CHAPTER-VII

CONCLUSION AND SUGGESTIONS

7.1 Conclusion

7.2 Suggestions
CHAPTER-VII

CONCLUSION AND SUGGESTIONS

At the close of this study, an attempt is made in this chapter to piece together the scattered threads of the analysis to form a coherent picture of the working of the regulated markets in Orissa, and advance some suggestions for the improvement in the functioning of the regulated markets.

7.1 Conclusions

7.1.1 In India, at present, an average agriculturist is not so much ignorant about the methods of production as he is ignorant of the complexities of modern marketing system. Detailed market news do not reach the remote villages. He is ignorant of the market variation. The storage and grading facilities wherever available are not adequate. What is still worse is the lack of adequate transport and communication facilities. Thus, the agricultural producer is not well-informed and well-equipped with market information.

Marketing in general and marketing of agricultural produce in particular have not been properly developed in India. Marketing of agricultural produce in the country suffer from various defects like forced sale in villages, presence of many middlemen, multiplicity of market charges, malpractice in the market, absence of grading and standardisation, absence of market intelligence, etc.
In Orissa, there is no denying of the fact that in view of its size and increasing agricultural activities, whatever facilities such as market intelligence, storage, grading, transport, etc. are available do not seem to be adequate for better marketing of agricultural produce. In such a general situation prevailing in the country as well as in the State, an average agriculturist is hopelessly handicapped.

7.1.2 The role of an efficient agricultural marketing system as a key component for accelerating agricultural production and thereby promoting economic growth in developing countries is now widely accepted. In a developing country like India where about 50 percent of the population live below poverty line, it seems more important to provide essential foodgrains to the consumers at reasonable lower rates. But this cannot be the sole aim of the agricultural marketing policy as one of the most important reasons for raising agricultural production is related to secure to the farmer his due share in the price paid by the consumer. The producer-sellers must be assured of remunerative prices for their produce as it would have multiple beneficial effects on improving their socio-economic conditions. In order to raise their standard of living and improve their economic position, they are not only to be helped to produce more but also to be assisted in the disposal of their surplus at the best available prices with the minimum cost. In recent years, particularly after the introduction of new technology in agriculture, the developing countries have witnessed unprecedented achievement in the process of commercialisation in the agricultural sector. This expansion of trade demands that the farmers receive better prices of their products to sustain the newly emerged process of commercialisation.
7.1.3 The agricultural marketing policy is deemed to be appropriate if it secures the best for the producers as well as for the consumers. The fulfilment of these two objectives, which are self-contradictory in nature, is not so simple as it appears. It is realised that it would be very difficult to attain these objectives unless the Government intervenes in agricultural marketing system. This led to the formulation of manifold agricultural marketing policy measures. Intervention through the regulatory measures called "Regulated Agricultural Markets" is one such measure. The Royal Commission on Agriculture, in its report submitted in 1928, recommended that the existing defects in agricultural marketing could only be removed by the establishment of properly regulated markets. Following the recommendations, the Government enforced some measures through the regulation of agricultural markets to improve the functioning of the agricultural marketing system.

7.1.4 A regulated market is one which aims at the elimination of unhealthy and unscrupulous practices, reduction of marketing charges and provision of facilities to producer-sellers in the market. Regulated markets have been established by State Governments and rules and regulations have been framed for the conduct of their business.

The establishment of regulated markets is not aimed at creating an alternative marketing system. The basic objective has been to create conditions for efficient performance of the private trade, through facilitating free and informal competition. In regulated markets, the farmer is able to sell his marketed surplus in the presence of several buyers through open and competitive bidding. The legislation for the establishment of regulated markets does not make it compulsory for the farmer to sell his produce in
the regulated market yard. Instead, voluntary action on the part of the farmers to take advantage of such a market is assumed. The basic philosophy of the establishment of regulated markets is elimination of malpractices in the system and assignment of dominating power to the farmers in the functioning of the markets.

7.1.5 Regulated markets have been established with the objectives of:

* Preventing the exploitation of farmers by overcoming the handicaps in the marketing of their products;

* Making the marketing system most effective and efficient so that farmers may get better prices for their produce, and the goods are made available to the consumers at reasonable prices;

* Providing incentive prices to farmers for inducing them to increase the production both in quantitative and qualitative terms; and

* Promoting an orderly marketing of agricultural produce by improving the infrastructural facilities.

7.1.6 In view of the chaotic conditions prevailing in the agricultural produce market, the Royal Commission on Agriculture, in its report submitted in 1928 had recommended the regulation of market practices and the establishment of regulated markets in the country. In 1935, the Government of India established the office of the Agricultural Marketing Adviser (Directorate of Marketing and Inspection). The Directorate recommended to the State Governments that markets be regulated to safeguard the interest of the producers.
Since then the State Governments have enacted legislation for the regulation of markets in their States.

