Agricultural marketing is a dynamic process. It keeps changing influenced by the factors and forces, which have a bearing on it. Recent policies of liberalization and globalisation have accelerated the pace of changes in agricultural marketing too. Therefore, it is essential to examine this topic elaborately.

3.1 Agricultural Marketing Changes in the World

Economic policies of most of the countries in the world underwent drastic changes after the experience of slow economic growth due to regulatory and closed door policies followed during a few decades after their independence. The establishment of World Trade Organization (WTO) in 1995 gave further boost to economic reforms in many countries. The agricultural sector, which hitherto was not considered an important sector from the point of view of rapid economic growth suddenly started gaining importance and as a result various new policy measures were initiated in both agricultural production and marketing areas. This has had a great impact on the economic development in general and agricultural development in particular. However, the experience of different countries in this regard is a mixed one. While for some it benefited for agricultural growth for others it adversely affected the agricultural sector. In this regard the experiences of some of the countries are discussed in the following paragraphs.

There have been three transforming events during the second half of the 20th century. The first was the formation of the European Community and the creation of its Common Agricultural Policy (CAP). The CAP’s generous farm supports took the EC from a 20 million tonne per year net grain importer in the 1960s to a 20 million tonne per year net grain exporter by the 1980s. The second transforming event was the collapse of the centrally planned economies, particularly the former Soviet Union. At their peak the USSR and the PRC were
importing 40-50 million tonnes of grain per year. Today those countries are net grain exporters. The third transforming event was the emergence of developing countries as commercial grain importers. They have absorbed the 80-plus million tonnes of grain imports erased by the other two events. While total World grain trade has grown little in the last two decades these events have shifted grain trade patterns dramatically. Quite simply, the future for world grain trade depends upon the rate of growth in food demand in the developing world. 

‘The half century since World War II has experienced unprecedented rates of growth in population, in per capita income and in agricultural production. World population increased from 2.5 million in 1950 to about 6.00 billion in the late 1990s….The production of cereal crops more than tripled during the same period. In spite of rapid population growth, global average per capita food availability rose from less than 2400 to over 2700 calories.’

Income growth especially in the developing countries has brought in a change in the global demand for food. ‘Recent shifts in trade patterns reveal dramatic changes in global food demand that will likely continue well into the future. Driving these shifts are changes taking place in both developing and developed countries, particularly income growth. Food purchasing power has increased for most consumers in the World as average real per capita income levels doubled from 1960 through 1998.’

The composition of World agricultural trade has witnessed vast changes in the last two decades. Bulk commodities (primarily grains and oilseeds) now make up less than 26 per cent of the value of world agricultural trade compared with 41 percent in 1985. Trade in intermediate processed products (semi-processed bulk commodities like vegetable oils, meals and flours) has kept pace with the overall level of world agricultural trade. Processed consumer oriented

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31 Website, 2001
32 Ibid
products such as, meat, beverages, bakery products and snack foods make up a growing share of global food trade. This is 35 per cent of the world agriculture trade now when compared to 18 per cent in 1980. This has almost doubled. Fresh horticultural products, because of their perishability, remain a small share of trade despite technological advances that preserve quality during transit and extend shelf life.

The following table sums up the directions in which the World Agricultural Trade is moving.

**Table-1**
The Composition of the World Agricultural Trade

<table>
<thead>
<tr>
<th>Year</th>
<th>Bulk</th>
<th>Semi-processed</th>
<th>Fresh Horticulture</th>
<th>Processed Foods</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>43</td>
<td>28</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>1990</td>
<td>31</td>
<td>28</td>
<td>13</td>
<td>28</td>
</tr>
<tr>
<td>2003</td>
<td>26</td>
<td>29</td>
<td>10</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Agricultural Marketing Advisor, Government of India.

While the share of semi-processed and fresh horticultural products has almost not changed during the last two decades the share of bulk commodities has come down from 43 percent to 26 percent and the share of processed foods has almost doubled during this period.

**Food preferences** change as populations become more urbanized. The effects of urbanisation on diet differ from country to country. For poorer countries, urbanization may initially lead to substitution of marketed staple cereals and processed foods for basic rural staples such as rice. 'FAO data for the 1970s and 1980s indicate significant increases in wheat consumption in urban China and India along with decreases in coarse grain and rice consumption. Further, wheat consumption increased somewhat in rural areas while rice consumption remained stable. With further gains in income levels, food consumption
expenditure may rise and shift toward increasingly expensive sources of nutrients such as, meat, fish, fruits and vegetables, instead of staples such as cereals prepared at home.'

**Patterns of grain production and consumption:** The pattern of grain production and consumption in the world has undergone drastic changes. 'World wheat production expanded at an annual rate of 1.2 percent over the past two decades while coarse grains grew by 0.9 per cent annually. Grain production grew the fastest in the developing countries during the previous two decades (2.5 per cent per year) while in the developed countries growth was virtually flat because of supply control measures, in response to changes in domestic and international policies and the collapse of grain production in the countries of Eastern Europe and the former USSR.'

'Similar to the trends in production the fastest growth in grain consumption was recorded in the developing countries during the past two decades (2.8 per cent annually). Food consumption of grains in developing countries grew at 2.2 per cent per year, compared to 1.7 per cent for the World total, allowing for an increase in per capita food consumption of about 5 kilograms.'

**Changing pattern of international trade in Rice:** Developing countries are the main players in world rice trade, with a share of 83 per cent of world exports and of 85 per cent of world imports. The concentration is particularly high on the export side, since five countries (Thailand, Vietnam, China, the United States and India) supply about three-quarters of the trade.

