CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

1.1. Introduction

India is predominantly an agricultural country with 82 per cent of its population living in villages and 70 per cent of the population mainly dependent on agriculture and allied activities. From time immemorial agriculture continues to hold the pride of place in Indian economy. In spite of big achievements in industrialization in the post-independence era, the country’s economy is still mainly agrarian in character.\(^1\) India is a country of peasants, and agriculture provides sustenance to more than two-third of the Indian population.\(^2\) This sector assumes special importance in the context of population explosion and it is required that agricultural planning should be so devised that agricultural productivity should keep pace with the growing population. Efficient agricultural management to ensure better and still better productivity may make valuable contribution to the balanced growth of Indian economy. Indian agriculture contributes about 27 per cent of the nation’s Gross Domestic Product, but engages almost 67 per cent of

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the labour force. With the development of means of transport and storage facilities, agriculture has become commercial in character; the farmer grows those crops that fetch a better price. Marketing of agricultural produce is considered an integral part of agriculture, since an agriculturist is encouraged to make more investment and to increase production.

In recent years subsistence agriculture has been gradually tending towards commercial agriculture, and as such there has been a substantial increase in the level of productivity to certain crops leading to marketable surplus. The use of scientific technology by the farmers has created a great demand for better and improved inputs. In India both technology and regulated markets encourage the farmers to take up new plans of agricultural production and improvement of soil. The density of the regulated market centre also plays an important role in determining productivity. The success of any scheme of agricultural improvement will depend largely on the facility the agricultural community possesses for disposing of its surplus produce in the most advantageous manner. But, Indian agriculture is characterized by poor yields, stagnant diversification,

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imperfect market conditions, and traditional production practices. In countries like India, strengthening of agriculture is critical for facing the challenges of rural poverty, food insecurity, unemployment and sustainability of natural resources.

1.2. Concept of Agricultural Marketing

Agricultural marketing plays a significant role in the movement of commodity from the producer to the consumer and in stabilizing the prices. The planned increase in agricultural output must be coordinated with changes in the demand and supply for agricultural commodities and marketing. This can be fruitful only when producer’s share in consumer’s rupee increases considerably irrespective of the volume of the marketable surplus produced with the farmers. Therefore, marketing is considered an essential input in addition to improved seed and fertilizer in modern agriculture. The National Commission on Agriculture defined agricultural marketing as “a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure of system, both functional and institutional, based on technical and economic considerations and includes pre-and post-harvest operations, assembling, grading, storage, transportation and distribution”. The Indian Council of

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Agricultural Research defined the involvement of three important functions, namely assembling, preparation for consumption and distribution. To conclude, agricultural marketing involves, in its simplest form, buying and selling of agricultural produces\(^7\). An efficient marketing system of agricultural commodities spurs farmers to augment agricultural development which is an important component of rural development.

### 1.3. Importance of Agricultural Marketing

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. The agricultural marketing system plays a dual role in economic development in countries whose resources are primarily agriculture. Increasing demands for money with which to purchase other goods lead to increasing sensitivity to relative prices in the part of producers, and the cultivation of those crops on which the returns are the greatest, subject to socio-cultural, ecological and economic constraints. On the other hand, to sustain the growth of the non-agricultural sector, resources have to be extracted from the agricultural sector. The various influences of agricultural marketing system are:

optimization of resource use and output management, increase in farm income, widening of markets, growth of agro-based industries, price signals, adoption and spread of new technology, employment creations, addition to national income, better living and creation of utility.

