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CHAPTER - I
INTRODUCTION

The importance of agriculture in the economic development of any country, rich or poor, is borne out by the fact that it is the primary sector of the economy which provides the basic ingredients, necessary for the existence of mankind and also provides most of the raw materials which when transformed into finished products serve as basic necessities of the human race. In a preponderantly agrarian economy agriculture plays a strategic role from several points of view.

1.1. Agriculture vis-à-vis Indian Economy:

By tradition, India is an agricultural country. In India, apart from contributing material benefits, agriculture is a way of life, unique and irreplaceable in human values. Agriculture occupies a key position in the Indian economy because of its contribution to overall economic growth through supplies of food and raw materials; exports and rural development. The contribution of the agricultural sector to national income, foreign exchange, industry and employment is a measure of the sector's importance in the overall economy of the country. Agriculture accounts for nearly half of the national income and offers employment to about 70 percent of the working population. It provides raw materials for most of the industries and accounts for 48 percent of the country's foreign exchange earnings\(^1\). Agriculture provides an immense opportunity for trading activities which extend from the wholesaler to the retailer. A flourishing agricultural sector is very important for the development of Indian economy.
Even at this semi-industrialisation stage, about 75 percent of its population still lives in the rural areas and directly or indirectly depends on agriculture for its livelihood. Most of our traditional industries on whose products depend our bulk of foreign trade and foreign earnings, draw their raw materials from this very sector. It is the supply generated by this sector that would help Indian economy to reach the 'Golden Stage' since total savings fund is made up of savings from industrial sector and savings from agricultural sector. Thus, we can say that in absence of developed agricultural sector, the base for 'take off' into a mature economy would be weak and Indian economy characterised by wide spread disguised unemployment and high rate of population growth is expected to remain in a pitiable condition.

In India, agriculture remains the pivot around which the whole economic system clusters. Even though agriculture plays such a vital role in the Indian economy, yet unfortunately it is not so developed and consequently the farmers, the supposedly backbones of the economy have remained poor and an exploited lot. This is because agriculture in India, for quite a long period, did not receive the attention it deserved and as a result of this, farmers also remained in a poor state.3

1.2. Agriculture in Orissa:

Orissa is one of the backward states in the Indian Union which exhibits all the characteristic features of backwardness of abundant natural and human resources. Its economy is basically agrarian and more than 65 percent of its population live on agriculture. Agriculture contributes nearly 36 percent to the net State Domestic Product. Thus agriculture is the backbone of the State's economy and as such its prosperity is greatly
dependent on the development of agriculture in a planned manner. And development of the economic condition of the farmers is concomitant to this problem. Farmers are to be paid the due price for their produce. Markets of agricultural produce has to be improved. And the only means in this direction is to develop regulated marketing.

1.3. Problems of Farmers in Orissa:

Farmers in Orissa face a number of problems such as uncertain water supply due to lack of irrigation facilities and dependence on rain, small land holdings, natural calamities like flood, drought and cyclone, harsh geography and topography in certain parts of the state, lack of exposure to modern farm implements and farm practices, difficulties in access to improved seeds, fertilisers and pesticides, absence of adequate agricultural marketing network, lack of transport facilities and storage facilities, etc. The irony is that farmers today in Orissa, like their counterparts in the other states, are not so much ignorant about the methods and technology of cultivation and production as they are about the marketing of their produce. Their plight in the marketing front knows no bounds. Being oblivious of the complexities of the modern marketing, they have been exploited by the unscrupulous middlemen and capitalists who hold the key in this front because of their knowledge about the marketing strategy and the required capital at their disposal.

1.4. Role of Agricultural Marketing:

An accelerated growth of agriculture depends on the provisions of the farm and non-farm services. Among the farm services we have got supply of good quality seeds, irrigation, etc. Among the non-farm services marketing is the most important one. The "Royal commission on
Agriculture" rightly pointed out that, "Unless the cultivator can be certain of securing adequate value for the quality and purity of his produce, the effort required for an improvement in these will not be forthcoming". Proper marketing facilities are, therefore, the sine-qua-non of rapid agricultural progress and development. Hence, the marketing of agricultural produce is as important as the production itself. In view of its dynamic functions, it has been described as the most important multiplier of agricultural development.

In our country, the efforts to develop agriculture seems to be directed more towards production than marketing. But it is to be realised that even the most sophisticated productive system would be incapable of attaining and maintaining its peak efficiency levels, if the distributive system fails to function at the desired level of efficiency.

A mere call to produce more without providing an efficient marketing machinery which could assure a fair return to the producer-seller carries no conviction with the farmer. As a matter of fact, development of marketing is concomitant to the development of agricultural production.

