
CHAPTER TWO
REGULATED AGRICULTURAL MARKETING
SYSTEM IN INDIA

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REGULATED AGRICULTURAL MARKETING SYSTEM IN INDIA

2.1 Introduction.

With the introduction of high-yielding varieties of crops and modern farm technology, the agricultural production in the country has reached such new heights that a bulk of it is available for marketing. Consequently, the need for an efficient agricultural marketing system has increased to a large extent.

2.2 Meaning of Agricultural Marketing.

The term 'agricultural marketing' is composed of two distinct words, 'agricultural' and 'marketing'. Lexicographically, 'agriculture' is a combination of Greek word 'agros' (meaning land) and culture (meaning tillage or cultivation). Marketing means 'movement of goods from production site (in this case, farm) to the consumer who purchases it for consumption. Hence, the discipline of 'agricultural marketing' enfolds all such activities, agencies and policies involved in the movement of agricultural produce from farm to the consumer. In more precise terms, 'agricultural marketing' can be defined as a 'process which starts with a decision to produce a saleable farm commodity and culminates to cover all aspects of market structure or system, both functional and institutional, based on technical and economic considerations, and also includes pre- and post-harvest operations like assembling, grading, storage, transportation and distribution'.

2.3 Meaning of Regulated Markets.

When the State or any public authority comes forward to enforce regulations for the organization of the markets, it is termed as 'regulated marketing'. A regulated market may be defined as a place where the marketing business is carried out under the guidance of certain rules and regulations framed by a statutory organization or the concerned State Government. Under such circumstances, a 'market' means a market (or mandi) established and regulated or declared as such under an Act promulgated for the notified market area and includes a market proper as a 'principal market' and its 'sub-market yards'. 'Regulated Market' is defined by Shri.K.N.Pathak as "the proceedings and practices of which are formally regulated by some suitable legislation".

2.4 History and Growth of Regulated Markets in India.

The origin of regulated markets in India dates back as early as 1897 when the famous Berar Cotton and Grain Markets Law was passed to purge the marketing of many of its abuses. Since then, a number of Acts, Rules, Regulations, Laws and Bye-Laws have been passed and many Committees and Commissions have been appointed for facilitating and promoting the growth of regulated markets all over the country. The history of the regulated markets in India may be classified into two distinct periods, namely;

1. Pre-Independence Period, and
2. Post-Independence Period.

Pre-Independence Period.

The Berar Cotton and Grain Markets Law of 1897 was the Law which later on provided the basis for regulated markets all over the country. Under this Law, for the first time, the market functionaries

were required to take licences; trade allowances were abolished, unauthorised markets were banned, rules were framed for levy collection of fees, the licensing of broker and weightman and checking of weights and measures were imposed; penalties for breach of certain provisions of law were laid down; and the Commissioner was authorised to appoint a market committee to ensure smooth day-to-day working of the regulated market.

In 1917, Indian Cotton Committee was established to study the cotton markets. It found that most of the cotton was sold by the producer at price much below the ruling market price due to a large chain of middlemen in the marketing process. The Committee, therefore, recommended that "markets for cotton on the lines of those set up in Berar should be set up in other States having compact cotton tracts. This could be done by making proper provisions under the Berar Law".

While endorsing the principles of the Berar Law of 1897 and welcoming the improvements embodied in the Bombay Cotton Markets Act of 1927, the Royal Commission on Agriculture made some recommendations as to the functioning and constitution of the regulated markets. These were:

- a. Regulated markets for all provinces should be established for facilitating marketing of all types of agricultural produce;
- b. Products, other than cotton which is regulated under the Berar Cotton and Grain Markets Law, should be brought under the purview of regulated markets;
- c. Establishment of market committees should be done under a single all pervading provincial legislation;
- d. Municipalities and District Boards be kept out of the management of the markets;

- e. Markets controlled by the Local Boards should automatically cease to function as soon as regulated markets come into existence;
- f. Initial expenditure on starting the markets should be incurred from the loans out of provincial revenues;
- g. In the constitution of the market committee, half of the members of the management committee should be from among the cultivators; and the market committee should also include an officer from the Agricultural Department of the State Government;
- h. Licensed Brokers should be prohibited from growers' constituency. The market committee be empowered to elect its own Chairman and a Vice-Chairman;
- i. Provisions should be made for representation of the co-operative societies functioning in the areas served by the market yard;
- j. Provisions (in the form of Panchayats) should also be made to settle disputes;
- k. Action should be taken to prevent the brokers from acting for both buyers and sellers in the regulated markets;
- l. Provision of adequate storage facilities in the market yards be made;
- m. Standardization of weights and measures should be enforced.