**Government-to-Government** transactions, which used to account for about half of world trade in the 1970s, are now estimated to account for less than 10 percent. In the last few years, however, they have regained some popularity

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34 Ibid.
35 Ibid.
36 Ibid.
as low international prices have incited or compelled Governments to play a more active role in trade to gain bargaining power or as an indirect means to sustain producer prices.

**Pulses Trade:** Production of major pulses, except dry pea, is concentrated in developing countries the share being 70 per cent. World pulse production posted a low growth rate (1.3%) over the past two decades partly due to low profitability of pulse crops relative to other crops. Global trade in pulses exhibited a positive trend since 1980 with an annual growth rate of 7 per cent. The proportion of pulse production that is traded increased from 6-7 per cent in the early 1980s to about 15 per cent currently. The largest market for food pulses in South Asia (mainly, Bangladesh, India, Pakistan, Sri Lanka) while the largest market for the feed pulses is the European Union.

**Oilseeds Trade:** World oilseed production has expanded at over 3 per cent per year during the last decade. Soybean is by far the most important oilseed, followed by rapeseed, cottonseed, groundnut and sunflower seed. The share of developing and developed countries in total production is respectively 58 and 42 per cent. Asia (mainly China and India) is world's leading production region followed closely by North America and the South America. Europe and Africa play a more limited role. Within the oilseeds complex, seeds account for about 30 percent of the total value of trade whereas the share of the two sub-products, oils and meals, amount to 55 and 15 percent respectively.

During the last two decades, trade in oilseeds and products experienced considerable growth encouraged mostly by economic expansion in many regions of the world. With average annual growth rates at 4 per cent or above expansion in trade of oilseeds products during the 1990s was strong compared to that recorded for other sectors. Most of this expansion emanated from importing developing countries, with Asia playing a central role in recent years. In recent years, a number of importing countries shifted from the importation of oils or meals to purchases of oilseeds so as to promote domestic processing and value
addition. Global consumption of oils and fats expanded at about 3.5 per cent per year during the last decade. Major consuming oils are palm oil and soy oil. About 60 per cent of global consumption occurs in developing countries, prompted by steady population increases and rising incomes particularly in Asia.

3.2 The Experiences of Countries:

The experience of some of the countries regarding the impact of reforms on agricultural sector is discussed in the following paragraphs.

Fifty years ago, the United States was the largest agricultural exporter, doing about $3 billion in sales per year. Six of its top ten customers were in Western Europe; two more - Japan and Canada - also were developed countries; India, a food aid recipient, and pre-Castro Cuba were the only developing countries that were major markets. Today, U.S. agricultural exports top $50 billion a year. Six of its top ten customers are developing countries, and three-fourths of U.S. agricultural exports go to Asia and the South Americas.¹³.⁷ 'Current U.S. farm and agricultural trade policies are based on the faulty assumption that American farmers can compete in a global free market. In fact, U.S. farmers have lost their global competitive advantage. Land and labour costs are far lower in other major agricultural areas of the world and are likely to remain so. Agribusiness corporations are shifting their capital and production technology to those areas. Current farm policies, coupled with global free trade policies, could mean the end of American agriculture, thus threatening America’s food security. …. Thankfully, a different philosophy of farming is emerging in response to the growing economic, ecological, and social problems arising from the industrial agricultural paradigm. Thousands of farmers, calling themselves organic, holistic, practical, or just family farmers are creating ‘the new American farm.’¹³.⁸

³⁷ Website, 2005.
³⁸ John Ikerd, Website, 2005.
During the last two decades the U. S. agricultural exports have undergone a paradigm shift. 'Shifts in the composition of U.S. agricultural exports have been particularly dramatic. In 1980, bulk exports accounted for nearly 70 per cent of the value of total U.S. agricultural exports but the share declined steadily to less than 40 per cent in 1998.'3.9

The creation of basic units of co-operative production from the former State farms in 1993 and the opening of Agricultural Markets (Mercados Agropecuarios or MA) in 1994 were significant steps in a process of reform and transformation for the agricultural sector in Cuba. With the MAs providing about one-third of the calorie requirements of the Cuban people, these markets have played and are expected to continue to play an important role in feeding the population even though food costs in the MAs remain expensive relative to general income levels. 'Thus, the opening of the MAs would appear to be another successful and perhaps even pivotally important policy change implemented by the Cuban government.'3.10

'The review of different policies and their impact on the agricultural sector in Kenya indicates that bipolar division of policies between full Government controls and free markets can create problems in agricultural development. During the era of controls, the government’s domination of production and marketing activities stifled the development of the private sector and its inability to continuously support agricultural activities financially and technically led to a decline in agricultural growth and development as a whole. When the government started to off-load agricultural activities to the private sector and thereby let the free market guide agricultural production and marketing activities, however, there was lack of harmony and co-ordination of the implementation process. This resulted in retarded growth and development of the agricultural sector because the poorly developed private sector lacked the capacity to undertake the activities adequately.'3.11

30 Website.
31 Hezron Nyangito and Julius Okello, 1998.
Government granted a lot more incentives to the industrial and commercial sectors, than to the agricultural sector. This resulted in a deterioration of the terms of trade against the agricultural sector and made investment in agricultural sector less profitable than in other sectors of the economy. The author says that the main policy concern, which needs to be looked at for sustainable agricultural development, should focus on,

- Enhancing the workings of the free market by removing all direct and indirect controls and interference in production and marketing of agricultural commodities.
- Appropriate legal framework and institutions
- Infrastructure.

