CHAPTER - I

INTRODUCTION
1.1. Introduction

Since time immemorial, India, a pre-dominantly agricultural country generates 40 percent of its income from agricultural sector and provides livelihood to over 70 percent of the rural manpower. Agricultural development is, thus, the crux of overall development of the Indian economy which needs all support base for augmenting from production.

Even after the advent of new technology on agriculture in India, agricultural growth has not yet attained the levels anticipated by the governments. This could be due to the fact that enough attention has not been devoted to facilities and services which must be available to farmers if agriculture is to develop. Thus, it is generally believed that markets for agricultural commodities has been reflected. Amongst the role of agricultural development institutions marketing seems to be the most crucial, but till recently it has not been accepted as an essential element in agricultural development. In the First and Second Five Years Plans, agricultural marketing did not receive any importance and, therefore, it could not contribute its due share to the socio-economic changes of the country. Whatever development that took place in the sphere of marketing was due to gradual progress made towards the communalization of agriculture, as a result of its own dynamics.

Though the market regulation of agricultural produce in India has been in existence for nearly four decades but the real progress in the development of agriculture marketing was witnessed since the mid-sixties, the beginning of the introduction of new technology in agriculture.
The spread of green revolution through technological adoption was purposively supported through assured remunerative prices which are possible only through an efficient marketing system. The market regulation of agricultural produce in India has been more or less a permanent feature of agricultural marketing development planning to eliminate marketing deficiency of agricultural produces and providing remunerative prices to the farmers.

The Royal Commission on Agriculture (1928) much before the Independence has stressed upon the importance of a dependable agricultural marketing system. The commission in its report suggested that the most hopeful solutions of the cultivators’ marketing difficulties seem to be in the improvement of communication and the establishment of regulated markets. Following the recommendations of the Commission some efforts were made during the British period but it could not make any significant impact on the marketing system due to its scany strategies.

The constitution of agricultural marketing section in 1935 (later renamed as Directorate of Marketing & Inspection) was to work after the problems of agricultural marketing mainly confined to the survey and investigation on marketing of important agricultural commodities, live stocks and its products. Regulating of agricultural produce markets opened up with the enactment of legislation by many State Governments for establishment of regulated markets.

The Government’s intervention in establishment of regulated markets has been in the indirect form with the objective of enabling the contractors a better price for their produce and to safeguard the interest of the consumers on the other. The emphasis on providing better prices
to the farmers was the resultant effect of process of commercialization in the agricultural sector which was sought to provide sustainability to millions of farmers in the emerged process of commercialization.

Some marketing studies of various crops in various areas contain information on agricultural marketing organization reflecting predominance or village sales within villages, the traders being patronized by big landlord and money lender. So far as the structure of rural market is concerned, there is predominantly dependence of farmers on village money-lenders and traders.

The structural organization of agricultural market is three-tier. At the lowest rung of the agricultural marketing lies the primary market, where farmers sell their commodities to the village traders. Each village or a cluster of villages has rural market and a large number of these small rural markets assemble once or twice a week. The days on which these markets meet are fixed, so that village traders can visit the area. Most of the transactions in these markets involve small quantities, producers sell their surpluses and purchase supplies for daily requirement. Part of the producers is purchased by small retailers, who in turn, sell it to the non-farm population. The rest of the produce is purchased by intermediaries and finds its way to the wholesale market. These rural markets are very poorly equipped, most of them are uncovered and without adequate storage, stallage or drainage facilities. In addition, the roads linking most of these markets to town and wholesale markets are so poor that often only a bullock cart can travel on them, and that too, only with considerable difficulty. Some market lack roads completely. Hardly any of these markets have any facilities for market intelligence.
Farmers who have relatively large surpluses do not find the price difference much for going to the wholesale markets worthwhile. However, it has been learnt that there have been some changes in the development of market infrastructural facilities due to various schemes of construction of rural godowns, sheds etc. But such provision of market infrastructural facilities have not been well integrated with the other marketing services with the help of which produces can dispose of their produce efficiently and gain remunerative prices.

Some wholesale markets are held in a fixed placed and transact daily a large scheme of business enumerated from village markets. Wholesale markets also serve as assembly points for distant producing centers. Most of these wholesale markets are situated in district or important business centers. From the primary or village markets itinerant traders, village merchants and various other agencies take their purchased commodities to the secondary markets to sell them either to commission agents, wholesale traders, or to the wholesale traders directly to prevalent prices. In most of the secondary markets which are also called terminal markets the commodities are brought by the intermediaries. Farmers particularly big farmers also brought their produce to sell their produce directly to the commission agents or wholesalers. Thus, the agricultural marketing is being characterized as the “task of assembling the produce from widely scattered producers and moving them to the ultimate consumers is performed by a chain of intermediaries through which the various foodgrains pass, and in the process, gain in value due to a change in time, place, form and ownership. The market structure on the pattern of type of agricultural market, therefore consists of characteristics
of the organization of a market which seem to influence strategically the nature of competition and pricing within a market.

A number of studies have appeared in examining the performance of regulated markets with the help of both the marketing margin approach and the market structure, conduct and performance. All these studies do not indicate the similar results, rather a greater degree of regional differences in the performance of regulated market is reported. The studies conducted by the Directorate of Marketing & Inspection indicate that market regulation resulted in net gains to farmers. The various evaluation of newly constructed market yards also indicate the changing agriculture marketing economy. Marketing regulation has brought about perceptible change in the structure and performance of agricultural produce market during the last few years.

At the start of the construction of new centralized wholesale agricultural market yards in urban/semi-urban areas the traders were reluctant to shift their trade to these yards but gradually trade started taking place in the yards in the presence of large number of buyers and sellers. This facilitated the centralization of wholesale agricultural trade bringing about some changes in the structure and organization of agricultural markets. In the traditional agricultural marketing system the movement of the produce from the farm level to the ultimate consumer was done through a number of intermediaries whose role has always been in suspect. Despite their indispensability in the functioning of agricultural markets it was no less true that the characteristic of market structure was similar to that of monopolistic situations reflecting the concentration of agricultural trade. This somewhat reflected the characteristic of market structure in terms of the relative degree of
concentration of the buyer's and seller's side. This criterion covers the number of firms and their relative size. The evidence shows that in the traditional marketing system the sellers who were often either itinerant traders or producer-sellers come from widely scattered hinterland around the markets. They were large in number and were less organized. On the buyers' side, the typical pattern in agricultural marketing was that of a few large firms which handled a major proportion of total share and a relatively large number of small firms handling the residual. However, the findings of a recent observation indicated that during the post market development period the volume of foodgrain trade is less concentrated compared to the pre-market development period.

The competitiveness of a market in a perfectly competitive model is also influenced by the institutional restrictions imposed on the entry into and exit from the market on sellers, traders and buyers. The observation reveals that there exits no restriction in regulated agricultural markets on market participants for the participation or otherwise. Although, as per bye-laws of the markets committee, only licensed market functionaries have authority for working in the market area, but they are free to participate in the trade notified commodities of their choice and to the extent, they desire.

The competitive environment of a market is also largely influenced by the extent of knowledge about market prices. The available evidences indicate that the main source of market information for the farmers is either their counterparts or local traders. The local traders usually quote the low prices due to deriving high prices at the market yard level. Even at the market yard level the traders, by and large, act as a
cartel and try to purchase the commodities at their dictated prices. The producer sellers find no option except to their produce to other markets owing to further increasing transporting and handling costs. The farmer's participation has been significant in the primary markets as bulk of the produce traded here is brought from the local hinterland by the farmers or itinerant traders. The implied consequence of the low participation of farmers particularly in the secondary wholesale urban market center was the substantial decrease in the arrivals in the market yards.

