



RETAIL PRICING PATTERN OF ESSENTIAL COMMODITIES IN NAGALAND: CONSUMER-AFFABLE OR ALOOF?

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Abstract

In the contemporary consumer era, a consumer is, undoubtedly, an emperor who controls and rules over the entire market irrespective of its nature, be it consumer or industrial. Management of consumer markets does, however, become more complex, as compared with industrial markets, because of its size and needs of the target markets. Consumer markets exist for both durables and non-durables in a society. Of these twin prominent categories, diverse patterns of making purchases and decision making intricacies amongst the customers are more prevalent in case of durables. In spite of fewer convolutions in decision making of non-durables, yet it draws greater attention of the marketers due to frequent purchases of the consumers. In turn, this buying behaviour of consumers magnifies the volume of sales and profit margin by leaps and bounds. Amongst the non-durables, the market for essential commodities requires to be well-managed and regulated by the marketers and/or the Government to ensure the wellbeing of the consumers by making the right products available at the right time, at the right place and at the right price. This is a matter of concern as it primarily poses a question of health and survival of the individual consumers who constitute the society as a whole. Critical investigations on the production, supply and distribution of essential commodity markets have, thus, become very essential and indispensable. Many studies on this issue are, therefore, being carried out by the researchers from time to time domestically and globally.

The objective of this paper is to study the retail pricing pattern of essential commodities in the State of Nagaland, analyze the consumer pricing index in selected commodities and suggest appropriate measures to regulate these essential commodity markets. Findings of this study are expected to be useful not only to the producers and marketers but also to policy makers of the Government as well.

Keywords: Essential Commodities, Retail pricing pattern, Nagaland.

Introduction

In any developing country, its society ought to have healthy citizens who can only be productive to augment the output of goods and services entailing the national growth through their constant and substantial contribution. Their sound health, irrespective of their economic status, does solely depend on the quality of the essential commodities what they consume in day to day life. This is the point where the significance of essential commodities needs to be realized in a community from a bird's eye view. In India, the Government has the power under the Essential Commodities Act, 1955 to declare a commodity as essential and to ensure its availability to its people at reasonable prices. However, according to the act, 'essential commodity' may be cattle fodder; including oil cakes and other concentrates, coal including coke and other derivatives; component parts and accessories of automobiles; cotton and woolen textiles; foodstuffs, including edible oil-seeds and oils; iron and steel, including edible manufactured products of iron and steel; paper, including newsprint, paperboard and straw board; petroleum and petroleum products; raw cotton, raw jute, food crops etc.,

Under the Essential Commodities Act, 1955, the Government is being conferred powers to regulate by licences, permits or otherwise the production or manufacture of any essential commodity; for bringing under cultivation only waste or arable land, whether appurtenant to building or not, for the growing thereon of food-crops, generally, or of specified food-crops, and for otherwise maintaining or increasing the cultivation of food-crops generally, or of specified food-crops; for controlling the price at which any essential commodity may be brought or sold; for regulating by licences, permits or otherwise the storage, transport, distribution, disposal, acquisition, use of consumption of any essential commodities; for prohibiting the withholding from sale of any essential commodity ordinarily kept for sale; for requiring any persons holding in stock any essential commodity to sell the whole or specified part of the stock to the Central Government or a State Government or to an officer or agent or such Government or to such other person or class of persons and in such circumstances as may be specified in the order; for regulating or prohibiting any class of commercial or financial transactions relating to foodstuffs or cotton textiles which, in the opinion of the authority making the order, are, or, if unregulated, are likely to be, detrimental to the public interest; for collecting any information or statistics with a view to regulating or prohibiting any of the aforesaid matters; for requiring persons engaged in the production in the production, supply or distribution of, trade and commerce in, any essential commodity to maintain and produce for inspection such books, accounts and records relating to their business and to furnish such information relating thereto, as may be specified in the order; for the grant or issue of licences, permit or other documents, the charging of fee there-for, the deposit of such sum if any, as may be specified in the order as security for the due performance of the conditions of any such licence, permit or other documents, the forfeiture of the sum so deposited or nay part thereof for contravention of any such conditions, and the adjudication of a such forfeiture by such authority as may be specified in the order. Thus, the endeavour of regulating the prices of essential commodities, without

compromising their quality, derives its importance and consequently emphasizes the role of marketers, consumers, policy makers, Government on this front.

