

The Efficiency of Saffron's Marketing Channel in Iran

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Abstract: Saffron is a strategic product of Iran. Iran's share of Saffron from the world production and export is almost 90%. However, this figure is much higher in the processing and marketing sectors. Marketing is an important component in Saffron production. So, in this paper we surveyed efficiency of Saffron marketing channel. Result showed that Marketing margin of Saffron is high so that producers receive less than 65% of final price of consumer. According to special advantage of this product, creation of regional marketing board beside exchange market for coordinating production, marketing and export and maintaining market share is suggested.

Key words: Khorasan . Employment . Return of research . Exchange market

INTRODUCTION

Saffron is one of the most important export products and plays a significant role in income and employment of Saffron producers. It is a major product of Khorasan, Fars and Kerman provinces [1, 2]. Iran, Greece, Morocco, Kashmir, Spain and Italy are among main countries dealing with Saffron production. Among these countries, Iran as the original home of Saffron has always had the largest area harvest and production area. According to statistics of year 2005, the amount of Saffron production in Iran was 230 tons which constitutes 93.7% of the world Saffron production. Greece with 5.7 tons and Morocco and Kashmir with 2.3 tons come respectively in second and third positions regarding Saffron production. Iran has more than 90% of the total world harvest areas among other major countries, having 50000 hectare harvest area of Saffron. Due to drought, Saffron yield has particularly decreased during the recent year while the price for Saffron has varied considerably. Historically, Iran has been the most important exporter of Saffron in the world, having 190 tons Saffron export and 80% of the total export the world.

In summary, Saffron is a traditional production of Iran and production share of this product is 93.7% of the world total production, 82% of it being exported. In fact, Iran is the largest producer and exporter of Saffron in international level. Major importer countries of Iran's Saffron are: The United Arab Emirates (UAE), Spain, Turkmenistan, France and Italy. UAE is the largest customer with a total purchase of 78.8 tons per year of Saffron. Spain is the second largest with 56.4 tons. Now, some 90% of Iran's Saffron exports are in bulk.

Table 1: Values of Iran's saffron export

Year	Value (million dollars)
2000-2001	43.5
2001-2002	51.3
2002-2003	59.1
2003-2004	70.9
2004-2005	87.2
2005-2006	100.0

Spain processes and re-exports some 40% -50% of Iran's Saffron production. Values of Iran's Saffron export has a increasing trend during 2000-2006 (Table 1).

The survey on agricultural marketing studies showed that efficiency of agricultural marketing channel and producer's share of consumer price is low [3-10]. With respect to high price of Saffron in non-oil export, it has an important role in Iran's economy. Considering its frequent use, special properties of this drug, its role in economic life of Khorasan, Fars and Kerman provinces farmers and high value added of Saffron, it is necessary to develop the production, export and marketing of this valuable crop. Other aspects of the importance of Saffron include high productivity of water in cultivated area of Saffron, employment, preventing of rural migration, non-oil export development due to government policy for increasing the non petroleum export. This paper has investigated the efficiency of Saffron marketing channel in Iran.

MATERIALS AND METHODS

Marketing margin: Margin is difference between price or value. Wollen and Tuner [11] defined all costs in

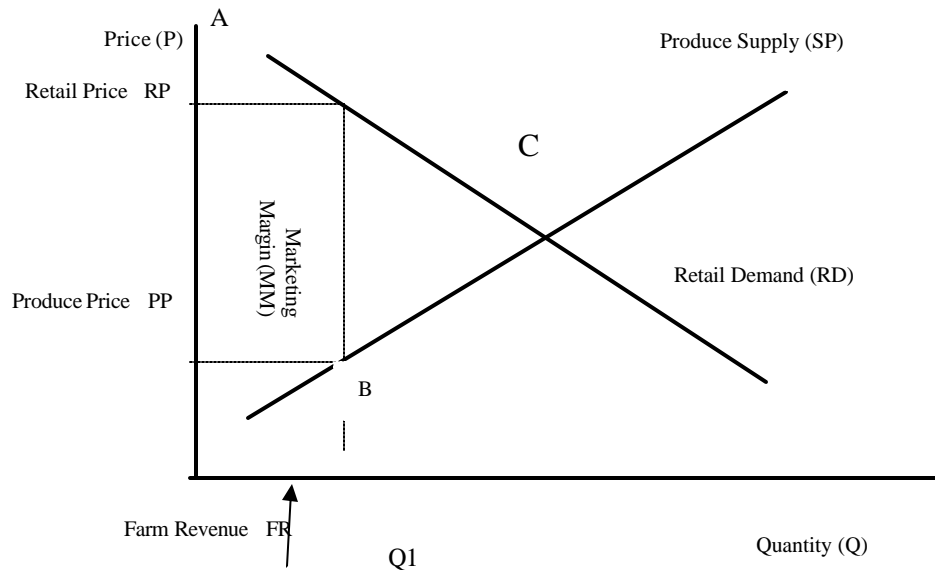


Fig. 1: Marketing margin for Iran’s Saffron

marketing path-from harvest of product in farm to pre-consumption-as marketing margin. So, marketing margin is a part of commodity price that producer doesn’t receive. Difference in Saffron price between producer and retailer-AB-is defined as marketing margin (Fig. 1). With respect to Fig. 1, we can calculate marketing margin as [6, 12-16]:

$$MM = RP - PP$$

Where MM is the marketing margin, RP is retail sale price and PP is the producer price.