Thus, in most parts of the country, the regulated markets create only facilities in terms of market yards, godowns and other infrastructure which are used mainly by the traders, often to the disadvantage of the producer-sellers. Therefore, notionally the regulated markets and market yards exist, but functionally these are quite defunct and often do not work to the advantage of the producer-seller. Though, there appears to be divergent views on the emerging trends in agricultural marketing, it however, supports the view that much remains to be done in order to achieve the goals of regulated markets. At least there should be concerted efforts by the governments to regulate and operate the markets on the pattern of those being operated in agriculturally developed regions. It is well commended that regulations of market is a pre-requisite for creating an enabling environment for the farmers to produce for the market and consumers.
1.2.- Significance of the study

Agricultural Marketing is one of the manifold problems which have direct bearing upon the prosperity of the cultivators. The agricultural marketing system has been improved to some extent by the Government. But Mizoram which is a landlock state is lagging far behind in this respect. Most of the farmers of Mizoram are still using the traditional methods of agricultural marketing which are unprofitable leading to poverty.

There is no systematic plan to solve the agricultural marketing problems in the State of Mizoram. A micro level study on agricultural marketing covering the whole state of Mizoram is significant to the solution of the problems faced in the marketing of agricultural produces. Such study will be helpful in promotion of agricultural by the Government planners and business houses dealing in the concerned products.

1.3. Objectives

The research and studies undertaken so far on various aspects of agriculture have not highlighted fully the problems and prospects of agricultural marketing in Mizoram. Hence, the present study has been taken up with a view to analyse the problems, and potentials of agricultural marketing. The study has been taken up with the following specific objectives:-

(i) to study the agricultural marketing background in India.
(ii) to study the problems and prospects of agricultural marketing in Mizoram.
(iii) to understand the background of the agricultural economy of the state by referring to the marketing of the horticultural and agricultural produces.

(iv) to examine the marketing potential of agricultural marketing in Mizoram.

(v) to examine the marketing problems faced by the State.

(vi) to highlight the steps and measures taken by the Govt. in development of agricultural marketing in Mizoram.

(vii) to offer suggestions so as to improve the agricultural marketing in the State.

1.4 Research Methodology

The present research is designed to study the overall problems faced by the agriculturist, in marketing of their produces etc. The objective of the study have been critically appraised by using both primary and secondary data. In order to ascertain the production, finance, labour and marketing problems of agricultural marketing some field work had been undertaken. The secondary data are collected from different organisations, Government Departments, publications, Manipur University library etc. While adequate and reliable statistics are required for a proper and systematic study of the problems, structures and prospects of agricultural marketing, there's inadequacy of data in Mizoram. Thus as a research scholar a lot of difficulties arised in the analysis and collection of data. All data and information so called are tabulated and analysis have been done with the help of suitable satistical tools and technique.
1.5 Plan of the Study

Keeping in view the objective and methodology adopted, the study has been presented in the six chapters. Chapter - I is introductory in nature which covers agricultural marketing in India, its related issues and agricultural marketing through cooperatives. Chapter II covers the detail agriculture background of Mizoram including geography, climate, soil, agricultural crops, and irrigation facilities available. Horticulture in Mizoram has been discussed in the third Chapter of the study. Chapter IV deals with need for agricultural marketing and processing of Mizoram's agricultural and horticultural products. The chapter V of the study presents the detail activities and performance of Trade & Commerce Department, which is an apex organisation for agriculture marketing in Mizoram, Findings, Suggestions and recommendation of the entire study has been presented in Chapter VI which is the last chapter of the thesis.
I - A.
AGRICULTURAL MARKETING IN INDIA
Problems and Prospects
A. AGRICULTURAL MARKETING

Problems and Prospects

1:6 The Market

The market in our study would comprise consumers, producers, organisations of consumers and of producers, the middlemen, the government agencies, the government itself, and so on. Producers enter the market as atoms when they do so individually but when they do so by forming an organisation then their organisation becomes a molecule.

World economists regard the market system as a system of telecommunications, as a knowledge of exchange. The market mechanism issues signals, some are finger-posts and others are danger-signals. The market system is inefficient because it lacks competition, because its power is concentrated in certain segments. The function of competition is precisely to teach us as to who will serve us well. Perfect knowledge is fundamental to perfect competition, which is to co-ordinate with one uniform price. Perfect knowledge is the best antiseptic of a wrong bargain by any party engaged in exchange. The State enters the market to enforce the rules of fair play, to countervail and diffuse power to eradicate ignorance and thereby ensure the Pareto Optimum. An agricultural market like any market reflects the balancing of divergent motives in the minds of men who participate in the transactions. Marketing be it agricultural or industrial is part and parcel of production, which denotes creation of utility from, time, place, etc. It is wrong to treat them as exclusive entities.
1:7 The Middlemen

The instruction of the middlemen is as old as the advent of specialisation / division of labour. The middlemen are of hierarchy classes: the traders, the commission agents etc. Each class has its own distinct character and area of operation. The middlemen is a much maligned economic actor. His actions have been always suspect. Their account has been tinged with much disapproval. The disapproval has gone to the extent of their witch-hunting. But they have made themselves indispensable. In India some years ago an attempt was made to seal the fate of the traders in wheat but it ended in a fiasco ever long. Chastened by this experience, the Government made the existing regulated markets and other agricultural marketing development programmes. As a result, elimination of the middlemen has gone hand in hand with their recognition. We have a regiment of verified government dealers and stockists. The fees for their services are fixed by the Government.

In the unregulated markets the marketing expenses are 34 per cent in the case of rice and 37 per cent in that of wheat. The middlement is a useful component of the market economy, subject to the provision that he is fully contained by it. He is the unloader of what has already been produced also an arbiter of what shall be produced in the future. Like other human being he is apt to lose his head both when things go well and when things go ill. What is the bee to the clover, the middlemen is to the consumer. The relation between the two is symbiotic. The intermediaries represent a vast reservoir of knowledge and expertise not to be trifled with.
The majority of the Indian middlemen belong to the lower middle class and their standard of living is low and the margins on which they operate are lower than the handling costs of our public distribution system in a good many cases. Hence they have to be treated with sympathy and understanding by the political and administrative authorities. To quote, "businessmen have a different set of delusions from politicians. It is a mistake to think that they are more immoral than politicians. If you work them into the surely, obstinate, terrified mood, of which domestic animals, wrongly handled, are so capable, the nation's burden will not get carried to market; and in the end public opinion will veer their way" (Keynes).

1:8 The Indian Foodgrains Market

The prevalent agricultural market morphology is best looked upon as a spectrum of different types; traditional, modern, rural, urban, semi-urban, primary, secondary, tertiary. Although there are in existence some conditions which make the agricultural market competitive, there are at the same time also other conditions which make it non-competitive. In most agricultural markets monopoloid, monopolistic, monopsonistic and oligopolistic elements predominate. Manufacturing interests and middlemen control the supply of a number of cash crops by maintaining a nexus with their growers, based chiefly on their financing in respect of the inputs required. In agricultural marketing we have both private and public sectors and in each sector the infrastructure has in its network both human and physical components. By and large, the foodgrains market is not an integrated market. The rice (paddy) marketing channel is six-tier; so also some of the other foodgrains.
On the eve of the First Plan the marketable surplus was estimated at 20 to 30 percent of the agricultural produce under normal condition. Its contemporary estimate has to be made at different levels, the local, the regional the State and the nation. In the case of and in wheat in Punjab 60 percent and in Uttar Pradesh 85 percent of the total produce are sold by the small and marginal farmers at the village level itself. The locus of most distress sale is still a rural, unregulated, primary market. For quite some years to come the regulated market would not be in a position to provide any success to it because it would not have encompassed all the unregulated markets.

