WHY PRICES OF VEGETABLES IN MANILA ARE DOUBLE OR TRIPLE THE PRICES RECEIVED BY FARMERS IN BENGUET?

CALL TO ACTION

- ✓ Continue encouraging and supporting innovations in the fresh vegetable supply chain such as the contract farming models, farmer association to institutional buyer models, farmers' markets, and digital marketing platforms.
- ✓ Sustain the avenues and programs where farmers and farmer groups and distributors and consumer groups connect or interact, such as the DA-KADIWA ni ani at kita program.
- ✓ Ensure vegetable price transparency and sustain efforts to provide real-time price information to farmers and other stakeholders.
- ✓ Ensure proper registration and identification of market players in the various trading areas, but sustain the competitive atmosphere among disposers, traders and trading posts to ensure that the market price is based on the actual supply and demand.

MAJOR REFERENCE

Launio, C.C., Altaki, M.J., Camfili-Talastas, M., and Longay, N. Highland Vegetable Value Chain Analysis for Policy Formulation and Future Impact Evaluation of Agricultural Trading Centers. Terminal Report submitted to DA-BAR.

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ABOUT THE MATERIAL

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Why Prices of Vegetables in Manila are Double or Triple the Prices Received by Farmers in Benguet?

by: Cherylll C. Launio, Mary-an J. Altaki, Matyline Camfili-Talastas and Normalyn T. Longay

HIGHLIGHTS

- ✓ Vegetable products from Benguet pass through 3 to 8 intermediaries before they reach their final consumers. Each player incurs cost and gets payment for his labor and capital in the process.
- ✓ The average total marketing margin (difference of retail price and farm-received price) for highland vegetables ranges from Php44 to Php124 per kg assuming Benguet to Manila consumers.
- ✓ In most cases, second-level wholesalers and retailers get the highest net margin, but handle less average volume per day and have greater risks. Disposers usually shoulder the least cost and get less than Php2 kg-1 commission for volume crops, but handle the largest volume per day.

