CHAPTER-3
AGRICULTURAL MARKETING:
AN OVERVIEW
3.1 Agricultural Marketing: An Introduction

Agricultural marketing includes the farmer’s transaction both buying and selling, but it is generally confined to the selling side of his business and is used to cover all activities involved from the time when products leave the farm, till it reaches the consumer. Khols\(^1\) has defined marketing as “the performance of all business activities involved in the flow of goods and services from the point of initial agricultural production until they are in the hands of ultimate consumer”. Cherington\(^2\) has defined it as a process “designed to cover the complex group of services involved in the distribution of merchandise from producer to consumer, excluding only those functions which alterations in the farm commodity”(sic). According to National Commission on Agriculture (XII Report), “agriculture marketing is the process which starts with a decision to produce agricultural commodity and it involves all the aspects of market system viz. functional and institutional based on economic and technical considerations and includes pre and post harvest operations i.e. assembling, grading, storage, transportation and distribution”. It is apparent from the above definitions that the system of agricultural marketing is very complex.

There are three entities involved in the marketing system. They are,

(1) the Producer, (2) the Consumer, and (3) the Middlemen. Each of them has its own objectives which often conflict with other’s interests.


(1) The producer most often aims at getting largest possible returns for his produce.

(2) The consumer tries to get the required quantities of goods of better qualities at the least possible costs.

(3) The middleman wants to realize the maximum possible net profits from the deal.

Thus, the aim of an efficient marketing system is to balance the conflicting interests of all these entities.

The continuous balance of conflict among the market participants makes the marketing system dynamic. That is why it is said that change is the general rule of marketing; the status quo is never permanent. In real sense marketing involves many services besides selling and distribution. It is the functions of the marketing system to give the goods farm utility, time utility and place utility which the farmer produces. With respect to farm, the heterogeneous output produced on the farms must be stored in grades and if possible should be classified according to grades, so that different grades may get optimum price. These services are to be performed by neutral parties, government agencies or by private dealers. With reference to place, the question arises, how to provide accurate price differentials based upon location of product and consumption place of the products. For this, it is essential to organize cheap and adequate transport system. The time aspect is of great importance because of the seasonal nature of agricultural products and as they are marketed over an extended period. Grading and good storage facilities should be linked with reasonably good forecasts of future demand and supply. It will help in forecasts of prices. Middlemen perform these services. Most of the farmers are not in touch with distant customers. Neither they are aware of the organizations and conditions of
marketing, nor can follow market information intelligently. Hence some sort of intermediary or agency is necessary between producer and consumer.

Agricultural marketing, today, exists in various stages in different parts of the world. In developed countries production system has developed greatly, because machine and other lifting system have developed to facilitate the collection and packaging of grains and other products. While in less developed countries like India, the means of production is quasi-mechanical and mode of production is for domestic sustenance. Here, direct marketing between producers and consumers can be found. This is true for a large number of farmers who are, more or less, self sufficient groups of people, still producing for the sake of sustenance. These farmers do not gain benefit from the wholesale and specialized markets as their deals have very small supplies to offer as compared to large transactions carried on, in the developed countries. The farmers sell whenever the crops are ready for market or when he is in need of money.

Thus, in developing countries lack of proper marketing services, un-graded and non-standardized commodities, poor and unscientific packaging and method of transport, absence of public markets and warehouses, unbalanced production, lack of market information, unfair practices of middlemen and bad credit facilities are the most important causes of inefficient marketing. The problem of in-adequate transport network storage and grading facilities appear to be great hurdles to reach the product from surplus area and season of production to ultimate consumers at right place and time within adequate quantity and quality at reasonable price. These problems are generally overcome by the middlemen. At the end, therefore, the
consumer pays for both the goods and services, a high prices of so-called convenience.