A study of agricultural marketing reforms in Malawi shows that in the 1980s, by reducing the fertilizer subsidy, promoting exports crop production and neglecting the main food commodity producers' welfare in Malawi declined. ‘The lesson is that sequencing is especially important for low-income countries, where the poor usually shoulder most of the short run costs of adjustment. …Unless price reform is accompanied also by reform in the institutional structure of the agricultural sector such as reform in property rights over land, legal reform, development of market institutions, ready access to credit, timely delivery of inputs, adoption of appropriate technology and build up of adequate infrastructure, then market reform will not be successful.’\(^{3,12}\)

‘The comparative results from counter-factual simulations based on the Zimbabwe CGE model illuminate the greater effectiveness of trade policy reform in promoting overall growth of the Zimbabwean economy, and of fiscal policy and sectoral reforms in improving income equity among the five household groups. The significant improvements in aggregate household income and its

distribution are accompanied by large increases in agricultural GDP is indicative of the central role of agriculture in achieving equitable growth in Zimbabwe. Finally, the findings suggest that the land reform schemes specified in the model simulations represent a less potent instrument compared to trade policy reform combined with other complementary policy measures.\textsuperscript{3.13}

In Mali, as a result of the freedom of traders to operate openly on the market, the improved market information, strengthened market infrastructure, and traders’ investment in transport and storage, the integration of coarse grain markets with each other increased dramatically. \textsuperscript{3.14} ‘Evidence also suggests that Malian markets became more integrated regionally and internationally. … The increased regional market integration has resulted in more effective transmission of production incentives in the form of prices back to farmers and opened profitable new market opportunities for Malian traders and grain producers.’

‘The experience of New Zealand is that in 1990-91 general economic reforms had brought down interest rates and the CPI and the terms of exchange for farmers recovered to earlier levels. Following the 1984 reforms of agricultural policy farmers have been more exposed to the vagaries of commodity markets from which earlier Government interventions had tried to protect them. Following the adjustments of farm output that have taken place, export earnings have been maintained since deregulation but the composition of farm exports has changed significantly. From 1988 to 1995 the volume index of all exports rose 39% though it has leveled off since. Sheep, meat and wool exports have declined in volume, but exports of cheese, whole milk powder and apples have expanded by over 50%. The author concludes that in international trade negotiation, product and factor markets and in the environmental area there are changes that can be made that would improve national welfare as a whole.’\textsuperscript{3.15}

\textsuperscript{3.13} Romeo Bantista and Marcelle Thomas, 2000.
\textsuperscript{3.15} Johnson, R.W.M.
The experience of Australia is summed up like this. ‘Agriculture has, however, lagged significantly behind other major economic sectors in achieving these gains from trade. …Put simply, major developed countries must practice in agriculture what they preach for other sectors.’\textsuperscript{3.16}

Asian countries also witnessed changes in production of agricultural commodities in the last three or four decades and were able to achieve economic growth inspite of higher rate of growth in population. ‘During the past two decades, Asia has enjoyed substantial gains in food production and real incomes. Growth in food production outpaced the 43.1 percent in population from 1979 to 1999, permitting absolute per capita gains in cereal production and calorie consumption.’\textsuperscript{3.17}

‘The average annual growth in rice production, the major food staple in much of Asia, substantially exceeded population growth in the 1980s but was less than population growth in the 1990s. Growth in total cereal production exceeded population growth in both decades. This growth in cereal production also outpaced total cereal demand so that net imports as a share of production fell from a 10.9 percent average between 1988 and 1990 to only 8.9 percent between 1998 and 2000. Moreover, Asia’s rice exports more than doubled from 8.7 million tonnes in 1988-90 to 19 million tonnes in 1998-2000. Overall across Asia, per capita calories consumption increased dramatically, from an average of 2269 calories per person per day in 1978-80 to 2710 in 1998-2000.’\textsuperscript{3.18}

‘Liberalization of agricultural input markets and trade liberalization in rice helped Bangladesh increase domestic cereal production and reduce variability of supply. A gradual liberalization of markets for modern inputs in agriculture was carried out between 1978 and 1990 under pressure from foreign donors and with the realization that various direct interventions were fiscally unsustainable and

\textsuperscript{3.15} Quint Agricultural Ministerial Forum, Montreal, 1999.
\textsuperscript{3.17} Agricultural Reforms in Asia, Website, 2004.
\textsuperscript{3.18} Ibid.
unproductive in the long run. These reforms greatly reduced the role of Bangladesh Agricultural Development Corporation in marketing and distribution of fertilizer, irrigation equipment, power tillers, pesticides and seeds. Liberalisation and privatization of input markets coincided with a large expansion in tube well irrigation and winter season rice cultivation in the late 1990s. Following broad trade liberalization in the 1990s, Bangladesh has successfully used private sector trade to help stabilize rice and wheat prices following major production shortfalls, reducing need for large government stocks.\textsuperscript{3.19}

'For decades, Philippine agriculture has not only been subjected to the 'vagaries of weather' but also became an unwitting victim of the World Bank-International Monetary Fund's structural adjustment programmes which prescribed private participation, deregulation and liberalization called for reduced government intervention in the economy which meant less subsidies for the already support starved agricultural labourers and small farmers and less government spending for the provision of productive resources, agrarian reform research and development, credit delivery and provision of agricultural support services. Liberalisation, on the one hand, demanded the opening of the domestic farm economy to ensure the steady increase of cheaper imports, which directly threaten the economic viability and security of the farmers.\textsuperscript{3.20}

'The '90s ushered in a new era for Philippine agriculture. But this did not last long as the Government signed the WTO agreement in 1996 and had to remove quantitative restrictions. Thus the free trade led again to further decline in agricultural production. 'Among the myriad reasons for this decline are inefficient farms, relatively meager importance for agriculture, scant or low levels of investment, illiteracy, inability to cope with modern technology, sluggish rate of factor accumulation, income inequality, skewed distribution, the irresponsibility of

