
CHAPTER - II

AGRICULTURAL MARKETING

1. Concept of Agricultural Marketing,
2. Primary Market.
3. Need for Government Intervention.
4. Regulated Marketing
5. Market Committee
6. Benefits of a regulated Market.
7. Objective of the study
8. Scope of the study
9. Methodology.

CHAPTER - II.

Agricultural Marketing :-

2 - 1) Marketing in the usage of agricultural economists encompasses virtually all activities relating to agricultural commodities from sale by the original producers to the purchase by final consumers. It includes buying and selling, pricing, trading practices, organisational arrangements and competitive structure of markets. It also includes such related activities as grading and standardisation of products, provision of market information, financing of trade, bearing and shifting of risks, advertising and product innovation. It further includes related governmental activities such as those aimed at regulating and facilitating

trade or intervening in pricing.

Agricultural marketing has its separate features. Farm production over most of the world is carried on by many small products. Even where it is conducted on large, centrally managed plantation or collective farms. Similarly, at consuming and marketing must make products available in small quantities to meet daily needs of individual facilities. Hence a widespread marketing system has a widespread marketing system has a gross task of first assembling products and then redistributing them.

The variability of supply of farm products and their perishability makes marketing costly. They also make it risky, not only because of the danger of spoilage losses but also because of price uncertainty. The long production period of agricultural products is a further instabilizing factor in marketing since it delays the responses of supply to prices.

As regards the flow of commodities, typically a group of small local markets is tributary to a central market, where wholesale transactions are affected. The technological basis for such widespread agricultural marketing system rests first of all on low cost transportation, effective organizational arrangements for managing the movement of products and the flow of payments for them. There must be an intelligence system providing information needed for correct decision making. There must be arrangements for transfer of payments and for mobilising capital funds to finance commodities in the marketing channels including spreading of

risks involved in interpersonal holding of commodities. In a marketing system co-ordinated through open, competitive markets pricing is the heart of the co-ordinating system. The effective co-ordination of agricultural markets requires rapid collection and dissemination of information about current and prospective supplies, movement of commodities and prices throughout the market.

Primary Market - Buyer's Paradise :

Efficient marketing of farm produce is vital to the economic development of a country which is predominantly agricultural. The primary and secondary markets in which the cultivator sells his produce constitute the first and the most vital link in the long chain of marketing. Hence any programme for the reform of agricultural marketing must strike at this basic link. It is the primary market that the cultivator producer first comes in contact with the trader. The agricultural produce passes from the hands of the producer to the hands of the trader and the producer's labour gets a monetary reward. As the interests of the producer and trader remain at variance, the primary wholesale markets, provides a battleground for conflicts between the two parties. In this conflict, chances of fair deal to the cultivator are generally bleak. Due to this illiteracy, ignorance, financial weakness and sole efforts the cultivator possesses a weak bargaining power via- a vic the almighty trader who is well informed,

organised, financially strong and tactful. Consequently the cultivator remains at the mercy of the trader and the market conditions deviate largely from the requirements of a fair and free competition.

The unfair deal in the assembling markets manifests into various undesirable practices. Unwarranted deductions in cash or in kind, short weights, considerable delay in payments, under-hand dealings and disputes over the quantity and quality of the contents become the sources for usurping the cultivator. The entire market machinery remains partisan with the trader, his will and word prevail while the cultivator is left with no voice in determining the terms of trade and marketing practices. In fact, the market practices are evolved irrespective of the interests of the cultivator-producer though he happens to be an equally important party in the bargain.

2 -iii) Need for Government Intervention.:

Market mechanism, basically provides due opportunities to buyers and sellers in the interest of fair returns to both. However, for one or the other reason, if either party in the game is unable to perform its role properly, or if either of the parties exploits the weaknesses of the other party, government intervention to set the things becomes imperative. The Government action pertains with the formulation of a set of rules and regulations necessarily to be followed by all the market functionaries as also evolving an institutional structure vested with authority to see that the market functionaries obey the directives. Even

though both the parties in the deal are traders, need to have a set of rules for disciplined transactions is universally recognised and trade associations are established therefor. Hence if disciplined action among traders is desired that between traders and cultivator producers assumes more importance. A market regulated through government intervention has to strive to create mutual trust and confidence between traders and cultivators, establish fair trade practices and assure them just and reasonable returns. In view of the marketing problems visited in the primary and secondary markets we can say that improvement of the market with a view to creating fair competitive conditions and strengthening the bargaining power of the cultivator-seller is therefore, the most important pre-requisite of orderly marketing.