Although under a system of individual enterprise and freedom of individual choice as it operates in agriculture, the marketing services should have been performed at a cheap price, yet it seems that competition, in fact, is far from perfect. Marketing services bring in imperfection in the market. Marketing agencies, do not affect consumer’s demand for food and supply rather it is determined by the activities of the farmers and the agro-climatic conditions. Therefore, middlemen do not determine retail prices for most kind of foods and other agro products. But the margin taken by middlemen determines the net income of the farmers which subsequently affects farm production and marketing. According to Cohen (1958) the danger of wholesaling is mainly excessive profits while in retailing it is excessive costs. Consumer preferences are not communicated to the producers in time and the marketing system do not co-ordinate itself with the fluctuations in supply.

The term agricultural marketing has varied connotations as understood by different scholars. Marketing is concerned with the channels of distribution through which goods move from producers to consumers, the entire process is performed at places known as market centers which, like organisms, are rather active with functions, behavioural pattern and growth process, contributing to a geometric pattern. Agricultural marketing has a large range of activities which cause a commodity to shift hands from the farm to

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the kitchen. It is characterized as spatio-temporal integration of numerous activities from production to consumption in a single institutional network.

At lowest level of the agricultural marketing lies at the primary market or village *haat*, where farmers sell their commodities to village merchants and other traders. Each village or cluster of villages has markets which often assemble once or twice a week. The days, on which these markets meet, are fixed, so that itinerant traders can visit the maximum possible number of markets held in a given area. Most of the transactions in these markets involve small quantities. Producers sell their surpluses and purchase supplies of daily requirements. Part of the produce is also purchased by small retailers who sell it to the non-farm rural population. The rest of the produce is purchased by intermediaries who sell it to wholesale markets.

Village markets or *haats* are very poorly equipped with infrastructural facilities. Most of them are uncovered, far off from metalled roads, devoid of storage, drinking water, drainage, and other facilities. The roads linking most of these markets are so poor that only bullock carts can travel on them. Some markets lack roads completely. Hardly any of these markets have telephone or telegraphic, even postal facilities. Producers from within a radius of two to ten kilometres gather in these markets to sell their small surpluses. Farmers who have relatively large surpluses go to large wholesale markets. But farmers with small surpluses do not find the price difference substantial and hence going to wholesale markets is not worthwhile\(^1\).

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Primary wholesale markets are held at fixed locations. The function of transaction of large volume of agro-commodities emanating from village markets takes place in here. Some wholesale markets also serve as the assembling point for distant producing centers. Most of the wholesale markets are situated in the district or taluka headquarters' or at important business centers. Some of these wholesale markets are also called secondary markets as the traders operating in these markets transact a large volume of business coming from other wholesale markets. From the primary or village markets, the village merchants, itinerant dealers, and various other agencies bring their commodities to the secondary markets to sell them either to commission agents or to the wholesale traders directly at prevalent prices.

In most of the secondary markets which are also called terminal markets the commodities are brought by intermediaries. Farmers, particularly the big farmers, also bring their produce directly to the commission agents or wholesalers.

Thus, the agricultural marketing is being characterized as the “task of assembling the produce from widely scattered produces moving them to ultimate consumers is performed by a chain of intermediaries through which the various agricultural commodities pass, and in the process, gain in value due to change in time, place and ownership”\(^1\).

3.2 Situation of Agricultural Marketing in Bihar: An Assessment

Since the agricultural production in Bihar is still largely for the immediate consumption purpose, not much marketed surplus is generated. And whatever the surplus which is marketed comes

largely from two sections, the first from those of the farmers operating the small sized land holdings who have to make distress sale and the second, from of those owning large size of land holdings (above 15-20 acres)\(^1\).

Those farmers with medium size land holding, who were largely engaged in production for domestic consumption during sixties, are still not producing for market even after use of high yielding varieties seeds and assured irrigation. In Bihar, farmers holding above 15 acres of land may be expected to contribute for the marketable surplus\(^2\). But the percentage of such farmers is very small and the quantity contributed by them to the market is only a fraction of the volume coming for sale. Hence, this surplus has got to be added to the quantities of what we may say distress sale in the lower economic classes. The economic compulsions force them to sell their marketable surplus in the market. A part of their products is secured for discharging their rent and other liabilities and for purchasing cloths, kerosene, salt and other necessities of life.

