CHAPTER I

INTRODUCTION

Role Played by Agriculture

Agriculture is not only the main source of livelihood, but also a tradition and the most common way of life. It has been enjoying since times immemorial a place of pride in human economic and social life. Agriculture is recognised as the most ancient occupation of mankind. It continues to play a critical role in the lives of people all over the world. The remark made by Carl Eicher and Lawrence Witt is very apt in this connection. "Economic historians generally concur that there are no cases of successful development of a major country in which rise in agricultural productivity did not precede or accompany industrial development". A study of the economic histories of various nations would reveal that agricultural progress was clearly the major contributor to their subsequent developments. The importance of agriculture in a country's economy is such that the posterity will owe a lot to it for their prosperity. There can be no other country in the world where agriculture is not preferred to other sectors of the economy.

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3 Nicholls, H. William, "The Place of Agriculture in Economic Development", in Ibid., p.17.
Nature plays an important role in agriculture. Every year farmers have to depend upon a suitable weather for their cropping. Because, agriculture is a seasonal occupation nature decides what, where and when a crop must be grown and harvested. In this occupation there is a partnership between nature and man. Nature being the senior partner often vetoes the proposals and intentions of man, the junior partner. It looks as if, 'in this business of farming, soil and nature are the active partners and man is the passive one'. Thus, agricultural production is highly uncertain and is said to be a gamble on rains. Even if the farmer wants to control the production according to change in prices, he cannot do so for the 'technical uncertainty about yield. He has no control over the yield. Thus, producers not only face 'economic' uncertainty as to the price they would receive but also 'technical' uncertainty about the yield'.

It is a basic industry marked with uncertainties, limitations and immobilities. It is characterised by slow turnover, perishability of its produce, inelastic demand, joint supply and production in scattered and small units. Some countries experienced difficulties initially before making breakthrough in agricultural development, due to these peculiarities. Though the problems faced by the different western countries differ in nature and intensity, it is a fact that

their present industrial development was preceded by a long drawn period of agricultural growth.

As Mamoria\(^1\) said: "Agriculture is not merely an occupation or a business preposition for the people, it is a tradition, a way of life which for centuries has shaped their thoughts, outlook and culture".

It has been justly observed that "at the head of all sciences and arts, and the head of civilization and progress stands not Militarism, the Science that kills; not Commerce, the Art that accumulates; but Agriculture -- the mother of all industries and the maintainer of human life".\(^2\) This is applicable to India and Bangladesh and more specially to the agricultural dominated country than any other country.

Everybody should recognise that agriculture is not meant to provide food for masses or for supplying raw materials to the industrial sector alone. This is a very narrow concept. On the contrary, agriculture has to perform a wide spectrum of functions. It promotes the welfare of the community, contributing to the economic development of a nation and to act as an innovator replacing traditions and customs. But even today agriculture is considered the premier industry of India in its narrowest sense.\(^3\) This sector also is considered the premier


industry of Bangladesh. In these two countries, agricultural production is the single largest economic activity. This sector contributes nearly half of the national product and provides jobs to more than half the population. Table 1.1 shows the comparative position of percentage of working population in agriculture and percentage of national income derived from it by India and Bangladesh and other developed countries.

Table - 1.1
Table Showing the Total Population, Percentage of Working Population in Agriculture and the Percentage of National Income Derived from Agriculture by India and Bangladesh as Contrasted with Other Countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Population (in thousand)</th>
<th>Percentage of working population in agriculture</th>
<th>Percentage of national Income derived from agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>762,000</td>
<td>60.0</td>
<td>40</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>89,910</td>
<td>61.3</td>
<td>46</td>
</tr>
<tr>
<td>U.S.S.R.</td>
<td>242,768</td>
<td>25.7</td>
<td>N.A.</td>
</tr>
<tr>
<td>Japan</td>
<td>104,331</td>
<td>19.6</td>
<td>6</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>204,879</td>
<td>3.7</td>
<td>4</td>
</tr>
<tr>
<td>Canada</td>
<td>21,406</td>
<td>8.2</td>
<td>5</td>
</tr>
<tr>
<td>U.K.</td>
<td>55,480</td>
<td>2.8</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Collected and compiled from the following sources:
(iii) Govt. of India, Indian Agriculture in Brief, New Delhi, 1980, pp.265, 268-269.
The importance of agriculture in the economic development of a country depends on the stages of economic development in which the nation finds itself and the point of time at which this development becomes a major social aspiration. So economic development is a continuous process which in the long run, breaks down the vicious circle of poverty and unemployment and thereby leads a country to a stage of self-sustained growth.

Agriculture in India and Bangladesh:

Agriculture is the largest and most important sector of the Indian economy. It provides not only food and raw materials but also employment to a very large proportion of population. More than 70 per cent of people depend upon agriculture and about 80 per cent live on agriculture in rural areas. Like any other under-developed country, India is basically an agricultural country that it may be termed as "Rural India".

Agriculture, being the dominant sector, the improvement or changes in the national output depend on the output in agriculture. Statistically, the average annual growth rate of agricultural output of India has increased from 1.9 per cent per annum during 1960-70 to 4.1 per cent during 1970-77.

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Participation in national income would indicate that the various activities connected with agriculture have the largest share in the national income. For example, in 1975-76, of the total value of net national product (at 1960-61 prices) which was at Rs.21,952 crores, it contributed 42.9 per cent. No other sector taken separately comes anywhere close to this. This agricultural sector alone provides employment and work for living to the majority of people. According to 1971 census, as many as 72.5 per cent of the working population were engaged in agriculture that year. In villages, 80 per cent of the people earn from cultivation and allied agro-industries. A good part of the labour force in towns and cities too find jobs in marketing and other activities connected with agriculture.¹

Further, the exports of primary produce earn valuable foreign exchange which can be used to import capital goods for the development of industry and infrastructure. Agricultural products account for a major portion of the exports of India. The proportion of agricultural goods exported from India contributes to about 50 per cent of its exports and goods manufactured with agricultural content contributes to about 20 per cent. In recent years, there has been a steady increase in

the volume as well as in the value of India's primary exports.\(^1\)
Agriculture promotes industrial development also. Industry gets supply of raw materials from agriculture. A remark passed by Nicholls is that "increasing agricultural productivity makes important contributions to general economic development and that, within considerable limits at least, it is one of the pre-conditions which must be established before a take-off into self-sustained economic growth becomes possible".\(^2\) Everybody will recognise the fact that industrial urban development creates conditions much more favourable for increasing agricultural productivity and output.

**Bangladesh:**

Agriculture is the main occupation of the people of Bangladesh. So, it is the mainstay of the economy. About 92% of the total population of this region live in the villages and 80% of them directly or indirectly depend on agriculture, for their livelihood.\(^3\) Like any other under-developed country Bangladesh is also basically an agricultural country as it may be termed as 'Rural Bangladesh'. This country has fertile

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agricultural land. Rice, wheat, jute, sugarcane, tobacco, oilseeds, pulses and potatoes are the principal crops. Various kinds of vegetables, spices and fruits are also produced here. This sector employs about 61.3% of the labour force of its total agricultural population and directly contributes about 46% of the gross domestic products.¹

Agricultural contributions of different plan periods are shown in Table-1.2.

Table - 1.2
Structure of Gross Domestic Product and Contribution to Growth

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</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>60</td>
<td>56</td>
<td>61</td>
<td>60</td>
<td>57</td>
<td>46</td>
</tr>
<tr>
<td>Non-Agriculture</td>
<td>40</td>
<td>44</td>
<td>39</td>
<td>40</td>
<td>43</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

x = Plan periods during Pakistan regime.
* = (1971 to 1972) two years gap due to liberation struggle.
# = (1979 - '80) Plan period for two years.
§ = Plan periods in Bangladesh.