Execution of the employment-generation programmes and payment of wages in part in terms of foodgrains in rural areas has slackened the flow of the marketable surplus in certain areas. Increased income in the case of wage-earners with levels of living below a certain point as well as any rise in the price of foodgrains has resulted in asimilar situation- Giffen Paradox in the latter case and high elasticity in the former case being the main explanations.

Subsidised growth of private storage and warehousing facilities in recent years has not only swelled the profit of the middle and large farmers but also placed in their hands an increased economic power, which brings forth related benefits, besides altering the very character of the pipe-line of the supply of the marketable surplus. Part of the lately risen inequity in the rural society is attributable to it.

Changes have taken place in the staying/bargaining power of the farmers which had a steadying effect on the occasional gluts and scarcity conditions faced by the agricultural markets in the past. In this, the
increased sources of meeting their cash needs had a hand by averting marketing of the produce, to an extent immediately after the harvest. The present economics of 'distress sale' has therefore to be reappraised. The Food Corporation of India (FCI) has a major paramount role in the public sector of agricultural marketing. Agricultural Marketing sheds its competitive character where a public agency like the FCI procures about 14.3 percent of the net production of foodgrains at prices already announced and operates a public distribution system which accounts for nearly 12.0 percent of the net availability of foodgrains. These are the average figures for the years 1991 to 1993. Net availability of foodgrains had remained static. Procurement as percentage of their net production had gone up 2.3 times. In quantity net availability of foodgrains was 2.8 times higher. The strain on agricultural marketing had compounded over the period and to cope with this the services supporting it had to be expanded and geared up. Price information on the market was to that extent a non-market solution and beyond that extent a market solution, though a distorted and diluted one, being a blend of competitive and non-competitive conditions. Foodgrains prices at present are partly market and partly government determined.

The purchase and sale of rice are done under government control. The FCI is a monopolistic seller of wheat in the market at a predetermined price which is less than the open market-determined price, compared to first-three years of planning (1951 to 1953) when the average population in India was 369.3 million, during 1991 to 1993, it was on an average, 867.8 million. The increase was nearly 3.35 times. During the same period there was a 21 percent rise in the foodgrains availability
(per day per person, from 397.3 to 481.5 gms.) an 80 per cent increase in that of vanaspati and 147 per cent increase in that of sugar. Assuming availability to be a proxy for consumption, the pressure on the supportive services to agricultural marketing had accentuated a great deal.

1:9 Role of the State

The intervention of the State in the areas of agricultural marketing in the 1930s was totally producer-oriented, particularly the big producer, having been necessitated by the fall-out of the Great Depression on the Indian economy. The onset of the 1943 Bengal famine and the inflationary spirals which ensued during the last years of the Second World war evoked some concern for the urban based consumers. With achievement of independence this concern gradually got built into the mind of the ruling and unruling politicians in as much as food was and has been the great leveller of Indian politics.

The State Agricultural Marketing Board creates wholesale agricultural market yards and modernises the existing yards, disseminates market intelligence, organises open auction sales, grades, standardises and eliminates fraudulent weights and measures, provides adequate market infrastructural facilities such as modes of transport for the agricultural produce and develops the communication facilities, enforces the regulative measures, e.g. regulation of the fees charged by brokers and weightmen, prohibits unwarranted, unauthorised illegal deductions from the prices payable to the sellers, that is, their non-functional marketing margins. All these fall within the corpus of the market development programmes.
The regulated market is predicated on a well-defined code of behaviour of the participants in the realm of buying and selling, with the avowed purpose of creating a competitive environment which would improve the technical as well as mirrored in lower costs, lower losses, lower wastages, lesser price fluctuations, and so on the hallmark of an efficient disposal of the agricultural produce.
I - B.
DEVELOPMENT OF AGRICULTURAL MARKETING IN INDIA
B. DEVELOPMENT OF AGRICULTURAL MARKETING IN INDIA

Economic development of a region is measured by the strength and efficiency of the linkages established in various sectors to operate the production and business cycle. These are backward and forward linkages constituting financial assistance, technology, extension services, transport and communication network for mobility of output in various trade channels. The vertical integration of these linkages forms the economic system of production in any sector in rural areas. Of these linkages, marketing is one of the important factors that has direct bearing on the economy. Rural marketing therefore, constitutes the nerve centres of rural development activities.

In rural areas the economy moves around agriculture as main production sector and rural industries as the subsidiary production sector. Production in the later sector can be classified into three categories such as demand-based products, skill-based products and resource-based products. However, these groups may have further combinations depending on the physical economic and social characteristics of the product. Marketing activity moves around these two principle sectors in the rural areas. Trade practices are different in both the sectors and the major factors affecting marketing of produce are infrastructure, social and economic obligations, trade channels and the attitude of buyers and sellers.

The market for rural industries products is unorganised and dominated by the middlemen to a large extent. The tiny sector consisting of village and cottage industries has been facing a variety of problems, of which
the acute problem is of marketing the products at better remunerative prices’. The broad perspective of the marketing network of agricultural products can be seen in two dominant sectors namely private sector and cooperatives. The private sector comprises of trader, commission agent, procures the products from open market if the price tends to fall below the support level fixed by the government. The pressure on marketing is created often by the private sector on the marginal and small farmers, exploiting their dependency on the private marketing agents for marketing of their products.

1:10 Theory of Commercialisation

Agriculture has a two-fold phenomenon—production and marketing. Both the factors are governed by different sets of attributes. Production is a resultant of material, financial inputs and labour, while marketing is an act of exchange of products for money or barter for income generation, or fulfilling other requirements. In fact, exchange is a specific phenomenon of economic life, which reflects the underlying socio-economic organisation that shape there. This is from fundamental economists, viz., Pigou, Ricardo, etc. The basic purpose of exchange may be defined in a simplified manner so as to enable each specialised producer to have accessibility for a wider range of goods through an established market. In brief, it is the doctrine of familiar’ gains from trade’ having a scope of application either to two individuals or to two countries engaged in trade. As a result, the concept of market also emerges as a socio-economic device to facilitate the needs of people.

Many theories concerning the economic structure of exchange and surplus management were introduced by classical and neo-classical
economists in subsequent years. Broadly the ‘market’ was conceptualised
with regard to the various backward and forward linking factors such
as labour, prices, capital formation, etc. and the theorised were given
accordingly. Marx described the capitalistic exploitation in the market
as labour power being sold at its ‘value’ under given social circum-
stances. He explored that the capitalistic profit is formed on the basis
of the surplus value produced in excess of labour time. In agricultural
marketing this Marxian view may be interpreted in terms of marketable
surplus that emerges out of total production within a stock of limited
resources.