A question strikes at this juncture, what should be the kind of machinery employed for regulations and what should be the method of regulation? An apt description is given to us by Dr. T.G. Shirname in his report that reviewed the working of the Bombay Agricultural Produce Markets Act, 1939.

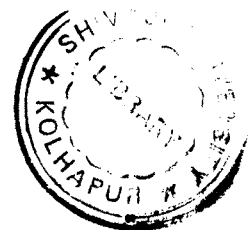
"Firstly, marketing is a complicated business which can only be handled by experts and until the agriculturists are able, by their own individual efforts or through the combination, to handle this delicate business, the efforts must be directed towards making the existing market functionaries function to the greater advantage of the producer rather than driving them out of the trade. Even in a perfect market controlled by the producers, it may be necessary to retain many of the existing function-

aries unless and until the social order is itself changed radically. The conception of market regulation has, therefore, to be based on this fundamental truism.

Secondly, the agricultural marketing covets a variety of stages from the time the commodity leaves the field to the stage when it reaches the consumer. If the market were to function smoothly and efficiently it must have a firm grip over the wide range of the activity converging all these stages. A logical corollary of this is that the market must provide facilities for trading, regulate them on an equitable basis, facilitate the settlement of disputes arising from the trading activity without driving the parties to protracted litigation in the courts and place at the disposal of the buyer and the seller a mechanism with which bargains can be made and completed without calling any loss to one or the other.

Thirdly, the market should be in a position to provide ancillary facilities such as godowns, communication, transport and credit and where it has not the means or power to make the available. It must try to secure them from or with the help of other agencies". 1.

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1. Government of Bombay: Report of the committee to review the working of the Bombay Agricultural produce Market Act, 1939. (Chairman-Dr. T. G. Shriname) 1955-56. PP 79-81.



All these details establish a case for some form of state interrention to offset the weak bargaining power of farmers as agriculturists are to be assured a reasonable standard of life for the reason that agriculture which is the main occupation of the majority of world population is to be really a paying industry. In every modern country like the U.K., the U.S.A., Canada and Australia the state is intervening more and more to secure for the farmer, cheap credit and a fair price for his product. The morden tendency, therefore, seems to be to depend more and more upon state action to secure for the farmer the rightful place in the national economy.

2-IV Regulated Marketing :

Establishment of regulated markets is one of the device of state intervention. The regulated market acts as an powerful agent in bringing about a reform which is much needed primarily in the interest of the cultivators and secondarily those of all engaged in the trade and commerce. A well regulated market cheates in the mind of cultivator a feeling of compidence and of receiving a fair play and this is the mood in which he is most ready to accept the new ideas and to strive to improve his agricultural produce.

The prosperity of the agriculturists and the success of any policy of general agricultural improveement depend to a very large degree on the facilities which the agricultural community has at its disposal for marketing. A general recognition of

this point of view underlies the efforts towards the establishment of regulated markets. The regulated market aims at rationalising trade practices and procedures for an orderly marketing of increasing number of agricultural commodities. This raises the degree of perfection of markets with conditions of competition therein. In the words of Dantuwala Committee, the best that the a marketing legislation can do under normal circumstances and without transspassing on the sphere of production and the fiscal-monetary factors affecting demand, is to equalise the bargaining power and cheate conditions conducive to more perfect competition. This would necessitate strengthening the organization for market intelligence, storage,grading pooling and adequate credit and finance to mention a few important items". 2.

