

CHAPTER - II

MARKETING OF AGRICULTURAL PRODUCE IN INDIA.

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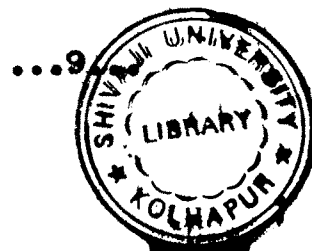
CHAPTER - II

AGRICULTURAL MARKETING IN INDIA

In foreign countries, markets were regulated from last several centuries. In England, in 1937 the Royal Commission established to study the market situation. In 1847 the market and fair Act came in to existence. The various purposes of this law were to manage the markets properly to have comfort to the farmers, traders and to render medical help to cattles etc. The Market Committees were looking after sanitation systems, weights and measurements and problems regarding them.

For the first time in America in 1899 in the State of Monosata the trade was regulated by the law. Consequently in 1929 the same law was passed in 20 states. In 1927 American Federal Government passed the Act "Produce Agency Act" and through it they made provision of the fine for the breach of this act. In 1930 American Government passed "Perishable Agricultural Commodities Act" to regulate the trade of perishable goods.

In 19th century British Government established peace in India and increased the trade. In 1869 Indian trade was increased by Rs. 80/- crores due to suvez canal. Inorder to provide regular and fair supply of cotton



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British Government stepped forward. In 1886, "The Karanja Kapoos Bazar" was established and it was handed over to the state of Hyderabad. In 1897 the Cotton and Grain Market Act was passed. After Hyderabad, Bombay State also passed "Bombay Cotton Market Act" in 1927. Again in 1930, "Hydrabad Agricultural Market Act" was passed. It was depended on "Bombay Cotton Market Act 1927".

In central province (Madhya Pradesh) " The Central Provinces Market Act was passed in 1932 and in 1935 second Central Provinces Agricultural Produce Market Act was passed. Consequently in Madras also Madras commercial crafts Market Act was passed in 1933.

In 1938 one model bill was prepared by the Central Agricultural Marketing Department and the Bombay Government passed "Bombay Agricultural Produce Market Act 1939". Afterwords Punjab, Mysore, Patiyala, Madhya Pradesh, Sourashtra also passed the above act.

Bombay state was Free Trade market region. So there was large turnover in Bombay. Markets were in villages and cities. There was no specific rule regarding market place. Therefore there were disputes among the landowners and traders. In 1860, the Bombay Government passed "Market and Fair Act" and thus unlicensed Markets were prohibited. According to Bombay Maniciple Bureau Act, 1925 (present Maharashtra Municipalities Act) selling, management ect, rights were alloted to municipalities but these rights were limited. So "Bombay Agricultural produce

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Act was passed in 1939 and various things were regulated by it i.e.

- 1) Guide line for market rates.
- 2) To do public auction sale.
- 3) To establish market yards and bring them under Government control.
- 4) To inform immediately the farmers regarding daily market rates.
- 5) Prohibited the unauthorised taxes from farmer's bill (tak Patti) (Dharmaday, Panjarpole etc.) by establishing market committees time to time and observing them.

Prof. Dantawala committee recommended in 1950 to have controlled market net work through out the State. Various difficulties were arising in application of 1939 Act, and hence, the government of Bombay adopted a commission (vide Government Resolution (Revenue Department) No.PNA 72-55) in 1955 to solve the problems of market committees after thinking over various problems government of Maharashtra amended the Market Act and New Maharashtra Agricultural Produce Markets Act 1963 came in force from 1967, after passing the Rules (Agricultural Produce Sale and Purchase (Regulation) Rules 1967). Actually the Act was enforced from the date of 25 May 1967.

The main purpose to enforce this Act is to obtain adequate market places for agricultural produce, to increase the grade of agricultural produce, to extend the regulation

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in wide area, to give the information of trend of market rates to the agriculturist, to convince the agriculturist the importance of a sale of the produce by open auction. There should be faith between traders and agriculturist. The agriculturist should not be cheated by the traders and he should get the proper price for his agricultural produce.