Part of the real surplus of the farmers holding above 15 acres of land goes in the hand of families’ permanent storage. These activities are mostly performed by more prosperous families which maintain their stock regularly. Though it is renewed partially by leasing out in the lean months and the recoupment after harvest when loan is paid back. Another part of the surplus circulates in the locality itself as being paid off in the form of wages and sold in the local markets. Thus, only small fractions of the surplus from class I (above 15 acres) along with insignificant surplus of class II (with holding 5-

\(^1\) P, Jagdish (1979), *Agricultural Marketing in Bihar Socio-Economic Constraints*, Yojna, No-13, p 24

\(^2\) Sinha, G N (1956), *An Introduction to Food Economics*, Allahabad, pp 79-80,
15 acres), really comes in the market and circulates over wider areas in the markets.

Another factor which influences the amount of retention of various commodities by farmers is the comparative value of local production of commodities. The effect of this factor is particularly evident in Bihar where paddy is staple food and is of lowest market value. Hence it is not surprising to find the proportion of wheat marketed being relatively high and the proportion retained being relatively low\(^1\). At the same time it is observed that the proportion of pulses and cash crops which are marketed are rather high as compared to marketed proportion of staple food grains and other course grains.

Further the mode of disposal of the marketable surplus or distress sale depends on market access returns from non-market disposal such as grain loans. A positive impact of market access is expected in the case of marketed surplus, though it need not necessarily be so in the case of quantity of marketable surplus. In the latter case also, a positive impact is expected as the lack of market access increases consumption at farm level. The very difficulty of marketing might be because of more consumption at farm level, thus, reducing the amount of marketable surplus. However, market access also means greater inducement for consumption caused by market, a factor which can be very important in case of particular crops, if not for all crops.

In Bihar, the marketing problem is multiplied by the large number multiplicity of intermediaries which restrict the flow of marketable surplus generated by big farmers as well as other medium

and small farmers. In fact, the agricultural markets in Bihar are dominated by private traders involving *katcha* and *pucca arhatiyas*, wholesale traders and retail traders. Such predominance of intermediaries particularly in the urban or secondary markets facilitates the growth of exploitative mechanism of the agro-markets. This has created vicious cycle of inefficient agro-marketing system in Bihar in general and in North Bihar in particular. This is the main reason of the contribution of the private marketing being overweight against the government controlled marketing system.

### 3.3 Cooperative Agricultural Marketing System

Cooperative Agricultural Marketing aims at transforming the market structure with its factors such as middlemen and costs of marketing, through cooperative agricultural marketing societies in which the farmers bargain collectively. The available land is utilized in a better way due to available assured agricultural marketing and farmers dominate the cooperative marketing system facilities. Cooperative agricultural marketing societies were known even during pre-independence days. The sugarcane marketing societies were amongst the earliest one established in Bihar. But cooperative agricultural marketing for cereals and other cash crops is not well developed in Bihar. The Bihar State Cooperative Bank was the earliest institutional agency to distribute chemical fertilizer in the state on behalf of the state government. From the mid 1950’s onward, the Bihar Cooperative Marketing Union supplied fertilizers. The Bihar State Cooperative Marketing Union (BISCOMAUN) is the

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sole distributor of fertilizers in Bihar and also the sole government agency for the marketing of agricultural produce.

The government agencies, like the Bihar State Cooperative bank and the BISCOMAUN have been accused by the farmers for supplying low quality seeds and inferior and adulterated fertilizers, besides other corrupt practices. The existing cooperative agricultural societies structure and function-wise are not in harmony with socialist pattern of society envisaged as long ago as in second five year plan.

