Chapter-III
MARKET IMPROVEMENT EFFORTS
"Our major difficulties in India are due to the fact that we consider our problems – economic, social, industrial, and agricultural . . . within the framework of existing conditions."

-- Pandit Jawaharlal Nehru, the first Prime Minister of India.

INTRODUCTION

"The importance of the marketing of agricultural produce, the production of which is subject to innumerable natural and economic limitations is (therefore) of paramount importance in an agricultural country like India which derives about half of its national income from agriculture" observed S.K. Patel (1959), the then Union Minister for Agriculture, in the year 1959.

While the importance of an efficient marketing system for agricultural products was recognised even during the pre-Independence period in India, a sustained and determined effort towards market improvement was initiated in the 1960s. Economic planners and policy makers in India realised that agricultural marketing improvements were necessary to ensure that the fruits of the Green Revolution reached the Indian farmers. Effective marketing of produce is the ultimate justification for agricultural production.

The realisation of a reasonable price on sale of produce is the only guarantee of an adequate income and assurance of livelihood for the farmer. It provides an incentive for the farmer to continue his agricultural operations and to invest funds for improvements in agriculture.

1 Nehru, Jawahar, 1989, "The Discovery of India" (Reprint), Oxford University Publications, India, New Delhi.
The agricultural marketing system effectively links the farmers, with produce to sell, and millions of consumers seeking produce originating at the farms. An ideal marketing system, in the context of Indian agricultural market situation, must ensure fair returns for the farmers, assure the availability of food products of a reasonable quality at a fair price for the consumers and provide fair economic returns for the several marketing intermediaries.

Khusroo, Moore and Johl\(^3\) (1973) define the ideal market system in the context of Indian agriculture as *"The ideal marketing is one that maximises the long run welfare of society. To do this, it must be physically efficient; otherwise the same output could be produced with fewer resources; and it must be allocatively efficient; otherwise a change in allocation could increase the total welfare."*

An Ideal Marketing System

An ideal marketing system for agricultural products must address the following issues:

**Fair returns to the farmers:** An ideal marketing system must assure the farmers a fair return for their efforts. Fair returns on operations assure continuance of the activity and efforts for improvement. They attract capital and talent into the agriculture sector.

**Price Stabilisation:** A good marketing system must bring in a reasonable degree of price stability which will help in planning agricultural operations and also help the farmer raise capital from organised finance sector at a reasonable rate of interest.

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Mobilisation of Marketable Surplus: The marketing system must succeed in ensuring that the marketable surplus available at farm lands is efficiently mobilised and is available to satisfy the consumption needs of the nation's population. This requires transport and transit of produce across long distances and effective steps for reduction in losses at different stages of transit.

Consumer Satisfaction: The marketing system must ensure that customers have access to quality produce at a fair price. The marketing system must be geared to ensure availability of diverse products from different geographical zones to the consumer to satisfy nutritional needs.

Reduced Marketing costs: Any reduction in marketing costs will reduce the price spread between consumer prices and farm-level prices and would contribute to welfare of both farmers and consumers.

Fairness and Transparency: The marketing system must provide a level play-ground for all parties involved in marketing. The system must be viewed as just and fair by all parties. It must enjoy the confidence of all parties involved in the process. It should provide for the free flow of marketing information needed for informed decision-making. Activities in the markets must be well regulated to ensure elimination of exploitation.

Insurance Mechanism: An ideal marketing system must address itself to the task of establishing a formal/informal system of insurance for the protection of members who may have to face large losses, affecting their ability to continue operations, in the face of factors affecting the whole sector.

The New Imperatives

For centuries, the agricultural marketing system in India was geared to suit the requirements of subsistence farming practices. It was only in the post-Green Revolution period that “marketable surplus” of Indian farmers justified serious marketing efforts. A number of initiatives, primarily launched by the Government, were aimed at improving the marketing system to make it capable of handling the new challenges.

However, the new century has thrown up a new set of challenges that require a concerted effort at improving the marketing system. The gradual withdrawal of the Government from its involvement in agricultural marketing has lead to a vacuum in the markets.

The reduction in Government involvement in Public Distribution System (P.D.S) is seen as a threat to food security for the deprived sections of society. The opening up of the Indian food market to foreign participation is seen as a serious threat to the welfare of the Indian farmer. The entry of low-price imported food-products could kill local agriculture. Export of Indian farm products could lead to serious shortages of essential food products in the country, leading to exorbitant price increases. It is also feared that the promise of large profits could induce many Indian farmers to shift from cultivation of food products to commercial cash crops.
Many farmers’ organisations have expressed fears that foreign and indigenous giant corporations entering the agricultural sector would lobby for legislation facilitating exploitation of small and marginal farmers in the name of corporatisation of agriculture and contract agriculture.