Up till now Maharashtra State has established 230 regulated markets (1981). The state has brought all important agricultural commoditties under regulation. Where the production of harticulture is vast , green vegetables and fruits are brought under regulation. Cattle, sheep and goats also came under regulation. Now all extra production of cotton and 40% of production of jawar, wheat, mug, udid, gram, chilly, turmeric, gur is sold through regulated markets. The total yearly turnover of agricultural produce sold through is about 800 crores out of which about 300 crores turnover is done through co-operative societies.

Maharashtra State has applied Maharashtra Agricultural Produce Sale and Purchase (Regulation) Act 1967 to the area of whole Maharashtra. By this Act the traders are prevented to cut the unauthorised taxes (i.e. Dharmaday and Panjarpol) from the payment (still some purchasers continue to deduct the unauthorised charges from the payment of seller but they do not mention it in the record) The sellers (agriculturist) do not complain against purchaser because the purchasers provides advance

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After sale of the produce he cut the amount of interest in the payment. So Government amended the Act and enforced the purchaser that the payment of Agricultural produce should be given (after deducting the authorised charges) by cheques within 24 hours through market committee. This procedure made linking between Bank and market committee.

To co-ordinate all market committees Maharashtra Government has registered "Maharashtra State Co-operative Marketing Federation Ltd." under the co-operative Act 1961.

Upto 30th June 1982, there were 205 grading centres and sub grading training centres, laboratories in Maharashtra.

Before discussing the problems regarding the employees it will be proper to discuss the agricultural marketing in India.

AGRICULTURAL MARKETING IN INDIA.

The Integral relationship should be maintained between production, credit and marketing. Marketing is a crux of whole food and agricultural problem. For efficient and prosperous agriculture, well organised and integrated marketing is essential.

Prerequisite for effective Agricultural marketing:-

- 1) Farmers should have adequate storage facilities.
- 2) Farmers should have sufficient holding power i.e. he should wait for favourable prices. Co-operative credit can solve this problem. Farmers should have upto date information regarding supply, demand and prices.

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- 3) Only regulated market and co-operative Marketing societies can supply market intelligence services.
- 4) Marketing co-operatives can reduce the number of middlemen between farmers and consumers and assures better prices for agricultural goods.
- 5) We must have efficient and economical network of road, rail transport for home trade.

TYPES OF MARKETS:-

In India markets for agricultural consumer goods can be classified into three groups.

- 1) Hats and shandies : Weekly markets held in villages and towns are called Hats, Fortnightly or monthly markets are called "Shandies".
- 2) Mandies : These are whole sale central or secondary markets and usually situated in cities. There are about 3000 wholesale mandis in India.
- 3) Retail Markets:- They are the final outlets for the agricultural produce for ultimate consumption by millions of consumers. Out interest centres around primary and central market for Agricultural produce.

The well-organised and regulated local and central market for agricultural produce alone can provide equity and justice to small, isolated and financially weak farmers in India and they can offer remunerative prices for qualitative agricultural produce.

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Disposal of Agricultural produce involves problems, such as cleaning, processing, grading, weighting etc. In absence of organised and regulated market middlemen take undue advantages of the ignorance of the farmers. In absence of adequate market intelligence, services, ill-formed farmers are easily exploited. Different types of market-practices, weight and measures create disputes between farmers and traders. A developed and regulated market is also an incentive to produce more and enhance quality. The regulation of all agricultural market (hats shandis and mandies) is an essential prerequisite for the optimum production cum marketing process.

DEFECTS IN AGRICULTURAL MARKETING

The main defects in marketing of agricultural produce were pointed out by the Royal Commission on Agriculture in 1928.

- 1) Lack of organisation for professional selling.
- 2) Forced sales due to weak storing capacity.
- 3) Too many middlemen and too much margin.
- 4) In many markets due to malpractices farmers are exploited.
- 5) Wide spread adulteration in production.
- 6) Lack of storage facilities in market.
- 7) Inadequate transport.
- 8) Trader cum money lenders enjoy monopoly in agricultural finance and marketing.
- 9) Absence of Grading and standardisation.

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- 10) Absence of market information.
- 11) Unregulated local markets.
- 12) Absence of co-operative marketing.
- 13) Hatta system of prices system.

