CHAPTER II

STUDIES ON AGRICULTURAL MARKETING IN GUJARAT - A REVIEW

Introduction

In this chapter, an attempt has been made to review the research studies pertaining to agricultural marketing in Gujarat. Ranade C.B., Rao, K.H., and Shah, D.C. examine the possibility of increasing incomes of groundnut by doing analysis first at macro level and then at microlevel. From the analysis at macro level, the authors conclude that despite wide fluctuations in groundnut production, the private trade and oil industry managed to maintain their profits. During the years (1963-64 to 1977-78), the production declined and the farm harvest prices as well as oil and oil cake prices increased, though the increase in latter prices was more than that in former ones. This was the case at All India level as well as for Andhra Pradesh, Gujarat, Maharashtra and Tamil Nadu. The analysis at micro level is done for a sample of farmers in two major groundnut growing districts - Kurnool and Anantpur in Andhra Pradesh. The micro level analysis shows that the share of groundnut cooperatives in the total groundnut market is

insignificant. The only positive aspect of groundnut cooperatives in Andhra Pradesh is that their deductions for weighment and other services are substantially lower than those practiced by private traders. There is no vertical integration in the groundnut cooperatives in Andhra Pradesh. The groundnut cooperatives in Andhra Pradesh do not follow the pooling system which is followed in Gujarat. The authors have estimated the net benefits of integrated cooperatives to farmers. The increase in the incomes of farmers after integration will be about 35 to 114 per cent depending upon the marketing channel where vertical integration takes place and it is quite significant.

1 Agro-economic research centre, in its study showed that farmers who sold in the village received less price as compared to the price in the town. Another point to be noted was that the quantity sold per farmer who sold in town market was more than quantity sold per farmer in the village. The storage cost was found more in Kheda because of relatively more humid climate. The survey has shown that the sale of auction method results into most competitive price for the farmer. Auction was not prevalent in Nadiad, Bayad but it was partly practiced in Mehmedabad, Kathlal and Talod markets. Again, Mehmedabad, Kathlal, Talod and Bayad markets did not have the institution of commission agency. In these markets, except Bayad, auction was carried on. A major

reason for not selling in the market yard by the farmers was that it involved considerable time and that they had to wait for long to sell until their turn for auction arrived. For this reason, a farmer may prefer to deliver the goods directly to the trader even at a slightly lower price. It is found that the regulation of marketing practices in many markets is not fully implemented, particularly, in the markets of Kheda and in Sabarkantha. Therefore, it is suggested that the sale by auction should be implemented except for petty sales. The practice of charging unusually high commission and muddat charges in some markets of Kheda should be stopped. In short, prices should be supported by government action in order to assure farmer minimum price.

Charan, A.S., Seetharaman, S.P., and Bapna, S.L. found that out of 184 talukas, 143 talukas in Gujarat had market yards which were brought under regulation by the government. The arrivals in regulated markets were found to be increasing over the years. Regulated markets are more in number in south, middle and north Gujarat and relatively few in Saurashtra. Among many commodities only a few are brought under regulation. In regulated market a large number of institutions of different types function. In case of foodcrops like wheat, bajra and jowar where limited processing is required, private trade is very active. Many market committees over a period of time have not gone beyond

performing the function of regulation. The value addition tasks like arranging transportation, grading, providing price information at different markets, developing better packaging practices etc. have been neglected. The total number of traders and commission agents registered with marketing committees in 1977-78 was 107,800 which worked out to an average of about 300 intermediaries per regulated market. Gujarat has the largest number of marketing and processing cooperatives which function effectively. The study made a few suggestions and one of them is that the function of regulated markets needs to be completely revamped. Regulated markets, as they function at present, provide only physical and regulatory facilities. Real benefits to the farmers would accrue only when the price determination process is strengthened and facilities like transportation, storage, grading, packaging, price information and institutional financing are developed.

