Chapter – II

AGRICULTURAL MARKETING IN INDIA

2.1 Introduction

Agricultural marketing and international trade in agricultural commodities are assuming importance in the background of growth of agricultural productivity and free trade. It has been improving the living standards of farm families, making India hunger free and turning poverty into prosperity. Agricultural Marketing is a process, which starts with a decision to produce a saleable agro product and involves all aspects of market system, functional and institutional, which is based on the technical and economic considerations.

An efficient agricultural marketing is essential for the development of the agriculture sector. It provides outlets and incentives to increase production, the marketing system contribute greatly to commercialize the subsistence farmers. Worldwide Governments have recognized the importance of liberalized agriculture markets. Today the worldwide trend is to encourage direct farmer sales and promote contract farming. Today there is a need to integrate farm production and retail chains. There is a necessity to integrate farm production with national and international markets and to enable farmers to undertake market oriented production plan and adoption of modern marketing practices.

Agricultural marketing system is defined in varied ways as below:

"Marketing includes all the business activities during the flow of goods and services from the initial point of agricultural production, till the reach in the hands of ultimate consumers."¹

Moore, Johi and Khusro have defined foodgrain marketing as –

"Foodgrain marketing includes all those commercial activities undertaken by marketing functionaries in a marketing channel to take the foodgrains to consumers from producers, by way of time (storage), place
(transportation) from (processing) and the transfer of ownership in different stages."

J. C. Abot has defined agricultural marketing as "Agricultural marketing includes all those activities by which food item and raw material reach the consumer from a farm."

But normally it can be defined as the physical and institutional setup to perform all activities involved in the flow of products and services from the point of initial agricultural production until they are in the hands of ultimate consumers. This includes assembling, handling, storage, transport, processing, wholesaling, retailing and export of agricultural commodities as well as accompanying supporting services such as market information, establishment of grades and standards, commodity trade, financing and price risk management and the various institutions, involved in performing all these functions.

Current agricultural marketing system in the country is the outcome of several years of efforts of government policy. The system has undergone several changes during the last 60 years, regarding the owing to the increased marketed surplus; growing urbanization and income levels and consequent changes in the pattern of demand for marketing services; increase in linkages with distant and overseas markets; and changes in the policies of government. There are three important aspects of an agricultural marketing system. These are market structure, conduct and performance.

In agricultural marketing, government intervention is necessary. The intervention of the government always influences it. An important characteristic of agricultural produce markets in India has been that private trade has continued to dominate the market. Millions of wholesalers and retailers handle the trade in foodgrains. Apart from traders, processors also play an important role as they also enter in the market as bulk buyers and sellers.
Agricultural development continues to remain the most important objective of Indian planning and policy. The experience of agricultural development in India has shown that the existing systems of delivery and marketing of agricultural output have not been efficient in reaching the benefits of technology to all the sections of farmers. The timely, quality and cost effective delivery of adequate inputs are still a dream, even though there are a few marketing attempts of the corporate sector and the developmental programmes of the state. Also, the farmers are not able to sell their surplus produce properly. There are plenty of distress sales among farmers both in agriculturally developed as well as backward regions. There are temporal variations and fluctuations in the markets and the producers' share in consumers' money has not been satisfactory, with the exception of a few commodities.

### 2.2 Importance of Agricultural Marketing

The study of agricultural marketing includes all the operations, and the agencies, involved in the movement of farm-produced foods, raw materials and their derivatives, from the farms to the final consumers and their effects. Normally, we can say that the agricultural marketing is the study of all the activities, agencies and policies involved in the production by the farmers and the movement of agricultural products from the farms to the consumers. The agricultural marketing system is a link between the farm and the non-farm sectors. A growing, agricultural field requires various things from the non-farm area, such as fertilizers, pesticides, farm equipments, machinery, diesel, electricity and repair services etc. The expansion in the size of farm output again requires transportation, storage, milling or processing, packaging and retailing to the consumers.

Agricultural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development also. In this way, agriculture marketing system plays a dual role in economic development of the countries like India,
whose resources are primarily agricultural. Marketing system transmits the crucial price signals.

1. Agricultural Marketing has a direct bearing upon the prosperity of the cultivators, as India is an agricultural country and about 70% of its population depends on agriculture.

2. Most of the total cultivated area (about 76%) is under foodgrains and pulses. Approximately 33% of the output of food grains, pulses and nearly all of the productions of cash crops like cotton, sugarcane, oilseeds etc. are marketed, as they remain surplus after meeting the consumption needs of the farmers. Development of technology, quick means of communication and transportation introduce the specialization in agriculture.

3. Agriculture supplies raw materials to various industries and therefore, marketing of such commercial crops like cotton, sugarcane, oilseeds etc. assumes greater importance.

4. With the introduction of green revolution, agricultural production in general and foodgrains in particular has substantially increased. In this reference, the agriculture, as a subsistence sector, slowly changing to a surplus and business proposition.

5. The interaction among producers, market intermediaries consumers and government, determine the cost of marketing and sharing of this cost among the various participants.

6. The producer, middlemen and consumer look upon the marketing process from their own individual point of view. The producer is primarily concerned with the selling of his products.
7. Any increase in the efficiency of the marketing process, which results in lower costs of distribution at lower prices to consumers, always brings about an increase in the national income.

8. A reduction in the cost of marketing is a direct benefit to the society.

9. Marketing process brings a new varieties, qualities and beneficial goods to the consumers and therefore, marketing acts as a line between production and consumption.

10. Scientific and systematic marketing stabilizes the price level.

11. An improved marketing system can stimulate the growth of number of agro based processing industries.

12. A marketing system can become a direct source of new technical knowledge and influence farmers to adopt updated scientific methods of cultivation.

Therefore, marketing is playing an important role in the economic development and stability of a country's economy.

### 2.3 Objectives of Agriculture Marketing

The farmer has realized the importance of adopting new techniques of production and is making efforts for more income and higher standards of living. While the trade is very organised the farmers are unorganized, the marketing system is becoming more and more complicated. The cultivator is handicapped purposely by other factors. Due to this, the farmer sells his produce at an unfavourable place, time and price. That's why the agricultural marketing has got an important place, which must work/function with following objectives.

1. To enable the primary producers to get the best possible returns;

2. To provide facilities for lifting all produce of the farmers to sell at an incentive price;
3. To reduce the price difference between the primary producer and ultimate consumer; and
4. To make available all products of farm origin to consumers at reasonable price without impairing on the quality of the produce.