The Royal Commission of Agriculture strongly recommended the establishment of regulated markets. i.e. organised commodity markets on large scale in India. It laid special emphasis on :

- a) The scheme of regulation to be applied to all agricultural goods.
- b) Establishment of market committees in all regulated markets.
- c) State Government to have special legislation for establishing regulated markets.
- d) Government should give financial help to Market Committees for capital expenditure on market.
- e) Provision of machinery for arbitration for settlement of disputes.
- f) Standardization of weights and measures.
- g) Standardization of all market practices.
- h) Adequate warehousing facilities in market yards.
- i) Preventing brokers to act as agents of both buyers and sellers in the market.
- j) Developing of co-operative sale societies.

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MARKET FUNCTIONARIES:-

The human resources in the process of marketing receive unique importance. They are the persons in charge of directing the flow of goods from the primary producer to ultimate consumer. Market functionaries have their own methods of operations, business procedure and trading practices. Marketing organisations and techniques are governed by the product, area of locations of marketing, economic condition, marketing agencies and commercial development. In every main commodity, there are two main kinds of physical markets. The primary or local market and the central market. The primary market and the assembled stock can be easily forwarded to the large central market situated in cities such as Bombay, Calcutta, Delhi, Madras etc.

In all commodities market where primary or central, we have a host middleman acting as essential functionaries.

1) Broker:-

An agent who does not have direct physical control and possession of goods in which he deals but he represents either on behalf of buyer or seller in negotiating purchase or sales for his principal. Brokers are expert in grading, qualities, trade terms and contract terms as well as warehousing and transport problems. In India commodity brokers are called as "Dalal". He merely links the seller and buyer as an agent.

2) Commission Agent:-

Commission Agent is an agent who usually exercises

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physical control and possession over goods and negotiates the sale of goods he handles. Commission house usually enjoys broader powers as to price, methods, terms of sales, than does the broker. Although it must obey instructions issued by the employers. He is engaged in sale process.

3) Selling Agent:-

A selling agent is an agent who operates on an extended contractual basis i.e. long term basis. He usually enjoys full authority with regard to prices, terms and other conditions of sale. This functionary is called as " Sales Agent".

4) Manufacturer's Agents:-

A manufacturer's Agent generally operates on a long term contractual basis. He possesses limited authority with regards to prices terms of sale. He may be authorised to sell a definite portion of his principal's output.

Commission Agents in India:-

All commission agents work for a fee or commission e.g. 3 percent to 6 percent on sales or purchase.

In India, we have two types of commission agents

1) Kachcha Adtya 11) Pacca Adtya.

5) Merchant:-

In business we have two kinds of middlemen , agent-middlemen and merchant or dealer-middlemen. A merchant buys, takes titles and resells merchandise. He takes ownership title to the goods he handles. Wholesellers and retailers are the chief types of merchants.

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In all primary and central commodity markets, we invariably have merchant dealers. They are the backbone of our markets. These dealers are as principals, buying and selling commodities on their own account and at their own risk merely for a change of profit.

The commodity dealer voluntarily absorbs both market and credit risks in the expectation of market profit.

The nature of the crop determines the agencies in the chain of distribution from the producer to the consumer.

Steps taken to improve Agricultural Marketings:-

- 1) Creation of planned network of warehouses at all markets.
- 2) Linking co-operative credit with farming, marketing and processing.
- 3) Development of Rural transport.
- 4) Adequate publicity to market information.
- 5) Stabilisation of food grain prices.
- 6) Government organisation such as food corporation of India, Cotton corporation of India etc. are marketing Agricultural Produce in large scale.
- 7) Marketing surveys of various agricultural products were undertaken and they were published immediately.
- 8) Government took great interest in standardisation and grading of agricultural produce.
- 9) Regulated markets were established in the country up till now about over 3700. Such regulated markets in India are selling more than 70% of

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total agricultural produce.

- 10) Warehousing facilities have been provided by warehousing corporation and co-operative marketing societies.

