CHAPTER II

OBJECTIVES AND METHODOLOGY
2.1 Need for the Study

It is well known that the Indian farmers suffer as a result of not getting their due share in the price of their produce. This problem of agricultural marketing was discussed in detail as far back as 1928 by the Royal Commission on agriculture in the following words. "The disparity between the final price paid by the consumers and the initial price realised by the farmers is considered to be largest and in this process the farmer appears to be a great loser whereas the middleman is the gainer."

After the advent of planning, many developments have taken place in the markets and marketing conditions for agricultural produce as a result of various factors.

viz legislative measures for administration of regulated markets, introduction of new technology in farming, growth of credit institutes, agricultural extensions and education programmes, Government policy regarding procurement and marketing etc. Consequently, changes have taken place in cropping pattern, form of marketing, location and nature of agricultural marketing facilities including storage, transportation etc. Thus markets and marketing conditions will continue to be affected by these developments in future also.

A number of studies have been conducted during post independence period by different researchers on various aspects relating to the developments, including efficiency of agricultural marketing, in respect of food and non-food crops. Most of the studies on agricultural marketing focussed attention on pricing efficiency in whole-sale markets at the primary, secondary and terminal levels. Generally such micro-studies have been undertaken for the purpose of post-graduate or doctoral thesis. On the other hand, studies of macro nature deal mainly with problems of fluctuations in general price level.
In recent years, onion has become an important commercial crop in Maharashtra. It is observed that it is more profitable than other irrigated crops of the same duration and hence, it has assumed a good deal of importance as a cash crop in the onion growing areas of the state. After meeting the needs of domestic market a sizeable quantity of onion was exported in the last few years thereby earning valuable foreign exchange for the country.

Studies relating to onion can be divided into 4 groups. Some have studied yield per hectare and cost of production of onion, while others have made comparative studies of income from onion and other vegetable crops. A few studies have been made on price spread in vegetables. One study examines specifically the price spread of onion in Maharashtra. There are some studies also which examine the changes in the market structure and their effects. However, to the best of our knowledge, only one study pertaining to marketing of onion and associated problems was made by Nirbhail Singh and Johl as far back as 1967. Experimental studies on problems of storage on onion in Nashik district have been made by NAFED in the last few years and are of limited value.
since they do not cover other aspects of marketing. Our study seeks to fill the gap by bringing under purview all the important aspects of onion marketing, and Lasalgaon, which is the biggest centre of onion marketing in the country, provides a good field for our study.

2.2 Objectives of the Study:

As a crop of national importance, there is need for micro-studies relating to the different aspects of production and marketing which are of vital importance to the producers of onion. In this study, therefore, we cover such aspects as costs of production, with emphasis on transportation, storage, grading and marketing. In our study effort has been to concentrate on the following contd.....
aspects relating to marketing of onion.

1) To trace the history and growth of Lasalgaon market and its emergence as a major marketing centre for onion. To study in this context, the proportion of onion marketed in Lasalgaon market in relation to other marketed commodities in terms of total arrivals and their value.

2) To study the organization and functions of the Lasalgaon market Committee and examine the factors that influence the concentration of sale of onion in the Lasalgaon market. It is also proposed to find out whether there is scope for providing additional facilities to market participants.

3) To study the variations in the arrivals and value of onion marketed in the Lasalgaon market over a period of about 25 years 1961-62 to 1984-85.

4) To study the variations in monthly and annual prices obtained by producers of onion on the Lasalgaon market.

5) To classify and analyse the various marketing costs that are incurred by different categories of farmers and to determine per quintal marketing cost of onion. For this purpose we have collected data for a period of 3 years from 1982-83 to 1984-85, by conducting a survey of farmers. It is also proposed to work-out the proportion that the marketing costs bear to the prices obtained by the
farmers and the changes that have occurred in the prices over the period of 3 years i.e. 1982-83 to 1984-85.

6) To study the problems associated with storage of onion and the ways adopted for meeting them. We make detailed observation about the existing methods of storage and their respective costs. We further examine the advantages and disadvantages of storage facilities at market level to the farmers.

7) To make detailed study of grading system adopted at the farm level by producers and at market level by the Market Committee and Government. Further, to examine whether grading system is scientific and helps the farmers to obtain better prices for onion.

8) To study the different modes of transportation area of onion in the market and the cost per quintal incurred for different modes of transportation by farmers.