1.4. Problems in Agricultural Marketing

The importance of agriculture in a developing country like India has been universally acknowledged. The problem of marketing of agriculture produce has assumed added significance, particularly after the advent of modernization of agriculture. The call to produce more without providing efficient marketing machinery which could assure a fair return to the producer-seller carried no conviction with the farmer. Agricultural marketing is an important economic activity, besides higher productivity and production, which influences the income of growers and contributes to the development of an agricultural economy. All activities involved from the time of agricultural product leaves the farmer and reaches the consumers are considered agricultural marketing.\(^8\) Agricultural marketing includes all services tangible and intangible rendered between the farmers and the consumers. Pricing, financing, transporting, processing, grading, etc. are included in the activities of agricultural marketing.\(^9\) An efficient market

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system is warranted which makes agriculture not only an inevitable source of livelihood but also a reliable source of remuneration to the growers and at the same time, it should provide produce at reasonable prices to the consumers. But the highly perishable nature, agricultural commodities introduce an element of risk and uncertainty in the economy of the farmers.

Basically, agricultural production is scattered and is a small-scale production, which create problems of marketing. In addition, the infrastructure facilities like roads, means of transport, storage facilities, etc. are scarce in rural areas. In India, there are a large numbers of markets, which are not regulated. These unregulated markets are in the hands of commission agents. There are many defects in this marketing such as they charge high commission, no open auction, no proper weighing scale, number of deductions, no prompt payment, etc. The disposal of the produce after the harvest and the return obtained, therefore, has a significant effect on production and on the welfare of the cultivator. Production in agriculture being seasonal, the crop is harvested during a short period and consumed gradually. In the absence of storing power the large number of small farmers competes with each other and the markets witness conditions of occasional glut and scarcity.

Too many intermediaries between the producers and consumers lead to high marketing costs, resulting in lower share of producer in consumer rupee. The lack of market intelligence about the potential markets and the
pattern of arrivals and prices are important in regional and national markets further add to the woes of the farmers. Sale of agricultural produce involves a number of functions such as assembling, storing, grading, standardizing, transporting and financing the produce and negotiating sale. But storage and sale of a commodity may perform some of these operations and finding finance for purchase, call for specialized knowledge and adequate resources, which the individual cultivator does not possess. Those who render these services, therefore, perform a useful function by which a reasonable return is assured.

Village moneylenders advance loans to farmers for securing production requirements like seeds and manures, and for meeting other needs. These debts some times carry on an understanding or obligation to sell the produce to the lender or to his nominee. At the time of sale the position of advantage occupied by the village banker is reflected either in a lower price or unfair weights or delayed settlement. If the sale takes place in the mandi or the market through the brokers, the farmer pays not only for the services rendered by the middlemen, but is also subject to other unwarranted deductions.

1.5. New Emerging Problems in Agricultural Marketing

Development in the field of agriculture, popularly known as the green/white/yellow/blue revolutions, has given rise to these revolutions.
The farmer-producers should be assured of a fair price for their produce, failing which they may lose the incentive to increase agricultural production. A fair price for the produce may be assured when there is an orderly marketing system in the country. But an orderly marketing system can be created only when the problems, which have merged with the advent of the green revolution, are effectively tackled. There is an urgent need in the present context for tackling the emerging problems of agricultural marketing more resolutely and efficiently than ever before. The improvement in the domestic marketing system has assumed special significance with the launch of new economic policy in 1991 and opening up of the external trade regime.

With increased market arrivals, and in order to enforce strictly market regulations, it is necessary that a large number of market yards should be developed in rural areas with all the necessary marketing facilities. Without spacious market yards, it is not possible to centralize and effectively supervise the transactions taking place in the area. The development of these spacious market yards is also essential for the performance of various marketing functions, such as grading, cleaning, serving and weighment of the produce. Recently, some market committees have constructed spacious market yards, but a majority of market committees do not have them because of the paucity of funds and the non-availability of land.
Agricultural prices are very unstable and fluctuate violently. These prices fall in the post-harvest months and increase later in the year. This situation has worsened with the increased market arrivals as a result of the emergence of surpluses, especially of wheat and rice. The increasing instability in prices adversely affects the income of farmers as well as the tempo of increasing production. There is, therefore, a need for reducing price instability. Several steps may be taken for farmers to get a better share in the consumer’s rupee.