There are fear that corporate food-processing giants could sound the death-knell for the millions of local-small scale food processing units, whose products would not be able to compete with the more attractive products, backed by scientific marketing efforts, of corporate organisations. Rapid urbanisation and changing life-styles and needs of urban customers have lead to a manifold increase in the quantity and variety of food products demanded by the urban sector.

All these factors have led to tremendous pressure on the marketing system for agricultural products. It is evident that the marketing system is finding it difficult to meet these new challenges.

Farmer suicides, escalating food prices, shortage of agricultural products, regular gluts and distress sales by farmers, farmer agitations, demonstrations against Multi-National Corporations (M.N.Cs), nutritional deficiencies, adulteration of food products, etc, stand testimony to the fact that the marketing system, as it prevails today, is not able to perform the marketing task with efficiency and effectiveness. There is a need for serious, concerted and concentrated efforts for “improvement of the marketing system”.
Agencies for Market Improvement

The improvement of the marketing system for agricultural products is a monumental task requiring the investment of large resources; physical, financial and human.

It requires the co-ordination of the activities and efforts of a number of agencies which can benefit, either directly or indirectly, from such a task. It requires the introduction of new structures, modification of existing structures, encouragement to initiatives, regulation of the activities of participants in the process, suppression and prohibition of undesirable practices, designing incentive systems for change, legislation and executive action.

The initiative for "market improvement" may originate from any or all of the following agencies:

i) The Government.

ii) Farmer Associations and Trader Associations.

iii) Individual Farmers and Business Organisations.

iv) Public Interest Organisations.

Role of the Government in Market improvement

India lives in its villages and the welfare and well-being of a substantially large percentage of the population depends, either directly or indirectly, on the fortunes of the agricultural sector. No Government in India can afford to neglect the welfare of the crores of Indians to whom agriculture is a way of life and livelihood.
The British Government of India recognised the need for Government intervention, regulation, control and assistance to the agricultural marketing sector as early as the 19th century.

Ever since India gained Independence, successive Governments, both at the Centre and State levels, have launched a series of initiatives aimed at improving the facilities for the marketing of agricultural products. The primary objectives of Government intervention in agricultural marketing were the protection of the interest of the farmer-producers and the intention to ensure a fair return for the farmer by providing adequate marketing opportunities for his produce.

The following factors were seen as the justification for an active involvement of Government in agricultural marketing:

**Welfare State Philosophy:** The Indian State adopted the welfare state model of development which envisages an active role for the Government in the management of the economy. Formulation of policies and programmes for optimisation of the welfare of the individual and the community are seen as a basic responsibility of the Government in power. Improvement in markets for agricultural products was seen as essential for the welfare of the general public and the millions of farmers.

**Commitment to Rural Development:** Rural development was one of the important objectives of the State. The fortunes of nearly two-thirds of Indians are dependent on rural prosperity and the vibrancy of the rural sector. Agricultural marketing was one of the areas which could be utilised for creating a “vibrant and self-sustaining rural sector”.
Provision of Food Security and Poverty Alleviation: The task of providing food security to the teeming population of India necessitated Government intervention in the procurement and distribution of food grains. It was also felt that the Government had to come to the assistance of the millions of small and marginal farmers by providing reliable marketing channels for their produce.

End to Farmer Exploitation: The operation of the marketing system is biased in favour of the traders and markets operate to the disadvantage of the farmers. The traders have a dominant presence in the market and use the mechanisms of the market to exploit farmers. The presence of the Government as an alternative buyer in the market provides the much needed support to farmers in marketing their produce.

Need for the Creation of Structures: The efficient transfer of goods from the farmers to the ultimate consumers requires the presence of a number of institutions and structures facilitating the transmission of goods and transfer of ownership over goods. The absence of such structures was a major defect in the Indian agricultural marketing system. The creation and maintenance of structures for marketing improvement needed Government intervention.

Failure of Farmers' Organisations: One of the major reasons which compelled the intervention of Government was the failure of farmers' organisations to protect and promote the interests of the farmers. The large majority of farmers in India belong to the category of small and marginal farmers. They occupy a position of very low economic, social and political status in villages. Most of them are illiterate and unfamiliar with
marketing processes. Organisations created to act as platforms for joint and united action of farmers have become ineffective due to the divisive forces of religion, caste and political affiliation.

Government intervention was advocated and supported by all political parties and ‘public interest organisations’ on the ground that the Government with its access and control over large resources alone could take up the task.