9) To analyse the types of buyers and quantities bought by them over the period 1982-83 to 1984-85, and to examine whether any monopolistic or oligopolistic practices exist affecting the prices received by farmers.

10) To study the difficulties experienced by the farmers in selling onion in Lasalgaon Market.
It is hoped that this study will be helpful in highlighting the important issues and will suggest possible remedies.

2.3 Methodology and Sources of Data:

In view of the above objectives, Niphad taluka of Nashik district was selected as the area of our study. As mentioned before, Nashik district on an average contributes more than 40 percent of the total production of onion in Maharashtra State. The Lasalgaon market is the biggest onion market in India. Hence, it was selected for an intensive study of the problems related to the marketing of onion.

The data for the study have been drawn from both primary and secondary sources.

2.3.1 Primary Data:

Primary data was collected in person through field investigation in Niphad taluka. It was selected because it contributes 25 percent of the total cultivated area under onion cultivation in the district.

In Niphad taluka, there are 129 villages. Of them, some villages are so tiny that they could not be considered for survey. After excluding them, 11 villages were selected for survey on the basis of a 10 percent sample and
stratified sampling method. The stratification in turn was based on the total cultivated area of that village. The classification of villages so selected is given below:

<table>
<thead>
<tr>
<th>Size group (Hect)</th>
<th>Total villages</th>
<th>Nos. selected villages</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 200</td>
<td>59</td>
<td>5</td>
</tr>
<tr>
<td>201 -1000</td>
<td>55</td>
<td>4</td>
</tr>
<tr>
<td>1001 -1500</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>1501 - 2500</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>2501 and above</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total** 129 11

The names of the 11 villages along with the total area and distance from Lasalgaon market are given in the following table:
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Village</th>
<th>Total area (Hect)</th>
<th>Distance from Lasalgaon Market (Kms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Shivare</td>
<td>443</td>
<td>20</td>
</tr>
<tr>
<td>2.</td>
<td>Shivadi</td>
<td>500</td>
<td>15</td>
</tr>
<tr>
<td>3.</td>
<td>Karanj  i</td>
<td>500</td>
<td>22</td>
</tr>
<tr>
<td>4.</td>
<td>Maralgoi</td>
<td>399</td>
<td>6</td>
</tr>
<tr>
<td>5.</td>
<td>Davachawadi</td>
<td>500</td>
<td>26</td>
</tr>
<tr>
<td>6.</td>
<td>Khedalezunge</td>
<td>904</td>
<td>15</td>
</tr>
<tr>
<td>7.</td>
<td>Khadak-Malegaon</td>
<td>797</td>
<td>10</td>
</tr>
<tr>
<td>8.</td>
<td>Gajarwadi</td>
<td>932</td>
<td>15</td>
</tr>
<tr>
<td>9.</td>
<td>Devguan</td>
<td>1000</td>
<td>23</td>
</tr>
<tr>
<td>10.</td>
<td>Kasabesukn</td>
<td>1495</td>
<td>18</td>
</tr>
<tr>
<td>11.</td>
<td>Chandori</td>
<td>2445</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: Tahsil Office, Niphad.

### 2.3.3 Selection of Farmers

The selection of farmers was on the basis of purposive sampling. Thus from each village 30 farmers were selected. The Schedule for farmers sought, information on their background, per hectare onion yield,
marketing practices and opinions on marketing infrastructures and problems. Information regarding cultivation, cultivation cost, modes of transportation and transportation cost, storage of onion, lossess in storage, the types of agency preferred in sale of produce, general difficulties encountered in marketing and opinions regarding marketing process was also collected.

The incidental cost of onion is based on our own observation and on the discussion with farmers who market onion in the Lasalgaon market.

2.4 Secondary Data:

The information in respect of acreage, production and sale of onion has been obtained from secondary sources.

General information of Nahik district has been and taken from 'Socio-economic Review', 'District Statistical Abstract' of Nashik district. Information regarding acreage under onion crop has been obtained from 'Land Records Office' and 'District Statistical Office' Nashik. Changes in acreage under onion crop in different talukas has been shown in percentages for the period 1965-66 to 1980-81.
The growing importance of onion on Lasalgoan market has been brought out by comparing it with all marketed commodities. The annual arrivals and total value in percentage have been studied over the period 1950-51 through 1984-85. Data regarding arrivals and value was collected from the Lasalgoan Market Committee office.