Shares: Shares are one of the important measures for determining optimum performance of marketing channel, computed as follows:

$$\text{Producer Share} = \frac{PP}{RP} \times 100$$

Data of this study has gathered from field surveys on Saffron’s producers and ministry of agriculture.

RESULTS AND DISCUSSION

Marketing of saffron: In this section two issues of Marketing i.e. marketing channel and margin are investigated.

Marketing channels: Figure 2 shows marketing channels of Saffron in Iran. Based on Fig. 1, we can distinguish 20 channels as follows:

Channel 1: (Direct marketing): Producer-domestic consumer

- Channel 2: Producer-wholesale-domestic consumer
- Channel 3: Producer-wholesale-retailsale-domestic consumer
- Channel 4: Producer-rural cooperatives-domestic consumer
- Channel 5: Producer-rural cooperatives-foreign consumer
- Channel 6: Producer-rural cooperatives-wholesale-retailsale-domestic consumer
- Channel 7: Producer-Saffron producers cooperative-domestic consumer
- Channel 8: Producer-Saffron producers cooperative-foreign consumer
- Channel 9: Producer-Saffron producers cooperative-Processing and packaging company-domestic consumer
- Channel 10: Producer-Saffron producers cooperative-foreign consumer
- Channel 11: Producer-rural cooperatives-processing and packaging company-wholesale-retailsale-domestic consumer
- Channel 12: Producer-Saffron producers cooperative-processing and packaging company-wholesale-retailsale-domestic consumer
- Channel 13: Producer-exchange market-domestic consumer
- Channel 14: Producer-exchange market-foreign consumer
- Channel 15: Producer-Saffron producers cooperative-exchange market-domestic consumer
- Channel 16: Producer-Saffron producers cooperative-exchange market-foreign consumer
- Channel 17: Producer-rural cooperatives-exchange market-domestic consumer