Gupta, V.K. and Mathur, D.P. hypothesised that favourable environmental and economic factors would reveal changes in production and marketing behaviour of farmers. This is a comparative study of Punjab and Gujarat. This study has revealed a decline in the level of closing stocks maintained by farmers during 1974-75 and 1975-76 as compared to what it was in 1973-74. A decline in absolute sense was observed in the marketed surplus.

among large farmers in Mehsana in 1975-76 as compared to what it was in 1974-75. Large farmers in Mehsana tried to make their loss making enterprise profitable by holding stocks in expectation of getting better prices. In Mehsana, farmers disposed off their produce in a greater measure in 1975-76 at village level as compared to what they did in 1973-74. Most of the sales at village level were to the resident agents and small traders who had direct links with wholesalers and retailers in urban areas. The policy of farm levy during periods of bountiful supplies and depressed open market prices is against the farmers' interest in areas like Gujarat.

1. Patel, S.K. attempted to study the important problems that the tobacco growers face in marketing their produce in Pehda district of Gujarat state. These problems include high rates of deductions both in weight and payment, low prices of tobacco, delay in payment, lack of proper storage facilities, fluctuations in tobacco prices, lack of easy and adequate finance, absence of established marketing centres, standard code of transactions and lack of scientific grading. It is found that the farmers hardly get their due share of their produce. It is also true that so far adequate attention has not been paid to the regulation of tobacco industry to protect the interest of tobacco growing farmers.

Vyas, V.S. and Maharaja, M.H. make a few broad conclusions of the study. Total marketable surplus as a percentage to total crop production was generally found to be high in the higher size groups. The difference between the share of marketable surplus in the lowest size group and the highest size group was fairly marked. It is found that the marketable surplus of commercial crops was determined almost exclusively by the production of commercial as well as superior cereals. The overall marketable surplus was in the range of 93-94 per cent of the total production. However, the requirements for family consumption and other disposals also exercised statistically significant influence. The marginal increase in marketable surplus in relation to increase in production of superior cereal as well as coarse cereal was positive and significant.

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Acharya, S.S. states that the arrival of pulse crops in markets have fluctuated widely from year to year. Nearly two third of pulse arrivals of Gujarat State are from Panchmahal district. Dahod market alone accounts for more than 50 per cent of arrivals of gram in Panchmahal. In Dahod, 51 per cent of the total arrival are from Madhya Pradesh and 25 per cent from Rajasthan. Price policy adopted by local traders/processors attracts pulse production from these neighbouring states. A very clear seasonality in market arrivals was observed. Nearly 66 per cent of gram arrived between February to June, 78 per cent of arhar


arrived between December to March and 70 per cent of urad arrived between October to December. There were two peaks in mung arrival! One in September-October (38 per cent) and two in May-June (44 per cent). Secondary arrivals account for more than 86 per cent of total arrivals in Dahod market. On an average, 40.2 per cent of pulse grains arriving in Dahod market were dispatched to outstations. Stocks held by traders were closely associated with the pattern of arrival, i.e. stocks were more when arrivals were more and vice versa. Nearly two third of quantity was sold to cooperative societies and remaining one third in the regulated market. Nearly 27 per cent of the farmers sold gram in the lots of 2.1 to 4 quintals and 17 per cent sold in the lots of more than 20 quintals. Bullock cart was the main means of transportation both for gram and arhar. Nearly 3/4 of gram and half of arhar was carried in heaps and remaining in bags. Delay in payment was not a serious problem with the farmers who sold their produce. The marketable surplus was 01 per cent in case of gram and 74 per cent in case of arhar. There was no significant difference in marketable and marketed surplus. On farm consumption was 10.5 per cent of gram and 21.2 per cent of arhar. Average marketed surplus per farm was 12.25 quintals of gram and 2.64 quintals arhar. The marketing cost incurred by the farmer was negligible but it was more when the produce was sold in the regulated market than to the cooperative society mainly because of transportation cost. Average cost of marketing was Rs.1.17 per quintal for gram and Rs.3.78 per quintal for arhar. Farmers received higher price by selling in the regulated market than to the cooperative society. Price difference was more than the
Rapna, S.L., and Rao, K.R. developed a technique for predicting output, market arrival and prices by using the available information on prices, weather and technological variables in the pre-harvest period. Such information is very crucial for decisions to be made on inventory management and for developing a suitable marketing policy, on procurements, distribution, support prices, zoning, import-export and a host of related decisions by the government, industrial firms using raw-materials from agriculture, consumers and others concerned with optimal allocation of scarce resources. The variables predicted are output, market arrivals and prices. The approach used to identify the factors affecting these variables was to first carefully examine the variables by a graphic as well as tabular analysis and then develop supply and price models in which alternative specifications of the variables were attempted. It is shown that the information required to make a prediction about these variables is available before harvest and by incorporating these in selected equations, reliable outlook information can be generated. The study made predictions of bajra and groundnut output by estimating supply function for output and its components namely area and yield. Supply functions were fitted on time series of twenty five years, starting from 1957-58 and ending in 1981-82. Predictions were provided for the year 1982-83, 1983-84 and 1984-85. Output and yield supply functions for