### 2.4 Facilities Needed for Agricultural Marketing

In order to have the best advantage in marketing of farmer's agricultural produce, he should get certain basic facilities.

1. He should have proper facilities for storing his goods
2. He should have holding capacity, in the sense, that he should be able to wait for times when he could get better prices for his produce and not dispose of his stocks immediately after the harvest when the prices are very low.
3. He should have adequate and cheap transport facilities, which could enable him to take his surplus, produce to these market rather than disposing it in the village itself, to the village moneylender-cum-merchant at low prices.
4. He should have clear information regarding the market conditions as well as about the ruling prices, otherwise he may be cheated. There should be organized and regulated markets where the farmer will not be cheated by the dalals and others.
5. The number of intermediaries should be as small as possible, so that the middleman's profits are reduced. This will surely increase the profit of the farmers.

### 2.5 Methods of Sale and Marketing

The marketing of agricultural produce is generally transacted with one of the following ways.
1. **Under Cover or the Hatta System**

   Under cover or the hatta system is a famous method of agricultural marketing, particularly in rural areas. Under this system, the sale is affected by twisting or clasping the fingers of the seller's agent under cover of a cloth. The cultivator is not taken into confidence until the final bid is cleared.

2. **Open Auction System**

   The open auction system is an important method of agricultural marketing. Under this system the agent invites bids for the produce and to the highest bidder the produce is sold. The open auction system is beneficial for the producers.

3. **Dara System**

   Dara system is another one method of agricultural marketing. Another related system is to keep the heaps of grains of different quantities and sell them at flat rates without indulging in weightiest etc.

4. **Moghum Sale**

   Moghum sale is depending upon a verbal understanding. Under this system, sale is based on the verbal understanding between buyers and sellers and without mentioning the rate.

5. **Private Agreement**

   Private agreement is a legal understanding between buyers and sellers. The seller may invite offers for his produce and may sell to one, who may offer the highest price for the produce.

6. **Government Purchase**

   Government agencies lay down fixed prices for different qualities of agriculture commodities. The sale is affected after a gradual processing for gradation and proper weightiest. This practice is also followed in co-operative and regulated markets.
7. **Marketing Agencies**

The various agencies engaged in the marketing of agricultural produce can be classified into two categories.

i) Government and quasi private agencies like the co-operative societies and

ii) Private agencies. A chain of middlemen may be found operating both in Government and private agencies. The more important among these are as follows:

a) Merchant is the most usual purchaser of the produce; he deals in his individual capacity.

b) Merchants visit different villages, collect the produce, and take to the nearest market.

c) Take the weighing men from the villages to the dealers in town.

d) Agents are concerned with the assembling and distribution of agricultural produce.

2.6 **Structure of Agricultural Marketing System**

Current agricultural marketing system in India is the outcome of several years of government intervention. Agricultural marketing in India has undergone significant changes during the last 60 years, regarding the increased marketed surplus; increase in urbanization and income levels and consequent changes in the pattern of demand for marketing services; increase in linkages with distant and overseas markets; and changes in the form and degree of the intervention of the government.

1. **Marketing Channels**

In India, agricultural commodities move from the farm gate to consumers through several channels. Marketing channels for agricultural commodities vary from commodity to commodity. But it can be broadly divided into four groups
a) direct from farmers to consumers;
b) through public agencies or cooperative organizations;
c) through private wholesalers and retailers; and
d) through processors.

Some important characteristics and changes in marketing channels witnessed during the last fifty years are as follows:

1. The proportion of total marketed surplus going directly from farmers to consumers continues to be small.

2. The role of transporters and processors in the marketing channel has considerably increased.

3. Specialization of traders in agricultural marketing, both in terms of commodity or marketing functions has shown an increasing tendency.

4. The length of marketing channel has tended to increase due to increase in demand for value-added services and geographic expansion of markets.

5. The share of private trade in handling marketed surplus has continued to be large. Taking all agricultural commodities together, the marketed surplus handled by cooperatives and public agencies has been estimated as 10 percent respectively. 'The private trade handles around 80 percent of the total marketed quantities of agricultural commodities.'

6. Realizing that the marketing channels for perishable fresh farm products should be as possible, and to eliminate intermediaries, direct marketing by farmers has been encouraged during the last two decades. Several states took initiative and established farmers' markets like April Mandi (Punjab), Kisan Mandi (Rajasthan), Hadaspur Vegetable Market (Pune), Rythu Bazaars (Andhra Pradesh) and
Krushak Bazaars (Orissa). The establishment of such farmers markets helped both consumers and farmers.

2. **Market Yards and Market Places**

   Actual buying and selling of commodities mainly takes place in market yards and sub yards (primary and secondary wholesale markets) and rural periodic markets/hattas spread throughout the country. At present, there are 2354 main market yards, 4807 sub-market yards and 27294 rural periodic markets in the country. These are managed by Agricultural Produce Market committees (representing farmers and other stakeholders), local self-government institutions or government departments. The users to these markets, mostly buyers, have to pay a fee to the managers of these market places. Facilities in these market places vary extensively. Nearly two-thirds of market yards and sub-yards were laid out on vast land area with such facilities as auction platforms, shops, godowns, rest houses and parking lots. However studies have shown that facilities available in these yards are considerably short of the requirements. Further, nearly 85 percent of 27294 rural periodic market places have very little or almost no facilities for trade to take place efficiently.

3. **Market Structure**

   "Market structure is the size and design of the market. It refers to those organizational characteristics which affect the conduct and performance of the market."\(^5\) Important structural characteristics of agricultural produce markets include concentration of market power, conditions of entry or exit of firms, flow of market information, degree of product differentiation, and degree of integration - both vertical and horizontal.

   The marketing system is now required to handle large volumes of agricultural products on account of both increases in output as well as increase in marketed surplus to output ratios (MSOR). "The overall MSOR is estimated to have gone up from 33.4 percent in 1950-51
to 64.1 percent in 1990-91 and is expected to have increased further to around 70 percent in recent years.\textsuperscript{6}

The markets for agricultural products in India have remained dominated by the private trade even after the government intervention, nearly 80 percent of the marketed surplus of agricultural products is handled by the private trade. The wholesale assembly and trade in food grains is handled by around two million wholesalers in the area of retailing, there are around five million private retailers and more than 4.10 lakh fair price shops (under public distribution system). Nearly three-fourths of the fair price shops are in the private sector. On an average, there is one retail shop of food grains for a population of 200. Apart from the traders, processors play an important role as they also enter the market as bulk buyers and sellers.