Market intelligence is another problem that has emerged and is an important shunt of orderly marketing. With the increased marketed surplus and opening up of trade, the importance of market intelligence has increased. Farmers market the produce in the village and nearby assembling centres out of their ignorance of the price prevailing in the nearby primary wholesale, secondary wholesale and terminal markets. Traders take the advantage of the ignorance of the farmer because they have full knowledge of the prices prevailing in other markets. This places the traders in a superior bargaining position. The Directorate of Economics and Statistics, Government of India, as well as the State Departments of Agricultural Marketing has been collecting data on wholesale and retail prices at various markets and disseminating the information through periodical bulletins issued on the All India Radio and in the form of publications. However, this is not a satisfactory position because the information provided is stale in the
sense that, by the time it reaches the farmers, the market prices have changed. Farmers are not able to take advantage of available intelligence because of their illiteracy. There is, therefore, an urgent need for refinement in the available market intelligence, so that announcements of market information may be made on the expected prices, arrivals, demand and supply.

1.6. Government Measures for Agricultural Marketing

Government of India has adopted a number of measures to improve agricultural marketing, the important ones being, establishment of regulated markets, construction of warehouses, provision for grading, and standardization of produce, standardization of weight and measures, daily broadcasting of market prices of agricultural crops on All India Radio, improvement of transport facilities, etc. Thus, it is not possible to view the present agricultural marketing in India in isolation of the land relations. Regulation of markets, broadcasting of prices by All India Radio, and improvement in transport system undoubtedly benefited the farmers, and they are now in a better position to obtain favourable prices for their "market produce".

The agricultural marketing system in India operates primarily according to the forces of supply and demand in the private sector. Indian government intervention is limited to protecting the interests of producers
and consumers and promoting organized marketing of agricultural commodities. The central government provides assistance for the establishment of infrastructure and setting up of rural warehouses. Various central government organizations are involved in agricultural marketing, including the Commission for Agricultural Costs and Prices, the Food Corporation of India, the Cotton Corporation of India, and the Jute Corporation of India. There also are specialized marketing Boards for rubber, coffee, tea, tobacco, spices, coconut, oilseeds, vegetable oil, and horticulture.

A network of co-operatives at the local, state, and national levels assist in agricultural marketing in India. The major commodities handled are food grains, jute, cotton, sugar, milk, and areca nuts. Established in 1958 as the apex of the state marketing federations, the National Agricultural Co-operative Marketing Federation of India handles much of the domestic and most of the export marketing for its member organizations. Large enterprises, such as co-operative sugar factories, spinning mills, and solvent-extraction plants mostly handle their own marketing operations independently. Medium and small-sized enterprises, such as rice mills, oil mills, cotton ginning and pressing units, and jute baling units, mostly are affiliated with co-operative marketing societies. In the late 1980s, there were 2,400 agro processing units in India in the co-operative sector. Of all the co-operative agro processing industries, co-operative sugar factories achieved the most notable success.
By the 1980s, warehouses for storing agricultural produce and farm supplies played an increasing role in government price support and price control programs and in distributing farm commodities and farm supplies. Because the public warehouses issue a receipt to the owners of stored goods on which loans can be raised, warehouses are also becoming important in agricultural finance. The Central Warehousing Corporation, an entity of the central government, operates warehouses at major points within its jurisdictions, and co-operatives operate warehouses in towns and villages. The growth of the warehousing system in India has resulted in a decline in weather damage to produce and in loss to rodents and other pests.

The government’s objective of providing reasonable prices for basic food commodities is achieved through the public distribution system, a network of 350,000 fair-price shops that are monitored by state governments. Channeling basic food commodities through the public distribution system serves as a conduit for reaching the truly needy and as a system for keeping general consumer prices in check. Punjab, Haryana, and western Uttar Pradesh provide more than 80 per cent of the supplies of grain to the public distribution system. The Food Corporation of India was established in 1965 as the public sector marketing agency responsible for implementing government price policy through procurement and public distribution operations. It was intended to secure for the government a commanding position in the food-grain trade. By 1979, the corporation was
operating in all states as the sole agent of the central government in food-grain procurement. The corporation uses the services of state government agencies and co-operatives in its operations.