bajra and groundnut had very high explanatory power. $R$ varied between 0.80 to 0.90 and had low standard errors. The response of area under bajra and groundnut to respective prices was generally positive and statistically significant. However, the elasticity coefficient in bajra area functions were higher than groundnut functions particularly in Saurashtra where groundnut was a dominant crop. Two types of market arrivals and prices in Gujarat were predicted. There were total market arrivals and post harvest market arrivals and annual wholesale prices and post harvest prices. For predicting market arrivals and prices, functions were estimated for eighteen years starting from 1963-64 to 1980-81 and predictions were provided for 1981-82, 1982-83 and 1983-84. Market arrivals and prices are simultaneously determined in the market. Therefore, in market arrival equations estimated prices were used by which the influence of market arrivals was removed. The study had certain limitations. The study used disaggregate data only for the broad political regions of Saurashtra and Gujarat. However, more homogeneous regions need to be formed in order to obtain precise estimates. Rainfall variable was defined on the calendar month basis. However, the crop growth pattern does not follow the calendar month schedule. If efforts to estimate the outlook in different states are made, the assumptions on production in other states would be more reasonable. The above limitations according to the authors could be removed but it requires major research work together with adequate resources and considerable interdisciplinary work.
Thakur, D.G., Chauhan, G.K., Sharma, K.D. attempt to give in their paper a brief history, growth and coverage and to study the functioning of regulated markets in Gujarat and Himachal Pradesh. They used two criteria for analysing the economic or pricing efficiency viz. market integration and price spread.

The degree of market integration is estimated by working out correlation coefficients between wholesale prices in the markets. It was found that coefficients for prices of bajra are high only for Borsad, Harij, Mehsana and Unjha and for other markets, it is low and even negative. The analysis of market margins and price spread for those commodities show that the net price given to farmers ranges from 60 to 75 per cent of the consumers' price and the rest goes for marketing margins and costs. The largest slice of the marketing cost is taken by traders as their commission or profit which account for 70 to 80 per cent of marketing cost which is again a clear sign of marketing inefficiency. Similar conclusion emerge from the analysis of data with respect to Himachal Pradesh.

Medalia, V.K. highlights the details of the functioning of regulated market in Surat. The paper shows that the total benefits accrued to the farmers during 1985-86 were of the order

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of Rs. 1.90 crores and the cumulative benefits since 1951 were of the order of 14.51 crores. The farmer gets substantial benefit as the market charges are paid by the buyers. The author makes suggestions like clearance of land acquisitions cases by the government, providing training to the supervisory staff, creation of cold storage facility and provision of transportation facility and starting of a journal on marketing. The cooperatives should involve themselves as commission agents and traders. Marketing of fruits and vegetables should have separate acts.

Bhatt, B.D., Antaniaasad, K.L., Shiyani, R.L. have collected monthly and annual market arrival and prices for nine years i.e. 1970-71 to 1986-87 from Ahmedabad Regulated Market. The linear growth rates worked out from the annual data revealed that the prices of potato and onion as well as arrival of chillies increased significantly. The authors observed that the seasonal and cyclical variations of prices were higher than the variations of arrivals in all the crops except chillies. The irregular fluctuations were higher in respect of arrival as compared to the prices of all the crops except brinjal. The coefficients of variation showed that the arrival and prices of all the crops were influenced more due to cyclical variations than rest of the

components and the prices of chillies were influenced comparatively more due to trend variation.