The demand for value-added services and processing has considerably increased the role of processors in the market structure for farm products. In the case of food grains, there are 104704 hullers and sellers and 34688 rice mills for paddy processing; 812 roller flour mills and 2.66 lakhs flour-units for wheat processing 10000 pulse processing units. For oilseeds processing, 131600 cottage level crushers (ghanas) are giving way to 20000 expellers, 130 oil-refining units and 145 hydrogenation units. For sugarcane processing, there are 408 sugar factories, besides several khandsari units.

However, the state of processing and value addition in the food segment continues to be inadequate. Only 16 percent of country’s milk output is processed in the organized sector as against a world average of 52 percent. Out of total milk production in India, 33 percent is retained at the village level and 51 percent is handled by traditional unorganized sector.

Considering the entire food segment, processed segment accounts for 10 percent, semi processed 15 percent and remaining 75 percent is still fresh food market. Further, the food processing is dominated by unorganized small and even tiny sector. “The value addition to food
production is estimated to be only seven percent in India as against 23 percent in China, 45 percent in Philippines and 188 percent in United Kingdom.  

The processing segment of food market is growing rapidly and attracting investment since the launch of economic reforms in 1991. The pace can be accelerated further. Expansion of food processing industry can trigger growth in transport, packaging and refrigeration. It also has a strong impact on farmer's incomes and rural employment. 

"The agro-industry in India is dominated by the unorganized sector including small and micro-enterprises. Between 1994-95 and 2000-01, the number of agro-industrial units went up by 4, 5 million, expanding the sub-sectors share in manufacturing sector from 65 percent to 82 percent." By and large, the structural characteristics of market for agricultural products emerge as

a) the market size is already large and expanding;

b) it is dominated by the private sector;

c) unorganized small segment is much larger than the organized sector, but the share of organized sector is increasing; and

d) despite market being large, due to infrastructure bottlenecks and excessive regulatory framework, the efficiency is very low, adversely affecting both the farmers and consumers.

4. Marketing Institutions

Another important structural characteristic of market structure for agricultural commodities is the Institutional infrastructure created/promoted by the government for improvement of marketing system. "Depending on the objectives and role, the marketing institutions van be grouped into public sector organizations, cooperatives and other formal/informal bodies."
Public sector organizations include Food Corporation of India (FCI); Cotton Corporation of India; Jute Corporation of India; Commodity Boards; APEDA; STC; MPEDA; Commission for Agricultural Costs and Prices; Directorate of Marketing and Inspection; Departments of Food and Civil Supplies; State Agricultural Marketing Boards; Central and State Warehousing Corporations, and Agricultural Produce Market Committees. The role and functions of each of these differ and include policy formulation, implementation, supervision, facilitation and direct entry in the markets. Apart from these, a large number of farmers' cooperative organizations have been promoted for undertaking marketing and processing functions on behalf of the farmers or members of cooperatives.

By and large, marketing cooperatives in India is a four-tier structure consisting of primary marketing societies, district or regional cooperatives, state marketing federations and national level marketing cooperatives. The main marketing cooperatives include National Agricultural Cooperative Marketing Federation (NAFED), Tribal Cooperative Marketing Federation (TRIFED), State Cooperative Marketing Federations (general as well as commodity specific), district level cooperatives or unions of cooperatives, and primary agricultural cooperative marketing societies (general as well as commodity specific). In addition, the government has established some public sector organizations to promote cooperatives. These include National Cooperative Development Corporation and National Dairy Development Board. In quite a few commodities and regions, the cooperative organizations have played an important role in improvement in the performance of the marketing system by increasing competition. They have contributed not only in marketing and processing of farm products, but also in supply of inputs, including credit to farmers.

NAFED was established in October 1958 as an apex organization of marketing cooperatives. Its primary objective is to strengthen cooperative marketing structure in the country. Specific objectives
of establishing NAFED include (a) to coordinate and promote the marketing activities of affiliated cooperative institutions; (b) to promote inter-state and international trade in agricultural and related commodities; (c) to make arrangements for the supply of agricultural inputs required by its member cooperatives; and (d) to act as an agency of the government for purchase, sale, storage and distribution of agricultural products and inputs. To fulfill its objectives, NAFED has been undertaking internal trade, exports and imports, price support and market intervention operations, production and marketing of inputs, promotional activities, developing cooperative marketing of tribal produce, and processing and marketing of fruits, vegetables and other agricultural commodities.¹¹

5. Marketing Infrastructure

The availability of marketing infrastructure affects the structure, conduct and performance of the market. Studies have shown that due to the considerable expansion in infrastructure, there has been significant increase in both horizontal and vertical integration of agricultural markets. It has improved the process of price discovery and transmission of price signals from deficit to surplus area. However, the existing situation is far from adequate. Nearly 51 percent of the villages are still not connected by roads. Grading at primary market level is inadequate. Only around seven percent of the total quantity sold by farmers is graded before sale. The scientific storage capacity is only 30 percent of the required capacity. Cold storage facility is available for only 10 percent of fruits and vegetables. Physical infrastructure in market yards is inadequate. Most of the rural periodic markets (including livestock markets) have no infrastructure. Nearly 41 percent of the villages have no telephone facility. Due to lack of proper handling (cleaning, sorting, grading and packaging) at the village level, about seven percent of food grains, 30 percent of fruits and vegetables and 10 percent of spices are lost before reaching the market. The index of infrastructure at state level compiled by the Centre for Monitoring Economy shows that the infrastructure is relatively well
developed in the state of Kerala, Tamil Nadu, Haryana and Gujarat. But it has continued to be weak in Madhya Pradesh, Bihar and Rajasthan.