This may be defined as the ‘theory of marketable surplus’ similar
to the theory of ‘surplus value of labour’. The basic factor dominating
the flow of action is the ‘exchange dynamism’ for capitalistic or mercan-
tile profits. On the concept of capitalistic profits, the Ricardian way of
thinking is also similar to that of Marx but Ricardo simply assumed that
the surplus product could always be ‘realised’ into profits without any
operational obstruction through an insufficient size of market, i.e without
facing the problem of effective demand. This notion gives an under-
standing that a system of relative prices which makes the rate of porfit
uniform in all lines of production at the same time, also permits the
entire surplus to find an outlet in the market at those prices.’

1:11 Transformation of Agricultural Markets

The demand and supply ratios for various rural products have
also moved up alongside the increase in population in rural and urban
areas. The transformation of rural markets in the country has devel-
oped well with the growing monetisation and techniques of exchange. High risks and low-profit margin were the twin conditions of Indian trade in rural areas during the colonial and pre-colonial period which has gradually developed after the Second World War period. The growing of the rural producers and State intervention in farm and non-farm trade have resulted in several sophisticated changes, viz alternative channels, price support, speculation control backward and forward linkages and marketing extension approaches. The major outcome of the change in rural market structure that has emerged is regulation of agricultural markets in wide unorganised rural productive sector. It has decreased the influence of middlemen, on one hand, and helped farmers to get their produce to some extent on the other.

The first attempt to regulate agricultural markets in India was made in 1897. An Act passed in that year authorised the then British Resident in Hyderabad assigned district to declare any place within his jurisdiction a market for sale and purchase of agricultural produce and to constitute a committee to supervise and regulate the markets. The law did help to improve the buying and selling of cotton, but it suffered from three major limitations. The market committee consisted solely of traders, and cultivator seller. In practice the law was applied only to cotton, the main cash crop of the region, and despite its title, did not include grain. Any net income derived from the market, it was explicitly stipulated, would go to the local municipal authority, instead of being ploughed back into the market for further development. Thirty years later “Cotton Markets Act” was passed (1927) in Bombay, but once again the law was concerned only with a single crop. However in
an important departure from the Berar Law, it gave the cotton growers a majority in the market committee.

The Royal Commission on Agriculture, reporting a year later, urged that all provinces should establish regulated markets to help orderly marketing of all agricultural produce. It withheld the practice of treating regulated markets as a source of municipal revenue and insisted that surplus incomes if any must be used solely to develop and improve the facilities and services for the benefit of the producers. Hyderabad, Central Provinces and Madras promptly acted on the Commission's recommendations and passed appropriate legislation. Other States followed with longer intervals-Punjab in 1939, also Mysore in the same year though this Act was not operative until 1948, Madhya Pradesh in 1952, Kerala and Orissa in 1957. At the beginning of the Third Five Year Plan, legislation for establishing regulated markets was enforced in nine States. Four more State enacted the Agricultural Produce Markets Act by 1968 and the remaining State-Assam, Nagaland, Kerala and Jammu and Kashmir were expected to do so during the Fourth Plan period and they succeeded to some extent.

The regulated markets established in different States show much similarity today, both in law and in actual practice. This is largely due to the fact that their state laws were patterned on the same model, especially on a model bill prepared by the Central Government in 1938. But the actual growth of regulated markets and their geographical distribution have been highly uneven. They are well developed in Maharashtra and Gujarat, followed by Mysore, Punjab and Madhya Pradesh. Another significant fact about them is their heavy concentra-
tion in the cotton growing states. This largely explains why in 1964, 80 per cent of a total of 1,000 regulated markets, then in existence were located in the five Western States, although together, they accounted for only 30 per cent of India's population. Thus, despite the ex-postulations of the Royal Commission of 1928, the progress made with regulated markets in the intervening decade has been slow while they are still inadequate in coverage. They are largely confined to cotton and do not embrace other agricultural produce. Until recently Bihar, West Bengal and NE States hardly had any regulated markets.

1:12 Growth of Regulated Markets

It was realised that market regulation was not enough to attract the traders and farmers to take full advantage of the regulation markets, due to lack of appropriate infrastructure. Thus a Central Sector scheme was initiated for the development of selected regulated markets in the year 1972-73. The provision during the year 1985-86 was Rs. 403.00 lakh for assisting 30 selected regulated markets and 10 terminal markets. The growth of regulated agricultural market in India since sixties is shown in Table 1.1 which reveals that the growth of sub-market yards is higher than the principal market yards. However, total rate of growth of agricultural markets is 6.3 per cent in 1983-84 as compared to 7.93 percent in 1980-81.

Towards the end of seventies it was realised that the development of rural markets like haats and shandies are equally important to help the marginal and small farmer. The government extended its financial support to Rs. 1.5 lakhs per market for the development of infrastruc
ture in the primary rural markets and Rs. 5.0 laksh for wholesale rural markets situated in the backward areas. During 1982-83 Central assistance amounting to Rs. 548.20 lakhs was sanctioned to 18 wholesale markets and 430 primary markets and afterwards a sum of Rs. 4225.45 lakhs was granted.

**TABLE 1.1**

Growth of Regulated Agricultural Markets in India

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal Markets</th>
<th>Sub-markets Yards</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>715</td>
<td>-</td>
<td>715</td>
</tr>
<tr>
<td>1970-71</td>
<td>1280</td>
<td>865</td>
<td>2145</td>
</tr>
<tr>
<td>(5.99)</td>
<td></td>
<td>-</td>
<td>(11.61)</td>
</tr>
<tr>
<td>1980-81</td>
<td>2289</td>
<td>2316</td>
<td>4605</td>
</tr>
<tr>
<td>(5.98)</td>
<td></td>
<td>(10.34)</td>
<td>(7.93)</td>
</tr>
<tr>
<td>1989-90</td>
<td>2165</td>
<td>3953</td>
<td>6118</td>
</tr>
<tr>
<td>(-0.61)</td>
<td></td>
<td>(6.12)</td>
<td>(3.21)</td>
</tr>
</tbody>
</table>

Note: Figures in parentheses indicate per cent compound growth rate to respective years.

Source: 1. Govt. of India, Directorate of Marketing and Inspection, 1985

Apart from the regulation of markets there are practices of sales in traditional way due to indebtedness of farmers to traders, social stress etc. These practices form the part of rural marketing system in the country.
1:13 Trends in Agricultural Marketing

The agricultural products in India constitute substantial share in the external trade though the share of exports of agricultural products tended to decline over time. The trade policies of the developed countries and the domestic policies of our own had caused the decline in the export rate of agricultural products to a large extent. The high tariff bars rigid import licensing in the country which was followed for long time in the past had attributed to the high cost structure in agriculture and faced strong external business shocks being out of line of the world prices. To redress this situation and to stimulate the growth of exports to favour the medium term recovery of the economy, the Government of India announced the new trade policy. It largely emphasised the adjustment in exchanges rates of rupee. The exchange rate policy has reflected in the structural changes in trade policy by way of liberalisation of licensing and reduction of peak tariff rates. The abolitions of export subsidies and other relative measures encouraged the free movement of agricultural products in the global market.