REGULATED MARKETS:-

Madras, Bombay, Central Provinces, Mysore and Punjab have passed the necessary legislation based on recommendation of the Royal Commission on Agriculture, 1928. Afterwards same procedure was followed by other states. The Central Government has developed a plan of assistance for the development of regulated markets with a Grant-in-Aid of Rs. One Crore. The legislation to regulate market (Agricultural Produce market act) covers all the agricultural, horticultural, live stock products. We have regulated markets for cotton, wheat, jute, paddy, Bajra oil seeds, tobacco, gram and many other cash-crops.

A Market where special legislation is controlling the affairs of cash markets is called a regulated market. A regulated market works under standard Rules and Regulations. It has an organised character in all respects. The regulation usually deals with constitution, organisation and working of the market, trade practices, marketing services, standardisation and grading and such other important aspects of marketing of commodities. A market Committee is in charge of management and operation of a regulated market. The interest of farmers are fully represented on the market committee. All trading interest

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are ofcourse given due representation on Market Committee. Even though India has accepted planned economy, the role of regulated market can not be neglected. In India many important commodities such as cotton, wheat oilseeds etc. have regulated market.

In 1951, there were hardly 200 regulated Markets in India. By 1961, the number rose to 1800. By 1971 we had about 2400 regulated markets. In 1977, there were over 3600 regulated markets. By 1985 over 4100 terminal markets would be brought under regulation. As against only 3700 regulated markets by 1979 there is an estimated need to establish 12000 to 14000 additional market centres throughout the country.

Market Committees:-

The establishment and working of regulated markets is governed by Agricultural Produce Marketing Act. The state Government is authorised by the Act to establish the agricultural produce Market Committee for every notified area. The members of the committee represent farmers, traders, local body, co-operative marketing society, and the Government. All necessary powers to manage and control the working of the regulated market in the prescribed area is given to the marketing committee. The committee is responsible to ensure fair marketing prices, license holders, market functionaries, conduct upon auction sale, arbitrate disputes and run the regulated market committee smoothly.

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Benifits of Regulated Markets:-

The deficiencies in marketing led to the need for regulated markets. Regulated markets are successful in solving many defects. Regulation of markets has been very helpful in securing reduction in village sales, systematisation of method of sales and weighment and reduction in market charges. Unauthorised deductions have been completely elliminated.

Regulated markets offer many economic and social benefits to the millions of cultivators in India. These are mainitioned below:-

- 1) Rationalisation of market charges alone gave a relief of 5% of the annual turnover. Market charges are clearly defined and specified.
- 2) Reduction in market charges i.e. commission, brokarage, weighment etc.
- 3) Standardisation of weights and measures and correct weighments are ensured.
- 4) Market charges and market practices are standardised, regulated and made uniform.
- 5) All marketing functionaries are licensed.
- 6) Number of sellers bringing their produce for sale in the market has considerably increased. Now more than 75% producers are entering the regulated markets.
- 7) Unjustified trade allowances and deductions like Kaata, batta, panjar-pol, Dharmaday etc. are now

eliminated.

- 8) Market information is concentrated and reliable marketing news can be regularly disseminated. Regulated Market provides upto date data on arrivals stock and prices.
- 9) Sales are conducted by open auction in presence of Market Committee's employee. Sale by open auction is the best method for securing a competitive price of the farmer.
- 10) The sellers are received prompt payment of price from the buyer.
- 11) All trade disputes are usually settled by arbitration and they are referred to an arbitration committee.
- 12) On account of reduction and standardisation of all marketing charges and elimination of all unwanted marketing functionaries handling charges have been reduced to the minimum and marketing machinery has become much more efficient.
- 13) Various facilities are provided in regulated markets e.g. seeds etc.
- 14) Suitable quality standards and standard contracts for buying and selling can be conveniently enforced in the regulated markets.
- 15) Propoganda for agricultural improvements e.g. use of good seeds, adoption of improved methods of cultivation, grading of Agricultural produce,

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use of machinery in farming and so on can be undertaken by the regulated Market.

- 16) Sellers i.e. farmers are ill informed about market conditions. Regulated Markets alone can ensure fair marketing conditions for farmers through elimination of mal-practices and unauthorised deduction, interest of farmers are duly protected and they get a fair deal in marketing their produce.**

Thus the co-operative marketing combined with regulated markets can remove many defects and deficiencies in agricultural marketing.

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