Though the establishment of regulated markets was started during 1930s, the programme got momentum only after the independence. The number of regulated markets which before the commencement of First Five Year Plan (April 1951) was only 236, swelled to 6968 in April, 1996.

7.1.7 In Orissa, the Agricultural Produce Market Act was passed in the year 1956 and the first regulated market was established at Jatni in 1958. In the fifties seven regulated markets were established. In the sixties 24 markets, in the seventies 5 more markets, in the eighties 7 markets and in the nineties 14 markets were brought under regulation in the State. At present there are as many as 57 regulated markets in Orissa.

Market survey and research are two important needs in the field of market regulation. Unfortunately, Orissa lacks miserably in this direction. All the affairs of regulated markets including research and survey were in charge of a tiny marketing cell under the department of Cooperation of Orissa up to 1985. The cell has not done any prospective survey such as calculation of marketable surplus, price spread, transport facilities, forced sale in the villages, impact of procurement agency in village sale, effective market area of each regulated market, market integration, etc. Details about the activities of different regulated markets were not published in their annual reports.

In 1985, Orissa State Agricultural Marketing Board was established. Under the supervision of this board the regulatory activities of different regulated market committees were streamlined. Both central and state
assistance received in form of loans and subsidies are utilised for providing market infrastructures in various regulated markets.

However, this Board is unable to carry out its functions effectively and efficiently due to lack of sufficient manpower. It has not yet started publishing its annual reports which would go a long way in disseminating the benefits of the regulation scheme to its beneficiaries.

The number of trained persons in the State is inadequate which impedes the effective management of the regulation scheme.

In comparison to the requirements of funds for the market regulation scheme, the Government of Orissa is providing insufficient amount in its budget.

Although the market regulation scheme has not become satisfactory in the State of Orissa, it is expected that in the near future it will be able to compete with other States in this respect, because its progress in the establishment of regulated markets is very encouraging. Hopefully, Orissa will be in a position to be at par with States like Punjab, Uttar Pradesh and Andhra Pradesh in respect of the regulation of markets and help the farmers of the State to get a better deal. In order to achieve this objective utmost care and attention of the Government is required.

7.1.8 In Orissa a major portion of the agricultural produce is sold in villages. In the process of marketing traders provide the most important link. They are not only the principal market functionaries but also the main source of market information for majority of producers living in villages. They have got enough skill to deal with the agriculturists and their products. Though they do not have the latest market information of the terminal
markets, they keep contact with the wholesalers of the secondary markets. The wholesalers are in a better position as regards to the knowledge of market information. In the absence of a proper network of market information, the illiterate and ignorant producers fall a prey to the village traders as well as to the wholesalers.

7.1.9 Another feature of agricultural marketing in Orissa is the large volume of post-harvest sale. 'Forced sale' and 'distress sale' are the elements of post-harvest sale which suggest that the waiting power of the cultivators to sell their produce during a season favourable to them is less.

So far, 57 out of 76 wholesale markets of Orissa have been regulated. These account for only 75 percent of the total number of wholesale markets. This is less in comparison to the States like Punjab, Rajasthan, Andhra Pradesh, etc. More importantly most of the regulated markets in Orissa are not having the minimum infrastructural facilities as per the specification of ISI (presently BIS).

Correct and reliable information regarding price and arrival of stock is not readily available to the producers at the primary level.

It is seen that a number of commodities are notified for regulation in various regulated markets. However, only a few commodities are actually traded in these markets. It shows that regulated market committees have not been able to attract large percentage of agricultural commodities over the years.

Bye-laws of different market committees provide for open auction system. However, open negotiation between sellers and buyers is prevailing in most of the regulated markets. Very few markets have got open auction system of sale.
Market committees have been able to license some of the functionaries operating in the market yard. But there are a bigger number of functionaries in the market area who are often not licensed.

It has been observed that there is a significant reduction in market charges after the regulation of markets.

As stated earlier, the producer-sellers are not properly informed about the prices prevailing in the market yard. The village traders still predominate and provide distorted market information to them.

Cooperative marketing is supposed to safeguard the interest of the producer-sellers by increasing their bargaining power. But it is not well structured in the State. Both cooperative marketing and agricultural credit require to be strengthened further.

Pledge finance and market intervention are very helpful for the producer-sellers. Therefore, these two facilities should be extended to all regulated markets.

Surface road-length of Orissa is less than its all India average. Many roads become muddy and untrackable in most of the months of the year. Railway network is insufficient and inadequate. Due to these reasons farmers have to depend on bullock carts for the transportation of their produce. It is calculated that this is the most costly mode of transport.