Rationale of the Study

In consumer market of any commodity, generally, the producers/marketers and the consumers do possess the conflicting interests in an exchange process. Therefore, the marketers' desire is to maximize their profit by promoting their sales volume of the products whereas the consumers strive for gaining consumer surplus from the exchange. This is the key factor which influences the behaviour of these twin parties. As a result, there are speculations, adulterations, poor quality of the products, unfair prices which are prevalent in the contemporary markets in India. Above all, food inflation is adding fuel to fire on this front. It becomes, therefore, very essential to regulate the retail pricing pattern of the essential commodities by striking a balance between the needs of the producers/marketers and the consumers in the larger interest of the national wellbeing.

Food Inflation in India: Contemporary Scenario

Generally, inflation or rise in prices of essential commodities is not desirable in any prospering country. It should be constantly regulated by the Government in order to ensure the availability of those essential products to its people at fair prices.

In terms of Prof. Gulati and Saini, a consultant of Indian council for Research on International Economic Relations (The Times of India, July, 4, 2014), the food inflation in May, 2014, measured by Whole Sale Price Index (WPI), is increased by 6.5% over May, 2013, its sub-component food-articles, registered an inflation of 9.5%. The Government monitors daily price movements of 22 selected food commodities, ranging from cereals and cereal products (rice, wheat and atta), pulses (gram, tur, urad, moong and masur), edible oils (groundnut, mustard vanaspati, sunflower, soya, and palm), sugar and gur, vegetables (onion, potato and tomato) and tea, milk and salt. The price rise has been the highest (31.4%), making it the hottest, followed by moong (26.9%), masur (15.6%), urad (14.8%), rice (12.8%), and milk (9.6%), etc., As per the WPI, onion prices were 2.8% lower in May, 2014 than in May, 2013. Another report of the Small Farmers' Agri-business Consortium (SFAC) shows that the monthly average wholesale onion prices in May, 2014 over May 2013 went up by 21.8% in Bangalore, 20.5% in Lasalgaon, and 19.2% in Mumbai. The damage caused to rabi onion crop due to untimely rains and hails in April-May this year, and scarcity of onion seeds, is perhaps behind this surge, which is likely to peak in October-November. These trends have set alarm bells ringing for policy makers, and no wonder, the government has announced a slew of measures to check these prices.

Further the report adds that the Government has already started cracking down on hoarders. It may give a temporary respite. But, the past experiences suggest that it may not be medium to long term solution. The study suggests that, in a market economy, better policy tools to tame hoarders are liberal import policies, coupled with high priority to processed food that help stabilize prices. In case of Onions, particularly, dehydrated onions with a shelf life of more than a year; could be promoted to large scale institutional consumers like army, mid day meals schemes, etc., which will help release the pressures on fresh onions during lean periods. The report emphasizes that there must be a unified all-India market for fruits and vegetables where buyers (large or small) can buy directly from farmers/farmer groups. The private sector has the option to start its own mandis in competition with APMC markets, giving a better choice to farmers, things may not move far enough. It must be recognized that these changes in APMC Act are needed to build compressed and efficient value chains connecting farmers' groups directly with organized retailers, a la AMUL model in milk sector. This would need massive investments and institutional engineering. The benefits would accrue in terms of savings on wastages, which hover around 15-30% and reduction in commission of commission agents, wholesalers and retailers, which together account for 30-50% in fruits and vegetables in the current fragmented value chains. Nevertheless, if the government de-lists fruits and vegetables from India's largest mandi at Azadpur in Delhi, which was overdue for more than 10 years, it could be a harbinger of agri-marketing reforms in the country. The Government has also announced liquidating five million tons of rice stocks, through PDS at APL prices. However, the problem is that the existing PDS has leakages running at about 40%. E-auctions in the open market, with a reserve price equivalent to MSP plus say 5%, could have been a better option and at lower cost to the treasury. This could be experimented with by announcing government's plans to liquidate 5-7 million tons of wheat in July-August. This would have sobering impact on cereal prices. It has also suggested that it would be better to expand the list of sensitive commodities beyond 22, by including fruits, eggs, fish and meat, etc., where demand pressures are mounting with rising incomes. The price of bananas is up by 19%, and eggs, fish and meat by 12.5%. But their import policy along with building effective value chains can help the government to douse the fire of food prices.

