CHAPTER - I
INTRODUCTION AND RESEARCH DESIGN

Introduction

India is an agricultural country. Agriculture is the mainstay of the Indian economy. Agriculture and allied sectors contribute nearly 22 per cent of Gross Domestic Product (GDP of India), while about 65-70 per cent of the population is dependent on agriculture for their livelihood.\(^1\) 60 per cent of the total workforce is employed in agriculture sector.\(^2\) Agriculture is still the largest economic sector and plays a significant role in the overall socio-economic development of India.

The World Bank study exposes the weaknesses of Indian agriculture sector:

“Slow agricultural growth is a concern for policy makers as some two-thirds of India’s people depend on rural employment for a living. Current agricultural practices are neither economically nor environmentally sustainable and India’s yields for many agricultural commodities are low. Poorly maintained irrigation systems and almost universal lack of good extension services are among the factors...


responsible. Farmers’ access to markets is hampered by poor roads, rudimentary market infrastructure and excessive regulation.”³

Even though statistical figures show an increase in the production of agricultural produces, people are still dying from starvation and malnutrition. The farmer-producers too didn’t get their rightful share of profit. Everything points out to the prevailing marketing system in agriculture sector.

Onion is the largest vegetable produced and consumed not only in India but also in the world. Although it is classified as vegetable, it has special qualities, which add to taste and flavour to food and hence it is mainly used in Indian cuisine and culinary preparations. Onion is consumed by all classes of people – poor and rich and hence, assumes a place of essential item. Among fresh vegetables, onion, tomato, and mushroom are reported to be highly export-competitive.⁴

Onion is a crop of national importance and considerable attention has been paid by the National Agricultural Research System of the country to the improvement of this crop. The

³ World Bank: “India Country Overview, 2008”.
National Horticultural Research Development Foundation, sponsored by the apex level co-operative called the National Agricultural Co-operative Marketing Federation of India (NAFED), and the National Research Centre on Onion and Garlic of the Indian Council of Agricultural Research (ICAR) are engaged in systematic efforts for the improvement of onion.\footnote{V.C. Mathur, “Export Potential of Onion: A Case Study of India”, Paper submitted at the “Regional Workshop on commodity Export Diversification and Poverty Reduction in South and South-East Asia”, Bangkok, 3-5 April, 2001. Organized by UNCTAD in co-operation with ESCAP.}

Onion is one of the important vegetable crops grown in India. Onion is extensively cultivated in India, over a large area spread almost throughout the country. It is produced for both domestic consumption as well as exports. Onion is typically cultivated thrice a year – in monsoon, winter, and summer. The domestic demand is growing due to rise in purchasing power.

According to a press release from N. Raveendran, Director, Centre for Agricultural and Rural Development Studies (CARDS), a study has been carried out by the Domestic and Export Market Intelligence cell (DEMIC) of the centre in this regard. The study pointed out that in Tamil Nadu, districts of Perambalur, Trichy, Dindigul, and Namakkal are the leading producers accounting for 62 per cent of the of total area under onion cultivation in the state.
Marketing the agricultural produce is still in a primitive stage in our country. The investment for the development of grading and standardization, marketing, marketing research and information, storage, transportation, fixation of price etc. is estimated to be huge.

This study analyses the predicaments prevailing in the marketing of agricultural produces, particularly of onion, the exploitation of middlemen, moneylenders, problems related to collection, storage and transportation, and the measures to be taken to enable the farmer-producers to get their legitimate profit share. Onion, a major ingredient of Indian food, and a politically sensitive commodity, justifies the importance of the study.

**Statement of the problem**

Indian agriculture can play a vital role in economic development. It is therefore agricultural production should be stepped up. The increase in agricultural production calls for a simultaneous improvement in the marketing system. Thus for the country predominantly dependent upon agriculture the efficient agricultural marketing system is very essential and vital.

The agricultural sector today is facing serious threats and challenges. The farmers are so poverty stricken and indebted. As a
consequence, the death toll of farmers’ suicides is rapidly increasing at an alarming rate. The contribution of agriculture to GDP has been declining year after year. There is shift in agricultural labour force. The statistical data reveal that agricultural labour forces are shifting towards the construction industry, textile industry and other unorganized sectors, causing scarcity of labour force. The excess use of fertilizer, pesticides further affects the productivity.

The rise in input cost, scarcity of labour and rise in wages and unorganized market structure are the main problems of Indian farmers. Today, high risk and low-profit margin are the twin conditions of Indian agriculture.

Being emerged from the farmer’s family, the researcher has witnessed the sufferings of the farmers. From the past learning, the researcher perceived that the onion as one of the remunerative commodities. Cultivating onion sometime brings good revenues and sometimes very low prices. There are many questions remain unanswered in the minds of researcher. The questions such as why farmers do not sell directly in mundies or wholesale market? why do the farmers let the intermediaries take a huge profit? why do they continue cultivating onions and other agricultural produces if they continuously suffer losses? need to be addressed. It is
understood that price is fixed on the basis of demand and supply of onion in the given market. To receive the fair prices out of sale proceeds of onion one should wait for the higher price in the market which requires a very good storage system. As the researcher has developed a passion towards agriculture, he made an attempt to find the answers for the questions he had in his mind. Therefore the present study made an attempt to throw light on socio-economic condition, production and marketing system of onion cultivators in Perambalur District. The satisfactions towards intermediaries were also studied.