2- V : Market Committee :

It is through the passing of the Agricultural Produce Markets Act that the Government delivers the agency for the establishment of orderly Marketing in Orgicultural produce. The market committees so established are corporate bodies and on which are represented all the interests viz, traders, producrs, co-operatives and local bodies. The working of the market committee has

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2. Government of Bombay Report on the enquiry in to the working of the regulated markets in the Bombay State (1951) (chairman Prof : Shri. M.L. Dantwala).., P.81.

a democratic base and every section represented on the body has equal change to get the Chairmanship. The Market committee is responsible for the enforcement of the provisions of the markets act and the rules framed thereunder. It derives its income mainly from the licenses fee levied on the market functionaries and market cess levied on all the goods brought in the market. The net earnings are utilised for developmental expenditure. A judicious management of its finances is, therefore called for. In sum, the success or otherwise of market regulation rests largely on the performance of the market committees.

2- VI : Benefits Of A Regulated Market :

Regulated market can be described as a boon to the cultivator as it veleases manifold advantages, Briefly, they are -

1. A system of competitive buying is introduced.
2. Malpractices are eradicated.
3. Market charges are rationalised.
4. Use of standard weights and measures is ensured.
5. A suitable machinery for settlement of disputes is evolved.
6. Cash payments are assured.
7. Open auction and open agreement sales do away the underhand dealings.
8. Reliable and up-to-date market information helps the producers to plan his sales.

9. Fair trade practices are ensured.
10. Well - developed market yards with necessary amenities improve the waiting capacity of the producer.
11. The cultivator-producer has a say in the management of the market, and
12. Grading and standardisation facilities assure due rewards to the produce.

Improvements in marketing may encourage increased production largely through the direct or indirect effect of higher returns to the producers. Directly this may happen through a reduction in marketing costs which are straight way passed on to the producers in the garb of higher returns. Indirectly, lower prices to the consumers will expand the market considerably and allow higher rewards to the producers. The same effect may provide a justification for expansion of market area so as an in effect to give considerably higher prices to producers in new producing areas.

Incidentally a point may be touched. Does it fall within the purview of the market committee to tackle the problems connected with the movement of prices. Prices at any place and at any time are a resultant of many factors, a number of which remain outside the control of market committee. Hence, no market committee can directly influence the cause of prices within its jurisdiction. However, its regulatory measures may indirectly influence seasonal variations in prices so as to tone down the severity of fluctuations in prices.

This can be affected through open auction, well-developed market intelligence service, provision of warehousing facility, grading and standardization of produce, prohibition of exorbitant deductions and prompt payment of sale proceeds. They certainly influence the price structure in the market and contribute to minimising the month to month variations in prices of the regulated agricultural products. Through open auction, the producer gets the knowledge of the ruling market prices which will guide him as to whether he should put his produce in the market now or later. Adequate storage facilities in the market area supported by availability of credit on the strength of the stored consignments increase the waiting power of the producer. Market intelligence services make the producer alert about the market conditions. Thus, as a total effect, activities concerned with market regulation lead to staggering of supply over the months so as to avoid unnecessary glut at any particular time, and shortage at another. Consequently, gap between minimum and maximum prices realised is reduced, and the producer is thereby made better off. The market committee should be aware of this ulterior objective alongwith others and should strive for that recognition of this role would be an indicator of the degree of perfection in market regulation.

On the whole, a regulated market exercises wholesome influence on the marketing structure and generally raises the marketing efficiency at the assembling level.

2-VII : Objective of the Study.

As is said earlier, establishment of regulated markets is generally and widely accepted as a panacea for eliminating the ills in the traditional marketing system. Market regulation creates healthy conditions in the market, provides various amenities to the functionaries and ultimately helps in realising a better reward to the cultivator-seller. The Agricultural Produce Market Acts are passed by the Government to give a legal sanction to market committees as also to regulate their working. The Maharashtra State has so far implemented two Acts for the purpose: one the Bombay Agricultural Produce ^{AA}Markets, Act, 1939, passed before Independence by the erstwhile Bombay Province, and the other the Maharashtra Agricultural Produce Markets Acts, 1963, passed by the present Maharashtra State and amended thereafter.