However, the retail inflation fell to 30-month low of 7.31% in June, 2014, mainly on account of lower prices of food items, including vegetables, cereals and meat. This emerging trend of control over the retail price of the essential commodities, especially over food items, seems to be positive and consumer-friendly.

Literature Review

Some of the relevant studies undertaken on this current research are;

- Kishor S.B. and Gabhane Dinesh have undertaken a research study on the impact of food inflation on middle class consumers' household consumption of milk in Thane city in Mumbai. They found that there has been increasing trend in inflation in primary food articles over the years.
- Kothari Anil and Kudal Pallavi in their study on commodity derivatives as tool for hedging suggested that a smart investor can make use of commodity derivative instruments for curbing the excessive risk in the markets.
- Sawant B.S. and Jadhav Rahul J. (2013) have studied the Public Distribution System (PDS) of Essential Commodities as a Social Security in Satara District of Maharashtra and found that only 29% of the people are satisfied with the current public distribution system in the study area. Further, their study has also revealed that

the PDS has failed to ensure timely supply of the essential commodities with good quality at fair prices to the deprived sections of the area.

- Wahl P. (2008), in a study, argues that a speculative move on commodity market distort prices, reinforces instability, promotes market inefficiency and periodically entails the formation of bubbles.

Objectives of the Study

The chief objectives of the study are;

- to study the retail pricing pattern of essential commodities in the State of Nagaland,
- to analyze the consumer pricing index in selected commodities, and
- to suggest appropriate measures to regulate the essential commodity markets in the State.

Research Methodology

The research design for the present study is as under;

- The study has used purely secondary data.
- The data has been collected from published documents by the Government of Nagaland.
- The data from the newspapers, magazines and internet has, further, supplemented adequately.
- Simple statistical tools such as percentage, comparative analysis etc., have been put at use for data analysis and interpretation for drawing meaningful inferences there-from.

Retail Pricing Pattern of Selected Commodities in Nagaland: Trend Analysis

Retail price is the price at which the retailers sell essential commodities to the ultimate consumers for consumption. An analysis of the pricing pattern can reveal the prevalent trend reflecting the fluctuations in prices of multifarious commodities in the State of Nagaland. The same has been depicted in Table 1.

Table 1: Annual Average Retail Price of Selected Commodities in Nagaland during 2007-2010