3.4 Regulation of Agricultural Marketing: Administrative Measures

The government has since long been interested for upgrading agricultural marketing. Cooperative marketing, therefore, emphasized sugarcane sale and purchase. These societies were first to be formed and promoted. Subsequent to Independence, the speed of efforts in this direction got momentum. The Bihar State Warehousing Corporation was setup in 1956-57. In 1965-66 it had two central warehouses and 21 other warehousing corporations. Stocks of food grain were held in order to meet situations of seasonal glut and scarcity. Storage facilities were provided to farmers and advancing of loans from commercial banks on the basis of characteristics of recipients was arranged for. The All India Warehousing Corporation was setup and it managed whole network of warehouses in several towns and mandies. Rural godowns were also constructed.

Up to 1958-59 the state government did not grant any financial support to central marketing societies. In 1960 the Bihar Agricultural Produce Market Act was passed and rules of agricultural marketing were framed. In 1964 a market secretary for each agricultural produce marketing committee was appointed by the
government to look after the development of the markets and to help the producers and traders in their daily business transaction. The state agricultural marketing board exercised a general control over the market committee of the state. The board was funded by the state government for marketing development programme.

Under such improved market development programme, the government provided the basic facilities for storing grading and disposal of the agricultural produce as well as for strengthening the existing infrastructure of the market so as to make sure that the farmers secure the best possible returns on their produce. Further it was assured that the consumers receive adequate supplies of good quality food and the traders realize a reasonable margin of profit.

In the 1995-96 Annual Plan the state government had a programme to construct a 100 metric tones capacity godown at each block headquarter. Earlier to this during 1993-94, 293 godowns were already completed and handed over to the State Food Corporation by the Bihar State Food and Civil Supplies Corporation.

Another quite effective method by which the government provides impetus to agricultural marketing is by giving publicity to market information on the radio and television daily and weekly through programs meant for the farmers. This information is related to market price trends of agricultural commodities. Weekly bulletin on prices is also published. Very useful talks are broadcasted/televised involving experts on various aspects of agricultural marketing, in Hindi and other regional languages from the station concerned.

The 1995-96 Annual Plan of Bihar Government also realized the urgent need for increasing the infrastructural facilities meant for agricultural marketing. The state government is keen for
implementing the Standards of Weights and Measured (enforcement) Act, 1985. Grading has made strides in Bihar in recent years under the stewardship of the marketing department of the union of the state government. Tests in laboratories, in this connection, are made for the benefits of the producers of vegetable oil, ghee, spices, honey etc, Gur is graded and sold under the auspices of a number of unions. In grading agricultural products, their size, colours, weight, etc. are taken into consideration. It is regrettable that the Agricultural Produce Market Acts are not enforced properly and evenly across all parts of the state.

As mentioned earlier, among the principal markets there are wholesale markets and the regulated markets. The presence of marketing yard is cardinal feature of these markets. As a result of the government effort made in the last few years in this direction, more regulated markets are coming up and the marketing structure is getting streamlined.

The regulated markets are directed at improving the existing facilities and practices in the market system. A regulated market yard is a composite market for the growers of agricultural products. In these markets, the charges of brokers and other kinds of marketing costs incurred are determined under the supervision of market committees.

As a matter of fact, the regulated market yard is supposed to become the nucleus for growth of Modern Township around itself. The facilities provided by the regulated market are as follows:

(a) Sale platforms-traders shops.
(b) Storage-godowns and warehouses.
(c) Rest house for farmers.
(d) Parking space for carts and vehicles.
(e) Arrangement for cleaning and grading for the produce.
(f) Post office and banks.
(g) Prompt and up-to-date marketing information.

A regulated market yard provides the following facilities to the cultivators:

(i) Inputs e.g. seeds, fertilizers, pesticides, improved implements etc.

(ii) A workshop where tractors, pumping set, threshers, dryers and sprayers are repaired.