The Bombay Provincial Banking Enquiry Committee set up in 1929-30 pointed out the defects in the working of the traditional markets and recommended:

- 1. Immediate application of the Bombay Cotton Act to important centres;
- 2. Standardization of weights and measures;
- 3. Provision of financial aid and low rates of interest to the co-operative societies for the construction of godowns in the market premises.

The Bombay Cotton Markets Act of 1927 was replaced with the Bombay Agricultural Produce Market Act of 1939, whose objective was to divide the power between the buyer and the seller; freeing the producer-seller from the malpractices pertaining to the use of false weights and measures and recovery of unwarranted and undefined charges from them by the traders and middlemen. The Act also provided for the regulation of marketing of a large number of agricultural commodities. Under this Act, the term 'agricultural produce' covered all produce of agricultural origin, fruits and vegetables, and animal husbandry. The legally contemplated effect of this Act was to ensure the best possible price to the producers for their commodities.

Post-Independence Period.

The All India Conference on Marketing and Co-operation held at Hyderabad in November 1955, made many recommendations for the progress of the regulated markets; the chief among them being,

1. Extension of the Market Act to all the important agricultural commodities and livestock and its products not already included;
2. Promulgation of the Market Act by the States not having them;
3. Introduction and strict enforcement of the system of open auction sale and weighing of produce in the market yard;
4. Promotion of adequate representation of marketing co-operatives in the market committees.

At the beginning of the Fourth Five Year Plan, legislations for the establishment of such markets were enacted in thirteen States of the Union. By the end of December 1972, there were 2,803 regulated markets in India. This number increased to 2,938 by the end of March 1976. These regulated markets usually handled tobacco, cotton,

groundnut, grains, cocoanut, arecanutes, potato, turmeric, etc. By the end of March 1985, there were 5,678 regulated markets in India.

The following Table shows the growth of the regulated markets in India during the period from 1939-40 to 1984-85. It is very interesting to note that there were only 122 regulated markets in India in 1939-40 but their number has increased to 5,678 during a span of 25 years only.

TABLE NO.2.1

Growth of Regulated Markets in
India from 1939-40 to 1984-85.

Sr. No.	Year	Number of Regulated Markets in India	
		Number	Percent Increase
1.	1939-40	122	(Base=100)
2.	1950-51	368	302
3.	1955-56	494	405
4.	1960-61	725	594
5.	1965-66	1600	1311
6.	1970-71	2145	1758
7.	1975-76	3800	3115
8.	1980-81	4652	3813
9.	1982-83	5147	4219
10.	1983-84	5579	4573
11.	1984-85	5678	4654

Source: 'Facts for You' (monthly), November 1987, p.27.

Table no.2.1 clearly shows the increase in the number of regulated markets from 1939-40 to 1984-85. In the pre-Independence period, there were only 122 regulated markets in India. Their growth was quite substantial in the Fifth Five Year Plan Period, i.e. 1960-64. At present, the number of regulated markets in India is well over 5600. This figure, however, is too low when compared with the area of the country. It also indicates that there is a very wide scope for still further growth and expansion of regulated markets in India.

TABLE NO.2.2

Wholesale and Regulated Markets in India
as on 1st January 1985.

Sr. No.	State/Territory	Total No. of Wholesale Assembling Markets	No. of Markets within the purview of regulation	Principal/Sub-Market Yards	Total
1.	2.	3.	4.	5.	6.
1.	Andhra Pradesh	557	218	339	557
2.	Assam	101	13	9	22
3.	Bihar	443	121	642	763
4.	Gujarat	305	130	175	305
5.	Haryana	221	91	130	221
6.	Himachal Pradesh	25	8	35	43
7.	Jammu & Kashmir*	19	-	-	-
8.	Karnataka	331	113	218	331
9.	Kerala	56	4	-	4
10.	Madhya Pradesh	663	260	172	432
11.	Maharashtra	648	234	414	648
12.	Manipur*	20	-	-	-
13.	Meghalaya*	3	-	-	-
14.	Nagaland*	10	-	-	-
15.	Orissa	76	40	53	93
16.	Punjab	641	130	511	641
17.	Rajasthan	372	133	239	372
18.	Sikkim*	10	-	-	-
19.	Tamilnadu	300	265	-	265
20.	Tripura	84	4	1	5
21.	Uttar Pradesh	623	253	370	623
22.	West Bengal	265	58	263	321
23.	Pondicherry	1	1	-	1
24.	Arunachal*	31	-	-	-
25.	Chandigarh	3	1	2	3
26.	Delhi	24	5	4	9
27.	Goa, Daman & Diu	11	1	3	4

*Agricultural Produce Regulated Market Laws are not passed in these States/Union Territories as well as in Andaman & Nicobar Is. Lakshadweep, Mizoram and Dadra & Nagar Haveli.