It was felt that legislation could be used as a powerful instrument for initiating necessary changes. The presence of the Government, through the network of Government institutions, throughout the country provided it with a unique opportunity for the regulation, control and promotion of marketing activities. Lastly, it was felt that the pool of man-power talent available to the Government could be effectively utilised in implementing the ‘transformation programme’.

i) Government Initiatives

Various Government initiatives for marketing improvement can be classified into the following categories:

A. Policy formulation and Direction
B. Legislative measures
C. Regulatory activities
D. Participation
E. Marketing Assistance
A. POLICY FORMULATION AND DIRECTION

Centralised Planning: Planning for market improvements in the Indian agriculture sector is a herculean task involving coordination of activities and operations over a very large geographical area spread over different administrative units. Marketing practices and customs differ from one region to another. Markets are also spread over different linguistic territories making communication a challenging task. There is a need for a central agency which can effectively co-ordinate diverse programmes, initiatives and tasks undertaken by a number of agencies. The Directorate of Marketing and Inspection, forming an integral part of the Union Ministry for Agriculture, handles the task of policy-formulation and planning for market improvements.

Study Committees: The Central Government and State Governments, over the years, have constituted a number of Study Committees and Review Committees to study the functioning of the markets, identify short comings and defects and suggest measures for enhancing efficiency in functioning. The recommendations of such committees form the basis for Government initiatives in the sector.

Directions and Guidelines: Various State Governments take an active interest in directing the farmers with reference to choice of crops taking into consideration the marketing prospects for the crop at the local, national and international levels. Committees of agricultural experts constituted by different Governments study the projected demand and supply for important products and offer their recommendations on the most profitable and viable cropping-patterns for different soil-climatic regions of each State in the country.
B. LEGISLATIVE MEASURES

Legislation: Government has enacted a number of laws for the regulation of marketing activities and for providing an institutional framework for reforms and improvements in the marketing arrangements.


Various State Governments have also passed laws to ensure the regulation of marketing activities like transportation, public distribution, grading and standardisation and quality control.

C. REGULATORY ACTIVITIES

Regulated Markets: “A regulated market is one which aims at the elimination of the unhealthy and unscrupulous practices, reducing marketing charges and providing facilities to producer-sellers in the market.”

The primary objective behind the creation of regulated markets was to provide for a high degree of fairness and transparency in marketing operations and provide for

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farmer participation in the management of markets. Rules and regulations in such markets ensure that there is a fair play field for the operations of the forces of demand and supply.

Strict supervision of operations like weighing and measuring, grading, price determination, settlement of price and collection of market charges by a Management Committee consisting of members representing the farmers, the traders and the Government ensure an end to the exploitation of farmers by unscrupulous traders having control over the management of the market. Sale at a regulated market provides the farmer a number of advantages. Competition among traders at the market yard is a guarantee that the farmer can get a fair price. Rationalisation of market charges, standardisation of weights and measures, grading of produce by Government officials and representation of farmers on the Management Committee are adequate safe-guards against farmer exploitation.

Provision of facilities for overnight storage of produce and stay of the farmers reduces the compulsion to opt for a distress sale by the farmer. Formal arbitration mechanisms facilitate an early and just settlement of disputes and grievances. The threat of severe penalties and punishments including de-licensing of erring traders acts as a strong deterrent against resort to unethical practices by traders.

Dynamic Management Committees have also taken steps for farmer education and training, provision of inputs and implements at subsidised prices, exploration of new marketing avenues for produce and dissemination of market information.
**Standard Contracts:** The Government has taken the initiative in drafting "All India Standard Contract Terms" for a number of commodities. In the standard contract terms, the definition of terms like quality, damage to goods and allowances with reference to refraction has been made specific and precise.

In spite of the fact that adoption of Standard Contract terms is not mandatory, the benefits of adoption of standard terms has made them generally acceptable in all important markets. This has reduced the opportunities for exploitation of farmers by arbitrary definition of terms and conditions in favour of traders and middlemen.

**Regulation of Standards and Grading:** The Agricultural Produce (Grading and Marking) Act, 1937, provides the framework for regulation of standardisation and grading processes.

The Act empowers the Central Government to prescribe grade standards and grade designation marks for agricultural products. It provides a mechanism for authorising institutions concerned with certification of agricultural produce. The standards prescribed are reviewed periodically to ensure that they are in consonance with changes in consumer needs, trade practices and production patterns. Grades prescribed under the Act are designated as “AGMARK” and have gained wide popularity.

Appropriate standards and grades provide an assurance of quality to the consumer and help farmers realise a price appropriate to the quality of their produce. This acts as an incentive for farmers to adopt measures for enhancing the quality of their produce.
Regulation of Weights and Measures: The use of standard weights and measures ensures fairness in the marketing process and protects the interests of all the parties involved in marketing.