\textsuperscript{3.19} Ibid.
\textsuperscript{3.20} Farm News and Views, Philippines Peasant Institute, 2004.
programme implementers, slow pace of agrarian implementation and inadequate provision of support services.\textsuperscript{3.21}

'Major economic reforms in Sri Lanka began in 1977 with broad trade liberalization, exchange rate devaluation and a new foreign investment regime. Self-sufficiency in rice was nearly achieved in 1985 with only three percent of consumption deriving from imports that year.'\textsuperscript{3.22}

In Indonesia, macro-instability led to a temporary reversal of long standing policies promoting private food trade, ultimately leading to liberalization of private imports and the creation of a nationwide-targeted food subsidy. Over a span of nearly three decades, from the late 1960s up until 1997, Indonesia made significant progress in increasing domestic food production stabilizing food prices, reducing poverty and increasing food security. 'Among the reasons for faster economic development of Indonesian economy are improvement of productivity in agriculture and structural reforms in trade and investment that induced a shift from inward oriented, labour intensive activities toward outward-oriented, capital intensive activities. The government role in production, marketing and provision of inputs and support services has changed. Regarding input supplies, the government has gradually introduced more competition in marketing and distribution of production inputs. Restrictions have been relaxed on the private manufacturing and marketing of some farm equipment.'\textsuperscript{3.23}

'Liberalisation of Vietnamese agriculture took place over two decades, beginning with the introduction of the contract system in 1981, by which cooperatives contracted farm households to produce a specified amount of crops on the household’s own plots, but any surplus could be sold on the open market. In 1988, as part of the doi moi (renovation) policy first announced in 1986 farm households were recognized as the basic unit of agricultural production and

\textsuperscript{3.21} Ibid.
\textsuperscript{3.22} Agricultural Reforms in Asia, op.cit.
\textsuperscript{3.23} Ibid.
farmers were allowed to buy, own and sell agricultural inputs, and allowed to sell 40 percent of production produced under contracts on co-operative-owned land. A year later, the Government ended compulsory purchase of farm products and private traders were allowed to purchase directly from farmers.\textsuperscript{3,24}

‘Rice production grew 57 percent during 1985-95 and per capita food production increased by 21 percent over the same period. Rice surpluses emerged and in 1989 Viet Nam began exporting rice, made profitable by a substantial depreciation of the currency in 1989. By 1997, Viet Nam had become the World’s second largest rice exporter after Thailand. Trade liberalization helped increase real incomes of farmers. Study revealed that eliminating the rice export quota would raise domestic rice prices by 14 to 22 percent depending on whether internal marketing restrictions were also removed. Net gains to farmers and consumers, however, would be US $ 200 million, three quarters of this net gain would represent a transfer from the state-owned enterprises to people.\textsuperscript{3,25}

‘Whether liberalized trade regimes played a major role or not, increases in domestic food production have increased availability of food at the national level across many countries in Asia. Deeper World markets for rice and other grains, availability of foreign exchange from increased export earnings and trade liberalization has also helped to stabilize availability of food through more reliable opportunities for imports in years of domestic production shortfalls. As a result availability of food at national level is no longer a binding constraint for food security in most countries in most years.\textsuperscript{3,26}

The policies of economic liberalisation and globalisation and the establishment of World Trade Organisation have a mixed response on the agricultural production and trade in many countries of the world. A few studies available have shown that the countries like Cuba, Zimbabwe, Mali, New

\textsuperscript{3,24} Ibid.
\textsuperscript{3,25} Ibid.
\textsuperscript{3,26} Ibid.
Zealand, Bangladesh, Sri Lanka, Indonesia, and Vietnam have gained by the new policies and the United States, Australia, Kenya, Malawi and Philippines did not gain from the liberalised policies. The adverse effects of liberalisation on agricultural production and trade of advanced countries could be explained to the huge support given to this sector all these years and these could be properly managed by these countries because of their economic strength and less number of people depending on agriculture. But it is not so in case of developing countries where agriculture is the main occupation of the majority of the people. 'Thus, there remains a perceived need for public interventions by many governments to address the risk of variations in availability as well as chronic poverty and household food insecurity.'\textsuperscript{3,27} As pointed out in a paper ' the existing distortions in agriculture suggest that there is an urgent need to find an appropriate way forward for increasing market access mainly from the perspective of developing countries. Agriculture is of critical importance for developing countries; it accounts for about 25% of gross domestic product; nearly 30% of the exports and provides employment to 60% of the total population in these countries. Studies show that liberalizing trade in agriculture would produce roughly two thirds of the gains from full global liberalisation of all merchandise trade. The removal of all barriers will result in global welfare gains of $400-900 billion and out of these, developing countries would gain up to 70% from agricultural liberalization. This translates into $230-630 billion as total gains from agricultural liberalization for developing countries.'\textsuperscript{3,28}

The above observations prove the hypotheses No. 1. that reforms lead to change in agricultural marketing pattern.

3.3 Agricultural Marketing Changes in India:

Pre-Independence India suffered repeated famines, drought and food shortages. Even after independence till the 1970s India continued with the

\textsuperscript{3,27} Ibid.
\textsuperscript{3,28} Sangeeta Khorana, 2004.
problem of food security due to shortage of food production. The rate of growth in population was higher than the rate of growth in food grain production and the food grain shortage made India to depend on international food aid at times. The year 1966-67 was one of the critical years of drought for India when 11 million tones of food grains were imported.