The value of agricultural products and the balance of trade since 1970-71 is exhibited in Table 1.2.
### TABLE 1:2

Trends in Agricultural Trade

(Rs. Crores)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1970-71</th>
<th>1980-81</th>
<th>1990-91</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total agricultural exports</td>
<td>487.00</td>
<td>2057.00</td>
<td>6317.00</td>
</tr>
<tr>
<td></td>
<td>(31.7)</td>
<td>(30.6)</td>
<td>(19.4)</td>
</tr>
<tr>
<td>Total agricultural imports</td>
<td>441.00</td>
<td>1294.00</td>
<td>1127.00</td>
</tr>
<tr>
<td></td>
<td>(27.0)</td>
<td>(10.3)</td>
<td>(2.61)</td>
</tr>
<tr>
<td>Net agricultural exports</td>
<td>46.00</td>
<td>763.00</td>
<td>5190.00</td>
</tr>
<tr>
<td>Balance of trade</td>
<td>-99.00</td>
<td>-3838.00</td>
<td>-10640.00</td>
</tr>
</tbody>
</table>

**Note**: Figures in parentheses indicate percentage to the row totals.


It can be seen from the above exhibit that the share of agricultural exports and imports have been declining over the past 20 years. However, the fall in the imports is steeper than the exports. This trend interprets that our policy is helping the economy in a positive direction in global perspective. The Table 1:3 shows the share of various commodities in the agricultural exports for the above referred period.

It can be observed from the Table that the mobility of the various commodities is responsible for changes in the agricultural trade trend over the Fourth Five Year Plan to the Eighth Plan period.
1:14 Linkage with Agro-Industries

The household industries with agricultural resource producing considerable products may commonly be classified as agro-industries. The span of such units are seasonal unless there is a source of perennial supply of raw material to the unit. The production in this sector is largely unorganised and conventional in rural areas. Such have inter and intra village mobility through the periodic markets.
Table 1:3
Share of Important Commodities in the Agricultural Exports

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>1.02</td>
<td>10.89</td>
<td>7.31</td>
</tr>
<tr>
<td>Raw cotton</td>
<td>2.87</td>
<td>8.02</td>
<td>13.39</td>
</tr>
<tr>
<td>Sugar &amp; Molasses</td>
<td>5.95</td>
<td>1.94</td>
<td>0.60</td>
</tr>
<tr>
<td>Fruits &amp; Vegetables</td>
<td>3.29</td>
<td>5.64</td>
<td>6.74</td>
</tr>
<tr>
<td>Coffee</td>
<td>5.13</td>
<td>10.40</td>
<td>4.00</td>
</tr>
<tr>
<td>Tea</td>
<td>30.40</td>
<td>20.71</td>
<td>16.94</td>
</tr>
<tr>
<td>Oil cakes</td>
<td>11.30</td>
<td>6.08</td>
<td>9.64</td>
</tr>
<tr>
<td>Tobacco</td>
<td>6.78</td>
<td>6.85</td>
<td>4.16</td>
</tr>
<tr>
<td>Spices</td>
<td>8.00</td>
<td>0.54</td>
<td>3.70</td>
</tr>
<tr>
<td>Cashew kernels</td>
<td>11.70</td>
<td>6.81</td>
<td>7.08</td>
</tr>
</tbody>
</table>


1:15 Production of Agro & Rural Industries Products

The Khadi and Village Industries (K&VI) sector has largely covered the agro-industries in rural areas which provides production assistance as well as the marketing support. The data exhibited in Table 1:4 reveals that production in oil, foodgrains and processing industries is higher. However, income generation is highest in cane jaggery and khandsari making. The per capita income is also higher in this industry as compared to other trades.
### TABLE 1:4

Agro-Industries in Rural Areas* (1988-89)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Type of industry</th>
<th>Production (Rs. Cr)</th>
<th>Employment (Lakh Persons)</th>
<th>Income generated (rs. Cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bee keeping</td>
<td>17.38</td>
<td>2.35</td>
<td>13.9</td>
</tr>
<tr>
<td>2.</td>
<td>Oil</td>
<td>269.59</td>
<td>0.88</td>
<td>27.78</td>
</tr>
<tr>
<td>3.</td>
<td>Jaggery &amp; Khand (cane)</td>
<td>104.20</td>
<td>1.51</td>
<td>20.28</td>
</tr>
<tr>
<td>4.</td>
<td>Jaggery (plam)</td>
<td>85.89</td>
<td>7.07</td>
<td>59.24</td>
</tr>
<tr>
<td>5.</td>
<td>Processing of pulses and cereals</td>
<td>111.10</td>
<td>1.18</td>
<td>21.45</td>
</tr>
<tr>
<td>6.</td>
<td>Collection of forest medicinal plants</td>
<td>2.86</td>
<td>0.38</td>
<td>1.49</td>
</tr>
<tr>
<td>7.</td>
<td>Fruit processing and Preservation</td>
<td>9.32</td>
<td>0.12</td>
<td>1.95</td>
</tr>
<tr>
<td>8.</td>
<td>Fibre</td>
<td>52.15</td>
<td>2.48</td>
<td>23.93</td>
</tr>
</tbody>
</table>

* K&VI sector

**Note:** Figures in parenthese indicate per capita income.

**Source:** Rural Development Statistics, NIRD, 1990

In most of the cases raw foodgrains must be converted into suitable form before they are disposed of the consumer. The surplus farm production sometimes faces a serious problem over the existing demand in following years. Under such circumstances, processing helps to create a new demand and maintains the quality of the produce for a longer period. Processing, therefore, can be termed as an act or series of acts by which a product is converted into a different forms of the grain for extending appropriate market support.
Foodgrain processing involves changing the form of the grain. Foodgrains are processed to make them more edible, more palatable and in some cases to preserve them. Virtually all foodgrains in India are processed to some degree. The principle types of foodgrain processing in India are drying, parboiling, husking, polishing, grinding, separating and cooking. The discussion here is concerned primarily with commercial processing, i.e., processing not performed by the foodgrain producer or consumer. There are several methods of processing foodgrains which changes with a view to maximise profit from time to time along with changing technology, capital/labour price ratios, managerial skills, the demand for product and the volume to be processed. Several processing methods may be used at the same time in a country because of varying form size, varying customer needs, low productive value for old technology, the high cost of new technology and imperfect knowlege about the economics of new technology. Quite a few items of agricultural product are consumed in a processed form rather than the one in which they are harvested, such as fruits, vegetables, fish, milk, meat, even cereals. Many processors keep the produce for a long time in a different shape and form and to the extent the farmers do not suffer, a crash in price soon after the harvest. One of the important example where such break-through is lacking is the fruit and vegetable processing industry in India.

Due to inadequate arrangement for the cold storage, transportation and dehydration as much as 25 per cent of the total horticulture production is lost by wastage and spoilage. It is essential for the economic viability of processing industry to ensure adequate supply of the material and requisite quality at reasonable price as it has a direct
bearing on the consumer behaviour and demand potential. Apart from these factors the technological efficiency, quality control and use of modern equipments also affects the economy of the processing industry.

1:16 Production Linkages

Marketing is an essential postulate of production. In rural industries where the production is, by and large, demand based, the marketing factor possesses considerable importance. The market for the rural industrial products is unorganised and dominated by the middlemen to a large extent. The tiny sector consisting of village and cottage industries has to face a variety of problems of which the acute problem is of marketing the products at better and skill based. They have significant employment and production potential as well as the demand for export. They can take any form to withstand the market competition and to enlarge market frontiers. However, the problems confronting the unorganised sector since long need to be explored. The present discussion attempts to focus the existing market network of the rural industries, its economic viability from the entrepreneurs’ point of view, the marketing of rural industrial products such as slate and tiles, pottery, footwear, woollen articles, handicrafts and agro-based industries are analysed to explore the organisational structure of the marketing. The problem areas in the marketing of rural industries product are also identified.