Government has taken various steps to improve the roads and communication facilities in the rural areas through the development programmes under Five Year Plans, Central and State Warehousing Corporations encourage construction of warehouses and godowns and village co-operative societies are given necessary technical and financial help for construction of godowns. Farmers can store their produce in these warehouses and can get loans on that security. Declaring the minimum support prices for the selected commodities, before the sowing season, stabilizes food grains prices. The Department of Marketing, Government of India, undertook marketing surveys for various commodities. These surveys brought out the problems of marketing and suggested the remedial measures. In the field of grading and standardization under the ‘Agricultural Produce (Grading and Marketing) Act’, grades and standards are fixed for many goods like ghee, flour, eggs, etc. The graded goods are given a seal ‘AGMARK’ by the Agricultural Marketing Department. Two significant remedies for many ills in the marketing of agricultural produce are the establishment of regulated markets and the co-operative marketing societies. As a result of the recommendations of Royal Commission on Agriculture and Central Banking Enquiry Committee, the Government of
India set up in 1935, a Central Organization known as the Office of the Agricultural Marketing Adviser to the Government of India.

1.7. Regulated Markets

Regulated market is a wholesale market where dealings or buying and selling are regulated or controlled through a ‘market committee’. The committee consists of representatives of farmers, traders, agents, local bodies, co-operative societies and government. It is a market where the activities take place under set rules and regulations and the malpractices like incorrect weighment, unnecessary deductions are restrained. The regulated markets provide for settlement of disputes, if any, amongst the sellers and buyers. In regulated markets, the regulation may cover the terms and conditions of supplying goods and services and in particular the price allowed to be charged. This is the mood in which he is most ready to accept new ideas and to strive to improve his agricultural production. Regulated markets have been developed in our country since the beginning of the twentieth century in order to protect the farmers from the commission agents. Regulated markets create in the mind of farmers a feeling of confidence and of receiving a fair play. In this transitional stage,

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regulation of marketing becomes an essential part of the state policy for improving the agricultural marketing system.\textsuperscript{12}

\textbf{1.8. Statement of the Problem}

Marketing of agricultural produce is considered an integral part of agriculture, since an agriculturist is encouraged to make more investment and to increase production. It is said that production, processing and marketing are the 3 pillars of the agricultural economy. But due to his illiteracy, ignorance and financial weakness, the farmers possess a weak bargaining power and on the other hand the trader takes the advantage of the farmer’s weakness because he is generally well informed, well organized, financially sound and very tactful in his dealings.

Basically, agricultural production is scattered and is a small-scale production, which creates problems of marketing. In addition, the infrastructure facilities like roads, means of transport, storage facilities, etc. are scarce in rural areas. In India, there are a large number of markets, which are not regulated under the marketing Acts. The unregulated markets are in the hands of commission agents. Some of the unfair practices viz. short weights, considerable delay in payment, high market charges, taking away substantial quantity under the name of sample, underhand dealings, and the incorrect and false weights are fairly known in agricultural

marketing in India. Thus, the trader has the upper hand in the agricultural marketing system and the farmer is always at his mercy. A major part of the commercial crops like cotton, jute, sugar cane and oilseeds has to be marketed immediately as the farmers are in need of cash for meeting their dues and other expenses.