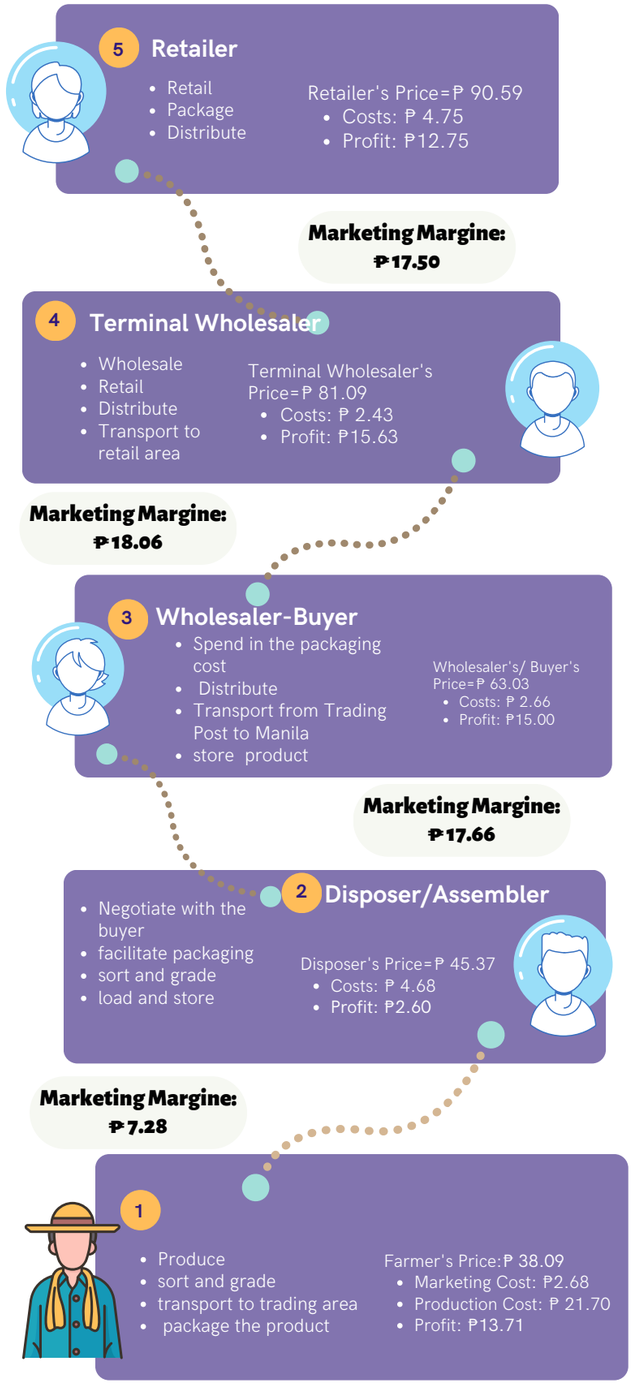
INTRODUCTION

One major constraint or challenge identified in the Philippine vegetable industry is the deemed inefficient value-chain – circuitous or redundant market channels, high marketing costs, high retail profits due to high risks, and greater market power (UNDP, 2006 as cited by Johnson, 2008; Fang-asan et al., 2009; Tagarino and Sim, 2015). Hence, various government regimes have conceptualized wholesale markets and agricultural trading centers in different areas of the country. The latest Agripinoy Trading Centers (APTCs), for example, were conceptualized and established with the framework to strengthen the partnership and collaborative efforts for sustainable agriculture and in enhancing farmers' productivity and profitability (DA, 2011). The aim was to establish a system of interconnected farmer-oriented trading and agri-processing centers to promote efficiency, productivity, and equity along and across the supply chain. Primarily, the centers are to be established to improve the logistics efficiency in vegetable trading, increase the small vegetable farmers' income, reduce postharvest losses and ensure vegetable food security.

One measure to determine the performance of a supply chain is to look at the marketing and distribution. Deomampo (n.d.) mentioned that marketing and distribution should be improved so that the produce could reach the intended consumers at the right time, place and form. The same author emphasized the need to improve efficiency in the performance of marketing functions. This research brief aims to provide baseline estimates of the average marketing margins in each node of the supply chain to explain why prices are double or trip in the Metro Manila or other markets compared with the prices received by farmers in the trading areas in La Trinidad, Benguet. It takes the case of the most common market chain for conventional highland vegetable, which is comprised of four intermediaries connecting the farmer in Benguet and consumer in Manila:

cost and margin analysis of broccoli

Total Marketing Margin from Farmer to Retailer= ₱ 60.54



cost and margin analysis of carrots

Total Marketing Margin from Farmer to Retailer= ₱ 54.93

Retailer
- Retail
- Package
- Distribute

>Retailer's Price:₱ 71.36
>Cost: ₱7.29
>Profit: ₱12.50

Marketing Margin: ₱ 19.79

Terminal Wholesaler
- Wholesale
- Retail
- Distribute
- Transport to retail area

TW's:₱ 51.57
>Cost: ₱5.47
>Profit: ₱14.29

Marketing Margin: ₱ 19.76

Wholesaler-Buyer
- Spend in the packaging cost
- Distribute
- Transport from Trading Post to Manila
- Store products

>WB's:₱ 31.81
>Cost: ₱8.27
>Profit: ₱3.03

Marketing Margin: ₱ 4.08

Disposer
- Negotiate with the buyer
- Facilitate packaging
- Sorts and grade
- Load and store

>Disposer's Price:₱ 20.51
>Cost: ₱2.55
>Profit: ₱1.53

Marketing Margin: ₱ 4.08

Farmer
- Produces
- Sort and grade
- Transport to trading area
- Package the product

>Farmer's Price:₱ 16.43
>Marketing Cost: ₱2.67
>Production Cost: ₱ 13.48
>Profit: ₱0.29

cost and margin analysis of chayote

Total Marketing Margin from Farmer to Retailer= ₱ 44.21

05 Retailer

- Retail
- Package
- Distribute

>Retailer's Price:₱ 60.46
>>Cost: ₱ 7.18
>>Profit: ₱ 11.25

Marketing Margin: ₱ 18.43

04 Terminal Wholesaler

- Wholesale
- Retail
- Distribute
- Transport to retail area

>>Terminal Wholesaler's Price:₱ 42.03
>>Cost: ₱ 12.18
>>Profit: ₱ 6.10

Marketing Margin: ₱ 17.36

03 Wholesaler-Buyer

- Spend in the packaging cost
- Distribute
- Transport from Trading Post to Manila
- Stores product

>>Wholesaler-buyer's Price:₱ 24.67
>>Cost: ₱ 2.25
>>Profit: ₱ 3.38

Marketing Margin: ₱ 5.63

02 Disposer

- Negotiate with the buyer
- Facilitate packaging
- Sort and grade
- Load and store

>>Disposer's Price:₱ 19.04
>>Cost: ₱ 1.28
>>Profit: ₱ 1.51

Marketing Margin: ₱ 2.79

01 Farmer

- Produce
- Sort and grade
- Transport to trading area
- Package the product

>Farmer's Price:₱ 16.25
>>Marketing Cost: ₱ 1.23
>>Production Cost: ₱ 13.23
>>Profit: ₱ 1.71

cost and margin analysis of pofatoes

Total Marketing Margin from Farmer to Retailer= ₱ 48.8

- Retail
- Package
- Distribute

>>Retailer's Price:₱ 75.61
>>Cost: ₱8.85
>>Profit: ₱12.57

Retailer

Marketing Margin
₱ 21.42

- Wholesale
- Retail
- Distribute
- Transport to retail area

>>TW's Price:₱ 54.19
>>Cost: ₱6.06
>>Profit: ₱9.11

Terminal Wholesaler

Marketing Margin
₱ 15.17

- Spend in the packaging cost
- Distribute
- Transport from Trading Post to Manila
- Store product