The Standards of Weights and Measures Act, 1958, has been successful in bringing about a high degree of certainty in the process of weighing and measuring prevalent in agricultural markets by bringing to an end the use of heterogeneous, unscientific and unreliable yard sticks in market. The use of the metric system, adopted in the year 1953, has simplified the process and made it easier for farmers to learn and use standards in the processing of transactions.

Regulation of Contract Farming: Contract farming, the process by which farmers undertake to sell their produce at a future date to an identified buyer at a price determinable under the terms of the contract, has been adopted by farmers in a small way during the recent years. Contract farming provides certainty of income to the farmers and also helps them in raising finance from the organised sector.

However, there have been a number of complaints that corporate sector buyers are exploiting gullible farmers by skillful manipulation of the terms and conditions of the contracts. Many State Governments have initiated steps to ensure that farmer interests are protected by the stipulated terms and contracts in model contracts drafted by the Government. Governments are also envisaging the creation of arbitration mechanisms for early and just settlement of disputes arising out of the interpretation of contractual terms and conditions.
D. PARTICIPATION

Procurement Efforts: Over the years, middlemen in agricultural markets have succeeded in procuring agricultural produce from farmers at highly depressed prices by the simple strategy of a concerted refusal to buy stocks offered for sale by the farmers. Traders, acting in collusion in their refusal to lift stock arrivals, could depress prices to the disadvantage of the farmer. Lack of storage facilities and the desperate need for immediate cash compelled farmers to sell their produce at throw-away prices. To put an end to this exploitation, the Government of India undertook procurement of food grains at prices determined by the Agriculture Price Commission (A.P.C.) in advance of the "arrival" season.

The Government took up the role of "Potential Buyer" and succeeded in fostering competition in the market. The assurance of a ready market for his produce at a fair price precludes resort to distress-sale by farmers.

Procurement efforts of the Government also help in the maintenance of buffer stocks needed to provide food security for the poor and deprived sections of Indian society.

Price Support Measures: The announcement of a Minimum Support Price (M.S.P.) has been an integral part of the agricultural price policy of the Government of India. Farmers are given the option of off-loading their "market lots" at any authorised establishment at the M.S.P. The M.S.P. announced by the Government for important agricultural products annually takes into consideration the need of the farmer: i) to recover his costs, and ii) earn a reasonable profit on sale.
The M.S.P. shall also take into consideration the imputed value of labour expended by family numbers during the production period. Purchases made by the Government at the M.S.P. would be utilised to augment the buffer stocks maintained by the Government.

**Public Distribution System (P.D.S):** The Public Distribution System for food grains' functions with the objective of providing adequate supplies of reliable quality food grains at a fair price for the millions of Indians falling under the category of the deprived, disadvantaged and vulnerable sections of society.

A range of food items are provided to customers at a subsidised price. Supplies are delivered through a network of 4,32,000 notified fair price shops catering to the requirements of nearly 800 million consumers. The task of distribution is also undertaken by authorised co-operative marketing societies and authorised private retailers. The massive ‘public distribution system’ is primarily aimed at providing food security for the millions of Indians living Below the Poverty Line (B.P.L).

**E. MARKETING ASSISTANCE**

**Provision of Finance:** Successful marketing requires the availability of adequate funds at a reasonable price. Finances are required by farmers during the post-harvest phase to meet their requirements during the time-gap between production and realisation of price on sale. Finances are also required by market functionaries handling activities like buying, processing, etc. Most of the farmers rely on borrowed funds to meet their requirements of cash.
In most of the developing countries, capital is a scarce commodity and the cost of raising funds is very high. The exploitation of the Indian farmers by money lenders and pawn-brokers is a well known fact. Even as late as in the year 1951, the share of money-lends in rural credit market was 71.6 per cent. Small farmers were completely reliant on the unorganised sector for their financial requirements. The intervention of the Government and the entry of commercial banks into rural India, in a large way, has reduced the share of money lenders in the agricultural finance market to 17.6 per cent by the year 1991.  

A number of institutions, working under the overall superintendence of the Reserve Bank of India (R.B.I.) have come to the rescue of the Indian farmers.

The National Bank for Agriculture and Rural Development (N.A.B.A.R.D.) was established as an apex organisation for rural finance in the year 1982. NABARD is primarily intended to strengthen financial institutions involved in rural banking by providing re-finance. In addition, it has also taken up the task of strengthening institutions involved with warehousing, cold storage, provision of transportation and construction of market yards.

NABARD provides *schematic finance* for the construction of irrigation projects, land development and modernisation of agriculture. NABARD also provides advice to the Government in the formulation of policies pertaining to agriculture sector.

Commercial banks, especially the public sector banks, entered into the rural credit market in a big way in the 1970s. The primary emphasis was on providing banking.