The farmers don’t have access to quality seeds and fertilizers at subsidized rates at the right time. In the absence of proper access to credit, they fall a prey to unscrupulous moneylenders. These debts some times carry an understanding or an obligation to sell the produce to the lender or his nominee. The farmers in the rural areas ordinarily do not get information about the market trend and about the ruling price in the big markets. As a result the farmers in rural areas have to accept the price quoted for their produce and have to believe whatever traders tell them. Thus, the traders make huge profit without their effort, out of the produce of farmers who grow it and thereby the farmers are exploited. As a result the farmer is forced to sell the agricultural produce immediately after the harvest to the local money lender to the middlemen or to the people who have provided. Therefore, the farmers face various problems like heavy commission charges, lack of finance, un-remunerative prices, non-availability of manures, pesticides, water scarcity, and the lack of storage facilities, irregular power supply, and want of market for the produce, high transport cost, lack of regular payment and the like. To remove the
disabilities of the farmers in the mandi, regulated markets have been established. The management of regulated markets vests in marketing committees. However, many of the marketing committees are not yet fully conscious of their responsibility of utilizing their funds for developing marketing facilities. In this context the researcher has made an attempt to study the working of regulated markets in Salem district.

1.9. Objectives of the Study

The aim of the study is to make an objective assessment on the working of the regulated markets in Salem district. Besides, the following are the broad objectives of the study:

1. To study the existing system of agricultural marketing in general.

2. To review the established marketing practices of the select regulated markets.

3. To study the satisfaction level of the farmers towards working of regulated markets in Salem district.

4. To find out the problems of the farmers in the regulated markets in Salem district.

5. To offer suitable suggestions for the efficient functioning of the regulated markets in Salem district.
1.10. Testing of Hypotheses

The study is based on the formulation of the following hypotheses:

**H₀₁**: The demographic variables of the farmers such as gender, age, educational status, annual income, category and market they belong to do not have any influence on their level of satisfaction towards working of regulated markets in Salem district.

**H₀₂**: The socio-economic variables of the farmers do not have any influence on their level of acceptance towards problems encountered in the regulated markets in Salem district.

1.11. Operational Definitions

**Attitude**

Attitude refers to the feelings, beliefs and opinions of the farmers towards working of regulated markets in Salem district.

**Satisfaction**

Satisfaction denotes a set of attitudes about a particular thing. Thus, the term satisfaction for the purpose of the study connotes the attitudes of the farmers towards working of regulated markets.
Marginal Farmer

A marginal farmer is a farmer possessing 2.5 acres or less of dry land or 1.25 acres or less of wet land.

Small Farmer

A small farmer is a farmer with 5 acres or less of dry land or 2.5 acres or less of wet land.

Medium Farmer

A medium farmer is a farmer who holds 5 to 10 acres of dry land or 2.5 to 5 acres of wet land.

Big Farmer

A big farmer is a farmer who holds above 10 acres of dry land or above 5 acres of wet land.

Traders

Traders are persons, who are engaged in buying notified agricultural commodities in the regulated markets.

Regulated 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 regulated markets.
1.12. Scope of the Study

The present study attempts to examine the working of regulated markets in Salem district. Though there are 19 regulated markets in operation in this district, the study is mainly confined to 5 regulated markets only. The scope of the study is delimited to study the perception of the farmers towards working of select regulated markets in Salem district.

1.13. Sampling Technique

The study is empirical in nature based on survey method. The study aims at examining the working of regulated markets in Salem district. There are 19 regulated markets in operation in Salem district as on 31.12.2012. In order to collect primary data for the purpose of the study, multi-stage sampling technique is adopted. At the first stage, 5 markets were selected out of the 19 markets based on simple random sampling. In the second stage, from each of the regulated markets, 100 farmers were selected on the purposive basis for the study. Therefore, the sample size consists of 500 framers. The following table shows the sampling distribution of the present study.
TABLE 1.1
Sampling Distribution

<table>
<thead>
<tr>
<th>Name of the Market</th>
<th>No. of Sample Farmers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salem Regulated Market</td>
<td>100</td>
</tr>
<tr>
<td>Valappady Regulated Market</td>
<td>100</td>
</tr>
<tr>
<td>Attur Regulated Market</td>
<td>100</td>
</tr>
<tr>
<td>Thalaivasal Regulated Market</td>
<td>100</td>
</tr>
<tr>
<td>Gengavalli Regulated Market</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
</tr>
</tbody>
</table>