Sl.No.	Commodity	Unit	2007	2008	2009	2010	Trend	*Change (in Rupee)	*Change (in %)
1	2	3	4	5	6	7	8	9	10
1.	Rice	Kg	15.36	19.04	20.90	24.06	Increase(+)	8.70	56.64
2.	Atta	Kg	16.67	17.62	18.38	22.83	Increase(+)	6.16	36.95
3.	Arhar Dal	Kg	41.39	48.88	61.75	78.87	Increase(+)	37.48	90.55
4.	Masur Dal	Kg	36.91	49.99	63.02	73.36	Increase(+)	36.45	98.75
5.	Salt	Kg	8.05	8.70	9.09	12.33	Increase(+)	4.28	53.16
6.	Chilly (dry)	Kg	100.94	100.72	105.84	108.12	Increase(+)	7.18	7.13
7.	Potato	Kg	14.11	11.58	16.65	16.67	Increase(+)	2.56	18.14
8.	Onion	Kg	24.40	22.26	27.76	35.75	Increase(+)	11.35	46.52
9.	Cabbage	Kg	-	18.17	22.84	20.54	Increase(+)	2.37	13.04
10.	Mustard Oil	Litre	67.48	77.87	82.97	85.97	Increase(+)	18.49	27.40
11.	Vanaspati	Kg	65.63	75.36	77.20	77.68	Increase(+)	12.05	18.36
12.	Fish	Kg	-	100.24	103.52	109.87	Increase(+)	9.63	9.61
13.	Pork	Kg	96.58	107.80	115.89	121.28	Increase(+)	24.70	25.57
14.	Beef	Kg	58.04	67.36	73.20	86.26	Increase(+)	28.22	48.62
15.	Mutton	Kg	-	149.50	168.16	177.86	Increase(+)	28.36	18.97
16.	Egg	Pair	5.79	6.34	8.40	9.23	Increase(+)	3.44	59.41
17.	Milk	Litre	18.76	20.95	22.53	24.98	Increase(+)	6.22	33.16
18.	Sugar	Kg	23.62	23.00	29.41	43.90	Increase(+)	20.28	85.86
19.	Tea Leaf	Kg	131.17	139.46	155.11	174.44	Increase(+)	43.27	32.99
20.	Kerosene	Litre	23.01	29.79	33.90	42.72	Increase(+)	19.71	85.66
21.	Match	Box	1.00	1.00	1.00	1.00	Constant (=)	0.00	0.00
22.	Chicken	Kg	115.70	118.19	121.63	130.42	Increase(+)	14.72	12.72
23.	Milk (Everyday Brand)	Kg	160.39	186.18	204.80	226.08	Increase(+)	65.69	40.96
24.	Firewood (1st Class	40Kg	135.37 *(3.38 per kg)	148.82 *(3.72 per kg)	154.25 *(3.86 per kg)	171.55 *(4.29)	Increase(+)	0.91	26.92

Source: Statistical Handbook of Nagaland, 2011 * Calculated Figures from the Data

For data analysis in Table 1, the year, 2007 is taken as a base for comparison with the year, 2010 while the year, 2008 is considered as a base wherever the data for the preceding year, 2007 is not available. It reveals that the overall trend of the retail price of all the commodities is on rise during 2007-2010 which is apparently inflationary in nature except the price of match box which remains, however, constant. It further indicates that the price hike of Masur Dal tops the list indicating the highest percentage (98.75%) whereas the lowest change in price is reflected in the price of Chilly (Dry) i.e. 7.13%. The increasing price trend can also be witnessed in Arhar Dal (90.55%), followed by Sugar and Kerosene which shows the increase at the rate of 85.86% and 85.66% respectively. The trend of price hike (inflation) in

certain selected commodities shows the moderate trend which includes Rice (56.64%), Salt (53.16), Onion (46.52), and Beef (48.62) whereas the price of the remaining commodities is under control. It is neither too high nor very low during the period of analysis, 2007-2010.

The trend of annual average retail pricing pattern of the selected essential commodities is exhibited in Fig.1