The broad perspective of the marketing network of rural industries can be seen in two dominant sectors namely private sector and cooperatives. The private sector comprises of trader, commission agent,
master craftsman, exporter, retail dealer and the forwarding agent. Apart from cooperatives there are government corporations and development agencies which promote the marketing activities. The pressure of marketing is created often by the private sector on the rural artisans exploiting their economic conditions such as debt trap, low income and the dependency on the external outlets for the turnover of their products.

1:17 Entrepreneurial Characteristics

A small farmer may be defined in many dimensions viz. social, cultural, economical and to some extent anthropological too. Though he is an important change agent in every society, he is one of the most enigmatic character in rural exomorphic development. It is his dynamism that paves the gap between the conspicuous demands of urban people and the rural life in villages, but precisely his role is often unclear. The marginal or small farmer may be either an individual or a group, both are equally significant in less developed countries. He belongs to a family, a religious act, a political party, a kinship, caste and so on. These are value determinants and constraints fashioned by his own way.

The marginal and small farmers are economically backward, because of uncertain market and lack of adequate income from value added price. The loss minimisation, therefore, becomes the dominant concern for the rural artisan rather than profits maximisation. By and large, neither buyer nor seller has developed notions of a fair and good price as both operate under hopes of optimum for realisation of profit in buying or selling. In rural areas to some extent barter is common. However, the pattern of exchange of goods is often established by long-standing custom, inter-class, inter-factor dependences or beliefs. The community
of marginal and small farmers has a strong dependence on the elite group, may be of rural or urban and so they exercise the 'price levy' on the artisans. Most of the traders belong to such elite groups. In two of these groups it is observed that there is a latent device to dominate economically or to take aggressions out on others. As such in the process, the artisans group tilts towards the authoritarianism of the traders and suffers from exploitation.

The fundamental question now arises is that given this trade pattern, what is the potential for income generation through marketing for enterpreneurs in rural areas. To begin with the answer, there is firstly an unorganised market for the rural industries products which is the major problem. Secondly, lack of remunerative prices which cause the economic discouragement to the artisans in product marketing. Finally, the risk factor involved in the rural industries product marketing, is more as compared to the organised sector, due to unawareness of shifts in demand for products from the elite group, who form the core of potential buyers.

1:18 Sociological Barriers

In Indian context there are many definitions of the village. They are defined for the purpose of the Census which may not be the same as villages recognised by the revenue authorities. Sociologically a village can be determined as a cluster of homesteads in close proximity to each other and usually separated form each other by open space. The village can be termed economically as a unit of production of various foodgrain and non-foodgrain products manged by various occupational groups. In real world, however, ther are exceptions. In some parts of
India one cannot scattered over the countryside in a continuous stretch. In other areas village may consist exclusively of upper class and adjacent settlements of labourers, poor peasants etc. By and large, village means more than its definition i.e, the unit of economic development in the country.

The rural areas in India, show much higher variety in their pattern of distribution and internal structure. There are four types of rural settlements found in the country: (i) nucleated villages; (ii) linear villages; (iii) irregularly clustered villages and (iv) scattered homesteads. The most common types of the village. The linear villages are usually arranged on both sides of the street and are common in South India. Scattered homesteads are found in Kerala and some parts of Assam and West Bengal.

In the villages there is commonly class stratification which governs the rural economy at the grass roots. The village society is composed of two parts, of which the people who possess marginal or no means of production and who live by exchanging their labour power against money or live in the capacity of agricultural labourers, comprise the first part. Commonly speaking, these people are agricultural and non-agricultural labourers who constitute the majority among the villagers. The second part of the social status consists of a minority of property owner who derive income by appropriating a surplus out of the use values produced by the first group of people. The property owned group is termed as upper class and the group of agricultural labourers, marginal, small and medium farmers has been termed a suppressed class, in the illustration. The feudal landlords, landlords and capitalists earn through money lending and revenue, over the suppressed class
consisting of marginal, small and medium size farmers and landless labourers.

In the given rural social structure the upper class bargains over the suppressed class to optimise their profit. This class consists of capitalists, moneylenders, rural political elites, big merchants and rich farmers. This group provides the backward linkages viz., credit in terms of cash and kind, employment etc. and to some extent technical and extension assistance to the producers. In case of household industries, the types of backward linkages are different from the agricultural sector. The farmer group provides artisans the credit, raw material and market for their products as backward linkages. But the conflict starts for better price when the surplus of farm products is brought into the market for sales. This is also the case with the products of the rural industries. The produces find themselves unable to strike trade agreement with alternative channels other than the upper class in the village because of indebtedness and the social power of the capitalist group. The farmers and artisans therefore sell their produce under economic compulsion. This leads to the consequences of distress sales on their income, savings and investment. The capitalist groups also provide credit to traders who in turn sell the products produced from village markets to them for forward trading. The traders, by and large, act as commission agents and purchase the products from producers in periodic markets locally known as mandi or haat. These commodities form the cycle of social power configuration which reflects on marketing in rural areas, to a large extent.
1:19 Infrastructure

Efficient and improved marketing system is one of the important factors in the development of agriculture in any region. Abbot has discussed that agricultural production is generally confined to the primary markets due to inadequate transport facilities. However, market for other products may have access to other channels. This may perhaps be possible by developing low cost transport and marketing facilities. This would help in economising the per unit marketing most at micro level. Liang argues that to generate more income the higher formstead prices which accompany improved transport and marketing facilities are necessary. Such measures may also encourage specialization in cultivation of cash crops. The weakness or strength of marketing set-up depends on the level of transport efficiency. Thus, Kulkarni considers transportation and marketing as integral part of the trade economy. Lauth adds that higher developed transportation system eliminates the need to produce processed food products very near to the settlement locations, however, such circumstances in turn may evolve high degree of regional specialisation in agriculture.

Infrastructure is one of the important factors in measuring the economic worthines of a region. It may be described as “social overhead capital” to distinguish from the direct productive capital. Sundaram states that the infrastructure, therefore, belongs to the category of public infrastructure refer to such services like transportation and communication, storage and physical amenities. Many studies have highlighted that the infrastructure in the developing countries has been neglected in the national planning and only production aspects have been given care which ultimately led to many bottlenecks such as marketing,
technological adoption etc. Roads are one of the important issues to be discussed in context with infrastructure. A study conducted by Rajagopal reveals that the length of roads in India with reference to the net sown areas and geographical area to cater the hinterland is feeble which accounts 1.296 km and 2.326 km per thousand hectares of above categorised areas respectively. Though special emphasis was laid during the Five Years Plans and the outlay for the construction of roads was increasing in subsequent plan years states that the construction schedule was often far slow and piled up the overhead costs. Futher, enhancing the need of the rural roads the Working Group on Rural Roads cites that the rural roads must be competent to form efficient transport system required for the movement of agricultural produce in the countryside.

The discussions in the Indian Society of Agricultural Economics pin-pointed the emerging constraints in marketing infrastructure against the backdrop of increasing marketable surplus, particularly with regard to transportation, storage and processing. Connected with the issue of spatial problems, storage capacity etc. were also examined.

The review of above literature states all about the need for developing infrastructure for effective market economy. It is observed, that in most of the backward regions the infrastructure facilities particularly roads and communication have yet to make headway. The transportation of agricultural produce is obstructed during early post-harvest period due to lack of proper rural roads, the amenities which have to be provided at the market place are elevated platform for display of commodities for sales, shed, cattle trough, drinking water etc. It was observed in a study conducted in Chhattisgarh region of Madhya Pradesh that over 80 per cent of periodic market in villages are organised in an
open space without shed for buyers and sellers. Further the factors of
time distance and infrastructure are highly correlated. It results into an
unprofitable stroll to market place for buyers and sellers if any of these
factors are delinked.