1.14. Data Collection

The study encompasses both primary and secondary data. As an essential part of the study, the primary data are collected from 500 farmers from 5 regulated markets in Salem district. The study was based mainly on primary data. On account of low level of education and poor comprehension of the farmers towards marketing activities, schedule method has been employed to collect primary data. A pilot study was conducted with 25 farmers during January 2013. The adequate information contained in the schedule has been tested and the necessary changes were incorporated in the revised schedule in the light of the experience gained from the pilot study. Literature relating to the study was gathered from published reports, journals, magazines and books. The more relevant
secondary sources of information were collected from the Indian Institute of Management, Bangalore; and Institute of Social and Economic Change, Bangalore. The collected data were analyzed and interpreted as intelligibly as possible to highlight the divergent activities related to the working of the select regulated markets in Salem district.

1.15. Period of Study

The primary data were collected by the researcher for a period of 3 months from March 2013 to May 2013. The secondary data were collected mainly from journals, magazines, government reports, books and unpublished dissertations. The secondary data are related to the period of latest 10 years i.e. 2003-04 to 2012-13.

1.16. Framework of Analysis

In order to study the perception of the farmers towards working of the regulated markets, analysis of one-way variance, student t test, analysis of co-efficient of variation, multiple regression analysis, multiple discriminant function analysis and percentage have been employed. The analysis of one-way variance and student t test are employed to measure the relationship among the satisfaction levels of the farmers belonging to different demographic variables towards working of the regulated markets in Salem district. The analysis of one-way variance and student t test are also employed to measure the relationship among the acceptance levels of
the farmers belonging to different demographic variables towards problems they faced in the regulated markets. Co-efficient of variation is employed to measure consistency in the satisfaction level of the farmers towards working of the regulated markets in Salem district. Co-efficient of variation is also employed to measure consistency in the acceptance level of the farmers towards problems in the regulated markets in Salem district. Multiple discriminant function analysis was used to study how the different activities of the regulated markets in Salem district discriminated among the respondents of the 3 categories, namely, small farmers, medium farmers and big farmers. Multiple regression analysis is used to measure the extent of contribution by the independent variables on the satisfaction level of the farmers towards working of and the problems in the regulated markets. To arrive at possible solutions, simple percentages are also used in this study.

1.17. Limitations of the Study

The present study is concerned with farmers’ perception towards the working of regulated markets, rather than how it is reported by the traders and the officials of the regulated markets. Besides, the study has the following limitations:

1. In any study having a bearing on attitude, incomplete and non-responses to some questions could not be avoided. However, considerable care was exercised in making the study as objective and systematic as possible.
2. The study has the limitation of time and resources, usually faced by the researchers. Only 500 framers from 5 regulated markets in Salem district have been selected and studied. Hence, the results from the survey are hard to generalize to the national population, due to some deficiencies in selecting the sample.

1.18. Chapter Scheme

The thesis is presented in five chapters.

The first chapter deals with introduction, agricultural marketing, importance of agricultural marketing, government measures for agricultural marketing, problems in agricultural marketing, new emerging problems in agricultural marketing, regulated markets, statement of the problem, objectives of the study, hypotheses, scope of the study, sampling technique, data collection, framework of analysis, period of study, limitations of the study and chapter scheme.

The second chapter “Review of Literature” presents the previous studies related to the objectives of the present study.

The third chapter “Regulated Markets: An Overview” elaborates the operations of regulated markets and the profile of select regulated markets in Salem district.
The fourth chapter, “Perception of the Farmers towards Working of Regulated Markets,” analyses the satisfaction level of the farmers and the problems they faced in the select regulated markets in Salem district.

The final chapter presents a summary of findings, suggestions and conclusion. It offers various suggestions for the efficient functioning of the regulated markets in Salem district.