General information about Lasalgoan market was also collected from office records and market participants.

The fluctuations in arrivals and prices of onion are calculated with the help of chain index number method.

2.5 Selection of Commodity:

Considering the magnitude of the problems in marketing, it was decided to select only one commodity. Three considerations weighed heavily while selecting the onion commodity for detailed study.

1) Firstly it is the most important marketed commodity in Lasalgoan market. Both in terms of total arrivals and total value of onion there has been a tremendous increase in Lasalgoan market between 1950-51 to 1984-85. The percentage of onion arrivals to total arrivals in 1950-51 was 45.28 percent and it remarkably increased to 83.91 percent in 1984-85.
Similarly the percentage of onion value to total value rose from only 13.72 percent in 1950-51 to 63.78 percent.

2) Secondly, the data for the commodity was available for at least 24 years so that the behaviour of arrivals and prices in different phases of business cycle could be analysed.

3) Thirdly, great awareness about pricing of agricultural products is seen among the farming community since the agitation led by Shri Sharad Joshi’s 'Shetkari Sanghatana' (The Farmers' Organisation) in 1979 demanding remunerative prices for onion and other agricultural commodities. In 1979-80 the farmers' agitation took a serious turn in this area resulting in police firing on agitating farmers. As a result Governments, both at centre and state, have been forced to think seriously about onion price and problems associated with its marketing.

One favourable result was that the Government announced price support policy for onion and also decided to enter in onion marketing. Our study examines the effect of these policy decisions.
2.6 Period of Study

This study covers the period 1950-51 to 1984-85. While the year 1950-51 forms the base year of the study for judging the growth of Lasalgaon market in terms of total arrivals and total value of all marketed commodities, 1961-62 is taken as the base year for tracing out the year to year variations in arrivals and price of onion. Changes in total marketing costs per quintal and in the producers' share in Rs. 100 obtained by him were also calculated with reference to the year 1961-62. Primary data from farmers was collected for the 3 years 1982-83 to 1984-85.

2.7 Presentation of the Study

We have divided our study into nine chapters.

Chapter I is sub-divided into 3 sections. In section A, we present a picture of the onion economy of Indian, and especially of Maharashtra and Nashik district. Section B, is concerned with a theoretical discussion of the importance and meaning of agricultural marketing, while in Section C, we review the approaches to the study of the problems associated with marketing.

In Chapter-II, we outline the need for and the objectives and methodology of our study. A brief outline of the economy of Nashik district and of Niphad taluka
in particular is presented in Chapter-III. Chapter-IV is divided into 2 sections. The history and development of Lasalgaon market are presented in Section A. We discuss in Section B, the process of marketing of onion, the different market participants and the difficulties faced by farmers at the time of marketing in Lasalgaon Market. In Chapter-V, we analyse the arrivals and price of onion in two periods and present statistical conclusions. The results of our field survey of farmers for 3 years period 1982-83 to 1984-85, are discussed in Chapter VI and VII. Chapter-VIII deals with the marketing costs which the farmers have to incur and the share of the producer per Rs. 100 obtained by him from onion sale.

In Chapter-IX, we present a summary of the findings of our study and make some suggestions for solving the problems arising out of our study.

2.8 Use of the Study

The usefulness of the study lies in so far as it throws light on the variations in the price of onion, both monthly and annual, and the need to remove excessive variations. It evaluates the role of NAFED and Maharashtra State Co-operative Marketing Federation (MSCMF) in this context. It would be helpful in identifying the steps to be taken to minimise marketing costs so as to increase the income
from onion cultivation through utilization of resources at optimum level.

Lastly, it should also help the Government in formulating a proper price and marketing policy for onion.

2.9 Limitations of the Study:

Some of the common difficulties faced by any investigator while collecting data from farmers relating to a study like ours had also to be encountered for farmers by us. Thus, it is very difficult to recall from memory exact information on different aspects such as per hectare production, costs of production, areas under different crops, quantity stored, storage losses, transportation costs, incidental costs, etc. They were therefore not exact about production and/or marketing costs. Some of these costs had to be imputed in some cases.
We present here the important conclusions of the various studies on onion made by different researchers over the last 20 years. They have been grouped under 4 heads:

1) Production and Production Costs:

1) Hinge (1964) studied economics of onion production in Niphad taluka of Nashik district. He examined cost of production and yield per acre of kharif and Rabi varieties. It was the first study of its kind in Maharashtra.