Marketing in general and marketing of agricultural produce in particular have not been properly developed in India. Marketing of agricultural produce in our country is unsystematic and has suffered from various defects for which the producers get much less price for their produce. The defects in the present system of marketing of agricultural produce in India may be briefly stated as follows:

i) Use of variety of local weights and measures,

ii) False weighments,

iii) Levy of a number of incidental charges and imposts,
1.5. Problems of Agricultural Marketing:

Marketing of agricultural produce is one of the manifold problems which has a direct bearing upon the prosperity or otherwise of the Indian cultivator. All other measures to improve his lot prove futile if he is not properly assisted in disposing of his produce to his advantage. The fact is that, the Indian farmer today is not so much ignorant about the suitable methods of cultivation as he is about the profitable marketing of his produce. The small and marginal farmers in particular suffer a great loss due to inefficient marketing. Agricultural marketing in general in India is afflicted with certain problems which prove to be stumbling blocks on the part of prosperity of the farmers.

i) Exploitation by Middlemen: The Indian farmer is always robbed of his surpluses by the strong middlemen who are equipped with specialised knowledge and superior resources. In fact, almost all the marketing disabilities of an Indian farmer can be attributed to this middlemanship. The peculiarity of the Indian situation is that there prevails the monopsonist buying practices and paradoxically at the same time there exist a large number of middlemen. The problem of monopsonist buying arises due to the fact that a sizeable portion of the Indian farmers who are chronically
indebted to village moneylenders, are compelled to sell out their small surpluses to these moneylenders. The observation made by Mr. Kapde as far back as in 1979, unfortunately still holds good at present. Kapde observes, 'The marketing process in relation to farmers in India rests on two economic structural factors namely monopolist buying practices and the high liquidity preference of primary producers due to their chronic indebtedness.'

Although there is monopsony at the base level, yet there exist vertically a large number of middlemen and because of this, the price paid to the farmer is naturally altogether out of proportion to the price received by the middlemen from the final consumers.

The case in Orissa is clear from the evidence taken by the Royal Commission on Agriculture in India (1928). Rai Bahadur Durga Prasad, the then Registrar of co-operative societies, Bihar and Orissa, giving evidence before the commission had stated,

"I do not object so much to the middlemen, they are to some extent a necessary evil, but there are too many of them and the majority of them are not honest in their dealings..... India is fast becoming a country of dalals. The big merchants work through the dalals who have no hesitation in adding to their legitimate income by cheating the cultivators".

The present condition is in no way different.

ii) Lack of Marketing Intelligence: An Indian farmer is generally ignorant of the complexities of the modern marketing system. Detailed market news do not reach the remote villages. The news that reach occasionally do not help the farmer much. Literature on the subjects are also of no use for, he is illiterate. The price variations are almost unknown to him.
given by Mr. D. P. Sinha before the Royal Commission on Agriculture that the average agriculturist is hopelessly ignorant of market variation\textsuperscript{13} still holds good to a great extent. Ill-informed, ill-equipped, bewildered by the market complexities and ignorant of the reasonable price of his goods, he often finds an easy escape by selling the produce to some itinerant dealers even at throwaway prices. Normally, the cultivator disposes of the grain on the threshing floor to a middleman.

In the state of Orissa, the scheme for improvement of market intelligence was taken up in the second Five-year plan period at the instance of the Government of India. During 1957-58 and 1958-59, seven markets were taken up for broadcast over All India Radio, Cuttack, in respect of six commodities. At the beginning of the Third Five-year plan, twelve centres covering 25 commodities were taken up by the A.I.R. broadcast at Cuttack, Sambalpur and Jeypore. By the end of 1969-70, thirty-five centres were covered for collection of market intelligence which increased to 79 centres by the end of the Fifth Five-year Plan\textsuperscript{14}. The situation in this regard should have improved by this time due to the expansion of the radio and television network in different parts of the country. But due to lack of associated amenities the farmers fail to get fuller advantage in this regard. Moreover, the quantum of coverage by radio and television is inadequate in view of the size of the state and the extent of agricultural activities, for conveying marketing information.

\textbf{iii) Lack of Adequate Regulated Markets} : Farmers selling in \textit{mandis} and regulated markets have the chance of receiving higher prices for their goods than those who are restricted to village sales\textsuperscript{15}. Though it is admitted that ours is a rural India, yet generally, well-organised regulated markets are found only in big cities and towns. Their number in most of the states is
also not adequate. As a whole, operationally, agricultural markets in India do not function efficiently and as a consequence, the whole process of distribution of agricultural commodities from the point of production to the point of consumption become costly and iniquitous to both producers and the consumers.\textsuperscript{16}

In Orissa, regulated markets were established under the Orissa Agricultural Produce Markets Act, 1956, to regulate buying and selling of agricultural produce. Till 1996 there were about 1,250 Primary and 76 Wholesale Markets (including terminals) in the state as against 26,805 Primary and 6,934 Wholesale Assembling Markets in India. Thus the State of Orissa is having only 4 percent of Agricultural Markets of the country. So far 57 Regulated Market Committees have been established in the state. Out of 1,250 Primary and 76 Wholesale Markets existing in the state, 46 Secondary and 365 Primary markets have been brought under regulation which constitutes only 30 percent of the total markets as against 73.80 percent in Andhra Pradesh, 72.15 percent in Gujrat, 62.52 percent in Haryana and 100 percent in Punjab\textsuperscript{17}. Thus, though the Orissa Agricultural Produce Markets Act was passed more than 40 years ago, the progress in the organisation of markets is far from satisfactory and Market Regulation in the State needs more coverage.