6. Contract Farming

Contract farming is emerging as an important mode of procurement of agricultural products by agribusiness firms (private, public or cooperatives). This is an advance arrangement/contract between the farmers and the firm. In this farming, the farmer produce an agreed quality and the same is purchased by the firm at the agreed price and time. Contract farming is beneficial to both the farmer as well as contractor. To the farmer, contract farming reduces price risk, to some extent production risk, marketing costs, and uncertainty of credit and helps in acquiring inputs. To the contractor, it helps in ensuring supply of quality product at the right time and at relatively lower cost. Despite several hurdles, some initiatives have been taken in recent years in this direction. The Escorts Krishi Sansar, Mahindra Subhlabh, Overseas and Tata Chemicals have been involved in contract farming in some selected areas. In addition, Coimbatore hatchery (poultry), NAFED (mushrooms in Sonepat), ITC Agro Tech (edible oilseeds), Punjab Agro Industry Corporation and some exporters/bulk buyers have tied up with farmers for assured purchases of such products as baby corn, tomato, chilies, garlic, onion, potato, banana, gherkins, barley, durum wheat, basmati rice, soybean, mustard, oil palm, coriander, grapes, pomegranate and raw cotton in different areas. Though, these initiatives are in the right direction, there are some reported inherent dangers like over use of natural resources, violation of contracts and introduction of undesirable seeds. Keeping the pros and cons in view, the Union a Ministry has drafted a model contract farming agreement and a supportive legislation for insertion in the APMR Acts. The model provides for compulsory registration of contracts, dispute settlement mechanism, settlement of claims within three months, and a ban on agreement on farmer’s land.
7. **Market Information and Use of IT in Agricultural Marketing**

The system of market information has continued to be far from satisfactory. While the traders and processors use their own informal sources, farmers depend both on formal and informal sources. Farmers are more interested in market news. The market news of interest to farmers is collected and provided by APMCs, SAMBs, state departments of agricultural marketing, field staff of Directorates of Economics and Statistics and Departments of agricultural marketing, field staff of Directorates of Economics and Statistics and Department of Food. The information is disseminated through display boards in market yards, announcements during open auction, newspapers, radio broadcasts and some TV channels also. Farmers also gather information through personal contacts with other farmers and traders.

The development in information technology has great potential for integration of agricultural markets. The Directorate of Marketing and Inspection, Government of India, has set up an Internet based system (AGMDRKNET) for market information networking across the country. The Market Research and Information Network (MRIN), which has already connected 735 wholesale markets, is aimed at catering to all stakeholders. Wholesale data for 154 commodities compiled by the Directorate of Economics and Statistics (GOI) are available on internet but this information mostly serves to the policy makers and researchers.

The information technology (IT) revolution, aided by the revolution in telecommunication has the potential to help in not only market information system but may also change the nature of market functioning altogether. The e-commerce introduced by the IT revolution has led to enhanced market access and better information. "The model of E-choupals (rural markets) promoted by ITC is the use of e-commerce in procuring agricultural commodities and selling inputs and other goods to the farmers."\(^{12}\)
The ITC’s E-choupal initiative was launched in 2000 and by the end of 2003 had grown to 2700 Choupals, covering 18000 villages and 1.2 million people in five states (Madhya Pradesh, Karnataka, Andhra Pradesh, Uttar Pradesh and Maharashtra). The commodities covered are soybean, wheat, rice, pulses, coffee and shrimp. The company plans to extend it to 15 states with 20000 Choupals covering 10 million people. The model consists of village Internet kiosks located around company’s supply clusters operated by ‘Sinkholes’ from among farmers/rural youths. The kiosks provide real time information to the farmers on inputs, practices, credit availability, product quality required and expected price. A few problems occurred here are tackled successfully for the benefits of farmers. The problem of illiteracy of farmers was solved by providing information in local language through 24x7 helps desks. The issue of contractual laws and regulations was tackled by giving public oath to Sanchalaks, as social contracts are more binding than the legal ones. The model has come out to be beneficial to both the farmers and the company.\(^{13}\)

Another example of corporate sector initiative in improving information system and application of e-governance is the Gramdoot project, launched in Rajasthan by Aksha Broadband Ltd., an optical fiber manufacturing company in January 2002. The objective of the project is to link the villages with national and global markets. With the launch of on-line futures trading in food grains, pulses and sugar in National Commodity Exchanges (NCDEX), the government has permitted banks and Department of Posts to set up bulletin boards in all the rural branches to display future prices for NCDEX on real time basis. This helps the farmers to know the harvest time prices in advance at the sowing time in near future; this may enable them to sell their product in advance at future prices. The NCDEX also has tied up with Echoupals of ITC for such displays. This initiative will help all stakeholders in the supply chain of traders, processors, wholesalers and bulk consumers.
8. **Marketing Efficiency**

The concern for the structure and conduct of marketing system relates mainly to its efficiency. Generally, marketing efficiency is measured either as operational efficiency or pricing efficiency. The operational efficiency is measured in terms of relative size of marketing costs, net margins and gross marketing margins (GMM), while the pricing efficiency is measured in terms of price series correlations and through co-integration analysis. A comprehensive review of studies on marketing efficiency has provided the following evidence:

- a) The GMM accounts for a substantial share of consumer's price. This includes marketing costs, statutory charges and net margins of middlemen.

- b) The share of farmers in consumer's money is higher for food grains, oilseeds and spices compared to that for perishable products. GMM in food grain markets are lower than for other products.

- c) The gross marketing margins (GMM) in agricultural commodities, according to one estimate add upto Rs. 1009 billion, consisting of Rs. 151 billion as statutory charges, Rs. 207 billion as net margins of functionaries (intermediaries) and Rs. 651 billion as cost of performing various marketing functions. About 77 percent of the marketing cost, amounting to Rs. 500 billion is estimated as available loss during handling, transport and storage. Investment in marketing infrastructure can save these losses.

- d) The degree of marketing /price efficiency is relatively low for fruits, vegetables, flowers and other perishable products due to inadequate infrastructure to handle such products.
e) Food grains and oilseed markets are highly integrated both horizontally as well as vertically. The degree of integration of wheat and rice markets has further increased during the nineties.

f) With a given change in supply and demand conditions, the prices at farm gate are sticky downwards and at retail level are sticky upward due to lack of competition in letter and spirit.

9. Some Emerging Issues

i) While the market orientation of Indian farmers has increased manifold, the improvement in the marketing system has not kept pace.

ii) Dependence of farmers on purchased inputs has also increased several folds. During 2000-01, farmers’ purchased inputs were valued at Rs. 694 billion as against Rs. 2 billion during 1950-51.\(^{14}\)

iii) The accelerated demand for output and input marketing services is now emerging from increased number of production units (farm holdings), which has gone up to 115.6 million. Further, out of total farm production units, 61.6 percent are marginal (operating an average of 0.40 hectares), 18.7 percent are small marketed surplus and demand for small quantities of purchased inputs.

iv) Despite large quantities of marketed surplus handled by the private trade, it did not substantially invest in market infrastructure, due to excessive regulatory framework. Notwithstanding the continuing small proportion of total marketed surplus going directly from farmers to consumers, the initiatives like establishment of farmer's needs to be pushed further.
There is considerable gap in the facilities available and desired in the market yards/sub-yards.

