CHAPTER - II

IMPORTANCE & OBJECTIVES OF REGULATED MARKETS
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Efficient marketing is a pre-requisite in the development process of any economy. The basic objectives of an efficient marketing are to ensure remunerative prices to the producers and a reduction in marketing costs and margins, to provide commodities to consumers at reasonable prices, and promote the movement of surpluses for economic development. There are many imperfections in the marketing system for agricultural commodities. To protect the interests of the various segments of society, government intervention in the market mechanism becomes necessary. This chapter includes a description of the traditional marketing system for agricultural commodities and the steps taken by the government from time to time to cover come the defects and improve the marketing system.

Agricultural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development. Its dynamic functions are of primary importance in promoting economic
development. For this reason, it has been described as the most important multiplier of agricultural development.

India's age-old farming practices have taken a turn in recent years. There has been a technological breakthrough—the evolution of high yielding variety seeds, increasing use of fertilizers, insecticides, pesticides, the installation of pumping sets, and tractorization. This technological breakthrough has led to a substantial increase in production on the farms and to the larger marketable and marketed surplus. To maintain this tempo and pace of increased production through technological development, an assurance of remunerative prices to the farmer is a pre-requisite, and this assurance can be given to the farmer by developing an efficient marketing system.

The agricultural marketing system plays a dual role in economic development in countries whose resources are primarily agricultural. Increasing demands for money with which to purchase other goods leads to increasing sensitivity to relative prices on the part of the producers, and specialization in the cultivation of those crops on which the returns are appreciable, subject to cultural, ecological and economic constraints. It is the marketing system that transmits the crucial
price signals. On the other hand, and in order to sustain non-agricultural sector—physical resources to guarantee supplies of ford and raw materials for the agro–industry and financial resources for investment in non–farm economy as well as for re-investment in agriculture.

The importance of regulated marketing in economic development has been indicated in the paragraphs that follow.

Optimization of Resource Use and Output Management. An efficient regulated marketing system leads to the optimization of resource use and output management. It can also contribute to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation. A well–designed system of marketing can effectively distribute the available stock of modern inputs, and there by sustain a faster rate of growth in the agricultural sector.

Increase in farm Income:

An efficient marketing system ensures higher levels of income for the farmers by reducing the number of middlemen or by restricting the commission on marketing of farm
products. An efficient system guarantees the farmers better prices for farm products and induces them to invest their surpluses in the purchase of modern inputs so that productivity and production may increase. This again results in an increase in the marketed surplus and income of the farmers. If the producer does not have an easily accessible market-outlet where he can sell his surplus produce, he has little incentive to produce more. The need for providing adequate incentives for increased production is therefore very important, and this can be made possible only by streamlining the marketing system.

Widening of Markets:

A will-knit marketing system widens the market for the products by taking them to remote corners of the country, i.e. to areas far away from the production points. The widening of the market helps in increasing the demand on a continuous basis, and thereby guarantees a higher income to the producer.

Growth of Agro-based Industries:

An improved and efficient system of agricultural marketing helps in the growth of agro-based industries and
stimulates the overall development process of the economy. Many industries depend on agriculture for the supply of raw materials.

Price Signals:

An efficient marketing system helps the farmers in planning their production in accordance with the needs of the economy. This work is carried out through price signals.

Adoption and Speed of New technology:

It helps the farmers in the adoption of new scientific and technical knowledge.

Employment:

The marketing system provides employment to millions of persons engaged in various activities, such as packaging, transportation and processing. Persons like commission agents, brokers, traders, retailers, weigh men, hamals and regulating staff are employed in the marketing system.
Addition to National Income:

Marketing activities add to the nation's gross national product and net national product.

Better Living:

The marketing system is essential for the success of the development programs, which are designed to uplift the population as a whole. Any plan of economic development that aims at diminishing the poverty of the agricultural population, reducing consumer food prices, earning more foreign exchange or eliminating economic waste has, therefore, to pay special attention to the development of an efficient marketing for food and agricultural products.

The economic and social benefits accruing to the cultivators, as a result of the regulation of markets, may be briefly enumerated as below.

1- As a result of the rationalisation of market charges alone, the producer-seller is benefited to the tune of 3 to 5 rupees for every hundred rupees worth of produce marketed by him in regulated markets.
Table II-1: The table below indicates the average reduction in the market charges in various states after regulation:

<table>
<thead>
<tr>
<th>State</th>
<th>Market charges per 100 rupees worth of produce</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before Regulation</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>2.74</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>4.09</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>4.65</td>
</tr>
<tr>
<td>Karnataka</td>
<td>4.14</td>
</tr>
<tr>
<td>Punjab &amp; Haryana</td>
<td>2.43</td>
</tr>
<tr>
<td>All India Average</td>
<td>3.41</td>
</tr>
</tbody>
</table>
Table II-2: The reduction in the individual items has been as under:

<table>
<thead>
<tr>
<th>Items</th>
<th>Amt. of Reduction</th>
<th>% Ad valorem</th>
<th>% In relation to pre-regulation rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission</td>
<td>0.56</td>
<td>33.1</td>
<td></td>
</tr>
<tr>
<td>Weighment</td>
<td>0.23</td>
<td>60.5</td>
<td></td>
</tr>
<tr>
<td>Hamals</td>
<td>0.36</td>
<td>64.3</td>
<td></td>
</tr>
<tr>
<td>Brokerage</td>
<td>0.10</td>
<td>34.5</td>
<td></td>
</tr>
<tr>
<td>Charity</td>
<td>0.06</td>
<td>50.0</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0.63</td>
<td>66.3</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1.94</strong></td>
<td></td>
<td><strong>Average 61.7</strong></td>
</tr>
</tbody>
</table>

This reduction only indicates a small friction of the surplus in came finding its way into the pockets of the agriculturists. One has only to assess the advantages of correct weighment, competitive buying and fair refractive allowances in terms of monetary value, to be able to comprehend fully the benefits of regulation of markets.
2- There has been an increase in the number of sellers bringing their produce to these markets. Until 1944, less than 40% of the produce was taken to the markets by the producers themselves. The average percentage has now gone to 70. This significant shift in the pattern of trading is indicative not merely of economic advantages but also of a great psychological upheaval, which the scheme has engendered.

3- A change has also been brought about in the socialistic behavior of the influential, powerful and economically well off trading sections towards the illiterate, ignorant, indebted and economically backward cultivators by constant diversion of their attention to the canons of fair trading and responsibilities that delve on the licensed traders and commission agents of the market committees.

4- Market charges are clearly defined and specified. Excessive charges are reduced and unwarranted ones are prohibited.

5- Market practices are regulated, and the undesirable activities of the market functionaries are brought under control. So that a fair dealing is assured.
6- Correct weighment is ensured by periodical inspections and verifications of scales and weights. Only correct and stamped beam scales and weights are allowed to be used in the market. Weighment is done only by the licensed weigh man.

7- A machinery for the settlement of disputes between traders and sellers is set up. This machinery provides suitable arrangements for the settlement of disputes regarding quality, weighment and deductions, prevent litigation, safeguard the interest of the seller and smoothens business by creating good relations between sellers and buyers.

8- Reliable and up-to-date market news are available to the sellers. For this purpose, not only the notice-boards for daily bulletins and news papers are maintained also the radio set, along with the loudspeakers are arranged in the yard for disseminating market news. These markets have been a source of most reliable statistics and have been rendering a valuable service in planning market programs.
9- Proper market yards with full facilities like sheds for the sale of produce, cart parking place, water troughs and cisterns for cattle, water huts with tap for drinking purposed, rest houses, latrines, canteens and bathrooms for farmers, better grading and warehousing facilities for the accommodation of agricultural produce are duly provided by the Market Committees.

10- Open auction method is strictly followed and unjustified trade deductions like karda, dalta, batta, namuna, etc. are eliminated. The producer is given a slip showing details of the proceeds and deductions and payment is made on the same day.

11- In these markets suitable quality standards and standard terms for buying and selling are conveniently enforced.

12- Besides, reliable statistics of arrivals stook, and prices are easily maintained. Furthermore, as a large number of producer-seller meet often, propaganda for agricultural improvement is more conveniently carried out.

Thus regulation of markets has been a boon to the agriculturists. It has not only introduced a system of
competitive buying, helped to eradicate undesirable malpractices, rationalised market charges, standardized weights and measures, protected cultivators from unauthorised deductions, and unduly low quotations, but has also developed a machinery for securing impartial settlement of disputes between the parties. Taking the overall picture, regulated markets have produced a wholesome effect on marketing structure and have generally raised the efficiency of marketing at the primary level.

To improve marketing conditions with a view to creating fair competitive conditions to increase in the bargaining power of producer-sellers was considered to be the most important prerequisite of orderly marketing. Most of the defects of, and malpractices under, the marketing system of agricultural products have been more or less removed by the exercise of public control over markets, i.e. by the establishment of regulated markets in the country.

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. Any legislative measure designed to regulate the marketing of agricultural produce in order to establish, improve and enforce standard marketing
practices and charges may be termed as one which aims at the establishment of regulated markets.

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 intended 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 marketable 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 market is elimination of malpractices in the system and assignment of dominating power to the farmers or their representatives in the functioning of the markets.
Objectives:

The specific objectives of regulated market are:

(1) To prevent the exploitation of farmers by overcoming the handicaps in the marketing of their products,

(2) To make the marketing system most effective and efficient so that farmers may get better prices for their produce, and the goods are made available to consumers at reasonable prices:

(3) To provide incentive prices to farmers for a better production programme, both in quantitative and qualitative terms: and

(4) To promote an orderly marketing of agricultural produce by improving the infrastructural facilities.