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services in the un-banked rural areas and allocation of substantial funds to agriculture and allied activities which were included in the “Priority Sector”. The 1980s saw a commitment to come to the rescue of the poor and deprived sections of society. Farmers including small and marginal farmers could enjoy the benefit of access to assured credit at a reasonable rate of interest.

Many commentators have noted with alarm the adverse impact of financial liberalisation on rural operations of commercial banks. The number of rural branches has come down from 35,329 in 1994 to 32,281 by the year 2002. 45 per cent of the borrowers in the rural sector secured only 13.4 per cent of advances of the commercial sector whereas 15 per cent of borrowers living in urban areas secured 54 per cent of advances.

Regional Rural Banks (R.R.Bs), which came into existence in the year 1975, played a crucial role in meeting the funds requirements of farmers. R.R.Bs. were successful in adopting an area-specific approach to banking and helped in bringing banking services to previously un-banked areas.

Co-operative Banks in rural areas, enjoying Government assistance and encouragement, were expected to play a vital role in meeting financial requirement of member-farmers. However, a number of factors like poor capital-base, low rate of recovery of loans, alienation of members, interference by politicians and mis-management have weakened co-operative credit institutions.

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Encouragement to Micro-Credit institutions and Self-Help Groups (S.H.Gs.) involved in providing financial assistance to small and marginal farmers and small businessmen is being seen as a means to fill up the vacuum in rural credit markets.

Sabyasachi Das\(^8\) (2003) remarks "The inability of the credit institutions to deal with the credit requirements of the poor effectively has led to the emergence of micro-finance or micro-credit systems as an alternative credit system for the poor".

The first step in this direction was taken by NABARD when it funded an action-oriented research project on the role of SHGs in rural credit. By the year 2002, there were 4,61,478 S.H.Gs. operating in India.

The Government of Andhra Pradesh has been promoting self-help groups with a special stress on women's Self-Help Groups. Efforts are being made by the State Government to ensure that members of such groups receive training in marketing from private-sector marketing organisations.\(^9\)

**Encouragement to Co-operative Marketing:** "Co-operative marketing organisations are association of producers for the collective marketing of their produce and for securing for the members the advantages that result from large scale business which an individual cultivator cannot secure because of his small marketable surplus."\(^10\)


Co-operative marketing organisations help farmers realise a fair price for their produce. They undertake the task of providing storage, grading and transport of the final produce. They also help members procure inputs and finance at a lower cost. In addition, they undertake all activities necessary for safeguarding the interests of their members.

It is reported that there are 8,800 primary co-operatives affiliated to 29 state level federations in India. National Agricultural Cooperative Marketing Federation (N.A.F.E.D.) is the apex body in the sector.\textsuperscript{11}

The Central Government and the various State Governments are strengthening the cooperative marketing movement by:

\begin{itemize}
  \item a) subscribing to the share capital of State level Federations.
  \item b) granting loans at concessional rates to State level Federations.
  \item c) subsidising the cost of equipment purchased by Co-operatives.
  \item d) subsidising the cost of managerial staff for an initial period of three years.
  \item e) providing training to the personnel of Co-operatives.
  \item f) conducting studies to assess performance and taking measures for rectifying any lacunae in the management of the affairs of marketing societies.
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\textbf{Provision of Marketing Information:} The Government of India and the various State Governments play a very important role in the collection and dissemination of facts, opinions, estimates and other information pertaining to the marketing of farm-products.

\textsuperscript{11} Mishra, P.K. 2003, "Marketing Co-operatives in Agriculture - Gearing up for New Challenges", \textit{Kurukshetra}, A Ministry of Rural Development Publication, Govt. of India, New Delhi, April, pp. 20-23.
The State-owned television and radio are the primary sources of reliable and up-to-date information for the millions of farmers in India.

A number of Government officials like Marketing Intelligence Inspectors, Market Reporters, Agricultural Assistants, Price Inspectors, Marketing Secretaries and Auction clerks ensure that farmers are kept informed about current prices in different markets, the price trends, demand estimates, shifts in demand, the quantum of arrivals of different products in different markets and other related information. The availability of reliable marketing information helps farmers take an informed-decision and sell their produce in the best market.

**Market Extension Services:** Market Extension Officers appointed by the Government inform farmers and traders about the various voluntary and regulatory measures in force for improvement of marketing arrangements. They impart advice on various marketing problems faced by individual farmers, traders, farmers' organisations and co-operative societies. They help farmers carry on the functions of storing, packing, grading and transportation with greater efficiency. They help farmers in taking decisions on cropping pattern and choice of marketing channels.