2) Patil (1975) made an investigation into the economics of production and marketing of selected vegetables (including onion) grown in Khed tahsil of Poona district. He observed that human labour was a major item in production cost. Further, he also calculated the cost of production and the price per quintal received by different size-groups of farms producing onion.

3) Babar (1983) in his study analyses the cost of cultivation and yield per hectare of onion in different regions of Maharashtra in order to know the regional variations in cost structure and production.

2) Marketing Structure:

Market structure could be defined as all the agencies involved either vertically or horizontally in the selling and buying of produce. It includes different marketing channels and organizations such as private traders, co-operatives and Government agencies.


1) The study by Mathur and Kulkarni (1965) relates to the working of Ghoti regulated market in Maharashtra. It revealed that there was a close understanding and personal relationship among traders which enabled them to circumvent the market regulations.

2) Mirchandani and Hirachandani (1965) studied the impact of market regulations in the different states. They noted that regulation of market resulted in a change in the structure of marketing rather than the elimination of some intermediaries. It was observed that there was a reduction in the market charges in the markets managed by the market committees under various acts. Market regulation also resulted in a decline in village sales and increased arrivals in the regulated markets.


3) Mazire (1983) in his study stressed that, vegetables being cash crops are mainly grown for marketing. He concluded that the marketing aspect of vegetables was as important as an increase in the rate of production. The market organizations and improvement of market functions were particularly important in case of vegetable crops due to their seasonal and perishable characters.

4) M.V. George reporting on the conclusions of various papers on 'Changing Marketing Structure', felt that the definition should also include the 'market environment' which facilitates fair trading practices and fair returns to the producers, location of the market, auction system and better management of the market. In the context of the Government's continuing efforts to improve agricultural marketing through the establishment of regulated markets, the study has brought into focus certain relevant issues. Thus the location of a regulated market in relation to the supply area is as important as the establishment of the markets.


3) **Marketing Costs:**

The studies under this head cover general marketing problems as well as analyses of marketing costs.

1) The study by Nirbhail Singh & Johl, (1967) relates to the marketing of onion in Punjab. According to them the producer's share in consumer's rupee was only 24.24 percent. The producer's share increased to 85.31 percent when they sold their produce after storing for 3 months. The primary wholesalers and village merchants got unduly higher margins through storing of onions. They found that transportation and storing were the major items of costs in marketing of onions.

2) Khalon & Randhava in their study on marketing of vegetables found commission charges and transportation costs as the major components of marketing costs. They suggested a reduction in the large number of intermediaries in marketing of vegetables so as to raise the producer's share in the consumer's rupee. For this, co-operativisation and regulation of markets were the only remedies.

---


4) **Prices**

Agricultural price policy is an important instruments for providing incentives to farmers for motivating them to go in production oriented investment and technology. The Government of India announces every year support prices for major agricultural commodities and purchase operations through public agencies. It is very common that prices of agricultural produce, irrespective of the mature of the crops, fluctuate widely. Some studies have tried to analyse the pattern of price fluctuations and differentials in respect of vegetables as also onion and related them to the problems of marketing efficiency.

10

1) Shaleroa et. al (1979) examined the price spread in vegetables. Their study reveals that, the producer’s share in consumer’s rupee in the case of majority of vegetables was very low since the wholesalers and retailers were grabbing a sizeable portion. To increase the share of producer, they suggested co-operativisation and regulation of marketing activities as the effective measures to set right the situation.

Other researchers were of the view that prices of vegetables were not low due to over production but more due to bad distribution and inadequate facilities for processing and storage.

10. Shaleroa M.M. & et.al (1979): 'Prices spread in vegetables' A sample study in Kashi Vidyaapeeth block (Varanasi district), Dissertation (quoted by Mazire)
2) The 'Directorate of Marketing & Inspection', in early 1983, conducted a price spread study of onion in Maharashtra. For the study, two types of channels viz. private trade channel and the institutional channel were selected. Under institutional channel NAFED and its affiliate bodies were identified. The study showed that producer's share was 40.64 percent in the private trade as against 42.20 percent when the consignment was marketed through the institutional trader. Thus, the latter resulted in a gain of about 2 percent for the producers.