\textbf{iv) Unauthorised Deductions and Multiplicity of Charges:} The sale proceeds of the farmer is subjected to many unauthorised deductions like, Zakat, Dharmada, Goshala, Shagirdi\textsuperscript{18}, etc. In addition to these charges a number of charges, legitimate or illegitimate are also claimed by the middlemen. Such allowances are claimed on the plea of moisture -content, dust, husk, etc. The report on the marketing of wheat in India observes that, "not only the \textit{arhatia} and \textit{dalal}, but the \textit{munim}, the chowkidar, the
sweeper, etc. regard themselves as entitled to share his produce." Any one connected with marketing of agricultural produce either directly or indirectly, nearly or remotely, legally or illegally, claims his share in the rupee that is due to the farmers with a result that the poor fellow is back home with only a fraction of the rupee that his produce fetched him in the market.

v) **Lack of proper warehousing facilities**: Storage is the process of holding and preserving goods. Storage creates time utility. In agricultural industry, production is seasonal while the consumption of agricultural goods is a continuous process. Hence, storage of goods is almost indispensable. Lack of adequate and proper warehousing facilities for agricultural commodities stands out as an important bottleneck. A farmer in India does not get the proper value of his produce due to lack of warehousing facilities. He normally disposes of his goods either during or immediately after harvest. Due to this, it is usually found that there is bumper availability of agricultural produce just after the harvest. This makes the merchant capable of lowering the prices to an unreasonable level.

In the state of Orissa, the storage system in rural areas, wherever they exist, are not only inadequate but highly defective too. The loss due to bad storage is substantial. A good amount of commodities is damaged due to dampness and by rodents, rats insects etc. The Orissa State Warehousing Corporation was set up in accordance with the provision of the Orissa Warehouse Act, 1956. It has been the effort of the corporation to set up warehouses and cold-storages at different places in the state. In the state, godowns set up at village level by various agencies prior to Fourth Five-Year Plan were limited to 2,12,000 tonnes capacity. During the Fourth Five-Year Plan, steps were taken to utilise the advantage of central sector scheme for building storage godowns. By the end of the Fifth Five-Year
Plan, in the co-operative sector, there were 535 rural godowns and 204 urban godowns with a capacity of 1,10,500 tonnes in the state.\textsuperscript{20} Construction of rural godowns under National Grid Godown Scheme is being looked after at present by the Orissa State Agricultural Marketing Board. Construction of ninety such godowns at a cost of Rs. 82.50 lakhs were sanctioned, out of which a sizeable number has been completed. At present, regulated markets of Orissa have got storage godown capacity of 68,215 metric tonnes.\textsuperscript{21} However, bulk of the storage was made in rental buildings, where scientific storage system is not available.

vi) Lack of grading facilities: Grading is an important function in marketing which greatly contributes to the benefit of both the consumer and the producer. In India, grading is carried out under two different Acts for two different purposes.

i) Compulsory Grading for export under the Export (Quality control and inspection) Act, 1963, and

ii) Voluntary grading for internal consumption under the Agricultural Produce (Grading and Marketing) Act, 1937.

Voluntary grading is carried on at two levels, namely, (a) producers' level; and (b) traders' level. In securing an adequate return to the producer-sellers, the programme of establishment of grading units in the regulated markets and Marketing co-operatives was introduced in 1962-63 and still continuing. Sixty-three commodities were selected to be graded before sale in 808 grading units, set up in different States and Union territories. The total estimated value of the commodities graded at producers' level at these centres during 1983-84 was Rs.562.66 crores and was about Rs. 600 crores during 1984-85.\textsuperscript{22} This is not thought sufficient for the purpose. Only
about 20 percent\(^23\) of the regulated markets have facilities for grading the farmer's produce. This position requires to be improved forthwith.

Agmark grading was launched in Orissa quite a few years back. A State Grading Laboratory was organised at Bhubaneswar in the year 1984. Consumer awareness for quality products is gaining momentum in the state, altering the manufacturing sections, processors to go for Agmarking. In the meanwhile a good number of units have approached for Agmarking of their products but due to inadequate infrastructure facilities it is not possible to entertain them. Only 16 grading units have been organised in 16 regulated markets. This number definitely requires an increase.\(^24\)

vii) Inadequate and Expensive Facilities of Transport and Communication: Profitable marketing of agricultural produce is intimately connected with requisite infrastructure like transport and communication facilities. Distance between the seller and the buyer has a negative relation to the price of produce sold. A farmer can get better price for his produce if he can transport his goods to market centres timely, easily and cheaply. This is possible only if he is placed nearer to the market.

Our country lacks this facility to a marked extent. Total railway route in India in 1992-93 was 62,486 Kilometers, being 19.01 km. per thousand sq. km. of area. Total railway route in Orissa was 2,070 km. at an average of 13.29 km. per thousand sq. km. in the same year. As on 31st March, 1994, total railway route in the state was 2,332 km. (approximately).\(^25\) Moreover, railway tracks that lie in Orissa are not evenly distributed throughout the state. The interior and central parts do not have railway transport facilities. It shows the backwardness of the state in respect to railway facilities.
So far as roads are concerned, although Orissa enjoys a more comfortable position with 1,333 Kms. per 1,000 sq.km. area in comparison to 561 Kms. per 1,000 sq.km. in India, still it is not adequate. The total length of different types of roads in the state up to 1993-94 was 2,07,633.23 Kms. The corresponding figure for India in the year 1990-91 stood at 20.37 lakh Kms. Most of the villages are not connected by all weather roads. As roads are the life line of the people of the state, Government should pay more attention in this regard. All the rivers of the state are rain-fed and therefore water transport is also not possible throughout the year.