Concerns have been expressed in some quarters about the low utilization of marketing infrastructure by the farmers. However, non-utilization of the facilities by the farmers should not be a matter of worry so long as somebody else uses these. If traders store farm products in warehouses or transport these through railways or roads, farmers benefit from the infrastructure indirectly.

Removing obstacles on rapid growth of agro-industrial sub-sector can serve as an important means to expand markets for primary agricultural products, foster greater value addition and generate employment in rural areas. There is a great scope, potential and prospects of growth of food processing sector. One of the important hurdles in boosting value addition in food sector is multiplicity of food-related laws and regulations.

2.7 Problems and Weakness of Agricultural Marketing

Indian system of agricultural marketing suffers from a number of defects. As a consequence, the Indian farmer is not getting a fair price for his produce. The main defects of the agricultural marketing system are discussed by the Dantwala Committee are as below:

1. Improper Warehouses

There are an absence of proper warehousing facilities in the villages. Therefore, the farmer is compelled to store his products in pits, mud-vessels, "Kutcha" storehouses, etc. These are unscientific methods of storing, which lead to considerable wastage of the agricultural products. Approximately 1.5% of the produce gets rotten and becomes unfit for human consumption. Due to this reason supply in the village market increases substantially and the farmers are getting a fair price for their produce. The setting up of Central Warehousing Corporation and State Warehousing Corporation has been trying their best to improve the situation to some extent.
2. **Lack of Grading and Standardization**

Different varieties of agricultural produce are not graded properly. The practice usually applied for this is the one known as "dara" sales. The heap of all qualities of produce are sold in one common lot. Thus the farmer producing better qualities is not assured of a better price. Hence, it is becoming difficult to use better seeds and produce better varieties.

3. **Inadequate Transport Facilities**

Transport facilities are highly inadequate in India. Only a small number of villages are joined by railways and pucca roads to mandies. Produce has to be carried on slow moving transport vehicles like bullock carts. Obviously, such means of transport cannot be used to carry produce to far-off places. Due to this, the farmer has to dump his produce in nearly markets even if the price obtained in these markets is considerably low. This is even more true with perishable commodities.

4. **Presence of a Large Number of Middlemen**

The chain of intermediaries in the agricultural marketing is so large that the share of farmers is reduced substantially. For instance, a study of D. D. Sidhan revealed that the farmers obtain only about 53% of the price of rice, 31% being the share of middlemen. In the case of vegetables and fruits the share was even less. The share of middlemen in the case of vegetables was 29.5% and in the case of fruits was 46.5%. Some of the intermediaries in the agricultural marketing system are village traders, Kutcha arhatiyas, pucca arhatiyas, brokers, wholesalers, retailers, money lenders, etc.

5. **Malpractices in Unregulated Markets**

The number of unregulated markets are substantially large in our country. Arhatiyas and brokers are taking advantage of the ignorance and illiteracy of the farmers. They use unfair means to cheat them. The farmers are required to pay arhat (pledging charge) to the arhatiyas, "tulaii" (weight charge) for weighing the produce, "palledari" to unload the
bullock carts and for doing other miscellaneous types of allied works, "garda" for impurities in the produce, and a number of other undefined and unspecified charges. Another malpractice in the man dies are the use of wrong weights and measures in the regulated markets. Wrong weights continue to be used in some unregulated markets with the object to cheat the farmers.

6. **Inadequate Market Information**

It is often not possible for the farmers to obtain information on exact market prices in different markets. So, they accept, whatever price the traders offer to them. With a view to tackle this problem the government is using the radio and television media to broadcast market prices regularly. The newspapers also keep the farmers with the latest changes in prices. However, the price quotations are sometimes not reliable and sometimes have a great time lag. The trader generally offers less than the price quoted by the government news media.

7. **Inadequate Credit Facilities**

Indian farmer, being poor, tries to sell off the produce immediately after the crop is harvested though prices at that time are very low. The safeguard of the farmer from such "forced sales" is to provide him credit so that he can wait for better times and better prices. Since such credit facilities are not available, the farmers are forced to take loans from moneylenders, while agreeing to sell their produce to them at less than market prices. The co-operative marketing societies have been generally catering to the needs of the large farmers, but the small farmers are left at the mercy of the moneylenders.

8. **Weighment**

In many markets the weights used to weigh the agro products are defective. As well, there is no proper supervision over this process and concerning authorities. The persons involved in this process are mostly the employees of the traders. That's why they often manipulate the scale for their employers.
9. **Delayed Payment of Sale Proceeds**

The farmers are not getting in most cases the full value of their payment of their products immediately. The payment is made with advances and final bill is made after delay. Sometimes, the advances are provided by the traders to the farmers before the harvest, as per their need. Such advances are deducted, with various levy interest charges. In this way, the system is always manipulated to cheat the farmers.

10. **Large Samples**

Frequently, the large samples of the products are always taken by the buyers. At this time, proper prices of the samples are not given to the farmers. This causes certain losses for the farmers.

11. **Low Marketable Surplus**

Marketable surplus is very low in India. It has been estimated 30-35% in case of foodgrains and 90-95% in case of crops. The agricultural production should be made so efficient in this regard.

2.8 **Reforms in Agricultural Marketing**

The government of India is trying to force upon the states to amend their respective APMC Acts to promote the interests of multinational firms. In fact, the real objectives are seemingly to facilitate to the agri-business multinational corporations to make purchases of agricultural produce from farmers outside 'mandis'. But such kind of reforms, wherever adopted have not only endangered the food security but also have pushed the farmers to the miseries. Though fully fledged impact of the reforms are yet to come, agri-business firms have started expanding their activities in this sector. Therefore the issue of reforms in agricultural marketing requires an immediate inquiry to safeguard the interests of Indian agriculture in general and small and marginal farmers in particular.

After independence there was a general feeling that agricultural markets do not function in a proficient manner. Apart from inefficiencies in distribution, including wastage of agricultural produce, the farmers suffer due to exploitation by traders on different accounts such as weight,
illegitimate deductions, delayed payments etc. To overcome such problems different state governments enacted their respective APMC Acts. These Acts made provisions to save the farmers from exploitation, promoted efficiency and made norms for spending market fees on different heads including infrastructural developments. Structure of Agricultural Produce Marketing Committee (APMC) and its decision making body are made in such a way, that farmers would be in the majority and chairman of the Committee would also be a farmer. There is no doubt that, we have to bring amendments in the laws, though it looks very good in its original form. Emerging changes in the field of agriculture, call for such changes in laws in the agricultural marketing. But this cannot be an argument to make amendments to favour multinational agri-business firms. For this, the elections should be held at regular intervals and democratic functioning of the mandis should not be allowed to be diluted in any case.