Every regulated market has a network of link roads and approach roads in the radius of about 10 kilometres around each market yard. On an average, every market yard has a pucca road of the length of about 50 kilometres. As such 50 market yards have total length of about 2500 kilometres road length, which caters to the felt needs of cultivators. The link roads and feeder roads facilitate the farmers in their task of bringing their produce to the market yard through pucca roads by the quickest possible means.

With the assistance of World Bank, Bihar has constructed a large number of well developed marketing yards. The rural roads feeding these yards have to bear extra vehicular traffic and it calls for regular maintenance as also improvement and upgrading, which the state can ill-afford because of lack of resources.

Extension officers are available at the regulated markets to impart training at intervals to the cultivators in the yard itself. Here the latest development of agricultural techniques becomes threadbare to the cultivators.

Despite the distinct achievement in this field, some very serious shortcomings exist in these regulated markets. Firstly, the benefits of regulated markets have flown mostly to the big farmers
who have large size of marketable surplus, equipped with transport and other facilities to sell them. Secondly, in the market yards, roads and lanes are congested, narrow and under-developed, without an adequate space for the carts to be parked. Thirdly, on account of inadequacy of the requisite machinery for market development and regulation, the age-old disabilities of the farmers such as underpaying of prices, cheating through unfair weights and harassment through delayed settlement, exploitation through unwarranted deduction still continue to be suffered by them.

3.5 Agricultural Marketing: A Historical Perspective

Agricultural marketing is a process which starts with a decision to produce a saleable farm commodity and it involves every aspect of market structure or system, both functional and institutional, based on technical operations like assembling, grading, storage, transportation and distribution. Under ancient economy, characterized by isolation and self-sufficiency of the village, the marketing of agricultural produce occupied an insignificant position. After the improvement of irrigation facilities and farming techniques along with growing needs of the village population, the commercialization of agriculture took place. This commercialization has opened scope for private trading channels, cooperatives and regulated markets. But due to the ignorance, illiteracy and lack of enterprising ability, a large group of peasants, owning small and marginal size farm, can not strike a profitable bargain in dealing with their farm products.
The small farmers are economically the weakest from the point of view of availability of marketable surplus\(^1\). A study (RBI, 1968) revealed that about 35 per cent of the total production is sold by the cultivators of which 24 per cent is to the traders and commission agents. Fifteen per cent is disposed of as wages and nearly 8 per cent is kept as reserve for seeds. In the sample division, about one out of every three districts surveyed showed that less than the 15 per cent of the total produce was sold to private traders where as regarding the cash crop areas, out of eight districts more than 45 per cent of produce was sold to professional traders. In another study (Lele 1968)\(^2\), it was found that the food grain markets were highly competitive. Storage of food grain by private traders was not always profitable. In fact, the losses and gains were evenly balanced. Furthermore, the higher price differentials in food grain trade were mainly due to the effect of government controls. It was generally alleged that the private trade, through its speculative activities, create imperfections in the market and exploit the producers on the one hand and consumers on the other. On this account, a plea for state intervention was usually made. It was for regulating agricultural markets in particular.

The first attempt to regulate agricultural markets in India was made in 1897. An act was passed called as Berar Act (1897) which authorized the then British resident, in Hyderabad, to declare any place within his jurisdiction a market for sale and purchase of agricultural produce and constitute a committee to supervise and

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regulate the markets. The law helped to improve the buying and selling of cotton. But it suffered from one major limitation, viz, the market committee consisted solely of traders and this tended to defeat the declared objective of benefiting the producer-sellers. In practice, the law was applied only to cotton, the main crop of the region and did not include grain. Any net income derived from the market was explicitly stipulated and would go to the local municipal authority, instead of being spent back in the market for further development. Thirty year later, with the passage of the Cotton Market Act, 1927 in Bombay, once again, the law was concerned only with a single crop. However, an important departure from the Berar law occurred in Bombay (1927) by giving the due representation to growers in market committee of the concerned markets.