1.6. Complexities of Modern Marketing:

Marketing, an economic activity which is as old as civilisation, is vital for the economic well-being of modern society. The concept of marketing has changed over the years. According to P.E. Clark, “Marketing consists of those efforts which effects transfer in ownership of goods and care for their physical distribution.” This traditional concept of marketing refers to the physical activities involved in the process of distribution of goods. But its modern concept is more than a mere physical process. Previously market was considered to be a place where buyers and sellers would meet. But market does not necessarily mean a place. According to Barwell, marketing consists of identifying, anticipating and satisfying customer needs and desires. To quote E.F.L. Brech, “Marketing is the process of determining consumer demand for a product or service, motivating its sales, and distributing it into ultimate consumption at a profit.” According to W.J. Stanton, “Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to the present and potential consumers.”
From the above definitions of marketing it is clear that marketing today involves conscious and organised efforts by a business firm to find out what the community needs and how best it can help the community derive the fullest satisfaction from the activities of the business. Now marketing has emerged as a specialised business function.

In early days, the selling function did not call for any specialised skills as the sales could have been effected easily as the quantity of production was less than the required quantity of consumption. But over the years the business environment has undergone tremendous changes in social, economic, political and cultural aspects. The management of a firm, therefore has to develop a particular organisation with a view to absorbing new ideas, new approaches and new market demands. Now marketing is a management function like the management of other functions such as production, finance, personnel, etc. The business policies, strategies and programmes related to marketing are mostly of managerial functions. These are needed to be planned, organised, directed, coordinated and controlled so as to achieve the marketing objectives.

Agricultural marketing in no way is different. It is equally complicated so far as these complexities are concerned. In the light of these facts, it is almost unthinkable that an Indian farmer who is not only poor but also illiterate, can have access to the system and get his due share. If we come to Orissa, the condition seems to be more precarious compared to many other states of the Indian Union.

1.7. Necessity of Regulated Markets:

Considering the role of agriculture in the economic development of the country, the Government of India, in the very First Five-year Plan made
sincere effort to improve agriculture. In mid-sixties with the advent of new 
agricultural technology a lot of measures were taken up, such as: use of 
high yield variety seeds, supply of chemical fertilisers and pesticides, etc. 
The outcome of these efforts was the success of the Green Revolution. It 
gave rise to increased production of agricultural produce, which resulted 
not only in the sufficiency for consumption but also a substantial increase 
in marketable surplus. As discussed earlier, Agricultural marketing has got 
its own problems and defects in India which are partly due to the 
unorganised nature of farm community in contrast with the trading 
community which is well organised, and in part due to the indebtedness of 
most farmers which forces them to sell their produce at a most 
disadvantageous time and price.

Of all the efforts that have already been directed to eliminate these 
defects from the marketing of agricultural produce and to ensure the 
producer a better price, the scheme of regulation of markets has assumed 
paramount importance. The primary objective of regulated markets is to 
equalise the bargaining power of the parties to transactions, which under 
the existing conditions, tantamount to raising the power of the producer 
seller. To achieve this objective, regulated markets provide for the conduct 
of market transactions at a centralised place and provide facilities for trading 
agricultural commodities. They also provide for fair trade practices and 
prohibition of unwarranted and excessive deductions. For enforcing 
discipline in the trading community, licensing system has been introduced 
for various functionaries including traders. Further, the management of 
markets is entrusted to the market committees which are corporate bodies. 
These committees are represented by all interested parties, viz. traders, 
producers, co-operative societies, local bodies and Government officials. 
Thus, the producers do have a voice in the management of markets.
At present, regulated markets have become an essential and important feature of Agricultural Marketing in the country, so also in the state of Orissa. More than half a century has passed since the beginning of regulation of markets in the state. It is, therefore, high time we examined the working of Regulated Markets in the state so as to assess their success or failure.

1.8 Review of Literature:

In this section, a review of some important research studies in the field of Regulated Markets conducted by different scholars and institutions at various points of time has been made.

1.8.1 Studies at National Level:

Considering the role and importance attached to agricultural marketing in underdeveloped countries like India, the studies on the working of regulated markets have been relatively few. Here an attempt is made to briefly review the studies made so far by research institutes as well as individual researchers on the working of regulated markets.

In 1978 Shri S.S. Acharya and Shri N.L. Agarwal of Department of Agricultural Economics, Agricultural Experiment Station, University of Udaipur, Joher, Rajasthan conducted a study on organisation, functioning and cost benefit analysis of Regulated Markets in Rajasthan. They have found out that election of market committees are not conducted as per the Act. However, they were satisfied that market functionaries are controlled by issue of license, many malpractices prevailing before regulation were removed after regulation, market charges have been reduced, farmers enjoyed the facilities offered by the market committees and market committees had become successful in preventing collusion among buyers.
and thus there was effective competition which resulted in better price for
the produce to the buyers.

Shri S.S. Acharya along with R.K. Meena\textsuperscript{36} in a paper namely "Causes
of Under-utilisation of Agricultural Produce Market Yards" had identified the
cause of resistance on the part of the traders to shift to new market yards
and suggested various facilities and infrastructures for provision of city
transport service, improved auction procedure, cleaning of produce which
need less investment as compared to the cost of infrastructure.

Anita Arya\textsuperscript{37} is of the opinion that markets should be integrated over
space and time. Price difference between two markets shall not exceed
the transport cost, otherwise farmers selling in a market having higher price
will benefit and farmers selling in markets having lower price will loose.

Some positive effects of market regulation were brought to light by
D.S. Bhupal\textsuperscript{38} after the study of working of regulated markets in Rajasthan.