Realising the disastrous consequences of the growing gaps between the rates of growth in population and food production, a vigorous 'grow more food' campaign was launched and the goal of economic planning shifted to attain self-sufficiency. Importance was given under the Five Year Plans for agricultural development with higher allocations for irrigation, agricultural research, extension, etc. The introduction of high yielding varieties of seeds, provision of chemical fertilisers, application of pesticides and introduction of new technology in agriculture brought higher productivity and led to the Green Revolution during late 1960s which was continued for the next two decades. The green revolution started initially with wheat spread to other commodities like, rice, cotton, sugarcane, millets and oilseeds. The famine avoidance strategy led to achieve self-sufficiency in agricultural production.

From the late 1960s the rate of growth in food production generally exceeded the rate of growth in population. This was mainly due to the advent of green revolution in agriculture during this period. Despite the continuous growth in population, the per capita availability of food increased from 157 kilograms per year in 1955 to 177 kilograms per year in 1995. Food production has risen roughly four times since the days of independence from 42 million tonnes in 1950-51 to 198 million tonnes in 1996-97. At the same time the population increased from 300 million to 900 million. Food self-sufficiency was achieved in the late 1970s with the maintenance of sufficient buffer stock of food grains especially wheat and rice and as a result India could able to avoid famine deaths then onwards by proper food management system.

Agricultural output growth registered a sharp increase in the immediate post revolution phase largely due to a growth in yields. However, the growth
pattern has not been uniform with a tendency towards deceleration in the 1990s, which is revealed from the following table.

The country suddenly started experiencing stagnation in agricultural growth during 1980s. This is due to various reasons like drought, fragmentation of holdings, fall in prices, etc. This trend continued almost during 1990s even though some structural changes were introduced in agricultural planning after the starting of economic reforms in 1991.

Table-2
Trend growth rates in the indices of area, production and yield of food grains and non-food grains in India.

<table>
<thead>
<tr>
<th>Period</th>
<th>Food grains</th>
<th></th>
<th></th>
<th>Non food grains</th>
<th></th>
<th></th>
<th>All Crops</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Area</td>
<td>Product-</td>
<td>Yield</td>
<td>Area</td>
<td>Product-</td>
<td>Yield</td>
<td>Area</td>
<td>Product-</td>
</tr>
<tr>
<td>1970-71 to 1979-80</td>
<td>0.44</td>
<td>1.91</td>
<td>1.06</td>
<td>1.10</td>
<td>2.15</td>
<td>1.00</td>
<td>0.59</td>
<td>1.99</td>
</tr>
<tr>
<td>1980-81 to 1989-90</td>
<td>-0.22</td>
<td>2.81</td>
<td>2.71</td>
<td>1.11</td>
<td>3.70</td>
<td>2.28</td>
<td>0.09</td>
<td>3.13</td>
</tr>
<tr>
<td>1990-91 to 1999-2000</td>
<td>0.07</td>
<td>1.98</td>
<td>1.30</td>
<td>1.29</td>
<td>2.77</td>
<td>1.08</td>
<td>0.41</td>
<td>2.30</td>
</tr>
</tbody>
</table>


The establishment of WTO in 1995 gave another twist to Indian agriculture. The country now started thinking not only about self-sufficiency but also about producing surplus for export markets. Diversification in agriculture started keeping in mind the demand. Traditional crops started being replaced by more remunerative and export demand crops like fruits, vegetables, flowers and value added products.

After the reform measures were introduced in the year 1991 the direction of international trade for Indian agricultural commodities did not change too much. However, the agricultural imports increased more than agricultural
exports during the first ten years of reform period. Between 1990-91 and 1999-2000 Indian agricultural exports increased by 391 per cent whereas the imports increased by 1232 per cent during this period. The share of agricultural exports in total exports from India came down from 18.49% to 14.28% during this period. On the other hand the share of agricultural imports in the total imports increased from 2.79% to 7.45% during the same period. But after the reforms the export of non-basumati rice, fresh vegetables, processed vegetables, processed foods, became major items of exports along with traditional items like basumati rice, tea, coffee, spices, oil meals, castor oil and marine products. Similarly, in case of imports, vegetable oil, cotton, wood and wood products became major items of imports along with traditional items like pulses, raw cashew nut, fruits and nuts.\textsuperscript{3.29}

Liberalization policy of Government of India followed since 1991 had, however, some positive impact on agricultural sector. 'It is true that liberalization did not benefit agricultural sector directly. However, there is evidence to show regarding indirect benefits. Relative tilt in protection of industrial sector vis-à-vis agricultural sector before 1991 is got corrected now. Looked from another angle, the 'disprotection' to agricultural sector came down gradually. During nineties we saw considerable export of various commodities like, rice, fruits and flowers to countries in Middle East, Southeast and neighboring countries. In spite of highest export of agricultural commodities during nineties, no one hardly noticed deficit anywhere. 'Ship-to-mouth' image of the country during 60's was changing to that of 'Food exporting country' in 90's- a major paradigm shift indeed.\textsuperscript{3.30}

After reform measures were initiated India’s traditional marketing system began to change. 'India’s traditional and inefficient agricultural marketing system is yielding to change. Sources of inefficiency include, poor transport and handling infrastructure, domestic taxes and fragmented, non-integrated marketing chains dominated by small-scale enterprises. Policies are now beginning to promote

\textsuperscript{3.29} Agro Export Import Statistics at a Glance, Website.
\textsuperscript{3.30} Goel, O.K.
domestic and foreign private investment in a more efficient agricultural processing and marketing system. The pace and extent of change will likely have a significant impact on the growth and competitiveness of India's agricultural sector.\(^3\)\(^{31}\)

'Liberalization has led to an overall decline in the rate of productivity and production in agriculture, particularly with regard to food. The overall growth rate of crop production declined from 3.72 per cent per annum between 1979-80 and 1989-90 to 2.29 percent per annum during 1989-90 to 1999-2000 and productivity declined from 2.99 per cent per annum to 1.21 per cent per annum over the same periods. The growth rate of food grains production declined from 3.54 per cent per annum during 1980s to 1.92 percent per annum in the 1990s. The rate of growth of production of non-food grains crops fell from 4.02 per cent per annum in the 1980s to 2.83 percent per annum in the 1990s.\(^3\)\(^{32}\)

One of the other disturbing features of current development is the very low employment generating potential of growth in the tertiary sector. In the earlier period agriculture was a fast growing sector but it had a very high employment potential. The result is the increasing concentration of workforce in agriculture and continuous decline of relative productivity, income and living conditions of workers engaged in agriculture.