The Royal Commission on Agriculture (1928), reporting a year later, urged that all provinces should establish regulated markets to help orderly marketing of all agricultural produce. It deprecated the practice of treating regulated markets as a source of municipal revenue and insisted on that the revenues and any surplus income generated through the regulated markets must be used solely to develop and improve the facilities and services for the benefits of the producers in the markets. Hyderabad Central Province and Madras promptly acted on the Royal Commission’s recommendations and passed appropriate legislation. Others followed after a long interval: Punjab and Mysore introduced the act in 1939, though this act was not operative until 1948, Madhya Pradesh implemented this act in 1953, Kerala and Orissa in 1957. At the beginning of the third plan (1961) the act was introduced and implemented in nine states. Four

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1 Cotton and Grain Markets Act of Hyderabad Assigned District, 1897 or so called *Berar Law.*
more states enacted the Agricultural Produce Markets Act by 1968, and remaining states, viz, Assam, Nagaland, Kerala, and Jammu & Kashmir did so during the Fourth Plan period\(^1\) (1969). Bihar state passed the act during 1962 and established a number of regulated markets.

The regulated markets established in different states show much similarity today, both in law and in actual practice. This is largely due to the fact that all state laws of regulated markets are on the same model bill prepared by the central government in 1938. But actual growth of regulated markets and their geographical distribution are highly uneven. They are well developed in Maharashtra and Gujarat followed by Punjab and Madhya Pradesh. Another significant fact about them is their heavy concentration in the cotton growing states. This largely explains why in 1964, eighty per cent of a total of 1000 regulated markets in India were located in the five western states, although together they accounted for only thirty per cent population of India. Thus, despite the expostulation of Royal Commission of 1928, the progress made with regulated markets in the intervening decades had been slow. While they are still fully inadequate in coverage. They are largely confined to cotton and do not embrace other agricultural produce. Three decades back very few regulated markets were seen in Uttar Pradesh, West Bengal and Assam.

It was realized that the market regulation was not enough to attract the traders and farmers to take up full advantage of the regulated markets. It was because of lack of sufficient infrastructure.

Then a central sector scheme was initiated for the development of selected regulated markets in the year 1972-73. The provision during the year 1985-86 was 403 lakhs for assisting 30 selected regulated markets and 10 terminal markets.

Towards the end of the 1970’s, it was realized that the development of rural markets like haats and shandis was equally helpful for the marginal and small farmers. The government expended its financial support worth Rs 1.5 lakh per market for the development of infrastructure in the primary rural markets and Rs 5 lakhs for wholesale rural markets situated in the backward areas.

3.6 Agricultural Marketing through the Five Year Plans

Production in agriculture is seasonal as the crop is harvested during a short period of few months and consumed gradually. Due to this situation the farmer has to dispose of this surplus immediately either at mandi or at village market. The sale of agricultural produce involves a number of functions such as assembling, grading, standardization and transportation etc. Some of these functions are performed at farmer’s level while some need the specialized back-up. The middlemen, who perform these services, require reasonable return. But many times it is found that unwarranted advantages go to this group reducing the farmers’ shares in the final price.

During the First Five Year Plan (1951-56) period, the regulated markets were established in Maharashtra, Madras, Punjab, Hyderabad, Mysore and Madhya Pradesh where the management of these markets was vested in the hand of committees in which there was participation of growers as well. Some of the states like Uttar Pradesh, West Bengal, Bihar and Orissa, despite promulgating the Agricultural Produce Marketing Act (APM), could not enact it in
large number of unorganized markets in the countryside. Moreover, states were given priority in implementing the APM act in all the regions. Apart from the regulations of agricultural produce markets, the main thrust was laid on the development of cooperative marketing linked with production, finance and cooperative ownership of processing industries. It will be a useful instrument for increasing production, costs and introducing a system of crop planning.