Bangladesh earns from agricultural produce a considerable amount of foreign exchange which helps to bring capital goods for its industrial development. This country produces about 90 million pounds tea per year, a sizeable quantity of which is exported to foreign markets after meeting the internal demand. It produces about 5 million bales of superior quality jute annually and 75% of the export earning comes from raw jute and jute manufacturing. Agriculture supplies raw materials for industry also. Although it is an agricultural country, large number of small and large-scale industries have been set up based on both indigenous and imported raw materials.

Therefore, it is clear that the importance of agriculture is reflected in all spheres of the economy. In a developing country like India or Bangladesh where the agriculture sector contributes nearly half of the national income, the importance of agricultural prices and other statistics cannot be over emphasized. The bulk of the population derives its income directly or indirectly from agriculture. The main source of income of the producers are the prices of agricultural commodities which they get for their produce. Agricultural development and industrial development are dependent upon each other.

**Position of Agriculture during British period:**

In ancient India the villages were almost self-sufficient economic units. The villagers themselves produced
their every-day necessary goods for their own consumption. Sometimes when they themselves could not produce any specialised goods, they came in terms of exchange. Only by this method of exchange they could satisfy their own needs. So, agricultural production or any other household necessary goods production, was concentrated within one family or one village.

In the early British period that streams of production were continued. Some years after the British had spread their power in 1757, the reaction of the European Industrial Revolution was observed. For feeding their Industry with raw materials, the British rule in India had some vested interests in modifying and moulding the agricultural developments to suit their colonial needs. V.B. Singh remarks that "In seeking to establish a social base in India for imperialist exploitation, the British rule founded an agrarian system which has been inherently incapable of producing food and raw materials for a developing economy; it kept the peasants at the subsistence level or even below which, not only restricted the internal market, but also dried the very fountain which could have been a source of producing economic surplus for investment and development. The agriculture, the primary source of capital accumulation in a predominantly agricultural country, was organised on a basis which could give rise to an arrested and thwarted underdeveloped economy".

2 Ibid., p.93.
As a result, the British policy on agriculture was basically designed to create an export market for selected commodities such as, cotton, groundnut and tobacco. In this effort they failed to create a chain of well-integrated markets from village level to a national level. By creating potential markets for cash crops a shift in the method of cultivation was rather forced on the growers. The heavy demand for export market followed by remunerative prices attracted the cultivators to make the shift from the cultivation for home consumption to cultivation for export market. As a consequence of this shift, it was later realised that with the prices falling, the cultivators suffered. The then existing marketing system also would have been responsible for this as it was largely monopolised by the powerful money lenders and exploitative agent middlemen.¹

But the British Administration organised the Department of Agriculture and appointed a few Commissions, for example, the Royal Commission on Agriculture (1928), The Central Banking Enquiry Committee (1931), etc. Some relief schemes were also introduced to ameliorate the problems of poor agriculturists. Those were:

1. Laws for the reduction of rural indebtedness,

(ii) Prevention of sub-division and fragmentation,
(iii) Charging reasonable rents and credit through Co-operative institutions, etc.¹

Markets and Marketing:

Markets are the important centres to purchase and sell the products. Besides, agricultural inputs and other industrial products are also available in the markets for marketing. Marketing, in the recent times, is recognised as an important ingredient in the socio-economic and cultural development of a nation.

Direct marketing may take place at the consumer's home (hawking) in retail markets or roadside stands, from car-door peddling, at the producers' markets or farms or by parcel post. The choice of the method or the place depends on the type of the producer, the relationship between him and the consumer and the nature of the product concerned. A bulk producer would not like to go hawking. Producers' stalls or markets are naturally confined to the producing areas.

With the increasing geographical spread between the producers and the consumers, direct marketing has been on the wane. The development of grading and standardisation have tended to arrest this decline. The smallness of the marketable surplus, lack of adequate market information and of familiarity

¹ Ibd.
with market organisation and practice often make the use of middlemen indispensable to most producers for the purpose of marketing.

The tenuous output, lack of facilities of transport and pressure of creditors lead the producer to part with his saleable produce in his village often in entire ignorance of the equity of price. This proportion varies with the nature of the produce and for the same product, according to the facilities of transport.

Specialisation in the agricultural economy varies widely. Assume, in the completely self-sufficient sector, a producer consumes his products all. In this case, he may or may not sell a small quantity of product in the market. In the second stage, a producer may produce several products for his own use and to sell some in the market. This stage is made possible by a medium of exchange money. The surplus production is sold in the market for money and this money is used to buy other goods and services. The third stage is complete specialization in which a producer sells all of his produce and satisfies his needs through purchases from the market.

Of the three types of specialisation, the second type is most common. There are, however, more instances of self-sufficient farming than of complete specialization. Most farms produce more than one product. In many parts of
the country it is possible to have two or more crops from the same land in one year. The marketing problems occur because of a lack of adequate facilities. This condition is caused due to preponderence of low-income farmers who cannot provide capital for marketing facilities.

Significance of Agricultural Marketing:

Formerly, commodities were produced for home consumption. Under the barter system of economy, surpluses of produce were interchanged between the parties concerned.\(^1\) There was no problem of agricultural marketing in ancient India as the Indian villages were self-sufficient, self-dependent and self-contained isolatory units. It was only after the introduction of money that markets came to be organised for sale and purchase of commodities. Agricultural marketing was of little importance under subsistence farming, with sub-divided and fragmented holdings. It is significant to note that the commercialisation of agriculture gave rise to marketing and the development of transport and communication contributed to its growth. Before the First World War hardly any country except the United States, appreciated the need for an efficient marketing of agricultural produce.\(^2\)

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\(^1\) Srivastava, S.K., et. al., Agricultural Economics and Cooperation, S. Chand & Co., Delhi, 1970, p.255 (Quoted from S.A. Hussain, Agricultural Marketing in Northern India, 1937, p.67.)

\(^2\) Ibid., p.255.
During the reign of the Mughals the process of marketing was based on the individual efforts of peasants to the same extent as that of today. In the 13th Century, grain dealers of Northern India used to buy grain in the village and sell among the villagers what they had purchased in the towns. During the regime of Aurangzeb, peasants after keeping some quantity of grain for home consumption and seed, used to sell the rest. Thus, the system of marketing prevalent in those days was not very much different from that in modern times.

In the process of economic development, subsistence agriculture gives rise to more market-oriented production. This expansion of marketing possibilities, either through the purchase of inputs, or the sale of output at home and abroad, is deemed to increase the growth prospects not only of agriculture but also of the entire economy. Owens and Shaw made a very remarkable comment on this, "Agricultural Development is first of all a human problem, not a technical problem. If all farmers have access to production inputs, the financial system, the market and agricultural knowledge, then they can improve the state of agriculture. But more farmers lack access to a market system and thus lack both the resources and the incentives to modernise their production methods". So we have to make a good agricultural policy.

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1 Ibid., p.255 (Quoted from W.H. Moreland, The Agrarian System of Moslem India, p.38.)
2 Ibid., p.256.
which can provide a good framework and easy access to a market system of a farmer. According to T.W. Schultz,\(^1\) "Policy for agriculture should have two central objectives: First, to provide a framework for the satisfactory use of agricultural resources and Second, to develop institutions which will permit farmers to achieve a welfare position at par with other major groups in our national community". This indicates that the plans for agricultural development should be adopted and simultaneously institutions should be developed through which farmers can profitably dispose off their produce. Through a profitable sale of their produce, they can enhance their welfare position like other major groups of the society. So, a well-organised 'market system' can provide a better standard of living to the sub-urban and rural population.