The regulated markets are functioning in various parts of the state for a period over two decades. Hence, it would be appropriate to study their activities and know to what extent the regulated markets have worked in fulfilling their avowed objectives. If the achievements are short of expectations, an understanding of the reasons would provide guideline for future course of action. In this context, -
Gadhinglaj Taluka has been chosen for the purpose of a micro study.

The economy of Gadhinglaj Taluka exhibits the features of an underdeveloped economy. It is predominantly agricultural even to-day. Since independence, a number of measures have been taken to improve the economy of the Taluka. Establishment of regulated market in agricultural commodities is one amongst many measures taken. Over the period after 1947, the Government of Maharashtra has established regulated markets in every taluka. The functioning of the market committees in all the Talukas has influenced the course of marketing of agricultural commodities, thereby making the cultivator-producer better off. This is a general impression. We have to test the validity of this impression in the light of their achievements and shortcomings.

2 - VIII Scope of the Study.

This study has been restricted to an investigation in to the efforts of the Market Committee in Gadhinglaj Taluka in providing the institutional frame work contemplated by law as also creating circumstances congenial to a rapid growth of orderly marketing of the agricultural produce. Hence, the scope of our investigation has been limited to the consideration of the following four issues in case of Gadhinglaj Taluka Market Committee.

Administrative Set-Up.

How far and with what promptness the legal provisions regarding the constitution and composition of Market Committees were observed? Were the Market Committee sound administrative body?

Market Yard :

Unless a market is well equipped with regard to facilities and staff, it is not possible to enforce effectively the various beneficial provisions of the market Act. Development and purposes of regulated market is, therefore, closely associated with the development of modern market yard. Could the Market committee in Gadhinglaj Taluka the principal and sub-market yards as desired by law?

Financial Operations :

Did the market committee observe necessary financial discipline enshrined in legal provisions.

Working and Impact of Regulation :

To what extent the regulated marketing as executed by the Market Committee did help in conferring direct and indirect benefits on the cultivator-seller? Direct benefits relate particularly to method of marketing, gradation, Market intelligence, warehousing and cost of Marketing. Elimination of wide seasonal fluctuations in prices and incentive in regulated markets from the core of study of indirect benefits.

This is an empirical study which delves in to the functioning of Market Committee in Gadhinglaj Taluka and judges the performance with special reference to groundnut, gur and chili the leading trio of agricultural produce. The investigation

concentrates on the market committee, its role and achievements.

2- IX : Methodology :

Selection of District :

For the sake of the study, Kolhapur District is chosen. In respect of the total area irrigated to total cropped area, Kolhapur District stands 3rd next to Poona and Satara. Majority of the farmers are the producers of sugarcane and gur. So we have selected Kolhapur District, Gadhinglaj Taluka is important taluka in Kolhapur District. It is an agricultural taluka and developing very fastly.

Selection of Commodities :

At present number of commodities are regulated. But the total share of Chilli, groundnut and Gur is larger. Nearly 90% of the total transactions are of these three commodities. So we have selected these three commodities.

Selection of Market Committee.

The state Government policy has been generally to have a market committee for a Taluka. There are number of sub-markets. But the market at Gadhinglaj is a relatively developed and one of the wellknown markets. So we have selected this Gadhinglaj Market.

Documentary sources of Information -

Annual Reports and office records of the Market Committee:

A good deal of the statistical data and other information connected with the case study of Gadhinglaj Market Committee was drawn from the annual reports available, and the official records were used in case Annual Reports were not published or certain details not given in the published reports.

Personal Observation :

Actual working of the regulated market was personally observed by visiting the principal Market

Personal Interviews :

a) Traders : In order to know the market practices before regulation and get sample cases of transactions in groundnut, Chilli and gur before and after regulation.

b) Producer agriculturist and other related to the working of the market committee. Nearly 50 agricultural producers and 15 traders were interviewed.

c) Officials of the market Committee :

For getting clarification on issues connected with the administrative set-up market yard, financial operations and impact of regulated marketing chairman, Vice-Chairman and Secretaries of the Market Committee were contacted personally. Data thus has been collected, analysed and has been presented in the present study.