B. Banakar and H.G. Shankara Murthy\textsuperscript{39} have emphasized the need
of strengthening the activities concerning market intelligence and
information system of regulated markets. They have suggested to appoint
a 'propagandist' and arrange group meetings in the market yard as well
as in the hinterland. They have also highlighted the need for strengthening
grading activities in the market yard.

Barbara Harris\textsuperscript{40}, after examining the effects of market regulation,
have arrived at the conclusion that regulated markets apparently failed to
halt the rise in the level of market imperfections.

Dantwala\textsuperscript{41} had examined the efficiency of the implementation of the
Agricultural Produce Market Act and had pointed out several shortcomings
in the implementation of the Act.
By making a study of regulated markets in West Bengal and their impact on farmers, T.K. Datta\textsuperscript{42} has suggested some measures to enable the regulated market committees to play a more effective role. These measures include identification of points of intervention, extension of regulated market committee's function to prevent distress sale, introduction of proper management within the yard, provision of adequate infrastructural facilities, development of the machinery for dissemination of marketing information and enforcement of regulatory measures like correct weighment, proper grading, etc.

R.R. Doshi\textsuperscript{43} was critical about the APMC, Nipani. He had pointed out that there was no regulation of tobacco, the principal commodity traded in the market. Auction system of sale was not compulsory. There was lack of regularisation of market charges as a result of which traders were exploiting the growers. Weighing was done by a clerk of the traders without the presence of any representative of APMC. For all these reasons this APMC never came out as an effective agency for regulating the market or its functionaries.

In a paper Mr. Faruqui\textsuperscript{44} emphasized the need to take up an integrated scheme of problem oriented market research.

Shri H.R. Goswami\textsuperscript{45} of Agro Economic Research Centre, University of Allahabad had made a study on the impact of agricultural marketing regulation in Purnea district of Bihar. He had found out that regulated markets had better layout and trade transactions than the unregulated markets, the cost of production, value of production and returns were higher in case of regulated market hinterland farms and the seller saves more in marketing cost in a regulated market in comparison to that in an unregulated market.
J.K. Irani\textsuperscript{46} had studied the workings of RMs in Mysore and expressed his satisfaction over it.

As observed by Jayasankar, B. and Muraleedharan, P.K.\textsuperscript{47}, the presence of monopsony situations help the exploitative practices of traders who offer only low prices for the produce.

Another study made by V.R. Joshi\textsuperscript{48} regarding the workings of RMs in Gujarat reveals that the Marekts Act did not remove the obstacles in the formation of RMs. It had pointed out the shortcomings like ineffective participation of farmer-members, lack of systematic planning in the development of market yards and the disparities in the license fees among various markets.

A.S. Kahlan\textsuperscript{49} has observed that market technology and other improvements in the market structure had not kept pace with the efforts to provide the market yards at suitable sites to permit efficient handling of grains in Punjab.

V.R. Kiresur and N. Ganesh Kumar\textsuperscript{50} in a paper relating to the impact of regulation on vegetable marketing in India have concluded that the price-spread and the wholesale price variability were lower in case of regulated markets. They have also pointed out that though the existing facilities in the regulated market scored over those in unregulated market, there is wide scope for their improvement.

To measure the operational efficiency of regulated markets in Andhra Pradesh, O.R. Krishnaswami and N.T. Chandra\textsuperscript{51} had developed a model which was followed subsequently by scholars like A. Sivram Prasad.

By studying the regulated markets for different crops as regards to their working and impact level of prices in the regulated and in the
unregulated markets, A.P. Kulkarni\textsuperscript{52} had found out that the level of success of implementation of the Act was uneven in different regions.

B.D. Kulkarni\textsuperscript{53}, by studying different aspects of management of regulated markets in Sholapur district had arrived at a conclusion that most of the market committees were not able to discharge their basic responsibilities and hence partially succeeded.

Mathur and Kulkarni\textsuperscript{54} had analysed the workings of Ghoti Regulated Market of Maharashtra and found out that traders join hands to defeat the main purpose of regulation, i.e., to give competitive price to the growers. They had also suggested that violation of the provisions of the Act should be made to cognizable offence and be enforced by police rather than by market committee.

A study by Mirchandini and Harachandini\textsuperscript{55} revealed that regulation of markets has changed the structure of marketing. However, it had become successful in eliminating the middlemen in very few places. So far as the impact of regulation of markets on reduction of various market charges were concerned, it had a positive effect. It also resulted in bringing down the village sale and increasing the market arrival.

G.N. Patel and N.L. Agarwal\textsuperscript{56} have suggested that to minimise the price rise in groundnut, the production should be increased and its price should be regulated by using different price instruments. Moreover, brisk sale immediately after harvesting should be checked by enhancing storage and credit facilities and by educating the farmers through price information system.

Jagdish Prasad\textsuperscript{57} has advocated the proper implementation of the pledge scheme as a source of marketing finance. He states that it will not
only prove as a boon to the farmers, particularly small and marginal, but also will go a long way in achieving the goals of market development programme by improving the agricultural marketing system.

Sadhu Saran Prasad\textsuperscript{58} observed that in Bihar where agricultural economy is overwhelmingly dominated by the small and marginal farmers, marketing service is quite inefficient and inadequate in the case of small farmers despite the fact that this group contributes significantly to the marketable surplus. The National Planning Committee held that the farmer in general sells his produce at an unfavourable place and unfavourable terms. Mr Prasad attributed its causes to ‘distress sales’ and suggested for development of market infrastructure along with a programme of financial help to the small farmers on the basis of pledge of crops.