By using modern technology, intensive cropping, processing, storage and marketing, agricultural produce are becoming more and more important and playing a vital role in the economy. In the absence of sound marketing facilities, the producers have to depend on local traders and middlemen for the disposal of their farm produce, which are normally sold at throw-away prices.

A market system consists of the interactions of all of the component parts and processes in the society. Because, the only purpose of an economic system is to serve the needs of the people.¹ The market system is one way of organizing the economy to decide what, how and for whom goods and services are produced. A strong competitive market system is necessary for the country's social and economic welfare. When it functions effectively, it serves the nation by stimulating the efficient provision of goods and services. Moreover, it promotes business investment in research, new equipment, and other capital goods necessary for improvements in productivity and economic growth. The market system benefits a broad spectrum of the society -- workers, consumers, and business. It also provides resources to support social programmes and improve the quality of life.²

The existence of competitive markets is extremely important for the country's economic and political development. Historically, the function of business has been to supply the public with goods and services and to provide jobs and income, thereby increasing the nation's wealth. The competitive market is usually the most effective vehicle for allocating resources to produce most of the goods and services the country needs. It is generally efficient and flexible and it can respond more

quickly than the government to the changing needs and preferences of individuals. Therefore, when government acts to correct or aid the market, that action should be conceived and executed in so far as possible in a way that works with the market, not against it. Where competition is absent, government has a responsibility to restore it, where the market fails to take into account the costs of pollution or to supply adequate product information, government has a responsibility to provide the needed incentive.¹

According to the Swedish economist Assar Lindbeck,² "It is exactly the market system, with competition and free entry, that allows a rather far reaching decentralization of economic decisions and initiatives in a work with strong interdependence between the decisions and activities of

¹ Ibid., p.18 "The Committee believes that there are broad economic and social problems whose solutions depend on making greater use of the market system, rather than on relying on government". For details on the market system, see the book, pp.13-39. Policy-makers should not automatically assume that government action is the best way to deal with an economic problem or achieve a social goal. Government involvement should be considered only if the market system is clearly incapable of dealing with the problem.

various economic agents. Without a reasonably well-functioning market system, a far-reaching centralization of economic decision-making and responsibilities would be necessary; such a situation would largely destroy pluralism”.

As a dynamic and basic social institution, the marketing system is capable of generating changes with far-reaching implications. The potential power of marketing as a change agent is succinctly described by Nicosia and Glock in the following manner:

"Tensions and harmony are the salient features of a viable society. Tensions, of course, imply change and a society, to be viable, must find organisational designs which provide the means for harmonious change through time. These means consist of a variety of structures and mechanisms: political, religious, economic and so forth. Marketing as a socio-economic mechanism that contributes to the society's search for harmonious patterns of tension. Marketing both reflects and contributes to social change".

Marketing fills as well as creates needs in a society. It is indeed a patent mechanism for social change in an adaptive way. The greatest strength of the market system lies in its efficiency and flexibility.


So, in the marketing system, marketing for agricultural produce is essential for marketable surplus. Marketable surplus is the residue left with the producer after meeting his requirement for family consumption, farm needs and payment in kinds to labour, the landlord, artisans and others; marketed surplus is the quantity of produce actually sold irrespective of the requirements of grower.¹ A growers' marketed surplus can be either more or less or the same as his marketable surplus. It is more when the grower retains less of the produce than is required by his family and on his farm under the pressure of immediate cash needs. He may repurchase the produce to satisfy his needs. The marketed surplus will be less than marketable surplus when a grower holds some of his surplus produce on the farm or consumes more than normal amounts of it in substitution for other commodities. It is worth noting that marketed surplus of small subsistence farmers increases with a price fall because more quantity has to be sold to meet the minimum cash needs.² The two basic elements of an agricultural system are production and marketing and marketing of agricultural produce is as important as the

production itself.\(^1\) Both the two are interdependent. Better marketing stimulates production and production needs efficient marketing'.\(^2\)

The vital and continuing role of marketing in agricultural production and economic development becomes clear when its relationship with other sectors are considered. Marketing had its beginning in agriculture. It developed beyond the stages of self-sufficiency, when man was able to produce more food than what he needed for himself. This transition from "production for consumption" to "production for exchange" came slowly. In fact, the marketing economy of today is still a part of this transitional stage.\(^3\) The important and exact role played by the agricultural marketing in economic development is emphasized by A.S. Kahlon and / . They expressed their views as "Expansion of marketing outlets is, to a great extent, a necessary accompaniment by the process of economic planning".\(^4\)

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2 Definition of "Efficient Marketing", "Efficient and effective marketing system from the farmer's viewpoint is one that will induce the production of those products and quantities which, when sold to consumers, will result in maximum returns after the deduction of the maximum marketing charges and farm production cost". (Vide Thomson, F.L., Agricultural Marketing, McGraw-Hill Book Co., New York, 1951, p.4.)


Production, processing and all levels of selling should become highly co-ordinated units of a single marketing system. This alone will tend to shift from subsistence to commercial agriculture. Needless to say, such a process will ultimately result in increasing the amount of marketable surplus in the economy as a whole.¹

National Commission on Agriculture in India expresses a view on the significance of agricultural marketing. In their opinion:

"agricultural marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure or system, both functional and institutional, based on technical and academic considerations and includes pre-and post-harvest operations, assembly, grading, storage, transportation and distribution".²

The experience of advanced countries also has shown that economic progress and market development are interdependent. Economic development in a country is accompanied by numerous problems embracing all phases of economic activity including production, distribution and consumption. Unless these problems are suitably tackled, economic progress gets arrested. The advanced countries take advantage of continuously improving technology in agricultural production and marketing along with the accompanying services of transportation, storage and packing to facilitate efficient handling and

¹ Nair, N. Rajan, op. cit., p.12.
distribution of agricultural commodities for promotion of
economic progress.¹

The recent development in agriculture exhibit stark
structural imbalances. A deeper analysis would reveal that
these structural problems are largely institutional problems.
The failure to evolve an efficient market mechanism is also an
allied factor in this respect. The vital role marketing could
play to place agriculture on a basis of economic equality with
industries, was totally ignored.² The fundamental mistake
made was that production and marketing were viewed as separate
and independent functions. This conceptual error has corroded
the already inefficient agricultural sector further. Marketing
in fact, may be seen as a part and parcel of the productive
process -- the part at the end that gives point and purpose to
what went before. What is gained by increased yield per unit
of land will be offset by low uneconomic prices and the waste­
ful marketing system now obtaining in private mandis. If
farmers' income is to enhance appreciably, the adoption of
improved production techniques must go hand in hand with effi­
cient marketing.³ John P. Lewis of U.S. Agency for Inter­
national Development pleaded long back for bold steps to

¹ Kahlon, S.S., et. al., "Emerging Problems of Agricultural
Marketing in Punjab", Seminar on Emerging Problems of
Marketing of Agricultural Commodities, The Indian Society
of Agricultural Economics, Bombay, 1972, p.274.

² Rao, B. Rama, "Marketing of Agricultural Produce",
Agricultural Marketing, Vol. VI, No.3, Nagpur, 1963,
pp.14-17.

³ Mirchandani, "Marketing and Farm Management in India",
investigate the market mechanism which he has described as the most effective self-adjustment incentive system yet discovered for mobilising the purposes and energy of the individual cultivators to the furtherance of national interests.¹

M.S. Swaminathan, says, "Marketing becomes essential to insulate the farmers from the vagaries as well as the exploitative nature of the market mechanisms prevailing in the most parts of the country".²

So, it could be stated that there is an unbreakable linkage among efficient agricultural growth, agricultural marketing and the resultant economic growth of a country. It is a pity that, this linkage and its consequent effects on other sectors were not recognised in full perspective or were neglected in the past.