Now a days instead of providing sufficient safeguards to the farmers, entering into contract farming, new rules take away the legal right of the farmers to seek justice from courts. The Model APMC Act leads to de-democratization of agricultural markets and therefore limits the rights of the farmers to control agricultural markets. In some states of region, the private yards of the companies have been allowed to be established by the companies. Heavy profits have been made by these companies without giving any benefit to the farmers. For instance in 2009-10 the average price of Soya paid by ITC to the farmers in Madhya Pradesh was around Rs. 1150/- per quintal, it was sold by the company at an average price of Rs. 1555/- per quintal. Even the rules of contract farming, given by Model APMC Act and adopted by various state governments also in favour of multinational agribusiness firms. Small and marginal farmers, which constitute 90% of the farming community, have been left at the mercy of these firms. In earlier acts, the agriculturist was defined as "one, whose livelihood depends directly on farming." This is changed as "A person who is a resident of the notified area of the market and who is engaged in production of agricultural produce himself or by hired labour or
otherwise. This definition is changed to suit the best interests of the various corporations only, in some states and region the private yards of the companies have been allowed to be established by the companies. Heavy profits have been made by these companies without giving any benefit to the farmers for instance in 2009-10.

The Model APMC Act makes us remember alien rule, when Indian farmers were given unequal legal status. The Model Contract Farming Agreement provided by Model APMC Act refers to corporations as 'contract farming sponsor'. Contracts oblige farmers to produce, but does not oblige corporation to buy. In case of a dispute, farmers cannot seek justice from courts. The Model Act puts a bar to civil suits. Act 105 of Article 89 states "No court shall take cognizance of any offence punishable under this Act or any rule or any by-laws made there under, except on the complaint made by the Collector or Chairman, Vice Chairman, Chief Executive Officer of the Market Committee or any person duly authorized by the market committee in this behalf". In other words, the farmers are disfranchised of all legal and civil rights. This is a system of slavery. This spells the end of democracy. The clause of restriction for the farmers to approach courts, make them handicapped in this event.

The review of contract farming all over the world reveals that:-

Firstly, the contracts are highly biased against the farmers. In general, farmers are not equipped with information and knowledge required in this regard. Further, the agri-business firms made the situation worse for the farmers as they have very little bargaining power of the farmer.

Secondly, the firms point favour large farmers and relatively better endowed regions. Companies work with small farmers only when the area is dominated by small farmers or they are encouraged by the state or by the nature of the crop.
Thirdly, there is 'agri-business normalization' in contract price over time. That is in practice after making the farmers dependent upon the company, offered price is gradually reduced, for example price of tomato falling from Rs. 4.50 per kg to Rs. 1.85 per kg in 10 years by Pepsi Food in Punjab.

Fourthly, farmers compete with each other to get contracts, and companies even refuse to buy or reject produce with quality standards manipulation, higher costs are passed on to the farmers in the from of artificially dearer seeds and other inputs.

Fifthly, contracting also leads to food insecurity, social and economic differentiation and ecological degradation like over-pumping of groundwater, salivation and chemicalisation of soil and water.

According to a recent study on contract farming in Thailand, contracts are highly biased against the farmers and companies take help of brokers (middlemen) to work with farmers. Even the intervention from the government has failed to give relief to the farmers. Instead the monetary help from the government has benefited companies only. Wide ranging discussions at different levels with farmers, traders, workers, legal experts and social workers reveal that allowing purchase outside the mandi by multinational agribusiness firms or even domestic companies is not in the best interest of the farmers and nation also. Even if we allow private parties to obtain license for the purchase of agricultural produce outside the 'mandi', there should not be any condition regarding minimum quantum of purchase by such private person/company. This would make the arrangement of purchase by private agencies at a level playing with different players with varying capacities. Rather to avoid creation of monopoly by agribusiness firms a condition for the maximum quantum of purchase will have to be stipulated. In the absence of this provision with multinational agribusiness firms given the right to purchase, it is likely that using their economic power these firms may create unwarranted upheavals in the markets of agricultural produce.
Regarding the contract farming it is believed that the Model Act has a few shortcomings, to address the concerns of farmers emerging from the experience of contract farming in India. It does not provide sufficient safeguards for the farmers. Rather it has the potential to create further bias in favour of multinational agribusiness firms. Further there is an acute danger of loosing our bio-diversity if agri-business firms are allowed freedom to enter into contract with farmers with regard to all types of agricultural produce. Contract farming has to be restricted with regard to both the area under contract farming arrangement and the crop system. Some states while amending their respective APMC Acts have shown this restrain and has allowed contract farming arrangements for only a few crops. Government of India as well as the state governments should institute enquiry regarding working of contract farming and the problems faced by the farmers in this regard. An enquiry should also be made into the spreading suicide phenomenon among the farmers in different states and their linkages the contract farming system.

2.9 Agricultural Marketing Systems in India

The existing system of agricultural marketing in India can be briefly described here as below:

1. Sale to Moneylenders and Traders

A considerable part of the total produce is sold by the farmers to the farmers to the village traders and moneylenders. According to an estimate 85% of wheat, 75% of oil seeds in U. P., 90% of jute in West Bengal and 60% of wheat, 70% of oil seeds and 35% of cotton in Punjab are sold by the farmers in villages themselves. Often the money lenders act as a commission agent of the wholesale trader.

2. Hats and Shanties

Hates are village markets often held once or twice in a week, while shanties are also village markets held at longer intervals or on special occasions. The agents of the wholesale merchants, operating in different mandies also visit these markets.
The area covered by a "hat" usually varies from 5 to 10 miles. Most of "hats" are very poorly equipped, are uncovered and lack storage, drainage, and other facilities. It is important to observe that only small and marginal farmers sell their produce in such markets. The big farmers with large surplus go to the larger wholesale markets.

3. Mandies or Wholesale Markets

One wholesale market often serves a number of villages and is generally located in a city. In such mandies, business is carried on by arhatiyas. The farmers sell their produce to these arhatiyas with the help of brokers, who are generally the agents of arhatiyas. Because of the malpractices of these middlemen, problems of transporting the produce from villages to mandies, the small and marginal farmers are hesitant of coming to these mandies.