A study by Radhakrishnan\textsuperscript{59} relating to the marketing of groundnut and cotton crops revealed that one or two big buyers exercised command over the bulk of quantity transacted in the regulated markets.

S.M.A. Rizvi and Rajendra Singh\textsuperscript{60} have observed that marketing efficiency in terms of producer’s share in consumer’s rupee in three different places of potato marketing, such as: (i) on the field, (ii) mandi, and (iii) keeping in storages and selling afterwards are respectively 77.08 percent, 75.69 percent and 78.03 percent. They had suggested that marketing charges should be reduced in order to increase marketing efficiency.

As found out by a study made by B.C. Saxena\textsuperscript{61}, nearly 85 percent of the cotton produce was brought by growers themselves to regulated markets.

Kanwaldeep Singh\textsuperscript{61(a)} has observed in 1997 that traders have bribed select officials of FCI and RMC of Hapur mandi, a prominent market in
Western U.P. to allow them to trade in unregulated mandis and thus enable them to avoid 4 percent sales tax and 2 percent mandi tax.

S. Senthilnathan and R. Srinivasan in a paper on production marketing of banana had observed that: (i) marketing through regulated market yielded the maximum benefit with 71.06 percent of consumer's rupee, (ii) introduction of transport facility in the services of regulated market and prompt payment for sales through regulated market would motivate the farmers to sell their product through the regulated market, and (iii) provision of timely and adequate institutional finance and giving wide publicity on the facilities available in the regulated markets would also help the farmers to make use of the services of the regulated market.

L.P. Singh has studied the working of regulated markets in Bihar and concluded that regulated markets had provided positive advantage to the producer-seller. He also pointed out that market regulation scheme was geared up after the State Agricultural Marketing Board was established.

Singh, Narendra has highlighted that marketing margins account for 33.85 percent of the consumer's price in village level sales while it constitutes 25.43 percent in case of mandi sales of cumin seeds. He has also pointed out that retailers get a higher margin compared to the wholesalers.

P.K. Singh, B.M. Kakadia and V.M. Patel, by studying the marketing of potato in Gujarat, have highlighted the potentiality of the area for increasing potato production and farm income which can be achieved by improving the marketing system and reducing the trader's commission. They have also suggested that marketing efficiency can be increased by enforcing the regulations and by strengthening the cooperative marketing societies.
An intensive study made by A. Sivaramprasad$^{66}$ in respect of regulated markets in Andhra Pradesh reveals positive advantage of regulated markets to producer-sellers.

N.V. Subba Rao$^{67}$, in his article "Functioning of Agricultural Market Committees in Andhra Pradesh" has pointed out that it is unrealistic to notify the commodities which are not produced in the concerned area for regulation. He also emphasizes that lack of properly constructed market yard is a handicap.

Sunil Kumar$^{68}$ has ascertained that the regulation of markets has not shown significant impact on marketing pattern and marketing costs and margins. To improve the position it is imperative that marketing problems of small farmers should be given the highest priority and efforts should be taken up to provide various market infrastructural facilities.

R. Swarup and Ranveer Singh$^{69}$ are very critical of the fact that representatives of farmers in the market committees are not real farmers in the true sense of the term. He is invariably a farmer and a rich person who often has strong political links and thus yields great influence on all matters. As a result, his being in the market committee is of no or very little help to the small farmers. He again states that compared to the facilities provided, the rate of market fee charged in most cases is higher.

S. Vardarajan and A. Ajjan$^{70}$ of Coimbatore Agricultural University, Tamil Nadu, by making an intensive study of a single regulated market which was not functioning in spite of developed infrastructural facilities, have found out that farmers preferred to sell to local traders rather than in regulated markets which was due to convenience rather than any economic rationale. The reasons attributed by the farmers were: immediate cash
payment by traders, long trade relationship and the need for immediate disposal. However, the traders were reluctant to come to regulated markets due to levy system and preferred to purchase outside where the transaction can be concealed.

Venkat Ramanayya\textsuperscript{71} has suggested for the creation of a centrally sponsored financial corporation namely, "Agricultural Markets Finance Corporation", on lines of Industrial Finance Corporation to render financial assistance for speedy development of markets.

1.8.2 **Studies at Orissa Level**

Market research in Orissa has not been done up to the desired level. There are two reasons for this: (i) Agricultural Marketing has not become organised to the extent it should have been by this time; and (ii) Non-availability of published data on agricultural marketing in the State.

The marketing cell in the office of the Registrar, Cooperative Societies has conducted some surveys on different markets from time to time to bring primary or secondary markets into the orbit of regulation. Although these surveys provide certain information on the system of marketing in the State, it cannot be called research on agricultural marketing.

In the year 1942, the Government of Orissa had published a report on the marketing of jute in Orissa\textsuperscript{72}. The report studied the supply, demand, prices and different stages of production and marketing of jute in Orissa.

A systematic study was made by the Regional Office of the Directorate of Marketing and Inspection, Calcutta\textsuperscript{73} in 1968-69. The study has shown that:
(i) there has been a reduction in market charges in the regulated markets compared to that in the unregulated markets;

(ii) the producer-sellers are realising higher values for their produces in the regulated markets where there is more competition among the buyers, due to the presence of open auction system of sale; and

(iii) prompt payment and better amenities in the market yards are some of the motivating factors for the producer-sellers.