Brahmbhatt, D.M. studied mango marketing in Valsad district with years 1979-80 and 1980-81 as reference period. Three talukas viz. Valsad, Gandevi and Umargaon of Valsad district were selected to make cross section study of mango marketing problems in the region. From three talukas, eight villages were selected keeping in view their nearness to mango market and location from pucca road. From selected villages, a sample of 170 orchardist households was drawn by stratified random sampling. It was found that there was a tendency of the positive correlation between the proportion of operational holding devoted to the crop and the orchard size group. Mangoes like other fruits are sold in three ways — open auction, under-cover and private negotiation. Mangoes, being perishable, cannot be stored for long and hence supplies fluctuate every day giving rise to wide price fluctuations. The demand for mangoes is widespread but its supply is localised. Inadequacy or inefficiency in transport in terms of either limited directions or upto certain distances give rise to glutting of mangoes which in turn leads to quality deterioration and hence lowering of prices. Cooperative marketing societies for Gandevi taluka, commission agents and traders in market yard for Valsad taluka and terminal agents for

Umargam taluka were the important agencies for mango sale in the
district. Cooperative societies of Gandevi taluka act as an
agent of the orchardist member by charging him three per cent
commission on the gross sale value of mangoes. The society
charges one per cent on the value of mangoes pooled from the
members before selling the produce to the trader. The author
makes a few suggestions (1) The government should arrange for
regular broadcasting of price information through its radio
station during mango marketing season, (2) More regulated
agriculture market yards should be opened, (3) Research should be
done to evolve late maturing hybrid Alphonso variety and which
has dwarf size trees instead of existing tall trees, (4) Old trees
need to be replaced by new and vigorous trees to achieve better
yield levels, (5) The agriculture extension agency should endeavour
to bridge communication gap between research laboratory and mango
orchard, (6) There is a need to standardise unit of price quotation
in all mango markets, (7) Efforts should be made to extend cold
storage facilities.

Sardar Patel University, Vallabhbh Vidyanagar, Gujarat. (Published
by Kaira District cooperative union, Nadiad, 1971).
Markets in the state along with the legal framework, their functions and financial position. The study brought to light the extent of sales outside Regulated Market, the area of unregulation, the ultravires transaction taking place within the limits of the market proper, the wide disparities in the bases and rates of market fee etc.

Raju, V.T., and Kakadia, B.H. revealed that the farmers of Rajkot District have sold most of their production of groundnut making provision mainly for seed. The percentage of sales of groundnut to total production increased with the increase in the size of holding. The regulated markets were found to be the important marketing channels followed by cooperatives and village merchants for groundnut marketing. The price of groundnut in Gondal market and Rajkot market showed an increasing trend. The correlation coefficient between monthly prices and arrivals was found negative in both the markets indicating a definite inverse relationship i.e. groundnut arrival increases, price decreases and vice versa.

Pandey, M.K., found that large farmers formed nearly sixty-three per cent of the sample and contributed to more than two-thirds of paddy production and three-fourths of wheat and bajra.


production. The crop loans are disbursed on a large scale by cooperative societies with a view to helping the farmers in increasing their agricultural production. The foodgrain market was found having conditions of nearly perfect competition in Ahmedabad district. The author makes a few suggestions: (1) The Gujarat State Cooperative Marketing Federation should have its own milling units with adequate capacities. (2) The foodgrains collected by the village cooperatives may be handled by taluka/district Purchase and Sales unions before they reach the Federation. The cooperatives can establish processing units for production of rice flakes, wheat flakes and fine wheat flour. The author further suggests that the foodgrain marketing can be improved considerably by establishment of regulated markets at secondary level and by proper integration of cooperative marketing societies with them.