The arhatiyas of these mandies sell off the produce to the retail merchants. However, paddy, cotton and oilseeds are sold off to the mills for processing. The marketing system for sugarcane is different. The farmers sell their produce directly to the sugar mills.

4. Co-operative Marketing

To improve the efficiency of the agricultural marketing and to save farmers from the exploitation and malpractices of middlemen, emphasis has been laid on the development of co-operative marketing societies, such societies are formed by farmers to take advantage of collective bargaining.

A marketing society collects surplus from it members and sell it in the mandi collectively. This improves the bargaining power of the members and they are able to obtain a better price for the produce. In addition to the sale of produce, these societies also serve the members in a number of other ways. The United Nations in one of their reports, have stated that co-operative marketing associations are probably next in importance for rural prosperity to those providing and administrating credit. So its detailed study is essential here.\textsuperscript{15}
2.10 Co-operative Marketing System in India

Though the above measures have improved the system of agricultural marketing to some extent, a major part of the benefits has been derived by large farmers, who have adequate marketable surplus. However, the small and marginal farmers continue to sell a major part of their produce to moneylenders to meet their credit needs and these moneylenders manipulated and offer them very low prices. Therefore it is essential to form cooperatives of the small and marginal farmers to enable them to obtain fair prices for their produce.

2.11 Aims and Objectives of Co-operative Marketing

According to the report of Dantwala Committee on Co-operative Marketing the main object for which growers organize a co-operative marketing society is to enable them to market their produce to their best advantage and for this purpose of streamline the whole process of movement of goods to the consuming markets.

In brief the chief objects and aims of co-operative marketing society are as below:

1. to strengthen the bargaining capacity of the farmers.
2. to secure the members a better price for their produce.
3. to eliminate the danger of middlemen.
4. to provide finance to the needed member.
5. to persuade the farmer to grow better quality goods.
6. to stabilize price.
7. to develop fair trading practices.
8. to provide the facility of grading and transportation.
9. to act as an agent of government for introduction and implementation of price support policy.
10. to promote the economic interests of its members by encouraging self help, thrift and better farming among members.

11. to act as a distributive centre for agricultural requisites such as seeds.

12. to help in the expansion of co-operative credit programme by linking marketing with credit.

The advantages of the co-operative marketing are listed below:

1. **Increases Bargaining Strength of the Farmers**

Many of the defects of the present agricultural marketing system arise because the ignorant and illiterate farmer (as an individual) has to face well-organised mass of clever intermediaries. If the farmers join hands, naturally they will not be the victims of exploitation and malpractices. Instead of marketing their produce separately, they will market it together through one agency. Previously the market prices were determined by the intermediaries and merchants and the helpless farmers were mere spectators force to accept, whatever was offered to them. The co-operative societies have changed the entire complexion of this game. Wherever strong marketing co-operative are operative, they have bargained for and have achieved, better prices for their agricultural produce.

2. **Economy in Cost of Marketing**

The marketing society will be in a position to control a large volume of business, so it will succeed in effecting real economies in services like assembling, grading, storing, risk bearing, etc. It might be possible for the society to render the services at minimum cost as compared with the services of middlemen.

3. **Direct Dealing with Final Buyers**

In case, the co-operatives can altogether skip the intermediaries and enter into direct relations with the final buyers. This practice will
eliminate exploiters and ensure fair prices to both the producers and the consumers.

4. Help in Growing Better Crops

By providing agricultural requisites like fertilizers, seeds, pesticides etc. a marketing society also helps its members to grow the best crops and thus to increase its yield. It can also help them in improving the product by demonstrating to them new methods of production and by supplying the tools and raw material needed for good quality production. Even, it is possible for these societies to provide the processing facilities, which may be helpful to increase the farmer's income.

5. Provision of Credit

The marketing co-operative societies provide credit to the farmers to save them from the necessity of selling their produce immediately after harvesting. This ensures better returns to the farmers.

6. Easier and Cheaper Transport

Bulk transport of agricultural produce by the societies is often easier and cheaper. Sometimes the societies have their own means of transport. This further reduces cost and botheration of transporting produce to the market.

7. Storage Facilities

The co-operative marketing societies generally have storage facilities. Thus, the farmers can wait for the better prices. Also there is no danger to their crop yield from rains, rodents and thefts.

8. Grading and Standardization

This task can be done more easily for a co-operative agency than for an individual farmer. For this purpose, they can seek assistance from the government or can do at their own level the grading arrangements for their products.
9. Division of Surplus

The profits of a marketing society become the property of the members and the same is divided in production to the contribution they have made to the business of the co-operative. This bonus for patronage becomes an addition to the price they have already received.

10. Market Intelligence

The co-operatives can arrange to obtain data on market prices, demand and supply and other related information from the markets on a regular basis. This can help them to plan their activities accordingly.

11. Educative Value

Co-operative marketing has been strongly advocated because of its highly educative influence. Influence is so important in the economic education of farmers as their own efforts in co-operative marketing. The very attempt on the part of farmers to solve their problems teaches them basic economic truths. Co-operative marketing also teaches farmers that the problem of marketing is closely related to the problem of production. They also serve an important function in supplying information on many factors, which affect the economic status of farmers.

In addition to all these advantages, the co-operative marketing system can arouse the spirit of self-confidence and collective action in the farmers. Without this the agricultural development will not be well conceived and implemented, and hold no promise to success.

2.12 Progress of Co-operative Marketing in India

The first marketing co-operative was established in Hubli in 1915. Since then the number of such societies have been steadily increased. Upto 1942-43 they were 142. In Province of Madras, Punjab its progress was appreciable, but in other provinces, it was not satisfactory. That's why in 1946, the Co-operative Planning Committee suggested to sell 25% of annual marketable surplus through the co-operative societies. For this they recommended one society to be established in every 2000 mandis or a society for 200 villages, for grading, pooling, processing and
sale of the agro products. The committee also suggested to provide
government subsidies to such societies, during five years of their
inception, for their administrative purpose.

But no plans were made. In 1951, the Gorawala Committee found
that the condition of such society was very miserable. A few
recommendations were made but not much could be achieved during
first five year plan. But in the second plan period, considerable emphasis
was given for the expansion of such societies. In all 3108 primary
marketing societies, 171 central marketing societies, 24 apex societies
and NAFED was established during this period. The value of agricultural
product of Rs. 174 crores was handled by these societies.