Another study made by the Department of Applied Economics, Utkal University, Bhubaneswar\textsuperscript{74} in 1972 reveals that in Sakhigopal RMC, the exploitation and harassment of farmers dealing in coconuts has gone down considerably by the regulation of the market. It also reveals that farmers in Kendupatna regulated market dealing with jute are of the opinion that they are ignorant about the existence of the regulated market. The cause of this may be attributed to the improper functioning of the regulated market and lack of publicity.

Das, S.\textsuperscript{75} has opined that the operation of mandi system is no doubt a better step to ensure benefit to the actual cultivators provided it is implemented properly with adequate infrastructural facilities.

Dhal, A.\textsuperscript{76} has found out that farmers producing jute are exploited by traders and brokers because of the lack of sufficient regulated market facilities and non-establishment of cooperative organisations of jute producers.

Ghosal, S.S.\textsuperscript{77} has observed that there is a lack of coordination between the market committees and the trading communities. The purchasing organisations like FCI, JCI, Markfed and other cooperative
organisations, Supply Corporation, etc. do not take part in the procurement of agricultural produce in the regulated market yard.

Emphasising the need of regulated markets, S.C. Mallick\textsuperscript{78} has suggested that there should be at least one regulated market in each block. Each regulated market should notify only two or three agricultural commodities which, in turn, will induce the farmers to grow these crops extensively for higher yield, more marketable surplus and higher net returns.

D.C. Mishra\textsuperscript{79} is of the opinion that it is not sufficient if we try only to increase the production of agricultural produces. We should also try to ensure that the producer gets a remunerative price for his produce which is possible only by establishing effective regulated markets.

R.C. Mishra\textsuperscript{80} advocates the scheme of regulation of markets as the most important effort for elimination of the defects prevailing in the marketing of agricultural produce, such as; forced sale in villages, long chain of middlemen, excessive market charges, multiplicity of weights and measures, absence of market intelligence, lack of grading and standardization, etc.

R.C. Mishra\textsuperscript{81}, in another article, has pointed out that Sakhigopal regulated market committee has spent more than the specified limit of 60 percent of its income on establishment in a number of years. Thus, the purpose of the committee for limiting its establishment expenditure to generate funds for development of market yard for the benefit of its users, is defeated.

D. Naik\textsuperscript{82}, by studying potato marketing in Orissa, has come to a conclusion that producer's share in consumer's rupee goes on increasing as the number of middlemen goes on decreasing in a marketing channel.
Highlighting the expansion of the scope of regulated markets, D. Naik\textsuperscript{83} projects that State Agricultural Marketing Board can adopt mobile procurement programmes through which regulated market committees can procure agricultural commodities marginally available with small and marginal farmers at fair price.

D. Naik and S.S. Ghosal\textsuperscript{84} are of the view that since the market committee authority does not have linkage with the extension officers of various departments like agriculture, horticulture, animal husbandry, fisheries, etc., the infrastructural facilities generated by them for the products planned and produced under the technical guidance of the line departments created a mismatch. Its benefits are not properly utilised by the farming community.

S.C. Patnaik and D. Naik\textsuperscript{85} have observed that marketing of groundnut in Orissa involves the participation of a number of middlemen. Consequently, the price paid by the consumers gets reduced when it reaches the producers.

By analysing the price spread and marketing efficiency, J.Sahu\textsuperscript{86} has pointed out that an unregulated market; using a smaller marketing channel for marketing coconut is having greater marketing efficiency than a nearby regulated market using a bigger marketing channel. Both marketing cost and marketing margin are more in the bigger market channel and it has resulted in lesser efficiency of the market.

Sen Committee\textsuperscript{87}, by examining the working of regulated markets in Orissa has found that the regulated markets have not produced expected results because basic facilities provided by them are inadequate.
A. Sutar has observed that only thirty to sixty percent of the consumer's price goes to the producer while the remaining portion is appropriated by the middlemen. He attributes its cause to the heavy dependence of the farmers on the middlemen for the disposal of their produce and suggested the establishment of regulated markets as its remedy.

1.9 Relevance of the Study:

Orissa is a backward state exhibiting all the characteristic features of backwardness against a background of vast natural resources. Agriculture is the backbone of the state's economy. Unless agriculture as a whole and the financial conditions of agriculturists in particular are improved, the State's economy shall continue to remain weak. The agricultural producers of the State are confronted with various problems, particularly profitable marketing of their produce. The agriculturists are to be helped not only for better production but also for marketing of their produce to their greater advantage.

Review of various research studies reveals that studies already conducted in the field of agricultural marketing relates mainly to the regulatory functions rather than the actual marketing functions of the regulated market which it should perform. Most of the above works relate to All India level and the workings of regulated markets in different states.

Though a few studies have been made relating to the working of regulated markets in Orissa, no sincere attempt has been made yet to study the financial aspects and marketing efficiency of the regulated markets in the state.
During the last two decades, there has been both structural and policy level changes in the functioning of RMs. In the light of the above changes, there is an imminent need for a continuous appraisal of the functioning of the RMs at different periodic intervals particularly relating to the financial aspects and marketing efficiency.

The present study is a sincere attempt to encompass the prevailing financial position of RMs in Orissa and the evaluation of their marketing efficiency.