Grading at producer's level is not yet done in the State. However, the position of grading and standardization in the State is improving now.

Although the Act, rules and bye-laws provide for licensing the weighmen, most of the regulated market committees do not license them
as market functionaries. Only a negligible percentage of agricultural produce is weighed by licensed weighmen of the market committees.

Warehouses constructed by Central Warehousing Corporation and State Warehousing Corporations are hardly used by the producer-sellers. They still rely on the primitive methods of storing in which the percentage of storage loss is high. Of late, a rural godown scheme is operating in some market yards of Orissa.

Farmers possess weak bargaining power vis-a-vis the traders due to illiteracy, poverty, ignorance and lack of organised efforts. As a result, the farmers are at the mercy of the traders for selling their produce.

7.1.10 Orissa adopted the Agricultural Produce Market Act in the year 1956. But the progress of the State in the matter of establishment of regulated markets was not satisfactory. Till 1990 it was having less than the average number of regulated markets per State. After establishment of eleven regulated markets recently, Orissa has become one of the advanced States in establishing regulated markets. However, the infrastructural facilities required in a regulated market are not available in most of the regulated markets of the State. Only some markets fulfil the desired facilities as per the regulatory norms.

It is experienced that in the absence of the requisite facilities, regulated markets are unable to help the producer-sellers from the clutches of the dishonest traders who continue to exploit them.

7.1.11 Regulated markets require finance for meeting capital and revenue expenditures. Capital expenditure includes purchase of land, construction of building and roads and provision of other infrastructural
facilities. Revenue expenditure include salaries to the staff, establishment and other marketing costs.

To meet these expenditures, RMCs collect funds from two sources; capital receipts and revenue receipts. Amounts received from the Central Government, State Government and OSAMB by way of assistance, subsidy and loan are termed as capital receipts. Revenue receipts or income include market fees, licence fees from the market functionaries, etc.

After 1993-94 Central assistance has been stopped. So, capital receipt of the regulated markets have decreased substantially. Nonetheless, capital expenditure goes on increasing. In fact, capital expenditures of the regulated markets exceed their capital receipts.

The income of all the RMCs of Orissa has increased over the years. Thus, they have generated surplus, a portion of which is found to have been spent for capital expenditure.

It is found that some regulated markets spend more than the specified limit of their income on establishment. It is economically undesirable.

It is observed that most of the RMCs collect more than 50 percent of their total market fees from the checkgates. It is evident that in these markets, market arrival is less than the quantity of commodities passing through the checkgates. This amounts to inefficiency of the concerned markets in attracting producer-sellers to their market yards. It suggests that market regulation is not effective.

Some markets have rented out their godowns as shops and the rent received is treated as a capital receipt which is a wrong practice of accounting.
7.1.12 By applying Acharya's method for measuring the efficiency it is found that regulated markets are more efficient than the unregulated markets in respect of three commodities, that is, paddy/rice, groundnut and jute. On the other hand, for coconut, unregulated market is more efficient than regulated market. However, this condition can be reversed if the number of middlemen functioning in the regulated markets for coconut are reduced.

7.2 Suggestions

It will be worthwhile to make some suggestions for the improvement of the present system of functioning of regulated markets in the State. There is no doubt that regulated markets have conferred certain benefits on the producer-sellers. More benefits will flow if effective regulatory measures can be adopted for the success of the scheme.

7.2.1 All attempts to increase productivity will be nullified if there is no organised marketing of the produce which emphasises a remunerative price for the producer-sellers. Unscrupulous traders exploit the farmers and lower the prices through a three phased approach; delay purchases, use of wrong weights and adoption of whimsical grading. Regulated markets should try to save the farmers by providing godown facility, grading the produce and checking the weights, while maintaining a remunerative market price.

7.2.2 As farmers possess weak bargaining power vis-a-vis the traders due to illiteracy, poverty, ignorance and lack of organised efforts, they are at the mercy of the traders for selling their produce. In a situation like this,
regulation of markets can ensure the interest of the cultivators of the State which requires sympathetic and firm Government intervention.

7.2.3 Government should fix a minimum price for all the major agricultural commodities like it is done for paddy, wheat, etc. It will save the market committees from a difficult situation of fixing up the prices for various produces. Moreover, there should be adequate arrangements for procurement of agricultural commodities at support prices if the market prices fall below that level.

7.2.4 Unscrupulous middlemen, especially in the tribal areas, provide the inputs during the sowing time and maintain an illegal trade relation by which the farmers commit even at the sowing time to provide the output to the specific traders at an unremunerative price. Such pre-commitment can be checked by intervention of the Government in providing seeds and planting materials to the farmers in time. Supply of input and credit should be ensured by concerned agencies in all market yards. This will attract more farmers to these yards.