'The liberalization policies and removal of quantitative restrictions on import of agricultural commodities has led to sharp falls in the prices of many crops in India. According to Mandanna Shiva Indian peasants are loosing more than Rs.1, 16,200 crores per year due to falling farm prices of staple foods and cash crops. This period also witnessed very wide fluctuations in the prices of many crops.'\(^3\)\(^{33}\)

\(^3\)\(^{32}\) Ramachandran Pillai, 2000  
\(^3\)\(^{33}\) Ibid
Transformations in the global food systems are causing changes in food production and marketing in India at a slower rate than elsewhere in the developing world, but there is growing domestic market for horticultural produce, in both traditional and exotic vegetables. Production and marketing arrangements are responding to changing demand driven by urbanization and diet change.  

On the demand side the scenario is quite different. The economy is growing at an annual average of nearly 7 per cent, crediting as one of the fastest growing economies in the world. Rapid per capita income growth is now the major force behind the emerging transition of Indian agriculture and policy.

'Global research studies say, that when the Indian consumption patterns is compared with the results from 23 Less Developed Countries (LDC) and 46 other World countries, Indian consumers allocate more than half of their income on food while consumers around the world allocate only one-third of their income on food. In 2002-03 an average rural Indian household spent 55 % of its income on food compared to 43% of an urban household. Even though the actual spending on food has not decreased over the years, there has been a fall in percentage of expenditure on food. From 1987-88 to 2002-03 the share of monthly per capita expenditure on food came down from 63.3 per cent to 55 per cent in case of rural consumers and from 55.9 per cent to 43.1 per cent in case of urban consumers... Average per capita consumption of all food grains has come down from 510.1 grams per person per year during 1991 to 417.0 grams per person per year during 2001. On the other hand, the consumption of fruits, vegetables, milk, fish, poultry have increased in recent years. A research study by Food and Agricultural Organization (FAO) of the United Nations reveals that annual per capita fruit consumption in India has increased by leaps and bounds.  

Another change witnessed in the last decade is the preference of consumer’s mainly urban consumers for branded and finished or value added products.

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334 Priya Deshinkar, et. al., 2003  
335 Maurice R. Landes, 2004
products. 'The demand for quality, convenience and increased awareness regarding safety and health have significantly added momentum to the food retailing sector in India. The increasing influence of children, gradual acceptance of frozen, semi-processed and processed foods by the Indian consumer, the growing influence of television in the decision making, a high profile shopping experience preferred by the salaried people are indirectly resulting in a totally differentiated food basket for an average urban consumer. This diversion is also visible in rural areas but at a less pronounced rate.'

Yet another change in demand in India is the increased consumption of non-cereals irrespective of change in their prices clearly showing a change in the consumer tastes. 'The diet of all income groups has moved from cereals to non-cereal foods, whereas the focus of India’s agriculture policy, institutions and public spending has always been cereals.'

Therefore, the issues relating to agricultural production increase have to be properly addressed to. 'The new environment calls for urgent reforms in agricultural inputs, outputs, processing, distribution, marketing and foreign trade.' Among the marketing issues, it is the market infrastructure, storage, processing and marketing law that needs urgent attention.

Various measures have been initiated for improving the agricultural marketing system in the country. Prominent among them are encouragement to contract farming, establishment of private markets, amendment to Agricultural Produce Markets Act, to encourage co-operative marketing, etc.

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3.36 Ibid
3.37 Ashok Gulati, India Today, Dec, 13, 2004
3.38 The Hindu Business Line, Jan, 8, 2002
3.4 Sectoral Reforms and Economic Development:

The Indian Government initiated a major programme of economic reforms and liberalisation policies in 1991, reversing a policy direction followed for decades. The main objective of these reforms is integrating the Indian economy more closely with the World economy in order to reap the benefits of liberalised policies of World economies so that the pace of country's economic development can be accelerated. "Since then, successive Governments have progressively reduced tariff protection and relaxed and simplified India's restrictive import licensing regime. Internal reforms have included reduced control over locational and industrial licensing controls on administered prices in some sectors. In this process, however, the policy focus was principally on liberalization of capital goods and inputs for industry, to encourage domestic and export-oriented growth, by and large, imports of consumer goods remained regulated."

India's economic reforms and trade liberalization policies contributed to a dramatic increase in its economic growth. Larger flows of inward foreign investment and increased international trade helped India achieve high annual average growth rates of about seven percent. To build on this success India has recognised the need to continue the economic reform process with an increased emphasis now on improving infrastructure, further liberalizing trade through reductions in tariffs and non-tariff measures, reforming the subsidy structure and restructuring public sector enterprises.

Reforms in Manufacturing Sector: Reforms have been most widespread in the manufacturing sector, including reduction in average tariff rates, import licensing restrictions, compulsory industrial licensing and a liberalisation of foreign investment policies. The sector has responded positively to the reforms although some slowdown has occurred in 1996-97 due, in part to infrastructure constraints.