Source: Agricultural Marketing in India, pp.133-134.

The above Table shows a clear picture of the regulated markets in India. Agricultural Produce Regulated Market Acts have not been passed by the States of Jammu & Kashmir, Manipur, Mizoram, Sikkim and the Union Territories of Andaman & Nicobar Islands, Lakshadweep, Island and Dadra & Nagar Haveli. Today, there are above 5600 regulated markets in India. The State of Bihar tops the tally of the total markets (763), followed by Maharashtra (648) and Punjab (641). Establishment of more regulated markets in India is necessary for ensuring quick sale of the agricultural commodities.

2.5 History and Growth of Regulated Markets in Maharashtra.

The first attempt at establishing regulated markets in Maharashtra was made in the erstwhile Bombay State in 1927, when the Bombay Cotton Markets Act was passed. The main features of this Act of 1927 have already been highlighted in the preceding paragraphs while discussing the history and growth of the regulated markets in India.

The growth of the regulated markets flourished in the Fifth Five Year Plan Period when their number reached upto 648 in Maharashtra by January 1985 out of which, 234 were chief regulated markets and 422 were sub-markets. These markets covered an area of only 485 sq.kms., which is even less than 10% of the total State area of 3,07,690 sq.kms. This is indicative of the fact that there is a wide scope for the growth and expansion of the regulated markets in the State.

2.6 Advantages of Regulated Markets.

The economic and social benefits accruing to the cultivators as a result of the regulation of markets may be enumerated in a

nutshell as follows:

1. As a result of the rationalization of the market charges alone, the producer-seller is benefitted to the tune of Rs.3.0-5.0 for every hundred Rupees worth of produce marketed by him in a regulated market. This is no small benefit to the tiller of the soil. Besides, there has been a reduction in the market charges which vary between 28 to 69% in various markets. This reduction indicates only a small fraction of the surplus cash finding its way to the agriculturist. One has only to assess the advantages of correct weighing, competitive buying and fairness of the allowances in terms of their monetary value, to be able to comprehend fully the benefits of regulation of markets.
2. There has been an increase in the number of sellers bringing their produce to these markets. This significant shift in the pattern of trading is indicative not merely of economic advantages but also of a great psychological upheaval which the scheme has engendered.
3. A sea-change has also been brought about in the socialistic behaviour of the influential, power and economically well-off trading sections towards the illiterate, ignorant, indebted and economically backward cultivators by constant diversion of their attention to the canons of fair trading and responsibilities that devolve on the licensed traders and commission agents of the market committees.
4. Market charges are clearly defined and specified. Excessive charges are reduced and unwarranted ones prohibited. Prior to regulation, market charges of these merchants against the farmers averaged 8.65 per cent of the value of the produce. After regulation, these averaged 2.14 per cent with an average reduction of 6.51 per cent and were nearly 80 per cent of the original charges.

5. Market practices are regulated and the undesirable activities of the market functionaries are brought under control so that fair dealing is assured.
6. Correct weighment is ensured by periodical inspection and verification of scales and weights. Only the correct and stamped beam-scales and weights are allowed to be used in the market. Weighment is done only the licensed weightmen.
7. A machinery for the settlement of disputes between traders sellers is set up. This machinery provides suitable arrangement for the settlement of disputes regarding quality, weighment and deductions; prevent litigation; safeguard the interests of the seller; and smoothens business by locating good relations between sellers and buyers.
8. Reliable and upto date market news are available to the sellers. For this purpose, not only the notice boards for daily bulletins and newspapers are maintained, but also the radio sets along with loudspeakers are arranged in the yard for disseminating market news. These markets have been a source of the most reliable market statistics and have been rendering a valuable service in planning market programme.
9. Proper market yards with full-fledged facilities like sheds for the sale of produce, cart-parking, water-troughs for cattle, drinking water, rest-houses, latrines, canteens and bathrooms for the farmers, better grading and warehousing facilities for agricultural produce are provided by the market committee.
10. Open auction sale method is strictly followed and unjustified trade deductions like karda dutta, batta namuna, etc., are eliminated. The producer is given a paper-slip showing the details of the sale proceeds and deductions made therefrom. The payment is usually

made on the day of the sale itself.