Marketing of agricultural products begins when the products are loaded at the farm and ends when the food reaches the consumer; that marketing is concerned with such functions as pricing, transportation, and exchange (through middlemen, viz. brokers, auctioneers and retailers.)

Marketing of agricultural products differs from that of industrial products. The agricultural products are produced in


small quantities on scattered farms, hence the collection of these small lots becomes a complicated affair. Most farm products are produced seasonally, but the must be supplied round the year. Most of them may not like to change their food habits.

In the modern society the problem of agricultural produce marketing is more difficult. The producers are separated from consumers by brokers, wholesalers, auction markets and retailers. In some cases they are separated by several hundreds of miles. The wide distance between the producer and the consumer has created a communication problem. It is impossible for consumers in cities to get their word-of-mouth preferences back to the producers in the villages.

It is a recognised fact that agricultural produce have certain peculiar characteristics. They have varying physical attributes such as bulk, perishability, seasonality, scattered in small scale and in most cases the products need processing before they are brought to the market. These constraints often compel the producers, specially the small and marginal ones, to sell the products in the village to the local traders or to the money lenders or in the local markets. Main characteristics of agricultural products which make agricultural marketing much more elaborate and complex has been given in the following chart:
Chart - 1

CHARACTERISTICS OF AGRICULTURAL PRODUCTS CREATING PROBLEMS IN AGRICULTURAL MARKETING

CHARACTERISTICS OF AGRICULTURAL PRODUCTS

PRODUCTION CHARACTERISTICS
1. Small Scale
2. Scattered
3. Specialised
4. Seasonal

PRODUCT CHARACTERISTICS
1. More bulky & less value
2. Perishable
3. Varying uncertain quality and quantity
4. Elastic supply

CONSUMPTION CHARACTERISTICS
1. Continuous
2. Regular & in small quantity
3. Inelastic demand

Because of the above peculiar characteristics of agricultural produce, farmers are selling surplus produce after harvesting. They are obviously doing it, because they have no other alternative. Whenever they have any surplus for sales, they want to do it immediately, because their holding power is extremely limited. The main reasons are:

(i) Most of the agricultural produce are perishable in nature.

(ii) Poverty of the farmers, i.e. they have no capacity to hold it. Sometimes, there is a contract between the money-lender and the farmer regarding the sale on a prescribed rate before hand.

(iii) Farmers have no suitable place for storing and preservation.

(iv) Farmers do not even see in many cases any economic advantages to holding for future sale in case of relatively non-perishable products.

(v) Custom-bound practice of selling the produce as such without going for any further processing.

(vi) The quantity of produce by an individual farmer is often limited and this small quantity cannot cheaply be taken to the market for want of full cart load.

(vii) Most of the cultivators are so poor that they do not possess a cart and consequently the transport charges during the season are very heavy.
(viii) Their relative ignorance about the market conditions i.e. specially the price. During the post-harvest period, price of the produce is very low and it is not profitable for the small farmer to bring his produce to the market place bearing some unmeasurable marketing costs.

(ix) The farmer is ignorant of the marketing techniques of the traders in the market place and its functionaries so that he is liable to be cheated.

(x) Small farmers generally avoid market because of number of malpractices by the traders are common in the market place.

So farmer usually avoid the market situation and sells his produce in the village. In the above mentioned situation, the farmer generally thinks that if he sells his produce in the village, he is not subject to such inconveniences to a great extent.

'Forced sales' occur due to the handicap of farmers and lack of institutional credit facilities at the time of harvest. The money lenders force the farmers to sell their produce much below the market price which they contacted before (at the time of lending money) and that too immediately after the harvest. S.C. Jain\(^1\) narrates the situation of the producer, "the majority of subsistence producers are

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compelled to sell their produce just after harvest, in order to meet the pressing claims of their creditors. More often than not, crops are even hypothecated to them in advance. Frequently, most producers sell their produce, repay debts, face a shortage, and contract debt again. Thus they sell to repay debt only to fall in debt again. V.K. Agarwal¹ said that, "Indian farmer is born in debt, lives in debt and dies in debt". In recent times, this situation has undergone some change.

Indebtedness is not the sole reason for forced sale of the farmer's produce. From the foregoing discussions it has been seen that there are so many causes of post-harvest sale of farmers' produce. Besides, lack of storage and transport facilities and non-availability of market information of the present situation when they are about to sell produce also compell the growers to dispose off their produce at the earliest. At present, there are no effective means to transmit market information from one market to the other. Under such a situation if the farmers take their produce to the market without knowing the prices prevailing there, they are put to a great disadvantage. This is an important area which requires special treatment. A few commodity survey reports have been published but they are not helpful to the farmers in the present context. Even then, if price situation of the daily

market is transmitted to the farmer, it goes against the interest of the traders and the individual farmers can not do anything against the organised traders.

The producer-seller of agricultural produce faces high cost of marketing. The high cost of marketing is normally reflected in the final price paid by the ultimate consumers. This marketing cost appears high due to long marketing channel. Because, agricultural produce needs some processing and handling after harvest to reach to the final consumer. In between producer and consumer, there are a large number of middlemen involved in the agriculture produce business to reach the products to the ultimate consumer and each of the middlemen are specialised in their marketing function are getting a share of consumers' price for their services. It also increases the cost of marketing for agricultural produce.

Effective measures should be taken to reduce marketing costs and if it is done, producers' share in the consumers' price will increase. There are many ways to reduce marketing costs and margins, some of which are given below:

(a) Organisation of an effective price and market information service.

(b) Introduction of standard weights and measures and quality grades.
(c) Regulation of markets with the objectives of strengthening competition.

(d) Promotion of producer and consumer co-operatives where suitable.

(e) Assistance to improve marketing practices with the objective of reducing waste and improving quality.

(f) Establishment of permanent training facilities in agricultural marketing, and

(g) Organisation of effective credit facilities.

But it should also be understood that increase in marketing costs might be due to better marketing services. In developed countries high marketing costs are often justified on the basis of better services provided to consumer.\(^1\)

In the developed countries like United Kingdom, United States of America, Germany, though marketing costs are high, their marketing services/much more better and sophisticated. Consumers are very much satisfied with marketing services in those countries.

**Shortcomings in Agricultural Marketing:**

Agriculture is fundamentally different from manufacture. Therefore, the marketing of farm products usually tends to be a complex process. In view of the growth of the

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distance between the farm producer and the consumer, as well as the small size and wide scatter of the producing units, there exists an elaborate and complex marketing organisation for agricultural produce. Most of the problems in marketing of agricultural produce spring from their conditions of production and nature of demand. The flow of produce from the farm to the market requires some preparation and processing. They have to pass through many hands and many operations. The market mechanism is required to provide the transport and storage facilities as well as finance and bear the risks. Great variations occur both in the output and quality of the produce from year-to-year and between seasons. Their weight and volume are great in comparison to the several manufactured goods. They are generally perishable and cannot be stored for a considerable period of time. The adjustment of supply to demand cannot be quick. The price stability is simply impossible.1

The marketing of farm products is a matter of great interest to the farmer, the consumer and the middlemen. To the farmer, it provides the channel of communication between him and the society and gives him continuous information about demands for his products. The consumer views it as a means of supplying his needs since marketing helps in relating

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the standard of living of the people by satisfying the mul-
titude of needs and desires of consumers. The middleman depends
upon it for his livelihood. These diverse interests lead the
farmer to seek a high priced market for farm products, the
consumer a low priced market and the middleman, a margin be-
tween the farm price and consumer's price that will amply re-
ward him for his services.¹ Because, agricultural produce
passes through a long chain from producer to consumer, it
needs various activities and thus creates problem in marketing.