Need and significance of the study

Marketing plays a crucial role in the successful of agricultural development programs and in improving the socio-economic conditions of farmers. Perambalur district which was trifurcated from Trichy, is one of the backward districts in Tamil Nadu. But, the agricultural contribution of Perambalur District is significant. It occupies the first place a leading district in terms of onion production in Tamil Nadu. Onion is the vegetable which is the highest marketable surplus and the onion production of Perambalur district is marketed the leading onion wholesale markets in India. Most of the marketed surplus of onion is exported. In this context this study is very significant one as the onion is life giving produce
for the farmers in Perambalur district. Therefore the present study made an attempt to throw on socio-economic condition, production and marketing of onion cultivators in Perambalur District. The present study analyses the problems faced by onion farmers and intermediaries in Perambalur District. The satisfaction of farmers towards intermediaries was also studied. Price spread of small onion for the study period was also studied.

Objectives of the study

The main objectives of the study are:

i. To study the trends of the production of onion in India.

ii. To examine the marketing pattern of onion in the study area.

iii. To analyze the production and marketing problems of onion growers.

iv. To analyze the price movement and price spread of onion during the study period.

v. To assess the socio economic conditions of sample cultivators.

vi. To suggest suitable measures to improve the onion marketing.
Methodology

Scientific methods are followed in the process of research. Samples, data collection and analysis are done with the help of scientific method as applicable to social sciences.

Pilot Study

A pilot study was conducted on 50 farmers and 20 middlemen. Based on the pilot study, necessary changes were carried out and the interview schedule was prepared.

Sampling technique

A multistage sampling has been framed. The first stage is the selection of a district. Perambalur district is purposely chosen as it is a district where the production of onion is more. The second stage is selection of blocks, five blocks namely Perambalur, Veppanthattai, Veppur, Alathur and Ariyalur. In the third stage, 300 cultivators have been selected based on simple random sampling technique.

In the fourth stage 150 middle men have been selected. For selecting middlemen, simple random method is adopted.
Data collection

a. Secondary data

The study is based of both primary data and secondary data. The secondary data were collected for the books relating to onion cultivation, journals, magazines, publication of National Horticultural Board, Hariyana and Seasonal and Crop Report, publication of Tamil Nadu, records of agricultural departments and reports of horticultural departments and records maintained by middlemen were also used.

b. Primary data

Primary data were collected from sample cultivators and middlemen. The market intermediaries include commission agents, village merchant, wholesalers, and retailers.

Statistical tools used

Research data collected were codified, classified and tabulated. Simple tools such as percentage analysis were used. Statistical tools such as mean, Chi-Square Test, Standard deviation were used for interpreting data. Satisfaction index was used for finding out the level of satisfaction of cultivators towards the intermediaries. Seasonal variation was used to find out the fluctuations in the prices of onion during the study period. Kendal’s
W test was used to analyse the problems of cultivators and middlemen in Perambalur district.

a. Chi-Square Test
b. Standard deviation
c. Kendal’s W test

**Period of the study**

Primary data for the purpose of this research study were collected from July 2007 to June 2008. The secondary data relating to wholesale prices etc. were collected for a period of 2002-07.

**Area of the study**

The area chosen for the study is Permbalur district in the state of Tamil Nadu.

**Operational Definition**

a. **Producer**

Mostly all farmers perform one or more marketing function. They sell the surplus either in the village or in the periodic market or Uzhavarshandhai. The large farmers assemble the produces of small farmers and transport it to the nearby market and sell there and gain. Therefore a producer here denotes farmers who are
engaged with sowing, growing, and harvesting different agricultural produce.

Producers or farmers are generally classified as small farmers, marginal farmers, medium farmers, and large farmers. They are the important social agents of economic transformation.

b. Commission agents

The commission agents are middlemen who occupy a key position in the agricultural marketing. They bridges the growers and primary wholesalers, retailers and thereby link between growers and consumers.

Wholesaler

Wholesalers are those merchant middlemen who buy and sell produce in large quantities. They may bring the commodities either from the farmer-producer or from other wholesaler. They sell their produce to retailers, other wholesalers or processors (or) exporters. They normally do not sell significant quantities to final consumer\(^6\).

Retailers

Another important link in the channel of marketing of flowers is the retailers. They buy commodities from the wholesaler and sell

\(^6\) S.S. Acharya op.cit, p.159.
them to consumers in small quantities. They are the producers’ personal representatives. 

**Village Trader**

Village traders are also known as Itinerant Veopari. Itinerant traders are petty merchant who move from village to village and directly purchase the produce from the cultivators, and they transport to nearest market. Village merchants have small establishments in their villages. They also act as financers to small farmers.

**CHAPTERIZATION**

The study is proposed to be presented in six chapters:

Chapters I : Introduction and Research Design

Chapter II : Review of Literature

Chapter III : Area Profile

Chapter IV : Supply and Demand of Onion - An Economic Analysis

Chapter V : Analysis and Interpretation

Chapter VI : Findings, Suggestions, and Conclusion.

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7 Ibid.