as the main reason for selling their produce through middleman.

Table 4. Marketing efficiency of cut rose in Channel-I and II

Particular	Channel-I	Channel-II
Value of cut rose flowers	444.78	425.40
Marketing cost	52.48	38.41
Marketing efficiency	7.48	10.08

Problems Associated with the Production and Marketing of Cut Rose

During the survey, the respondent farmers reported a number of problems they faced in the cut rose flowers market. The problems in order of their severity were; lack of proper infrastructure (e.g. cold storage facilities and affordable refrigeration), high price instability due to highly delicate/perishable nature of the produce involved, improper transport facilities, disease and insect infestation, and delayed payments from commission agents.

RECOMMENDATIONS

Based on the results it can be concluded that production of cut flowers is profitable enterprise in Pakistan. The study findings clearly indicate that presence of middleman decreases the producers and consumers share. The role of middleman needs to be minimized for maximizing the producer's profits and decreasing cost to the consumers. Producers and consumers share in the cut flower marketing varies considerably with the length of marketing channel which provides a policy implication that there is need to improve the marketing system and as the efficiency marketing Channel-II in which producer is directly linked with the retail market is higher than the traditional system. Hence more vertical integration in cut rose market is needed.

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