Agriculturists have not yet fully realized the impor-
tance of combined action for the purpose of bargaining on
equal terms with buyers of agricultural produce, who have an
organisation of their own. This is so because, farmers are
small cultivators scattered all over the country having very
little time and knowledge to look to the marketing side for
their business, while purchasers are large-scale operators on
an organised basis. Feeling the problems of farmers, the
National Planning Committee pointed out, "The farmer, in
general, sells his produce at an unfavourable place and at an
unfavourable time, and usually gets very unfavourable terms".²

The farmer, who sells his produce in the market,
cannot get the whole price settled because various deductions

¹ Frank, A.P.P., Farm Economics, Lippincott, London (Quoted in
Sadhu and Singh, Fundamentals of Agricultural Economics,
² Government of India, Rural and Marketing Finance, National
Planning Committee, Delhi, 1947, p.42.
are made out of the sale proceeds by the trader. As the mandis and unregulated village markets are not subjected to any statutory control, the farmers have to pay various market charges, long established by custom. The following is an account of the unwanted charges deducted in the unregulated markets: taxes and tolls; commission; brokerage; handling charges; weighmen's charges; charges for other services; charity, quality allowance, weight allowance, temple charges, sample, a quantity put upon for weighing the rest, village school, milk for buyer's children and so on. A list of different charges and deductions have been shown in Appendix - I.I.

A great part of these cumulative charges has to be borne by the producer-farmer. The marketing Subcommittee said "The great objection to the market charges lies not only in their multiplicity but also in the fact that they are not clearly defined and specified".¹

Further, in the unregulated markets, malpractices are common as most of them do not have committees to control their activities. When disputes arise, there is no effective machinery to decide them in an impartial manner. Naturally the innocent farmers are invariably exploited by middlemen by their malpractices such as manipulation of weights and

measurements, taking away samples without payment, negoti­
ing the sale price under the cover of cloth, and speaking a
language with dubious connections. The Royal Commission on
Agriculture said, "some of the practices obtaining in the
market amount to nothing less than common theft". ¹

The most defective preparation for marketing is the
deliberate practice of adulteration. In commodities such as
groundnut, cotton and tamarind, damping is often resorted to,
in order to increase their weights. Superior rice is adulte­
rated with inferior rice, new rice is passed off as old rice
and clay balls are mixed with groundnuts. In a study report
it is mentioned, "It is a sad commentary on our marketing
methods that many people firmly believe dirt and dishonesty
to be a paying proposition. It is still more unfortunate
that, as matters stand at present, so many of these people
are right". ²

Producers have to pay a variety of incidental
charges which further reduce the return which they expect
from the sale of their produce. It is surprising to note
that not only the arathia and dalal (commission agent and
broker) but also a host of others including the munim,

¹ Government of India, Report of the Royal Commission on
Agriculture, Bombay, 1928, p.388.
² Government of India, Report of the Marketing of Linseeds,
Delhi, 1944, p.77.
chowkidar, waterman, arathias—cook and beggars consider themselves entitled to a share in the produce sold.¹

The Bengal Jute Enquiry Committee reports that mal-adjustment is not only the factor which depresses the price of raw jute relatively to that of manufactured. The other factor is the imperfection of the market. First, there are frictional defects arising out of the existing customs or practices of the market, or from the restricted nature of the facilities it offers to buyers and sellers. Secondly, there are the more fundamental defects, which arise from the present structure of the jute market, and prevent competitive bargaining between buyers and the primary sellers on an equal plane. These two categories are by no means exclusive of each other, and perhaps overlap at several points. The first category of defects includes those arising out of imperfect knowledge of market conditions, irregular allowances and deduction, absence of standardization of weights and measures and of the quality of jute, difficulties of transport, etc. Under the latter head fall all those factors, which are responsible for the very weak holding power of the cultivator, and account for his low bargaining strength. They range from his method of production to his system of marketing, and, in their practical consequences, result in the significant fact that almost the whole of his annual output of the crop must leave his hands.²

¹ Government of India, *Report of the Marketing of Wheat in India*, Delhi, 1941, p.44.
Agricultural marketing is affected by a large number of superfluous middlemen in the business. In the village level, the farias or beparies purchase produce in the villages from the producers' at cheap rates. They take 'dhalta' in the name of shortage of produce and do manipulation at the time of weighing the produce also. In the market place, the middlemen like arathia or commission agents take different deductions on sales proceeds, so the grower do not have any effective channel through which they can get a remunerative price for their saleable produce.

An empirical study\(^1\) was done by O.G. Das and others on the role of middlemen in agricultural marketing. Their study reveals that the middlemen are taking a lion's share of the consumer's price. The respondents were asked to narrate their experience with the commission agents. They narrated their experience as follows:

(i) The commission agents gave loans in instalments and realised lesser price for their agricultural produce than prevailing rate in the market in collusion with the buyers;

(ii) The commission agents were charging four to five times more interest than bank rate;

(iii) The commission agents were not providing the loans/advances to poor and needy farmers;

(iv) They were charging higher rates of commission than allowed by the Marketing Committees'; and

(v) They were making unauthorised deductions from the sale proceeds.

It is a common complaint of marketing reformers that unnecessary categories of middlemen are able to interpose themselves between producers, on the one hand, and 'necessary' middlemen and dealers, on the other, and that thereby the costs of marketing are raised. As a corollary, reformers advocate compulsory elimination of the supposedly redundant links in the chain of distribution.¹ The advocates of such measures generally fail to ask the relevant question concerning why the so-called 'redundant' intermediaries are not by-passed by those with whom they deal. For the services of an intermediary will be used only if the price (margin) he asks is less than the value his customers set on the services he performs for them. They will by-pass him if he provides no services at all (i.e., if he is redundant) or if the charges for his services are excessive in comparison with the costs his customers will incur if they provided these services for themselves. Thus redundant middlemen will be

automatically eliminated from the channel of distribution. The redundant intermediaries and intermediaries charging excessive prices will be eliminated without official intervention.¹

In these circumstances a redundant intermediary (i.e., a dealer whose margin is higher than the value of his services to the parties served by him) would certainly be by-passed. In these circumstances the compulsory elimination of any class of intermediaries will mean that their services have to be performed on more onerous terms by one or another of the parties between whom they stand. It will involve an otherwise uneconomical measure of vertical integration and, at the same time, a reduction in the number of marketing alternatives open to the parties concerned. Both these consequences are likely to be particularly serious in underdeveloped areas.²

There is no doubt that the convenience provided by the service of the middlemen is necessary but the cost of this convenience should not be such as to make the consumer pay a high price and the producer to get very little. There are a number of functionless middlemen who take an excessive share of the profits from sales.³

¹ Ibid.
² Ibid.
G.R. Spinks expressed his views in favour of middlemen's activities. He said: "often middleman is the first to bring the producer into the money economy, in fact he alone often creates the market".\(^1\)

In the United States of America also the producer gets a small amount out of every dollar paid by the consumer; but we cannot compare the marketing charges prevailing in that country with those of our country because there the high costs of marketing are due to superior servicing, hygienic processing, modern packing and storage, and in our country there are high due to superfluous and functionless middlemen.\(^2\)

Though different writers and thinkers make controversial comments about the activities done by the middlemen, it is a fact that a large number of middlemen are still existing in the agri-business and their activities also are redundant in our under-developed economy. These middlemen are always trying to cheat or exploit the illiterate and unorganised small farmers. Farmers alone cannot do anything against the astute traders and the farmers are afraid of them. Because they (middlemen) are the source of credit to the small farmers in the villages at the time of sowing seeds


in the field. Ganguleel described the situation of farmers thus "The farmers were not telling true story and that they were afraid of the brokers and others with whom they had to deal". Buyers always keep themselves in an advantageous position by doing malpractices and manipulation in their trade. Alok, Ghosh says that the buyers manipulated the prices made unauthorised deductions and followed defective weighment systems, etc. It has become the habit of the traders. By occupying a strategic position between the producers and consumers, the traders acquire considerable market power and introduce procedures and practices in the markets which are to his advantage.²

Agriculture marketing suffers from lack of organised marketing institutions in the village level or in the nearby urban areas. A marketing institution with proper management can play a vital role in the marketing of agricultural produce of the farmers.