1:20 Periodic Market : Major Issues

The periodic markets may be explained as an agglomeration of
buyers and sellers in villages semi-urban and some parts of urban areas
for marketing of the produce grown in the hinterland at a given place,
time and day. The periodic markets are held weekly, bi-weekly and
forthnightly according to local traditions. Weekly market is the main
channel of distribution of local products and goods brought from urban
areas. The periodic markets join the minimum distance between the two
point and form a network of weekly markets.

In the weekly market a farmer is really a buyer not a seller. His
main aim is to procure certain necessities which, he cannot produce
such a salt, kerosene, cloths and the like. For buying theses commodi-
ties he has to part with certain portion of his produce either home-
grown, manufactured by skill, or collected from forest. The rural sellers
have no choice in the product market with regard to trade channel for
many reasons as discussed earlier. In early post-harvest period, the pro-
ducers are paid low prices by the traders to make higher profit, unless
government regularises the procurement in an effective way. Similar
conclusions have been drawn in other studies which also paid attention
towards the prevailing inefficiency of the market system dominated by
traders and also towards the ineffective market regulation. The traders
indulge in exploitation through various underhand dealing resulting
into higher traders margin and lower prices to the producers.
All these marketing problems show the weaknesses and inefficiencies of the marketing pattern which also bars them to some extent to adopt the modern marketing methods in improving their quality of the products and sales realisation.

**TABLE 1.5**

<table>
<thead>
<tr>
<th>Major Marketing Problems Faced by Rural Marketers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Farmers</strong></td>
</tr>
<tr>
<td>1. Low price</td>
</tr>
<tr>
<td>2. Non-availability of storage facilities at the time of low prices in open market.</td>
</tr>
<tr>
<td>3. Lack of competition and alternative channels for procurement.</td>
</tr>
<tr>
<td>4. Distress sales due to indebtedness and social obligation.</td>
</tr>
<tr>
<td>5. Problems of transportation and communication.</td>
</tr>
<tr>
<td>6. High marketing costs</td>
</tr>
</tbody>
</table>
I - C
AGRICULTURAL MARKETING
THROUGH CO-OPERATIVES
C. AGRICULTURAL MARKETING THROUGH CO-OPERATIVES

The history of economic development of various advanced countries reveals something common in their development. The development of their secondary and tertiary sectors is preceded by the development of agriculture. England relied heavily on the domestic agriculture in the early phases of industrial development. In most of the western European countries, such as France, Belgium, Germany and Sweden, the take-off rested upon a firm base of 'rising agricultural' productivity.' The most development country of Asia, i.e. Japan also owes the present economic position to the development of agriculture in the pre-modern industrialisation period. Productivity per unit area as well as per man in agriculture in Japan increased tremendously for along period before the first world war.

In the case of the most of the present developed nations or those which have embarked on the development path, it is the development of agriculture which has laid the foundation of development of the other sectors of their economy.

1:21 Marketing and Economic Development

Marketing constitutes an integral part of the economic development process. Commenting on the role of marketing in economic development, Ducker notes that the marketing is the most important multiplier of economic development. Marketing affects the economy by stimulating aggregate demand. This observation is substantiated
by an all too familiar example of sale of a goods which generates profits not only to the retailer and manufacturer, but also to the suppliers of raw materials, parts components and sub assemblies, as well as the institutions engaged in transportation, storage, distribution financing and insurance.

Marketing is an inter-disciplinary area of study. The discipline of marketing incorporates and uses the ideas from such diverse areas as economics, psychology, sociology, law, statistics, mathematics, management, and operation research. However, economic theory has probably provided more concepts leading to the development of marketing thought than any other social discipline. Concepts such as price, demand and supply, competition, buyer, seller, marketing trade, producer and consumer are common to the disciplines of economics as well as marketing. However, while economics laid the groundwork for the marketing, behavioural sciences as psychology and sociology have produced better models for understanding people and their reasons for buying certain products and brands. Hence, the role of marketing in an economy as an area of enquiry is of the interest not only to economists and marketers, but also to behavioural, social and political scientists, planners and policy makers as well as researchers from many specialised disciplines.

1:22 Micro Vs. Macro Marketing

Some writers have made distinction between two levels of marketing activity-macro and micro levels. McCarthy views marketing as concerned with designing an efficient and fair system which will direct an economy's flow of goods, from producers to consumers and accomplish
the objectives of the society and micro marketing as the performance of business activities which direct the flow of goods and services from accomplish to consumer or user in order to satisfy customers and accomplish the firm's objectives.

Agricultural Marketing

Agriculture differs from industry in a number of respects. One of the important difference is with regard to the fact that land is the most important factor of production in agriculture. The difference implies besides other things, that the unit of production (farm) is fixed in location, it is to stay where it is. Under such circumstances, the option for the producers of agricultural crops to move closer to an established market disappears completely. Thus, there arises the alternative necessity of taking markets closer to the agricultural producers. An efficient marketing system for agricultural produce, thus, becomes imperative. Only a well organised network of agricultural markets is easily accessible to all the widely scattered producers.

Relatively greater perishability of agricultural products, taken by itself, reduces the bargaining power of the producers. Added to this is the small size of the farms a common malady of the agricultural sector in most of the development economic. Small size of the farm means smaller amount to be disposed of in the market. This means foregoing certain economies of scale in the sphere of marketing. The cost of marketing per unit of crop goes up. Annual variation in production, specially those resulting in a glut may also result in financial loss to the farmers, if adequate marketing facilities are not available for the disposal of the surplus crops.
But it is not only because of some basic characteristics of agriculture that marketing needs special attention. For developing agriculture and also for maximising returns from agricultural production, an efficient marketing system is essential. In this regard Abbot has pointed that -

(a) An efficient market acts as a bridge between the producers and the consumer. It is through the market that production pattern is changed according to the requirements of the consumers;

(b) Cash returns to the producers depend upon the efficiency of the marketing organisation;

(c) Improve facilities and organisation for marketing may be essential if full advantage is to be taken of favourable production opportunities. Owing to poor transport facilities, high marketing margin and risk allowances due to inefficient market structure or other cost factors, production for the market may be uneconomic;

(d) An efficient marketing system is also necessary for ensuring the supply of agricultural inputs at reasonable costs; and

(e) The development of market system will help in the development of the service sector also.

Jasdanwala points out that an efficient marketing system will increase the marketed surplus available to the non-agricultural sector. This will be mainly because of the increase in output which a good marketing system will ensure. More marketable surplus will help in the development of non-agricultural sector. This, in turn, will draw more workers from the agricultural sector thereby reducing excessive population pressure on land. A good network of agricultural markets will also encourage specialisation in crop production for different
regions of the economy, in accordance with their climatic features.

If the market technology does not keep up pace with the developing production technology in agriculture, development process will come to a halt in agriculture. At present, when the developing countries like India are generally following a path of planned development and have evolved an appropriate agricultural price policy as an instrument for the over all development of their economics, an efficient system of agricultural marketing is necessary for implementing this price policy.

1:23 Efficiency Criteria for Agricultural Marketing

The most important function that a market is expected to perform is to help the transfer of the produce from producer to the consumer. This covers the physical handling of the produce involving assembling of produce and its distribution over regions, storage and warehousing, standardisation, financing etc. This function of market is termed as operational efficiency.