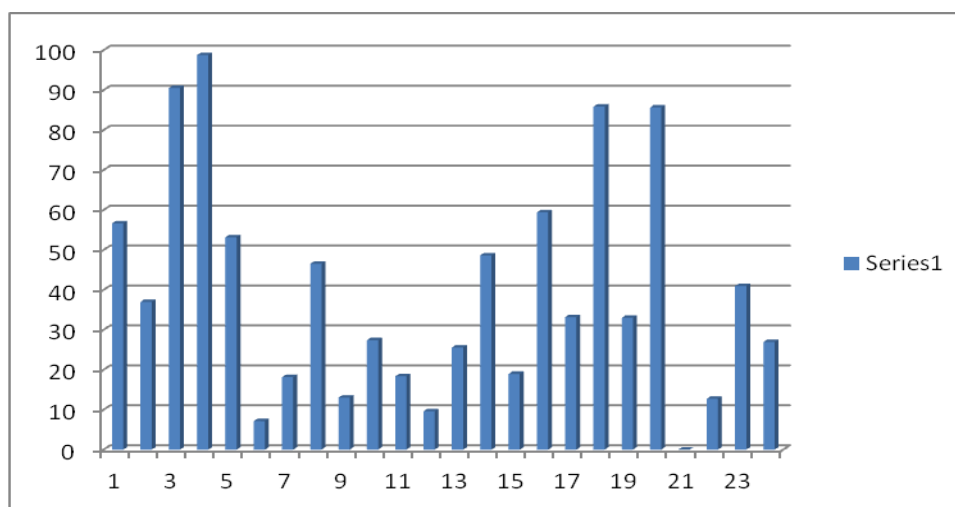


Fig. 1. Annual Average Retail pricing pattern of Selected Commodities in Nagaland during 2007-2010

Consumer Price Index in Nagaland

Consumer Price Index reveals the trend of the price movements in consumables during a given period. The Index on 'food stuff' can be compared with the 'General index' to comprehend the comparative degree of pricing movements and differences between the food items and other general items of the same category. A Comparison of consumer price index of 'food stuff' is made with the General Index during 2007-2010 as shown in Table 2.

Table 2: Consumer Price Index and General Index in Nagaland during 2007-2010: A Comparative Analysis

Year	Food Index	General Index	*Observed Index Value (Increase (+)/Decrease(-)
2007	621.27	660.20	-38.93
2008	696.05	762.75	-66.70
2009	776.57	831.16	-54.59
2010	878.64	976.66	-98.02

Source: Statistical Handbook of Nagaland, 2011 * Calculated Figures from the Data

The data in Table 2 exhibit that the consumer price index on food, as compared with the General Index, obviously is lower during 2007-2010. The index is the lowest (-38.93) and highest (-98.02) in the years, 2007 and 2010 respectively.

The comparative analysis of the data on Food Index and General Index is highlighted at the Fig.2;

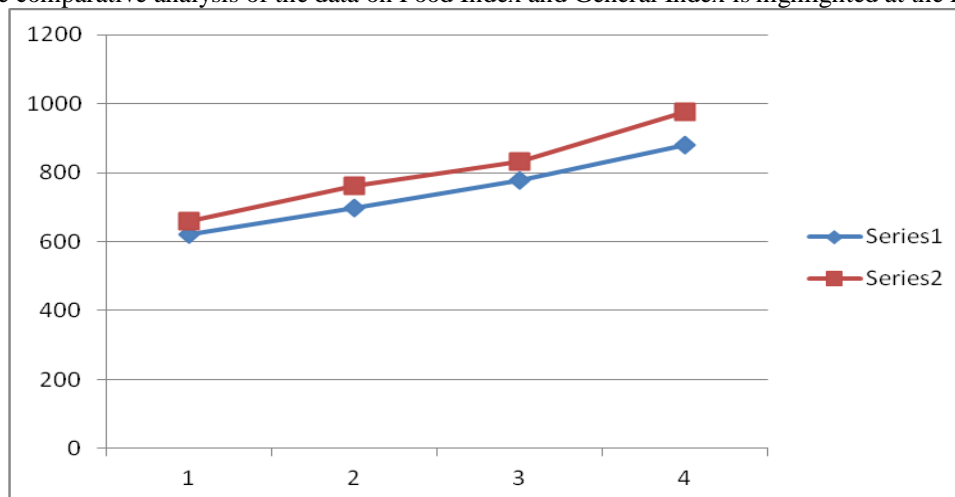


Fig. 2: Consumer Price Index and General Index in Nagaland during 2007-2010

Limitations of the Study

This study primarily concentrates only on 'food stuffs' as essential commodities, based on secondary published data. All other commodities, as enlisted in the Essential Commodities Act, 1955, are being placed outside the purview of the study. In the State, similar studies on other commodities in any part of the country can be undertaken in depth, collecting relevant primary data, to contribute to the growing body of knowledge in the field of literature. Studies may also concentrate on the effectiveness of diverse schemes launched by the Government to regulate the retail prices of the essential commodities in the study area. This study, thus, provides the direction for future research on this front.