Co-operatives have generally come to be recognized as an important segment of an agricultural marketing system. In many countries they have become quite important as a means of achieving greater efficiency as well as a more equitable distribution of the benefits of development. The main

1 Gangulee, N., The Indian Peasant and His Environment (The Linlithgow Commission and After), Lindsay Drummond, London, 1935, pp.79-79.

objectives of marketing co-operatives include reduction of marketing margins and costs, improving operational efficiency and influencing supply and demand in the market. But, the objectives of co-operative marketing institutions have not yet met with complete success. The impact created by this institution cannot spread widely.

According to P.K. Mukherjee, "The role of rural institutions in the agricultural development of less developed areas, though widely recognised, is either not always properly defined and delineated or, what is worse, is unduly exaggerated so that very high exceptions are built around many such institutions".

From the above discussions of the shortcomings of agricultural marketing, it is clear that operational or functional inefficiency is the fundamental defect. Our agricultural marketing system is fully affected by these inefficiencies. These inefficiencies affect other factors also. Operational or functional efficiency of marketing institution has to be raised with specific objectives, so that marketing system could be improved and farmers would get maximum benefit from it.

1 Rahman, Mahmudur, Development of Agricultural Marketing in Bangladesh, Bangladesh Academy for Rural Development Committee, Bangladesh, 1973, p.44.

The idea of these institutions was taken from the West (developed countries) and implemented in these regions (India - Bangladesh Sub-continent) without making any modifications which will suit their socio-economic conditions. This is the main reason for failure of the institutions. Galbraith says, "transferred to Africa or to India they (organisations or institutions) may be as redundant and even damaging as they would have been in the United States in its comparable stage of economic development. The burden of proof must be on those who propose the transfer of organisation and services".¹

It is inappropriate for developing countries to initiate marketing innovations from developed countries without adequate reference to their economic development background. First of all, there exists a wide range of difference in the agricultural production system between developed and developing countries. In most Asian countries there are many small farmers with a small surplus of production nearly above their consumption needs. This requires a subsistence marketing structure different from the commercial farming-cum-modern marketing structures of most developed countries. Differences in consumers purchasing power between developed and less developed nations also pose a bottleneck in the transfer of agricultural marketing innovations. The low income level of

consumers limit the assortment of retail stores and also limits customer mobility.¹

Most of the institutions were initiated by the Government and naturally the 'return on public investment' was the underlying criteria that often decided the nature of these organisations. The demand for any organisation with a fundamental reform should come from the affected parties if such an organisation is to be result-oriented.²

The Overcoming/Shortcomings in Agricultural Marketing:

The surplus of agricultural produce of a farmer is disposed off in several ways. The first and the most common method is to sell away his surplus produce to the village money-lender or trader from whom he took advances for cropping. The farmer is bound to sell his produce to him. The second method a farmer has to follow is to dispose off his produce in the weekly or bi-weekly village markets. In these markets, he sells his produce to the petty intermediary or who the intermediary/deals with a large volume of transactions. The farmer also sells his produce through the mandis in


nearby towns. But, the mandis may be located at a distance of several kilometres. Therefore, the farmer has to make special effort to carry his produce to the mandi. Here, he can't sell his produce directly to the trader. The trader purchase farmers' produce through 'dalals'.

In every stage of selling his produce, the farmer faces a lot of problems and gets a very unremunerative price. Due to defective marketing, the market situation compels him to sell his produce at throw-away prices. The money lender gives him a very low price than the market price at the time of taking loan. In the village market, the intermediaries cheat him in many ways by doing manipulation and malpractices. For taking the produce to the mandis, he faces transportation problems. Even if he brings his produce to the market, he will not get a fair price due to the interference of 'dalal' and malpractices done by the trader. He cannot hold his produce for better price for the lack of holding power.

In order to have the best advantage in marketing of his agricultural produce the farmer should enjoy certain basic facilities:

1. He should have proper facilities for storing his goods.

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(ii) He should have holding capacity, in the sense, that he should be able to wait for times which he could get better prices for his produce and not dispose off his stocks immediately after the harvest when the prices are very low.

(iii) He should have adequate and cheap transportation facilities which would enable him to take his surplus produce to the market rather than dispose off it in the village itself to the village money-lender-cum-merchant at low prices.

(iv) He should have clear information regarding the market conditions as well as about the ruling prices; otherwise, he may be cheated. There should be organised and regulated markets where the farmer will not be cheated by dalals and aratiyas (traders).

(v) The number of intermediaries should be as small as possible so that the middlemen's profits are reduced. This will increase the returns to the farmer.

To facilitate the above, reforming the markets and the marketing conditions is essential. Millikan and Hapgood\textsuperscript{1} part said, "market reform" therefore, "ought to be an integral part of

\textsuperscript{1} Millikan, Max, F. and Hapgood, David, No Easy Harvest, Scientific Book Agency, Calcutta (Year not given), p.61.
any policy for agricultural development. Normal economic incentives for farmers to increase their productivity can operate only to the extent that the marketing systems enlarges the market for their produce and brings them a reasonable price. Their desire to earn large cash incomes can be stimulated by a marketing system that brings them cheap consumer goals, and their effort to increase productivity can succeed only if the system delivers the needed inputs.

Marketing is as critical to better performance in agriculture as farming itself and should be treated with equal care.

The reform of marketing is often urged on the grounds that there are too many competing middlemen and that their competition is not for the best advantage of the producers. This complaint is made not only against the competition of traders but also against that of the first processors of agricultural produce, e.g. the owners of slaughter houses or of cotton ginneries. The argument takes two forms -- first, if there are many competitors, competition is too severe, and this leads to the payment of excessively or ineconomically high prices to producers; secondly, if there are many competitors, competition is wasteful, and this leads to the payment of unnecessarily low prices to producers. It is often said that excessive competition forces dealers or processors to cheat producers more scandalously and persistently. The two forms of the argument are often combined; moreover, each
gives rise to the same proposals for reform, namely, that the number of intermediaries should be reduced in the interests of producers and that the margins for their services should be controlled.¹

Statutory measures designed to control or to modify the processes of agricultural marketing or to reshape the structure of trade in agricultural produce are in force in many parts of the world. They are of three broad types. First, there are measures designed primarily to raise the returns of certain classes of producers -- monopolistic restriction of supply, differential prices, and subsidies fall in this group. Secondly, there are various measures designed, at least ostensibly, to stabilise prices or incomes. In addition, a miscellany of measures designed to improve agricultural marketing have been introduced in recent decades in many countries; these include reduction in the number of intermediaries, control of the channels of marketing, delimitation of the places where transactions may take place, elimination of inferior grades of products, and so forth.²

The government can initiate effective measures for reforming the marketing situation of a country. Without government action marketing reform may not be possible. The

² Ibid., pp.30-40.
marketing system as existing in a country having a socio-economic orientation and which is not beneficial to the producing or consuming class should be reformed with government participation. Frederic Lundy Thomsen says, "the government should do everything and anything it can to improve marketing in the interests of farmers and consumers. They would have the government set up and operate marketing facilities in active competition with private and co-operative agencies, fix prices and margins, regulate the number and characteristics of private agencies allowed to engage in marketing, subsidize selected marketing operations, render marketing services customarily provided by private marketing agencies, and govern the time, place and manner of marketing commodities as well as the quantity marketed".1