7.2.5 There is a lack of coordination between regulated market committees and the trading communities. The purchasing organisations like Food Corporation of India, Jute Corporation of India, MARKFED and other Cooperative organisations, Supply Corporation, etc. do not take part in the procurement of agricultural produce in the regulated market yards. All such agencies should be properly integrated with the regulated markets. Especially, there should be greater coordination between regulated market committees and cooperative marketing societies, because cooperative marketing is one of the engines of developing agricultural marketing.
7.2.6 Cooperative organisations particularly the Regulated Market Committees (RMC) and Regional Cooperative Marketing Societies (RCMS) should be entrusted with purchase of agricultural produces directly through their machinery equipped with vehicles and other infrastructural facilities at the minimum support price fixed by the Government. This can check exploitation of the cultivators by the millers, and other middlemen.

7.2.7 Since there is a large number of small and marginal farmers, agri-business consortium may be formed through which marginal marketable surplus available with small and marginal farmers can be collected at a fair price.

7.2.8 The Government should not be complacent only by increasing the number of regulated markets in the State. It should try to improve the performance of such markets by supplying the required infrastructural facilities like market yard, bank, trading floor, grading and storage for all commodities should be improved in the regulated markets. In addition to this, basic services like drinking water, electricity, godown and rest places should also be provided.

7.2.9 The ungraded/uncleaned produce creates marketing problems in terms of space, labour, time, quality, disputes, etc. putting the producer-sellers to disadvantageous position in terms of price he receives. Employees of RMCs should educate the farmers for undertaking grading on their own at the farm level. However, till this task is satisfactorily and successfully implemented, grading should be done in the market yard in a proper manner. It will prevent admixture of good quality produces with bad quality produces. As a result, producers will get better price for better quality of commodities.
7.2.10 The State should encourage agro-based processing industries. These should be established along with storage facilities in the places of large volume production. Government can procure the commodities when price falls below the cost of production, either for export or for buffer stock.

7.2.11 Due to absence of feeder roads the producer-sellers are not willing to come to the market yard to sell their produce. Therefore, RMCs should try to provide such roads for easy transporting. Moreover, RMCs should provide transport facilities to collect the produce of small and marginal farmers from their villages. This will encourage the small and marginal farmers to sell their produce in the regulated market.

7.2.12 Regulated markets should be established in areas with large marketable surplus, and areas within a short distance from the farmers' field. The RMCs should develop a system of dissemination of market information to the producer-sellers of the concerned market areas more effectively.

7.2.13 "Group Sales" should be encouraged by organising producers' co-operatives. The farmers may be provided with up-to-date information as regards price in the market and also finance and warehousing facilities. This will help them to avoid distress sale.

7.2.14 Agricultural Marketing Intelligence Unit of the Directorate should cover all Panchayats. Some of the important wholesale markets of the State should be linked with 583 major mandis of the country through Market Intelligence and Communication Network. The Directorate of Agricultural Marketing should avail this facility for instant availability of information on prices prevailing in any part of the country which will help the farmers,
traders and other market functionaries for improving pricing efficiency of agricultural produce markets.

7.2.15 Farmer-growers should have major representation in the market committee; the Chairman and Vice-Chairman should be representatives of the growers.

7.2.16 For improving marketing efficiency the price spread must be minimised by reducing the number of middlemen and the marketing margins.

7.2.17 The focus and emphasis of the RMCs and Government expectation from RMCs should shift from revenue collection to improvement in the marketing efficiency.

7.2.18 All State Agricultural Marketing Boards should undertake a definite programme of research on various aspects of agricultural marketing.

7.2.19 Government should make regular market survey for making database on market information. It should also have some wing for market planning.

7.2.20 State Agricultural Marketing Board can be strengthened in expanding its activities with facilities of procuring, processing, grading and exporting directly from the market committee level.

7.2.21 A federation of the State Marketing Boards at the national level should be conceived and established to coordinate the activities of the marketing boards.
There is no separate Directorate of Agricultural Marketing in the State to plan, monitor and evaluate the marketing programme in Orissa and for effective enforcement of the scheme. The Registrar of Cooperative Societies is functioning as Ex-Officio Director of Markets at present to look after the scheme. There should be a full-fledged Directorate of Agricultural Marketing in the State with offices in each district.

If remunerative price for the produce can be ensured by adopting some or all of the above suggested measures in the regulated markets, the purpose of establishing such markets will be fulfilled.

The quest for finding a solution to various problems of marketing of agricultural produce can be met by evolving an integrated market development policy comprising the aforesaid suggestions and strategies.