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SHARING MARKET MARGIN AMONG DIFFERENT PARTICIPANTS IN THE LOCAL COCOA TRADE

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Locally produced cocoa bean reaches the chocolate manufacturers through various channels. There are number of elements that participate in moving it to the manufacturers. Prior to the development of the local chocolate industry in late 1960's, major share of the local cocoa bean production was exported.. About 99% of local cocoa bean production is consumed by the local industries, of which more than 90% is utilized by the local chocolate manufacturers (Silva, 1993), since then the local consumption gradually increased ,which almost double in the year 1991 (DEA, 1996).

In local cocoa bean market each channel (relationship between two participants) fetch a margin in marketing. This margin is an important tool in assessing the market conduct, because it helps in maintaining a better marketing environment for all the participants. Fair distribution of the marketing margin favour the production, marketing and manufacturing end products. In Sri Lanka the cocoa bean production continue to decline despite of many promotional efforts by the Department of Export Agriculture (DEA). This study attempted to assess the distribution of marketing margin among the participants levels in the market.

Structure conduct performance (S-C-P) model attempt to predict the relationship among the three components of the model. Given a structure, a pattern of conduct can be predicted which aid to predict the performance (Purcell, 1979). Primary data were collected from cocoa growers, retail traders, van purchasers, wholesalers, agents and chocolate manufacturers through a field survey using detail interview schedule, interviews with officials and field observations. The field survey was conducted in the areas of Matale, Kandy and Kegalle and the secondary data were collected from the Economic Research Unit of the Department of Export Agriculture and Sri Lankan customs.

A complex market structure exist in local cocoa bean trade, which could be grouped in to five levels having twelve market channels. The estimated market margin per kilogram was Rs. 34.30 (the agents selling price - producers selling price), the producer has a profit of Rs.2.70, where as the retailer, wholesaler and agents shares 17, 57 and 26 percentage of marketing margin respectively. The existing cocoa market environment is not favourable to the producers, with increasing market levels buyer concentration increases. Handling in large quantity, storage facilities, market information and sales on credit terms caused them to be the market price makers at higher level which leads the producers as the price takers. The producers do not get a fair profit compared with the marketing margin shared by other intermediaries which demotivated the producers to remain and invest in cocoa industry, which could impair the local bean production.