Production, processing and marketing form an integral part of agricultural economy which is the backbone of a country. The goal of all successful marketing is the lowering of the prices of goods and maintaining standards of quality without, at the same time, adversely affecting the interests of the producers. Thus, any increase in the efficiency of marketing which has the effect of lowering the cost of distribution as well as the price for the consumer, brings about an increase in the national income. Along with the price factor, problems

of agricultural marketing began to receive serious considera-
tion of governments with the gradual realization of the fact
that the farmer/labourer without any developed system of agri-
cultural marketing had to face severe hardships.¹

An efficient marketing system is a great asset for
making the best use of what is produced. Marketing system is
efficient when the distribution is economic as well as equi-
table and the price structure rational. Economic distribution
aims at the maximisation of the net consumable quantity out of
a given quantity of production. For this purpose, every unit
of the national food production or supply should go a long way
in meeting food requirements. Equitable distribution may be
defined as distribution in a manner that marginal utilities
derived by consumers are equalised. Such absolute equalisation
is almost impossible but steps can be taken to minimise dis-
parities. The Marketing Sub-Committee of the Government of
India in its report (1946) emphasized this point in the
following words:

"The guarantee of an assured market for
agricultural produce at a remunerative
minimum price constitutes the most direct
and effective form of assistance. It is
an essential part of a nation-wide drive
to raise agricultural production and out-
put. Some of us, in fact, consider that

¹ Jain, S.C., Principles and Practice of Agricultural Market-
all the other measures combined will not succeed in attaining the objectives in view, unless the producer is guaranteed a remunerative minimum price for his produce.¹

The need for government assistance in initiating and facilitating the improvement of marketing organisation and methods is now felt by most of the countries. Many countries are aware of the marketing problems and are prepared to legislate and allocate technical and financial resources in the furtherance of marketing efficiency. The following measures may be taken up for improving the marketing efficiency:

(i) Regulatory: Making of rules that marketing agencies must abide by for the common interest of producers, traders and consumers;

(ii) Facilitating: Programmes may be taken up to make the marketing system more efficient so that it can provide a better service to users;

(iii) Government can buy, sell and store certain commodity for influencing price and movement of price or to supplement existing marketing channels and for increasing competition.

For improving marketing efficiency, government has to intervene in the market operation and make policies. Governments

¹ Government of India, Report of the Prices Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries, Department of Agriculture, Manager of Publications, Delhi, 1946, p. ii.
are persuaded to intervene in the market to prevent exploitative practices of the traders. This also ensures equitable distribution of commodities and at the same time, helps the farmer in getting his due share. The government policies for market intervention in this respect have a vital role and it operates for the welfare of the society. Each and every government believes in planned economic development and wishes to achieve economic change with social justice. But the situation of the farmers of less developed countries is very pathetic. There farmers are exploited by the trader groups in respect of the prices of their produce. Governmental intervention is not so effective and the activities of the middle-men are not restricted due to lack of infrastructure facilities. Markets have not been reformed in a constructive way. In such a situation, government is bound to interfere in the market conditions.

From the foregoing discussion it appears that the government adopts policy innovations and different institutions for improving the agricultural marketing efficiency. A viable marketing system enables of the farmer to get a remunerative price for his produce. The consumer too is able to satisfy his desire at a reasonable price within his capacity to pay. The government takes steps to intervene in the marketing process by way of supply, subsidies, equitable distribution through rationing, other methods of public distribution, levy procurement of essential commodities, offering support price
during post-harvest periods and regulating market practices for agricultural commodities. So, governmental intervention to overcome shortcoming and improving agricultural marketing can be classified in the following way:

1. Direct intervention through the establishment of executive agencies to handle trade in certain selected commodities;

2. Intervention through initiating voluntary organisation like co-operative societies; and

3. By initiating direct regulatory role through regulation of markets and market practices.

Government executive agencies such as 'food corporations' declare prices for foodgrains and purchase produce from the producer/seller in and after the harvesting season. These agencies procure foodgrains only from the producer/seller.

The concept of a levy on farmers' produce at a price lower than the market price was used for a long time. This system was compulsory for farmers holding considerable quantities of marketable surplus. This system is not in vogue now and is replaced by the concept of guaranteed floor price which is announced before the harvesting season.
The concept of support price is to protect the producer from distress sale of his produce in and after the harvesting season and from his purchasing commodities at a price higher than market price. This price is declared earlier because normally prices fall in the harvesting season due to large quantity of marketable surplus.

The concept of incentive price is related to cover cost of production and is supposed to be announced before the sowing season.

But none of these systems could give substantial benefit to the small producers/farmers because of the defective institutional framework and operational procedure that has been discussed in the earlier paragraphs.

Co-operative marketing, a voluntary business organisation established by member patrons utilise market farm products collectively for their direct benefit. Under this system, producers sell their produce through co-operative sales association. Member patrons get financial help during the harvesting season against their produce deposited to the society to avoid distress sale when the market price falls. This system plays a vital role to solve the problems of marketing of farmers who are united together and to secure better prices through efficient marketing of their produce.
Co-operative marketing, as a system, provides greater incentives to producers, accompanied by a greater degree of fairness, due to the opportunities it provides for participation by farmer members in the marketing system. But this system is only beneficial to the member patrons and is unable to eliminate the deficiencies in the marketing system.

A very important measure which the government has taken to improve agricultural marketing has been the setting up of regulated markets in the country. With the establishment almost of these regulated markets, the malpractices have disappeared and the market charges have been rationalised. The government has successfully replaced the different systems of weights and measures prevalent in the country with the matric system. This is a great improvement indeed as compared to the previous system under which the farmers were deceived by the traders.

Need for Market Regulation:

In the early ages, man used to produce to fulfil his family requirements. When he learns specialization to the extent of producing one kind of product, he engages himself with that product only. But, when he feels the need for another product, he begins to show a desire to acquire it through exchange. So, we may see that man has needs and wants. Needs and wants create some sort of discomfort in persons, which is satisfied through acquiring goods and services. These goods
and services are obtainable in several ways, such as, self-production, coercion, supplication and exchange. Human society works on the principle of exchange which means that persons specialize in the production of particular goods and services and exchange those commodities for the other things they need.

But the above situation started changing when man began to produce more and more produce and created market, for the disposal of his produce. The size of marketed surplus of agricultural produce has increased due to increased production. With the promotion of the intensive cropping, processing and storage facilities the marketing of agricultural produce is becoming more and more important. B.S. Saxena\(^1\) said:

"One set of technological revolution, better communications and introduction of money economy increased the size of the market and marketing of agricultural produce became a very complicated process beyond the comprehension of the producer".

Economic activity begins with production and ends with consumption. Consumption stimulates production by satisfying the desire of the consumers and enabling the producers to maximise profit. Thus consumption is the ultimate goal of marketing and in this context rural market as a

\(^1\) Saxena, B.S., "Role of Agricultural Marketing", *Commerce Annual Number*, 1970, pp.121.