The Government has been taking steps to encourage the entry of private-sector extension organisations into the agricultural sector. Young, professionally qualified agriculture graduates are being encouraged to establish firms specialising in the provision of extension facilities on a commercial basis.12

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Market Studies and Surveys: The Central Government and several State Governments arrange for market surveys, studies and investigations. Such surveys and investigations are with reference to a: (i) commodity, or (ii) specific functions and phenomenon of marketing like supply, demand estimation, storage, distribution, grading, price-spreads, etc. Such studies concentrate on a review of prevalent situation/conditions in a market, study of market processes or the defects in the functioning of the markets. The findings of such studies help the Government in policy formulation and design of market development schemes.

Development of Transport facilities: Transportation is an indispensable marketing function. It creates place-utility for products and helps widen the market for farm products. Efficient transportation can reduce marketing costs and reduce transit losses in farm-produce marketing. It is reported that even today only 48.4 per cent of Indian villages are well-connected with the rest of the country.¹³

    The presence of round the year motorable rural roads and feeder roads, assuring physical connectivity, is a sine qua non for successful agricultural marketing. In addition, there is a need for the development of low-cost, reliable and flexible, motor driven vehicles for transporting small lots of produce from the farm-lands to distant markets across feeder/link roads.

    The launching of the Central Government sponsored “Prime Minister’s Gram Sadak Yojana”, an ambitious project for connecting every village in India with the
arterial roads is based on the recognition of the importance of transportation in providing prosperity to rural India.

Sri Vadde Sobhanadreswara Rao, former Minister for Agriculture, Government of AP has stressed the need for the active involvement of village level Agricultural Committees in identifying requirements for the provision of feeder roads in rural areas.

**Storage facilities:** Storage plays a very important role in agricultural marketing. Storage helps farmers protect their produce from loss due to several factors. It adds to the life of perishable products. It protects the interests of the farmers by helping them avoid sale at a time when arrivals in the market are heavy and prices are very low. By providing an opportunity for a planned and delayed release of produce into the market, it allows for a more balanced interaction between the forces of demand and supply. This facilitates price-stabilisation in the case of farm products.

The absence of adequate and scientific storage facilities has been a great lacuna in India agricultural marketing system. The Central Warehousing Corporation (C.W.C.) is the nodal agency for the co-ordination of all Government efforts aimed at improving storage facilities. It handles the task of acquiring land and building godowns at nodal points in the market. It also assists State Warehousing Corporations by subscribing to their capital.

Emphasis, in the recent years, has been on encouraging private sector investment in the creation of cold storage facilities as a part of "cool-chain" systems.

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**Encouragement to Processing industry:** Processing of farm products leads to enhanced form-utility. Processing helps in the marketing of farm products by making them more edible, palatable and attractive. In addition, it adds to convenience in use, storage and transit. It helps extend the availability of the product over a longer period of time. Drying, parboiling, husking, polishing, grinding, canning, etc., are some of the common modes of processing agricultural products.

It is estimated that there are 4000 processing units in the organised sector in India with a capacity of 12 lakh metric tons per year. As on date, only 4 per cent of agriculture product is subject to processing.¹⁴

The Government is encouraging the processing industry by providing tax exemptions on processed products, subsidies on packing costs, assured supply of power and by the creation of “Processing Parks” where all infrastructural requirements are provided by the Government at a subsidised cost.

A survey report commissioned by the Confederation of Indian Industries and McKinsey (International Management Consultants) reports that the processing industry which had an annual turn over of Rs.80,000 crores in the year 2001 would grow into a Rs.2,25,000 crore industry by the year 2006.

**Export Promotion:** Export of agricultural commodities has been a major source of foreign exchange earnings for India. Exports add to the demand for agricultural products

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and provide an opportunity for the better utilisation of natural resources and also help the farmer realise a higher price for his produce. The value of agricultural exports from India stood at Rs. 21,680 crores in the year 1999-2000.\textsuperscript{15}

Agricultural and Processed Foods Export Development Authority (A.P.E.D.A) is the apex body coordinating all Government efforts for promotion of agricultural products in India. It is an autonomous body attached to the Ministry of Commerce, Government of India, formed with the main objective of building up “links between the Indian producers and the global markets”. The following are the important activities of APEDA:

(a) Development of data base on products, services and markets.

(b) Publicity and dissemination of information.

(c) Arranging foreign visits for Indian producers and exporters.

(d) Inviting officials and business delegations from foreign countries.

(e) Participation in international trade fairs to seek avenues for Indian exports.

(f) Providing opportunities for interaction to Indian sellers and foreign importers.

(g) Providing recommendatory and advisory services to trade and industry,

(h) Coordination of activities in Agriculture Export Zones.\textsuperscript{16}

Farmer Training: The Government of India and various State Governments have realised the importance of providing adequate training to farmers in production planning, use of available resources and information, determination of objectives and marketing. The National Institute for Agricultural Marketing (N.I.A.M), Jaipur is the apex institution in this field. It imparts training to officers and executives of the Government involved

with agricultural marketing. It acts as a nodal point for the coordination of research
efforts and the dissemination of results of such research. It also offers a number of
academic courses on agricultural marketing.