Thakur, D.S. analyses the operational efficiency of the foodgrain marketing system and secondly evaluates the pricing efficiency of the foodgrain markets. The author finds that the sale direct to the consumer fetches the highest net price to the farmers. The sale through retailer is the next possible profitable channel for the farmers. The sale through wholesalers and commission agents is the third best channel and much more remunerative as compared to the sale through the cooperatives and

village sales through the village and the itinerant merchants. The net income of the farmer increases in the order of sale through the village merchants and cooperatives, sale through itinerant merchant and millers, sale through the agent middlemen, sale through the retailer and sale direct to the consumers. The analysis of pricing efficiency in the study shows that the existing foodgrain marketing system on the whole is not efficient. There are only a few traders in most of the markets who purchase most of the produce regularly in the absence of pure competition. They generally agree through mutual understanding and outright collusion to avoid price competition. The overall analysis of the marketing margins and price spread in the foodgrain marketing system thus shows that even in normal years the traders' profit margins account for quite a large proportion of the price paid by the consumers which is clearly a sign of pricing inefficiency. According to the author, the farmers want strict supervision against pilferages, safeguarding the produce against losses through damage, reasonable price for their produce and quick cash payments etc., all of which have a bearing upon the prevailing shortcomings and inefficiencies of the existing marketing system.

Ranade, C.G., Singh, R.B., Rao, Hanumantha in their study examine the price spread in cooperative and private

marketing channels in Gujarat. According to the authors, if cotton production is to be encouraged in India, and if economic status of cotton growers is to be enhanced, the cotton growers should get a fair price for the produce they sell. A hypothesis behind this study is that the price received by farmers depends upon the channel through which they sell kapas. They have selected two major cotton growing districts in Gujarat, viz. Surendranagar and Sabarkantha. In Surendranagar, the authors find four distinct types of private channels. Out of these four, only one is under regulated market system. The benefit of the regulated market is fetched by the traders and not by the farmer. Another interesting finding is that in all the channels under private trade the small farmer is receiving lower price than that received by the large and medium farmers. In cooperative channel, large as well as small farmers receive an equal share in the price of lint and seeds. Among intermediaries, it is the small trader such as village trader who bears higher risk of marketing than ginners and wholesale traders. In cooperatives, it is the farmer who bears the risk of marketing. The study shows that the share of farmers in the price of lint and seeds is lower in an area dominated by private trade than in private channel where cooperatives also function simultaneously. The survey of farmers reflect that the farmers do require much higher marketing advance when they deliver kapas to cooperatives than currently offered by cooperative credit institutions. It was found that economic variables do have an influence over the acreage allocation decisions. Cooperative marketing is found much more beneficial to
small farmers than the private trade channel. The study suggests that in areas where private trade is dominant and the benefits of regulated market do not percolate to farmers, government should intervene, so that farmers can sell kapas in regulated market.

Jasdanwalla, Z.V. worked on an extensive field work and elaborate statistical data. The major findings of her study are:

1. The main requirements for efficient and perfectly competitive market conditions are substantially satisfied in the Rajkot district.
2. For groundnut, analysis showed the market to be efficient and well integrated at almost all stages between the producer and the consumer.
3. Production was found to be responsive to market forces.
4. In the last decade relative price movements have been in favour of cash crops as opposed to foodgrains.

Conclusions

Studies pertaining to agricultural marketing in Gujarat referred above cover the following aspects:

(1) The studies are crop specific and area specific.

(2) They throw light on trends in market arrivals and price fluctuations in terms of seasonal and cyclical variations.

(3) They focus attention on price spreads and marketing margins.

(4) They discuss benefits of alternative marketing channels to the farmers.

(5) They describe composition of market committees, Market Regulation Act and the rules and regulations of regulated markets.

(6) They examine the impact of marketing on cropping pattern and marketable surplus.

Like other market studies, the present study does discuss market arrivals and prices but it has been done so as to examine the various aspects of marketing like competitiveness of market, market integration, market stability etc. The present study distinctly differs from other studies in the sense that it discusses the problem of marketing from the point of view of farmers belonging to different size groups viz. marginal, small and large farmers. Thus the present study has a definite objective in view. The objective is to examine the efficiency of regulated markets in terms of competitiveness, market integration, market stability, and benefits to marginal, small and large farmers under regulated and unregulated markets. This is how the present study differs from the earlier studies made on agricultural marketing in Gujarat, the details of which are given in the next chapter.