Bombay
marketing institution has very significant role. The existence of rural market is indispensable to the villagers or farmers where they buy their necessaries and sell their marketable surplus. Therefore, it may be said that the rural market as a marketing institution is the heart of economic activities of village people. In a sense, it directs the rural economy.\(^1\)

In the absence of sound marketing facilities, the farmers have to be dependent upon local traders and middlemen for the disposal of their farm produce which is sold at the very low prices. In case of small farmers the marketing of produce involves serious problems. Since the quantity of their produce is small and overhead expenditure on processing, transport and marketing of the produce is heavy, the marketing of their produce is hardly remunerative if they do it on their own. In most cases these farmers are forced, under socio-economic conditions to carry on distress sale of their production. Farmers in the villages sell their produce to the money lender from whom they have usually taken a loan. The money lender in turn passes it over to a bigger merchant or firm in the neighbouring market-town. Farmers also dispose off their produce in the nearby village-market which sits once or twice a week. In the village markets, the farmers sell their produce to the petty traders or arathdars. So, the farmers are victims

\(^1\) Islam, Md. Anwarul, "Village Hat as a Rural Marketing Institution: Some Suggestion for Improvement", *op. cit.*, pp.58-59.
of several malpractices done by the traders, which curtail
the price from the actual price of their produce.

and Bangladesh

The plight of the farmers of West Bengal is far
certainly facilitate the small farmers' marketing efforts. In Asian countries, every 5,000 - 8,000
farm households need a good market which is properly managed and has proper facilities and regulatory services. Availability of such markets will attract more sellers and more assembly traders and will facilitate the marketing process. Where such rural markets are not available the small farmer lacks the needed market information and the function of price setting is definitely in favour of the village assembly traders who often can indicate the price and the quantity of the procurement. Comprehensive efforts are required on the part of governments

Unfortunately, the matter of ensuring fair price to the farmers for their surplus produce has not been given as much attention as has been given for raising their production.

In the view of C.Y. Lee, "availability of efficient rural periodic markets certainly facilitate the small farmers' marketing efforts. In Asian countries, every 5,000 - 8,000 farm households need a good market which is properly managed and has proper facilities and regulatory services. Availability of such markets will attract more sellers and more assembly traders and will facilitate the marketing process. Where such rural markets are not available the small farmer lacks the needed market information and the function of price setting is definitely in favour of the village assembly traders who often can indicate the price and the quantity of the procurement. Comprehensive efforts are required on the part of governments
to develop such rural markets". From the above views it appears that market should be regulated for better functioning. If well managed markets are available in the nearby area of the producing centre of farmers, they can dispose off their produce without any bad affect and get a remunerative price for their produce.

"The controversy over the need for government regulation and interference in marketing is long dead. It has been admitted that the competitive system cannot adequately protect the interest of the growers and consumers as they are not in a position to bargain on equal footing with the resourceful and willy traders, because of their limited resources and inadequate knowledge. Even in the orthodox capitalistic country like U.S.A., a host of government regulations have been ushered in to maintain and police competition by suppressing trusts, cartels and other monopolistic combinations in restraint of trade, thereby improving the business ethics and practices, facilitating trade and providing services, to ensure the supply of wholesome and quality products which directly affect commodity prices with the ultimate object of

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safeguarding the interest of growers and consumers and promoting social welfare and national interests.¹

In India, several committees laid down their opinion on the need for market regulation or government intervention in the market to safeguard the interest of farmers after viewing their very sad marketing conditions.

The need for market regulation was felt by Royal Commission on Agriculture in India, in 1928. The Committee observed thus:

"It is established that the cultivator obtains a much better price for his produce when he disposes off it in a market than when he sells it in his village. The importance of such markets lies not only in the functions they fulfil but in their reactions upon production. Well regulated markets create in the mind of the cultivator a feeling of confidence and of receiving fair play and this is the mood in which he is most ready to accept new ideas and to strive to improve his agricultural practice. Unless the cultivator can be certain of securing adequate value for the quality and purity of his produce, the effort required for an improvement in these will not be forthcoming."²


The Commission again pointed out that "the value of educative effect of well-regulated markets on the producer can hardly be exaggerated, but it has yet to be recognised in India".1

Indian Central Banking Enquiry Committee also observed the pathetic condition of the village producer and how they were falling into the clutches of the village money-lender, by handing over their produce to the latter. This situation occurred due to lack of proper organised markets and pre-and-post-harvest marketing finance. The Committee narrated in the report that:

"the village producer was seldom able to get a proper price because he was chronically indebted to the middlemen, who advance loans on the security of the crops to be grown and were thus in a position to dictate their own terms and that the bargains were seldom fair to the seller".2

The Committee again pointed out that:

"for want of facilities the grower was not in a position to wait and sell the commodities for proper price".3

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1 Ibid., p. 388.  
3 Ibid., pp.79-80.
Indian Central Cotton Committee submitted an enquiry report in 1917-1918. The Committee mentioned in the report that Berar Cotton Market was the only market where the constitution of market was regulated by special legislation, 'The Berar Cotton and Grain Markets Law of 1897', and that their management was in the hands of elected committees. The Committee had appreciated the protection provided to the producers through regulation of markets and demanded the establishment of similar legislation in cotton growing areas.¹

In the old Bombay State in 1952, a Committee was appointed by the then State Government to evaluate the working of regulated markets in the State. The Committee was headed by Mr. M.L. Dantwala and it recommended marketing legislation to equalise the bargaining power and create conditions conducive to more perfect competition.²

In 1972, the Government of Kerala also appointed a Committee to study the activities of middlemen in the regulated market and measures to eliminate their redundant activities. The Committee stated in its Report in 1975 that:

"orderly marketing alone will assure a fair return to the farmer which is a pre-requisite for increased agricultural production".¹

The above statements show that if marketing legislation is enforced in the market, the redundant middlemen and their activities will be eliminated automatically from the market. As a result, farmer's incidental charges will be reduced and his income will be increased. This increased income will stimulate him to enhance production.

The Directorate of Marketing and Inspection conducted a nation-wide survey on working of regulated markets in India. The survey team found that the traders were powerful, educated and resourceful. Moreover, they had formed associations and codified trade practices and business ethics for their advantages. They exploited the illiterate farmers as and when they willed. The Survey team emphasized the need for regulation of market to protect the interests of the farmers.² The need for market regulation is all the more great in primary assembly markets where the majority of the sellers are producers who, on account of their vulnerability, are prone to be exploited. By occupying a strategic position


between the producer-seller and consumer, traders acquired considerable market power and introduced procedures and practices to their advantage and against the interests of the producers. Due to his unique position, the trader succeeded in taking a major proportion of the price paid by the consumer.

According to G.R. Allen, "public intervention in marketing frequency aims at increasing the bargaining power of producers against the middlemen with whom they deal".1

Peter Stutely says, "government intervention is essential to create orderly marketing, to provide better incentives and increase farmers' income, and to get a greater share of profits that is being earned by the private traders".2

Uma J. Lele views government intervention for the regulation of markets in some other way. She says:

"In some cases, public marketing facilities have provided a particular impetus to increasing cash-crop production by small holders. Government intervention in agricultural

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marketing is closely linked with price stabilisation and food production policies.\(^1\)

In another article, she says that government intervention is necessary to eliminate imbalances in agricultural marketing, which affect industrial growth.\(^2\)

Some marketing experts and agricultural economists have emphasised the need for the regulation of markets through governmental intervention to safeguard the interests of the producer-seller by eliminating constraints thereby ensuring its proper and efficient functioning.

From the foregoing discussions it appears that government intervention in marketing is quite an old practice and it plays a very crucial role for the overall development of the economy. The process of intervention is universal irrespective of the political or social structure of a country.

The problems of agricultural marketing are so complex and of such magnitude that it is difficult to conceive of a small farmer-oriented programme, divorced from a general strategy of improving the total agricultural marketing system.

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In an agricultural marketing system, different parties have different and conflicting interests. Traders' interests are apparently in conflict with those of growers as well as of consumers. Naturally, governments are persuaded to intervene in the market place to prevent exploitative practices and to ensure increase in production. In developing such a strategy, the governments have to play an important role.

Market regulation as a concept should thus be viewed as an instrument to transform an essentially subsistence agriculture into commercial agriculture. Strategies like green revolution with high technology production of agricultural produce would remain only partially successful if systematic and orderly marketing channels are not evolved to distribute the marketable surplus in a way which will be remunerative to the grower.