>>WB's Price:₱ 39.02
>>Cost: ₱1.91
>>Profit: ₱7.50

Wholesaler-Buyer

Marketing Margin
₱ 9.41

- Negotiate with the buyer
- Facilitate packaging
- Sort and grade
- Load and store

>>Disposer's Price:₱ 29.61
>>Cost: ₱1.42
>>Profit: ₱1.38

Disposer

Marketing Margin
₱ 2.80

- Produce
- Sort and grade
- Transport to trading area
- Package the product

>>Farmer's Price:₱ 26.81
>>Marketing Cost: ₱3.22
>>Production Cost: ₱ 17.59
>>Profit: ₱6.00

Farmer

cost and margin analysis of cabbage

Total marketing margin is ₱ 44. 21

RETAILER

- Retail
- Package
- Distribute

Retailer's Price:₱ 78.15
Costs: ₱ 7.92
Profit: ₱ 14.14

Marketing Margin: ₱ 22.06

TERMINAL WHOLESALER

- Wholesale
- Retail
- Distribute
- Transport to retail area

Terminal Wholesaler's Price:₱ 56.09
Costs: ₱ 6.52
Profit: ₱ 13.87

Marketing Margin: ₱ 20.39

WHOLESALER-BUYER

- Spend in the packaging cost
- Distribute
- Transport from Trading Post to Manila
- Stores product

Wholesaler-buyer's Price:₱ 35.7
Costs: ₱ 1.78
Profit: ₱ 7.44

Marketing Margin: ₱ 9.22

DISPOSER

- Negotiate with the buyer
- Facilitate packaging
- Sort and grade
- Load and store

Disposer's Price:₱ 26.48
Costs: ₱ 2.39
Profit: ₱ 1.36

Marketing Margin: ₱ 4.27

FARMERS

- Produce
- Sort and grade
- Transport to trading area
- Package the product

Farmer's Price:₱ 22.21
Costs: ₱13.47
Profit: ₱8.74

cost and margin analysis of garden pea

Total Marketing Margin from Farmer to Retailer= ₱ 123.74

Retailer

Costs ₱ 5.39 → Retailer's Price ₱ 197.74 → Profit ₱ 27.33

Retail and Distribute ← Package

Terminal-wholesaler

Costs ₱ 4.48 → Terminal-Wholesaler's Price ₱ 165.02 → Profit ₱ 23.81

Wholesale/Retail → Distribute & transport to retail area

Wholesaler-Buyer

Costs ₱ 2.04 → Wholesaler-buyer's Price ₱ 131.69 → Profit ₱ 25.78

store products ← Transport from Trading Post to Manila ← Spend in the packaging cost ← distribute

Disposer

Costs ₱ 3.22 → Disposer's Price ₱ 103.87 → Profit ₱ 26.65

load and store ← sort and grade ← negotiate with the buyer ← facilitate packaging

Farmer

Marketing cost ₱ 3.90 → Production Cost ₱ 106.84 → farmer's price ₱ 74.00 → Profit ₱ -36.74

transport to trading area ← package the product ← produce → sort & grade

cost and margin analysis of chinese cabbage

Total marketing margin: ₱ 62.79

5. Retailer

- Retail
- Package
- Distribute

Retailer's Price:₱ 78.27
Costs: ₱7.73
Profit: ₱21.67

Marketing Magin: ₱ 29.4

4. Terminal wholesaler

- Wholesale
- Retail
- Distribute
- Transport to retail area

Terminal-wholesaler's Price:₱ 48.87
Costs: ₱8.49
Profit: ₱15.01

Marketing Magin: ₱ 23.5

3. Wholesaler-buyer

- Spend in the packaging cost
- Distribute
- Transport from Trading Post to Manila
- Stores product

Wholesaler-buyer's Price:₱ 25.37
Costs: ₱1.89
Profit: ₱4.25

Marketing Magin: ₱ 6.14

2. Disposer

- Negotiate with the buyer
- Facilitate packaging
- Sort and grade
- Load and store

Disposer's Price:₱ 19.23
Costs: ₱ 2.39
Profit: ₱ 1.36

Marketing Magin: ₱ 3.75

1. Farmer

- Produce
- Sort and grade
- Transport to trading area
- Package the product

Farmer's Price:₱ 15.48
Costs: ₱14.86
Profit: ₱0.62