11. In these markets, suitable quality standards and standard terms for buying and selling are enforced.
12. Besides, reliable statistics of stock arrivals and prices are easily maintained. Furthermore, as a large number of producer-sellers meet often, propaganda for agricultural improvement is carried out more conveniently.

Thus, the regulation of markets has been a boon to the agriculturists. It has not only introduced a system of competition to help to eradicate undesirable malpractices, rationalised market charges, introduced standard weights and measures, protected cultivators from unauthorised deductions; but has also developed a machinery for securing impartial settlement of disputes between the parties. Considering the overall picture, regulated markets have produced a wholesome effect on the marketing structure and have generally raised the efficiency of marketing at the primary level.

TABLE NO.2.3
Market Charges Before and After Regulation in
some Selected States of India.

Sr. No.	States	Market Charges per Rs.100 worth of produce		
		Before Regulation	After Regulation	Saving
1.	Maharashtra	2.74	1.37	1.37
2.	Andhra Pradesh	4.09	2.30	1.79
3.	Tamil Nadu	4.65	1.43	3.22
4.	Karnakata	4.14	2.20	1.94
5.	Punjab & Haryana	2.43	1.76	0.67
	All India Average	3.41	1.79	1.62

Source: Regulated Markets in India, p.129.

Table no.2.3 shows the market charges per sale of

Rupees.100 worth of produce before and after regulation. The figures show that there is a considerable saving devolved on the farmers which indicates the significance of the regulation for the betterment of the farming community.

2.7 Functions of Regulated Markets.

The following are the main functions of the regulated markets:

1. Avoidance of the middlemen's manipulation in prices to the disadvantage of sellers;
2. Fixation of proper rates and prices of different commodities;
3. Increase in the provision of storage and warehousing facilities;
4. Fixation of quality, grades and standards of commodities;
5. Regulation and control of market charges;
6. Creation of proper atmosphere for selling and buying of commodities;
7. Effective management of the main mandi and sub-mandis;
8. Fixation of the terms and conditions for the sale of agricultural produce;
9. Management of lighting, security, transport, livestock, television, radio, lodging and boarding facilities in the market premises;
10. Communicating of market news to the farmers;
11. Reconciliation of accounts between traders and farmers;
12. Prevention of behaviour not conforming to the market regulations;
13. Timely supply of agricultural inputs at controlled prices to the farmers;
14. Control over the mix-up of agricultural produce;
15. Issuance of directions for the guidance of the persons using the market;
16. Initiation of all possible steps to prevent adulteration of the agricultural produce in the market areas;

17. Maintenance of a register of licensed traders, general commission agents and of the fees collected;
18. Preparation of budget estimates of market's income and expenditure for the next financial year;
19. Providing of all facilities in the market premises;
20. Enforcement of the conditions of licences granted to different market functionaries in connection with the purchase and sale of the agricultural produce regulated by it;
21. Levying of fees on the produce bought or sold in the market area and collecting of the same through agents;
22. Appointment of a Secretary of the market committee, other officers and servants for managing the committee's affairs and a dispute-settlement committee for settling the disputes between the buyers and sellers as well as between the buyers/sellers and market functionaries.

2.8 Functions of Market Committee!

The functions of the market committee include:

1. Maintenance and management of the market;
2. Enforcement in the market area of the provisions of the regulatory Act, Rules, Regulations and Bye-Laws;
3. Enforcement of the licences granted to different market functionaries in connection with the purchase and sale of the agricultural produce regulated by it;
4. Grant/renewal/suspension/cancellation of general and/or special licences for the purchase and sale of the regulated agricultural commodities;
5. Provision of all facilities and amenities in the market premises;
6. Levying of fees on the produce bought or sold in the market area and collection of the same through agents;

7. Managing the market's income, incurring the expenditure and investing the surplus funds;
8. Preparation of budgetary estimates of the market's income and expenditure for the next financial year;
9. Maintenance of registers of licensed traders, general commission agents and of the fees collected;
10. Prescription of market charges for the services of the different market functionaries;
11. Taking all possible steps to prevent adulteration of agricultural produce in the market area;
12. Promotion of grading and standardization of agricultural produce;
13. Collection and maintenance of daily lists of prices of different types of grades of agricultural produce regulated by the market committee and supplying the same to the Government when required;
14. Appointment of a Secretary of the committee, other officers and servants for managing the market's affairs and dispute settlement committee for settling the disputes between the buyers and sellers as well as between the buyers/sellers and market functionaries;
15. Issuance of directions for the guidance of the persons using the market.