Experts in the field of agricultural marketing assessing the results of nearly 50
years of Government intervention have opined that:

i) There has been a concentration on the form of structures rather than on the
removal of constraints.

ii) There has been a concentration on the large and centralised markets to the
neglect of the many localised-primary markets.

iii) The scale of operations and the high degree of centralisation of reforms
has not provided an opportunity for percolation of reforms to the primary
markets. Hence, small farmers have not been able to derive benefits of
market reforms.

iv) The control of the rich classes over co-operative institutions has led to
their failure in achieving their primary objectives.

Jayati Ghose and Chandrasekhar (2002) analysing the impact of the
"liberalisation" policy of the Government on the agriculture marketing sector state that
the basic premise behind adopting the "free-market" philosophy in agriculture was that it
would provide "a price-incentive in the farm sector, shift terms of trade in favour of
agriculture and lead to enhanced private sector investments in agriculture". However,

16 www.apeda.com, the official website of APEDA, Home Page.
reduced Government intervention has led to a reduction in public investment, reduced flows of funds from the banking sector, disabled the public distribution system and weakened the structural arrangements in agricultural marketing.

Eminent economists and experts in the area of agriculture marketing have been cautioning the Government against an all-out and hasty withdrawal from the role of an active player in marketing. They question the premise that the private sector would efficiently fill the gap created by Government disengagement from the field.

Editors of the Human Development Report 2004\textsuperscript{18} opine that the argument that the private sector alone can and does function effectively is wrong. They advocate a constructive role for the Government in the management of the economy, especially in developing countries.

\textbf{ii) Farmer Associations and Trader Associations}

\textbf{Co-operative Marketing Societies:} Co-operative Marketing societies were viewed as an effective instrument for market improvement and development. It was felt that collective and joint action of small farmers would help them reap the benefits of large scale operations.

Efficient co-operative marketing societies can provide a number of services for their members like provision of common facilities for storing, grading, standardisation and transportation of produce. They could help achieve a reduction in the percentage of marketing costs to realised price on sale. Cooperative societies can also play a positive

\textsuperscript{18} Bureau Report, 2003, \textit{Eenadu} (Telugu daily), A Vasundhara Group Publication, Hyderabad, dated 22\textsuperscript{nd} September.
role in providing financial assistance, dissemination of marketing information, etc. Co-operative marketing societies can also play an active role in the development of processing industries by farmers.

However, the Co-operative marketing movement did not succeed in achieving the expected results. Some of the main reasons for the poor performance of co-operative marketing societies are:

i) Co-operative societies do not have the funds required for the creation of infrastructure needed for successful conduct of marketing operations.

ii) Farmers are not conscious of the benefits of co-operative marketing.

iii) The management of societies is in the hands of rich farmers or traders who do not have any stake in the development of the institutions. In fact, their interests are better served by a failure of these institutions.

iv) Quite often, employees of such societies have loyalties to large farmers / professional traders / money lenders and they work to the detriment of the interests of the co-operative society.

v) Divisions among the farmers on the lines of caste, creed and political affiliations reduce opportunities for united action by farmers.

vi) Political parties are keen on ensuring that their cadre gain control and dominance of societies, since they are seen as seats of power.

vii) Shortage of funds for working capital has weakened many co-operative societies.

viii) Lack of education, low levels of skills and low social status act as a deterrent to primary members taking an active role in the management of the affairs of the societies.
There is a need for infusing vitality into this sector to make it play an active role in agricultural marketing.

**The Self-Help Movement:** Self-Help Groups (S.H.Gs) of farmers and traders are coming to the fore during the recent years. In Andhra Pradesh, S.H.Gs formed by small farmers and traders are able to provide significant benefits to their members and are gaining popularity.

**Rythu Clubs:** Rythu Clubs are S.H.Gs. of farmers constituted at the village level. Farmers with common objectives can use the clubs as platforms for joint agricultural operations, purchase of inputs, sale of market surplus, seeking extension services and market advice and for lodging claims for subsidies. Office-bearers of the clubs shall take up the task of liaising with the Government on behalf of members. Rythu clubs are also taking up the activity of direct marketing of produce of their members.

It is reported by some clubs that by the simple process of avoiding market intermediaries, a farmer-member can derive an additional income of Rs.4,000 per acre in the case of paddy cultivation and up to Rs.5,000 in the case of chilli cultivation every year.¹⁹

**Agri-Business Groups:** The Government of Andhra Pradesh has framed guidelines for the formation of ‘agri-business consortiums’ by young entrepreneurs in rural areas. Commercial banks have been requested to liberally finance these small businesses which could profitably undertake the businesses of input-supply, leasing of equipment, trading
or manufacturing of bio-fertilisers and vermi-compost. Such institutions come under the category of 'Small Industries and Business' and banks can categorise such loans under priority sector lending.