Upto 2004, 5125 general purpose, 5585 special commodity
marketing societies are working at the primary level. There are
390 district marketing federations and 28 general purpose and 29 special
commodity state marketing federations with NAFED at the top, are
working upto 2004.

2.13 Improvement of Agricultural Marketing System

Government of India has adopted a number of measures to
improve agricultural marketing, the like establishment of regulated
markets, construction of warehouses, provision for grading, and
standardization of produce, standardization of weight and measures,
daily broadcasting of market prices of agricultural crops on All India
Radio and Tele channels, improvement of transport facilities, etc.
They can be briefly understood as below:

1. Marketing Surveys

In the first place the government has undertaken marketing
surveys of various goods and has published these surveys.
These surveys have brought out the various problems connected with the
marketing of goods and have made suggestions for their removal.
2. **Grading and Standardization**

The government has done much to grade and standardize many agricultural goods. Under the Agricultural Produce (Grading and Marketing) Act the Government has set up grading stations for commodities like ghee, flour, eggs, etc. The graded goods are stamped with the seal of the Agricultural Marketing Department-AGMARK. The "Agmark" goods have a wider market and command better prices.

A Central Quality Control Laboratory has been set up at Nagpur and eight other regional laboratories in different parts of the country with the purpose of testing the quality and quality of agricultural products applying for the government's "Agmark" have been created. The government is further working for the quality control enforcement and inspection and improvement in grading.

3. **Organization of Regulated Markets**

Mirchandani and Hirandani have said, "when the sales are not done by the open auction system, the farmer's interest is often lost sight of. Even in open auction there may be a fact understanding among the bidders not to bid high for putting these malpractices to an end, marketing commodities with strong representation of farmer's interest are necessary. A number of unfair practices like short weights, unwarranted deductions and higher rate of commission and other market charges prevalent in most of the mandis take away a substantial share of the price paid by the purchasers and place the farmers at a disadvantage. Vis-a-vis the more organised section of trading class." In order to safeguard the interest of producers and consumers, government have been trying to keep a control on the markets through certain regulations. Now a days, the Directorate of Marketing and Inspection renders advice to the state governments in farming market legislation and its enforcement.
Important functions performed by the committees can be summarized as follows.

a) fixation of charges for weighing, brokerages etc.,

b) prevention of unauthorized deductions, underhand dealings, and wrong practices by the arhatiyas,

c) enforcing the use of standardized weights,

d) providing up to date and reliable market information to the farmers, and

e) settling of disputes among the parties arising out of market operations.

The system of regulated markets has been found to be very useful in removing fraudulent practices followed by brokers and commission agents and in standardizing market practices. The committee is responsible for the licensing of brokers and weight men. It is nested with powers to punish anyone who is found guilty of dishonest and fraudulent practices. It is the policy of the government to convert all markets in the country into the regulated type. Regulated markets aim at the development of the marketing structure to have the following.

1. Ensure remunerative price to the producer of agricultural commodities,

2. Reduce non functional margins of the traders and commission agents, and

3. Narrow down the price spread between the producer and the consumer.

To achieve these objectives, the government would go in for comprehensive and rapid expansion of regulated marketing systems. The success achieved in states like Punjab and Haryana, where regulated markets have been embellished in major producing areas with linked satellite markets in the rural growth centres. The regulating marketing system has also proved a good source of generating income
for the marketing boards and for use in rural infrastructure. The regulated market complex will also include facilities for grading and for monitoring of prices.

The development of regulated markets is proposed especially in areas where commercial crops like cotton, jute, tobacco and important non-traditional crops are produced and sold in weekly markets and hats. Co-operative marketing and distribution and banking will also be linked with the regulated markets. These markets will cover all the major crops. Separate market yards are proposed for livestock, fish, fruits and vegetables.

There are now over than 6,050 regulated markets. With the establishment of these regulated markets, the malpractices in mandies have disappeared and the market charges have been rationalized. As much as 70% of agricultural produce is now sold in regulated markets.

In this connection, the steps taken to standardize the weight and measures in the country should be mentioned. The government has successfully replaced the different systems of weights and measures prevalent in the country with the metric system.

4. Provision of Warehousing Facilities

To prevent distress sale by the farmers, particularly the small and marginal farmers, due to prevailing low prices, rural godowns have been set up. The government has done much to provide warehousing in towns and villages. The Central Warehousing Corporation was setup in 1957 with the purpose of construction and running go downs and warehouses for the storage of agricultural produce. The states have setup the State Warehousing Corporations with the same purpose. At present the Food Corporation is constructing its own network of godowns in different parts of the country.
5. Dissemination of Market Information

The government has been giving attention to the broadcasting of market information to the farmers. Since most villages have the availability of newspapers, magazines etc. and radio sets, and tele channels.

6. Directorate of Marketing and Inspection

The directorate was set up by the Government of India to co-ordinate the agricultural marketing of various agencies and to advise the Central and State Governments on the problems of agricultural marketing. Activities of this directorate include the following.

a) promotion of grading and standardization of agricultural and allied commodities;
b) statutory regulation of markets and market practices;
c) training of personnel;
d) market extension;
e) market research, survey and planning and

An allied task is the one related to marketing research and survey. This should aim at determination of best handling methods of produce to minimize losses, damage and costs, improved methods of wholesaling and retailing and planning for new marketing facilities at appropriate centers. With this aim in view, the Directorate is currently implementing two schemes.

i) Market Research and Planning

Under this scheme, the Directorate has been carrying out country-wide marketing waves on live-stock and important agricultural and horticultural commodities to identify and study the problems of agricultural marketing.
ii) **Market Planning and Design**

Under this scheme, the Directorate has set up a Marketing Planning and Design Centre at Faridabad and a training center and Workshop at Nagpur to study the packaging grading and marketing of selected fruits and vegetable and also advise the authorities on the designing of fruits and vegetable markets.

7. **Government Purchases and Fixation of Support Prices**

In addition to the measures mentioned above, the Government also announces minimum support price for various agricultural commodities from time to time in a bid to ensure fair returns to the farmers such as for sugarcane and cotton. These prices are fixed in accordance with the recommendations of the Agricultural Price Commission.

If the prices start falling below the declared level (say, as a result of glut in the market), the Government agencies like the Food Corporation of India intervene in the market to make direct purchase from the farmers at the support prices. These purchases are sold off by the Government at reasonable price through the public distribution system.

2.14 **References**