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Reforms in Services Sector: Services contribute more than 40 percent to India's GDP. Their overall growth has been underpinned by rapid expansion of activities in the areas of finance, communication, insurance, commerce and tourism.

Reforms in Agricultural Sector: The Indian agricultural sector is gradually integrating with the international economy. Share of agricultural trade in the country's GDP has increased from 16% in the early 1990s to about 20% by the end of the decade. Share of agricultural trade in agricultural GDP has also increased from about 6% before liberalization to about 9% by the end of the decade. However, sufficient reform measures were not introduced in the agricultural sector. The agricultural sector has remained relatively untouched by the reform programme. Nevertheless agriculture has benefited with the price realignments resulting from manufacturing sector trade reforms. Some progress has also been made in the removal of state controls on the inter-state movement of certain grains and of administered prices. However, changes and reforms are yet to take place in the structure of agriculture incentives and subsidies, control policies on the export and import of certain products etc.

The reforms had the impact on the agricultural sector through the central Government's efforts to withdraw the fertiliser subsidy and place greater emphasis on agricultural exports. The measures to facilitate growth include allowing the export of capital for the agricultural sector, reducing the list of agricultural products that cannot be exported and removing the minimum export price from a number of products.

The reform measures in India did not have much impact on agricultural sector. Of the three sectors of economy in India, the tertiary sector has diversified the fastest, the secondary sector, the second fastest, while the primary sector taken as a whole, has scarcely diversified at all. Since agriculture

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continues to be a tradable sector this economic liberalization and reform policy has far-reaching effects on agricultural exports and imports, investment in new technologies and on rural infrastructure, patterns of agricultural growth, agriculture income and employment, agricultural prices and food security.3.44

3.5 Agricultural Marketing Practice in India:

At present most of the agricultural commodities in the country is freely marketed through private trade operating in organised markets. Except for commodities whose prices are administered most agricultural commodity markets operate under the normal forces of demand and supply. In order to save the farmers from cartels of traders and encourage farmers to undertake the cultivation of certain specific crops (food grains, oilseeds, cotton, jute, sugarcane, etc.,) the Government also fixes minimum support or statutory prices for some crops and makes arrangements for their purchase on state account whenever the price fall below the support level.

The role of the government normally is limited to protecting the interests of producers or consumers. The government is promoting organised marketing of agricultural commodities in the country. To achieve this the governments of many states and union territories have enacted necessary legislation for regulation of agricultural produce markets. There are about 2374 main markets and 5009 sub-markets- totalling about 7383 regulated markets in the country.

3.5.1 The Types of Markets: There are basically three types of markets based on the quantity and type of transactions. They are,

Rural Markets- These are the markets generally located in a big village or hobli centres catering to the requirements of a few villages surrounding them. These are usually operating once a week where mainly small and marginal

344 Bhalla, 1997
farmers bring their commodities and sell. The commodities sold by farmers include fruits and vegetables, food grains, etc. There are more than 27000 such rural markets in the country. These are also the markets for purchase of daily requirements of people of the surrounding villages such as consumer articles, etc. These are purely retail markets and.

**Semi-Urban Markets**- These are the markets where both wholesale and retail trade takes place. These are located either at hobli or taluk levels where some traders also operate. Farmers bring their commodities and sell them either to consumers or to traders. These markets may operate weekly, bi-weekly or daily. There are about 3000 such markets in the country.

**Primary Wholesale Markets**- These are the markets located in taluk or district headquarters where facilities for storage, processing, banking, etc., are available. Most of these markets operate daily. Farmers of one or two taluks as well as small traders bring their commodities and sell here through mutual agreement or auction system or tender system of sale. The Commission Agents and Wholesale Traders operate in these markets. After purchase the commodities are sent either to processing units or to upcountry markets for further use or sale. There are about 2000 such markets in the country.

**Terminal Markets**- These are the wholesale markets located at district headquarters. The commodities are mostly brought by traders from different districts and states and sold in these markets to be distributed further to needed districts and states including native places. Sometimes these markets also act as export markets. There are about 50 such markets in the country.

### 3.5.2 The Regulation of Markets:

In all except one or two states and union territories, the marketing of agricultural commodities is regulated under the Agricultural Produce Markets
Acts. (APM Act). These Acts came into existence during the early part of the 20th century with the following main objectives.

(a) To bring in better marketing practices at the primary wholesale markets level in order to protect the interests of the farmers. The activities like weighment of produce, method of sale, payment of sale proceeds, payment of market charges, etc., have been defined and prescribed under the law.

(b) To provide basic infrastructure for trade including space for trading, auction platform, godowns, shops, electricity, water supply and sanitary facilities, roads inside the market place, facilities like bank, post office, fire fighting services, etc.

(c) To provide for the establishment of a committee called the Agricultural Produce Market Committee (APMC) consisting of representatives of farmers, traders, local bodies, Government nominees, co-operatives, etc., in order to manage and supervise the trading activities in the market and to implement the provisions of APM Act.

(d) To supervise and regulate the activities of market functionaries such as traders, commission agents, hamals, exporters, importers, processors, stockists, transporters, etc., in order to fulfil the objectives of the APM Act.

The primary wholesale markets and the terminal can be broadly categorised as the main markets and the semi-urban markets can be categorised as sub-markets for the purpose of the APM Act.

Even though under the statute the notified commodities are to be traded in the main market and sub-market yards as per the APM Act it is not the case always. The percentage of marketable surplus traded through these markets varies from commodity to commodity and place to place.
Various studies have been conducted regarding the performance of regulated markets and measures have been suggested for improving the same. At present the debate is going on regarding the amendments to be effected in the APM Act in the liberalised era and a Model Act has been framed by Government of India and circulated for State governments for implementation. Some of the major amendments proposed in the Model Act are: contract farming, establishment of private markets, establishment of markets under the co-operative sector outside the purview of APM Act and establishment of farmers' markets. The stress in the Model Act is on both development and regulation.