**Agri-Clinics:** Agri-clinics are intended to provide advice and assistance to farmers on farm practices, transfer of technology, marketing of produce and pest-control. Young agricultural graduates, acting as individuals or as a group, can establish such clinics. The Government shall provide them necessary training in entrepreneurship, project-management, accountancy and documentation procedures. The Government and its agencies shall undertake to assist entrepreneurs in obtaining bank finance.

It is expected that these organisations will supplement the efforts of Government agencies involved in support to agriculture and also fill any gaps that are likely to be caused by Government disengagement from the agricultural sector.

### III. Individual Farmers and Business Organisations

Individual farmers and traders motivated by the opportunity for better profits attempt to find better ways to market agricultural produce and in the process aid market development and improvement. Such attempts include the search for new markets, better ways to serve the existing markets, enhancing the efficiency of marketing activities like transportation, storage, handling, processing, grading, etc. Competition among individual farmers and traders spurs attempts aimed at market improvement.

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During the recent years, a number of 'large business houses' have entered Rural Marketing, realising the immense growth potential of this sector of the economy. The entry of these business houses with large capital base, professional management skills and a large network of offices and sales outlets spread all over the country has led to a revolutionary change in the rural marketing scenario. Their entry into procurement and processing of agricultural products has been a boon for farmers who are now in a position to sell their produce directly to these 'industrial and trading houses' avoiding sale to intermediaries.

Corporate farming activities taken up by 'large business houses' have provided assured markets and incomes for farmers. Based upon the 'purchase contracts' signed by these corporate bodies, farmers have been able to draw their financial requirements, both pre-harvest and post-harvest, from commercial banks. Corporate farming, where it has been well-regulated, has been a great boon for the farmers, especially the small and marginal farmers.

IV. Public Interest Organisations

The recent years have witnessed an active involvement of private sector organisations, N.G.Os. and the media in attempts to find solutions to problems faced by farmers in marketing their produce. Their involvement in agricultural marketing is based on a recognition of the fact that 'successful marketing of agricultural produce by farmers is one of the pre-requisites for rural prosperity and rural development'.
a) Non-Government Organisations and Private Sector Initiatives

A number of N.G.Os. and private sector 'foundations' have been assisting the farmers in their attempts to identify profitable markets for their produce and such organisations have been taking the lead in farmer education and training.

Horticultural experts, especially retired Government employees, have been extending their advice and assistance to farmers in adopting better farm practices and in the choice of an appropriate product mix. In addition, they have been encouraging farmer joint action for direct marketing of their produce. Some private sector organisations have been training farmers in marketing their produce and processing their produce. Realising the importance of credit in marketing operations, these organisations have sponsored micro-credit institutions which can effectively take care of the working capital needs of small business units involved in the marketing of farm produce.

The key to successful involvement in such efforts is based on the ability of such organisations to gain the confidence of the farmers and their ability to involve the Government agencies in the specific area in their operations.

“Project Rural Net” is a very ambitious project aimed at creating alternative marketing channels for agricultural products with a stress on horticultural products. The project is co-coordinated by the Confederation of Indian Industries (C.I.I.) and envisages a partnership of Government and private sector organisations. The Governments of Andhra Pradesh, Tamilnadu, Karnataka and Kerala are partners in the project along with NABARD and the Khadi and Village Industries Corporation (K.V.I.C.). A number of NGOs have expressed their willingness to act as 'networking partners' in the project.
Dr. Reddy Foundation for Human and Social Development, Hyderabad, a leading organisation in the field, has found that effectiveness in bringing about transformation depends upon the change agent’s strategy. Success depends upon the ability to:

1. build partnerships between private sector and public sector institutions.
2. ensure stakeholder interest and participation.
3. involve the community in all efforts.
4. gain approval of the bureaucracy.
5. mentor the participants.

b) The Media: Various media instruments like the Radio, Television and the Press play a very important role in the lives of people living in rural India. They are the channels of information for the millions of farmers in rural areas. During the recent years, there has been an explosive growth in the vernacular media sector in terms of reach and influence. In addition to the dissemination of information, the media has been playing an active role in advocating the cause of farmers and other producer-groups in rural areas. The media brings to the notice of the general public, the several problems being faced by farmers in the marketing of their produce since this factor has a bearing on the general welfare of the society. Discussions and deliberations on such issues in the media by parties interested in the issue provide a platform for advocacy of the problem by interested groups and help in building up pressure for legislative and executive reforms.

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