Marketing system is expected to perform another job as well. It is that it should transfer the goods produced, over various regions as well as over time in such a way that the demands for goods emanating from different regions and at different times are properly and equitably met.

1:24 Economic Development through Macro Marketing Planning in India.

As outlined in the various Five Year Plans, the main task of economic planning in India has been to bring about a structural
transformation of the economy so as to achieve a high sustained rate of
growth, a progressive improvement in the standard of living of the masses
leading to the eradication of poverty and unemployment and to provide
the material base for a self-reliant economy.

**Agricultural Marketing in India**

Some of the major objectives of centralised planning in India are
raising agricultural production, modernising the agricultural sector
and attain social justice by raising the living standard, consumption
standard and nutritional intake of the general population and more
specifically the weaker sections of the community. Further, growth in
national income another major objective of planning in India, is strongly
influenced by trends in agricultural production. Hence, primacy has
been accorded to agricultural and rural development in all the Five
Year Plans. From the perspectives of economic planning in India, an
agricultural marketing system which serves the basic interests of both
the farmers and the consumers, can be viewed as a major component of
the overall agricultural development process. Further, a sound agricul-
tural marketing system is essential for organising marketable surplus
of agricultural produce, and to the completion of the cycle of agri-
cultural production. The need for and importance of an efficient and
effective agricultural marketing system is further evidenced by the follow-
ing characteristics of the Indian economy.

1. The agricultural sector contributes more than one-third of
the national income, provides livelihood to about 70 percent
of population and supplies the bulk of wage goods required
the non-agricultural sector as well as raw material for a large number of industries.

2. The buying and selling of agricultural products constitutes a substantial part of the exchange transaction which takes place in the Indian economy.

3. The agricultural sector provides a substantial portion of the country's exports.

4. Agricultural activity is spread over the entire nation.

5. While the flow of agricultural product into the market takes place during short time periods (harvesting period), the demand is spread over the entire year.

6. A large percentage of Indian farmers lack the financial resources to invest in marketing support facilities, such as storage transportation etc.

7. The agricultural producers are generally in a weak bargaining position, vis-a-vis the market intermediaries.

1:25 Structure of Agricultural Marketing in India

To understand the working of the marketing system in a country and its consequences, it will be helpful to form an idea of the structure of agricultural marketing. In the context of Indian economy, agricultural markets broadly can be divided into two classes (i) wholesale markets and (ii) retail markets. Wholesale markets are of three kinds; primary markets, secondary markets, and terminal markets. In the case of the primary markets, their management is in the hands of panchayats. The function of the broker is performed by the village bania. A secondary
market covers an area of about 15 to 30 kilometers. These markets are located at fixed place where trading takes place throughout the year. Facilities for storage, banks etc. are available in these markets. Generally, these markets are located on roads or near railway station. Terminal markets perform the function of carrying goods to consumers, final buyers or to places of processing. Such markets are to be found in big cities or at ports. The area of their operations extends over a state or even more.

1:26 Co-operative Marketing in Indian Agriculture

Marketing co-operatives play an important role in a number of key areas. Agricultural produce marketing and marketing of agro-industry products, marketing of dairy, fishery and poultry products, consumer co-operatives at the retail level as part of public distribution system, centralise marketing of cottage industry products, khadi and handloom, and handicrafts are among the area where cooperative societies play an important role.

The Indian agricultural sector is characterised by a large number of small farmers who individually lack the financial resources and the know-how to undertake the marketing of their agricultural produce in an efficient manner. Limited access to institutional credit, lack of financial resources to invest in building storage and other marketing infrastructure facilities, and a bargaining position vis-a-vis the agricultural marketing intermediaries are characteristics of most of these Indian farmers. In the light of these considerations, it is logical to view a farmer's marketing cooperatives which can arrange to collect agricultural produce from
small farmers, grade, transport and sell them at the most appropriate and opportune time, as a viable solution to the multitude problem confronted in the area of agricultural marketing. Similar problems and weakness are evident in some of the non-agricultural areas such as cottage industries, handloom industry etc. which are instrumental in bringing about the government's commitment to the furtherance and development of the cooperative sector in the agricultural as well as non-agricultural areas.

1:27 Co-operative Marketing System and Attainment of Planning Objectives

A careful review of the benefits accruing to the farmers and the society at large attests to the desirability of encouraging and facilitating the formation of co-operative institutions at various levels for the marketing of agricultural produce, and as a means of realising the basic objectives of planning, namely, growth, modernisation self-reliance and social justice. Chief among the benefits of co-operative marketing in the agricultural sectors are listed below -

1. General higher returns are realised by farmers when the sale of their products is channelled through co-operatives.
2. The problem of selling agricultural product at depressed prices owing to the market gluts is partially eliminated because of the enhanced holding capacity of co-operatives.
3. The bargaining power of the farmers vis-a-vis marketing intermediates in enhanced.
4. Benefits of economics of scale are realised in carrying out marketing related tasks and functions. That is, per unit storage
costs, transportation costs and other transaction costs are lowers under the co-operative system.

5. A number of marketing functions which generally would be performed by an intermediary at a cost of the individual farmer, are handled by the co-operatives at a lower cost to its constituent members.

6. As a member of the co-operative, the farmer's access to credit institution is enhanced and he is less vulnerable to exploitation by the moneylenders.

7. Marketing co-operatives also serve as a sources of credit to the farmers. Credit facilities are provided on the basis of produce channelled by the farmer to be marketed through the cooperatives.

8. A cooperative can afford to own the needed infrastructure in the form of storage facilities, transportation, equipment, grading and testing facilities, process equipment, hiring trained professionals etc. all of which in most circumstances would be beyond the means and resources of a small farmers of the country.

9. Besides farming, cooperatives can mobilise, (e.g. crushing of oilseeds, canning of fruits and vegetables etc). and thus value added products realise higher prices.

10. Besides functioning as marketing cooperatives, case studies point out to the fact that over time such institutions diversify their scope of activities. Such multi-purpose cooperatives, besides marketing the agricultural products of their
constituent members, act as a source of supply to them by selling items such as agricultural implements, fertilisers, pesticides and essential consumer goods at fair prices.

1:28 Progress in Co-operative Marketing

Under the active encouragement of the government and the Reserve Bank of India, cooperative marketing has made great progress in Maharashtra, Andhra Pradesh, Tamil Nadu, Utter Pradesh and Bihar.

1:29 Performance of Co-operative Marketing System; An Evaluation

While the cooperative movement is very popular in India, certain weakness and significant disparities are also found while examining is closely. Although preference has been assigned to consumer co-operatives in granting licences for operating fair price shops dealing in essential goods, only a small proportion of retail sales of essential goods is accounted for by consumer co-operatives.

A closer scrutiny of the functioning cooperative institutions has pointed to questionable and unfair practices in the day-to-day management of the institutions such as favouritism, nepotism etc. In comparison to the progress and performance of the cooperative movement in the agricultural sector, the progress made by the non-agricultural cooperatives is rather limited.

In conclusion, it may be said that a challenging opportunity lies before the marketing profession. A large field of economic development calls for new interpretations and applications of marketing philosophy
and technology. Marketing management can be a formative influence in economic development. A little reflection suggests that a society cannot have a highly sophisticated marketing system without a correspondingly sophisticated production system and vice versa. Each is dependent on the other, both must cooperate to gain what has been an economic goal—a higher standard of living for most people. Co-operative marketing system of agricultural produce can go along way in achieving the economic goal of higher standard living for more people.
References