3.5.3 The Co-operative Marketing:
A network of co-operatives at the local, district, state and national levels assist in agricultural marketing in India. The farmers co-operative marketing organisations are engaged in Agricultural Marketing by undertaking purchase, sale, transport, processing storage, etc. These are mostly confined to one or two major commodities like, for example, for cotton, jute, oilseeds, sugarcane, arecanut, fruits and vegetables. The percentage of marketable surplus handled by these co-operatives varies from commodity to commodity and from state to state. On a rough estimate the percentage of marketable surplus handled by these co-operatives does not exceed ten percent. During the early 1990s the co-operative marketing structure comprised 6,777 primary marketing societies, 2759 general purpose societies at the wholesale markets level and 4018 special commodities societies for oilseeds and other such commodities. There were also 161 district or central societies covering nearly all important markets in the country and 29 general purpose state co-operative marketing federations.

3.5.4 The Government Parastatals:
Various Government organisations and parastatals are also involved in the agricultural marketing activities in one way or the other. The State Trading Corporation (STC) assists the Government in exports and imports. The Food Corporation of India (FCI), The National Agricultural Co-operative Marketing Federation (NAFED) act as agents of Government in procurement, storage and
distribution of food grains and other commodities. The National Cooperative Development Corporation (NCDC) being the apex body advises the government regarding co-operation policies and promotes co-operative marketing in the country. For promoting co-operative marketing in the tribal and hill areas The Tribal Co-operative Marketing Development Federation Ltd. (TRIFED) is operating in the country. The Commodity Boards and Corporations take up mostly promotional and advisory activities on behalf of the Government of India. The Tea Board, The Coffee Board, Coir Board, Rubber Board, Tobacco Board, Spices Board, Coconut Development Board, Silk Board, The National Dairy Development Board, etc., are involved in promotion and development of production and marketing of the respective commodities. The Cotton Corporation of India Ltd. implements the support price scheme of cotton of Government of India and undertakes promotion of cotton cultivation and marketing. The Jute Corporation of India looks after promotion activity regarding production and marketing of jute and jute products. The Agricultural Costs and Prices Commission recommends the minimum support prices for different agricultural commodities both for kharif and rabi seasons. There are various departments, commissions and other bodies, like Agricultural Marketing Advisor to Government of India, State Marketing Departments and Boards, Export Promotion Councils, Agricultural and Processed Foods Export Development Authority (APEDA) National Horticultural Board (NHB) which are engaged in promotion of agricultural marketing for internal and export trade. Marine Products Export Development Authority (MPEDA), The Indian Silk Export Promotion Council, The Cashewnuts Export Promotion Council of India (CEPC0 etc., promote export of specific commodities.

3.5.5 The Public Distribution System:

The government's objective of providing reasonable prices for basic food commodities is achieved through the public distribution system, a network of 350,000 fair-price shops that are monitored by state governments. Channeling basic food commodities through the public distribution system serves as a
conduit for reaching the truly needy and as a system for keeping general consumer prices in check.

### 3.6 The Issues:

The following issues emerge from the discussions of this chapter and the previous chapters.

- Formulation of an appropriate agricultural marketing policy and programme had been the priorities of the Governments in the past and at present and this has helped solve many problems and improve the working of the system. These policies need to be changed according to the changes in time and situations.

- The agricultural marketing encompasses a wide range of activities from production planning to consumption and to bring in an efficient agricultural marketing system reforms should take place in all these activities.

- The international trade in agriculture is moving from bulk commodities to processed foods and this tend to occupy a major share in the days to come. Agriculturally predominant countries like India can benefit by this by concentrating on production of value added products.

- The role of Government as a major trading partner in international trade is decreasing. Private entrepreneurs are occupying the major share of the world trade and the role of the Government in the days to come will be more of a facilitator than a party to trade.

- Trade boundaries and blocks are being removed and the Government policies shall be to allow a level playing field to all in agricultural trade.

- Economic advancement of developing countries has brought them to the centre stage as major players in World agricultural trade.
The impact of trade liberalization and globalisation has been a mixed one. While some countries have gained from it a few of them had a negative effect on their economies and agricultural development. Therefore, necessary structural adjustments have to be effected and local market has to be strengthened before opening up the agriculture sector.

In order to derive the benefits of international trade under liberalised era the Indian economy has to be integrated with the world economy. For achieving this necessary structural changes are to be effected in agricultural production and marketing sectors with suitable policy initiatives.

The economic reforms initiated in India during 1990 have benefitted the manufacturing and service sectors but not so much the agricultural sector. For faster economic growth the reform measures in agriculture are to be speeded up. In the agriculture it is marketing section, which needs immediate reforms.

Agricultural marketing practice in India hither to was production dominated and confined mainly to regulation of primary markets, promotion of co-operative marketing and establishment of parastatals for marketing. But these activities have achieved limited purpose. Therefore, there is a need to review the performances of these organisations and initiate appropriate policy measures for improving the same. Further solutions to the problems of marketing shall have an integrated approach with emphasis on quality, value addition, consumer approach in marketing, etc.

The issues raised above, point out the changes that have taken place in agricultural marketing at the international and national levels and also stress the need for integrating the local and national markets with that of the international markets. So ultimately the issue is whether these
changes have taken place in Karnataka as well. If so the production and marketing changes are complementary to each other or not. If not what are the policy requirements to achieve the purpose. These are some of the points discussed at the micro level in Chapters 4 and 5.