Findings

The major findings emerged out of the study are;

- The overall trend of retail price of all the commodities is on rise during 2007-2010 which is inflationary in nature except the price of match box which remains, however, constant.
- The price hike of Masur Dal tops the list indicating the highest percentage (98.75%) whereas the lowest change in price is reflected in the price of Chilly (Dry) i.e. 7.13%.
- The increasing price trend can also be witnessed in Arhar Dal (90.55%), followed by Sugar and Kerosene which shows the increase at the rate of 85.86% and 85.66% respectively.
- The trend of price hike (inflation) in certain selected commodities shows the moderate trend which includes Rice (56.64%), Salt (53.16), Onion (46.52), and Beef (48.62) whereas the price of the remaining commodities is under control. It is neither too high nor very low during the period of analysis, 2007-2010.
- The consumer price index on food, as compared with the General Index, apparently is lower during 2007-2010. The index is the lowest (-38.93) and highest (-98.02) in the years, 2007 and 2010 respectively.

Suggestions and Recommendations

Based on the analysis of the data during the study, the following suggestions are made;

- Agricultural production of essential commodities may be modernized to enhance the output.
- District-wise marketing networks of those goods may be established for smooth and direct flow of the goods from the producers to the consumers.
- The Government may regulate the retail prices (inflation) of those essential commodities by formulating and implementing appropriate policies in the State. Licensing system or permits can effectively be used for the purpose.
- Effective monitoring and remedial measures may be ensured in controlling the retail prices of such commodities.
- Suitable actions against the malpractices or speculations, if found, in production, supply and distribution of essential commodities may be initiated by the Government in time.
- Launching and successful implementation of schemes are essential to improve the efficiency in production and distribution strategies of the products.
- Imparting Training Programmes and extending incentives/subsidies for enhancing the production, arranging proper facilities for common storage and warehousing for agri-products and adequate conveyance arrangements may lubricate the process of flowing goods from production point to consumption point.
- Innovations in production, supply and distribution channels may be encouraged to meet the growing demand for those products through efficient production and marketing management.
- Public Distribution System in the State may ensure timely supply and better quality of the essential commodities at fair prices.

Conclusion

Price is one of the crucial inputs of a marketing mix of any commodity. Of those components of the marketing mix, price is the only revenue generating component while others (product, promotion and physical distribution) involve expenditure for a firm. Prominently, the tightening the inflationary chain of the prices on essential commodities becomes, therefore, very essential and inevitable on the part of a Government (Central/State). Because, amongst such commodities, food stuff forms a concrete layer of the entire crust which promotes health and productivity of the consumers. In turn, the productivity of the manpower (consumers) contributes substantially in term of labour to the overall economic growth and development of a nation. India has recently put stock limits on onions and potatoes to check the price rise under the Essential Commodities Act, 1955. In similar manner, any State can have its own control measures over the retail prices of the essential commodities. The State of Nagaland, having the tremendous potential for production, supply and distribution channels especially on essential commodities such as rice, potatoes, cabbage etc., requires launching and monitoring more schemes to capitalize the opportunities. The Government may opt for “Make” decisions rather than “Buy” decisions on the essential commodities to match the demand and supply of the essential commodity requirements within the State. This will minimize not only the degree of dependence on other parts of the country for its essential commodities but also to reduce their retail prices in the market. Thus, more innovative measures and effective control over the ventures of production, supply and distribution channels of the essential commodities, especially in ‘food stuff’ in the State are anticipated to make their retail pricing structure more consumer-affable and affordable in the days to come.

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