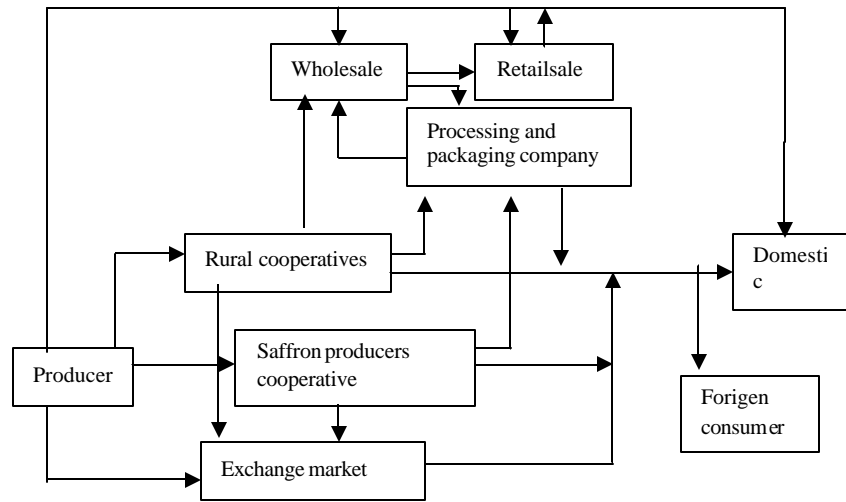


Fig. 2: Marketing channels of saffron

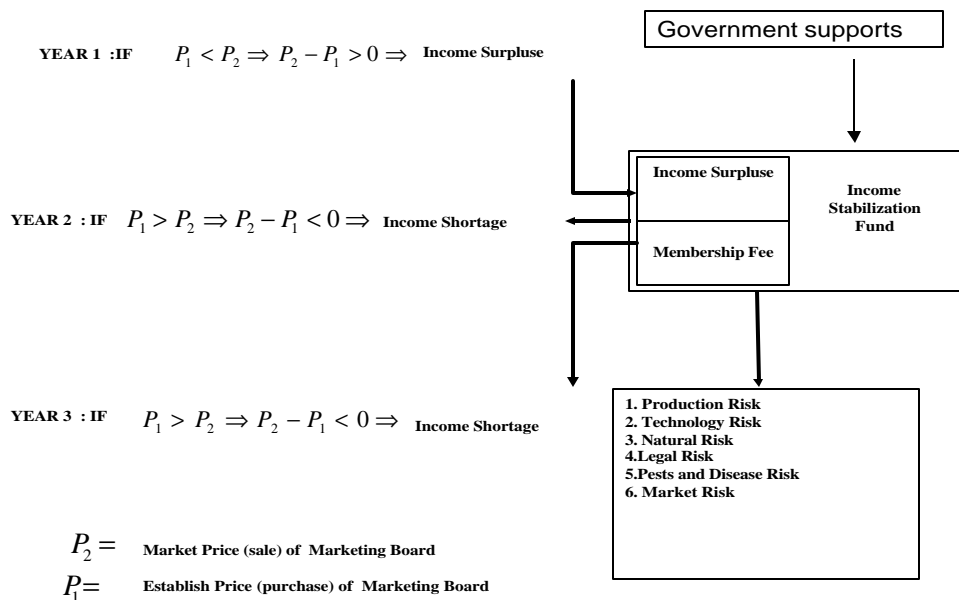


Fig. 3: Mechanism of marketing board

Channel 18: Producer-rural cooperatives-exchange market-foreign consumer

Channel 19: Producer-retailsale-domestic consumer

Channel 20: Producer-wholesale-processing and packaging company-retailsale-domestic consumer

Investigating of these channels shows that some channels are very simple (channel 1) and some are complex. If there are many channels in Saffron marketing, then we can say that marketing is inefficient. Also, long length of channels represents a low efficiency and high cost of marketing. So, direct marketing has high efficiency and low cost. Then, channels 4, 5, 7, 8, 13, 14 are placed in sequent rank of

efficiency. Whilst other channels has a high marketing cost and low efficiency.

Marketing margin: One of the most important indices of evaluating market performance is marketing margin. Channel 1 i.e. direct marketing, has marketing margin is equal zero and producers share of final price equal 100%. So, the most efficient channel are producer-consumer or direct marketing. The second efficient channel is producer-wholesale-domestic consumer (channel 2) that has marketing margin and produce share of consumer price equal 12% and 88%, respectively.

The most inefficient channels of Saffron marketing are producer-Saffron producer cooperative-foreign

Table 2: Marketing margin of saffron channels

Channels	Marketing margin (%)	Producer share (%)	Rank of efficiency
1	0	100	1
2	12	88	2
3	35	60	8
4	15	85	3
5	40	60	9
6	50	50	11
7	35	65	8
8	48	52	10
9	50	50	11
10	55	45	12
11	55	45	12
12	50	50	11
13	20	80	4
14	15	85	3
15	30	70	7
16	25	75	5
17	28	72	6
18	20	80	4
19	30	70	7
20	48	52	10

consumer (channel 10) and producer-rural cooperative-processing and packaging company-wholesale-retailsale-domestic consumer (channel 11). Based on data in columns 2, 3, average marketing margin and producer share of final consumer price are 35% and 65%, respectively (Table 2).

Based on findings of this article, we can say increasing the number of marketing channels cause inefficiency in marketing process of this product. So, decreasing distance between producer and consumer by transpranting marketing process can increase producer and consumer welfare. According to special advantage of this product, creation of regional marketing board beside exchange market for coordinating production, marketing and export and maintaining market share is suggested. Mechanism of marketing board is introduced in Fig. 3. Some results and strength of marketing board of Saffron in Iran are:

- Increasing (or at least stabilize) of farmer's income.
- Decreasing production risk of Saffron producers.
- Decreasing marketing (price) risk in Saffron market.
- Creating voluntary motivation for Saffron insurance.
- Creating income stabilization fund for producers of Saffron (emphasis of fourth program)

- Decreasing government supporting role in process of production and marketing of Saffron.
- Increasing shadow(guidance) role of government in production, marketing and processing products.
- Creation necessary circumstances for movement in processing industry and marketing services.
- Controlling Saffron market and processing products.
- Decreasing marketing costs.
- Considering crops pattern for maximizing the use of resources.
- Production sustainability of Saffron.
- Increasing the production motivation of farmers.
- Lack of rural-urban migration.
- Increasing market bargaining power.
- Considering preferences and needs of consumers in marketing.
- Increasing market power.
- Having a key and participating role in designing, performance and evaluating the policies and programs.
- Increasing of policy bargaining power.
- Creating a suitable and up-to-date information system in production and marketing.
- Avoiding moral hazard and adverse selection.
- Providing agricultural inputs in suitable time and place for producers.
- Increasing investment in agricultural sector (especially Saffron).
- Having the role of regional exchange market for Saffron.
- Considering equity in planning and policy.
- Moving in legal framework and adopting with foreign legal and regulations.
- Making entrance to agricultural exchange market.

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