1.10 Objectives of the Study:

The objectives of this work are:

1. To study the origin and growth of Regulated Markets in Orissa;
2. To show the market practices of agricultural products in the State;
3. To analyse the financial aspects of Regulated Markets in the State; and
4. To evaluate the marketing efficiency of selected Regulated Markets.

1.11 Scope and Period of the Study:

The study is confined to the marketing of agricultural produces in the wholesale Regulated Markets only. The study does not attempt to assess the workings of the sub-markets as classified data in respect of the sub-markets are not available. The study also excludes marketing of livestock.

The study relates to a period of ten years from 1990-91 to 1999-2000.
1.12 Methodology:

1.12.1 Data Base:

The study is based on two sets of data: Primary and Secondary. The secondary data have been collected from various publications of Government of India and Government of Orissa, Five-Year Plan documents, Directory of Wholesale Agricultural Produce Assembling Markets in India, Agricultural Marketing in India, different issues of Indian Journal of Agricultural Marketing, etc. and official records of OSAMB, Directorate of Agricultural Marketing, Orissa and different Regulated Market Committees.

The primary data have been collected by making a field survey. The information were collected from producers and officials of different Regulated Market Committees through a set of pre-tested questionnaires (Appendix-1.1 and Appendix-1.2) personally by the present researcher.

1.12.2 Sample Design:

For the purpose of the study, agricultural produces are divided into four categories, such as: cereals, cash crops, oil-seeds and fibre crops. One important product from each category, viz., paddy from cereals, coconut from cash crops, groundnut from oil-seeds, and jute from fibre crops have been selected. The regulated markets dealing in these products as their main notified commodity are taken on the basis of highest volume of transactions for the purpose of study. Accordingly, Bargarh RMC for paddy, Sakhigopal for coconut, Angul for groundnut and Kendupatna for jute have been selected.
1.13 Techniques Applied for Analysis:

The information collected from both primary and secondary sources are classified and tabulated for the purpose of analysis and interpretation. The analysis has been made with the simple statistical tools like ratios, percentages, coefficient of correlation along with the following techniques to study, in particular, the market accessibility and the marketing efficiency of regulated markets.

Market Accessibility:

The more the density of markets the easier is the accessibility. On the other hand, if the geographical area served by a market is bigger due to the lesser density of the markets, accessibility is less easier. Therefore, accessibility is inversely related to the length of the radius of a market area. The bigger the radius the less easier is the accessibility.

Radius of the area of a particular type of market can be calculated by applying the following formula.

\[
\text{Market Area} = \pi r^2
\]

Where \( \pi = \frac{22}{7} \)

\[ r = \text{radius of the market area} \]

\[ \text{Market Area} = \frac{\text{Total Area of the State/District}}{\text{No. of Markets in the State/District}} \]

Marketing Efficiency:

a) Conventional Method: (Ratio of output to input)

Efficiency of any activity or process is defined as the ratio of output to input. If 'O' and 'I' are respectively output and input of the marketing
system and 'E' is the index of marketing efficiency, then:

\[ E = \frac{O}{I} \times 100 \]

A higher value of 'E' denotes higher level of efficiency and a lower value of 'E' denotes less efficiency of the marketing system.

b) Shepherd's Method:

This method suggests that the ratio of the total value of goods marketed to the marketing cost may be used as a measure of efficiency.

Formula: \[ ME = \frac{V}{I} - 1 \]

Where:  
\( ME \) = Marketing Efficiency  
\( V \) = Value of Goods (Consumer's Price)  
\( I \) = Total Marketing Cost (i.e., Cost + Margins)

The higher the ratio the higher is the efficiency and vice versa.

(c) Acharya's Method:

This method, by far, is the most scientific method. According to this method, the producer's share in consumer's rupee is the real measure of marketing efficiency.

Formula: \[ MME = \frac{FP}{MC + MM} \]

Where:  
\( MME \) = Modified Measure of Marketing Efficiency  
\( FP \) = Prices received by the Farmer  
\( MC \) = Total Marketing Cost  
\( MM \) = Net Marketing Margins.
This method may be used to compare the marketing efficiency of alternative channels/markets. The market/channel sharing a higher MME is considered to be more efficient.

All the above three formulae have been applied to calculate and to make a comparative study of the marketing efficiency of the selected markets.

1.14 Limitations:

The sample chosen for the present study is relatively small. Therefore, it may not reflect all the genuine characteristics of the universe. All the limitations associated with the small samples exist in the present study.

As the study is primarily based on the secondary data, all the limitations associated with secondary data are also present in the study.

1.15 Chapter Design:

The dissertation contains seven chapters. The introductory chapter provides an insight to the importance and necessity of regulated markets for the marketing of agricultural produce. This is followed by, (i) a review of literature, (ii) relevance of the study, (iii) objectives of the study, (iv) scope and period of the study, (v) methodology, and (vi) limitations of the study.

Chapter two is devoted to the origin and growth of regulated markets in Orissa.
Market practice of agricultural products in Orissa has been presented in chapter three.

Chapter four deals with the profile of regulated markets in Orissa.

Financial aspects of regulated markets in the state has been studied in chapter five.

Evaluation of marketing efficiency has been made in chapter six.

Major findings of the study along with suggestions have been depicted in the concluding chapter seven.
References


3. Ibid., p.16.


5. Ibid.


11. Indian term for brokers.


13. Ibid., p.207.


18. Different colloquial terms used in different places of the country for marketing charges.


31. Ibid.