The primary consideration for the development of agricultural marketing in the Second Five Year Plan (1956-61) was to recognize the existing system so as to protect the farmers’ due shares of consumers’ price of different agricultural commodities. The second plan also stressed on the enactment of APM Act in the states not covered during First Plan period, including grading and standardizing of farm products.

The total number of agricultural produce markets in the country at the end of second plan was about 2500; out of these numbers of regulated markets were 725 as compared to 425 in the first plan. The Third Five Year Plan (61-66) proposed to bring the remaining markets under regulation and to expand the programme for grading the commodities. Third plan was also devoted towards the co-operative marketing.

By and large, the fourth five year plan (1969-74) aimed to improve the agricultural marketing system in the interest of producer. The objective was to see the imperfections in the marketing system and to overcome the constraints. During this plan period, 1300 additional markets were proposed to be covered. The development of
infrastructure was identified as one of the major task to be carried and the roads, market yards, grading units including other common amenities were stratified for immediate attention¹.

The development of agricultural marketing was planned through the ways and means of co-operatives during Fifth Five Year Plan (1974-79). The Plan envisaged the set-up of various cooperative marketing unions for the commodities and also of boards to regulate the trading system of the cash crops².

The main emphasis of the Sixth Five Year Plan (1980-85) was therefore on (a) further expansion of regulated market system in terms of increasing number of markets and commodities to be brought within the scope of regulation, (b) strengthening and streamlining the arrangements for enforcement/inspections to ensure a regulated system of open auction, trading practices and intermediaries, and (c) development of rural and periodic markets³.

During Sixth Plan period, the progress and development of markets was intensified with the emphasis on survey research and grading of notified commodities. The main thrust of the marketing programme during Seventh Five Year Plan period (1985-90) was towards further expansion of regulated markets, both in terms of area and coverage. Provision of certain facilities was also acknowledged like the grading centers at the producers level, intensive surveys to assess the marketable surplus and the post-harvest losses and strengthening of various organizations in the states as well as centres

¹ Government of India Forth Five Year Plan, Planning Commission, pp 142-143
² Government of India Fifth Five Year Plan, Planning Commission. part II pp 83-91
³ Government of India Sixth Five Year Plan, Planning Commission p 112
for meeting the rising requirements of training of market functionaries\(^1\).

The document of Eighth Five Year Plan (1992-97) envisages strengthening of market infrastructure with special reference to the perishable commodities. It is one of the major pre-requisites for the success of diversified efforts and enabling primary producers to realize a fair share of price in consumers’ rupees. The plan document endorses the need of developing marketing linkages within and outside the country to promote diversification. The role of cooperatives in setting of new horizons for domestic marketing is also argued in the Eight Plan. The commercialization of farming system and the new seed policy for promoting non-conventional commodities such as flowers and export-oriented vegetables has made considerable impact on agri-business in the recent past\(^2\).

Ninth plan (1997-2002) evaluates that the infrastructure has not kept pace with accelerated growth of agricultural production in the country. This has resulted in significant post-harvest losses of agricultural produce. The central government has provided assistance for creation of infrastructural facilities for marketing and for setting up rural godowns. During this period emphasis has been given to develop marketing infrastructure at panchayat level\(^3\).

During Tenth Plan (2002-2007) it has been found that marketing system is dominated by traders. Appropriate and effective linkages between the producers and sellers continue to be weak.

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The absence of rural connectivity and other infrastructure, combined with improper management, lack of market intelligence and inadequate credit support has resulted in a system that is unfavorable to the farmers.

The basic objective of setting up a network of markets is to ensure reasonable profits to the farmers by creating a conducive environment for the free and fair play of supply and demand forces to regulate market practices and insure transparency in transportations. Apart from dealing with current imperfections and shortcomings the government has recognized the importance of liberalizing agriculture markets in the wake of inception World Trade Organization (WTO)\(^1\).

### 3.7 State Intervention: A Step Forward

The agricultural marketing system in the country suffers from various kinds of imperfection both in specialized as well as in grassroots markets as *haats*. It is projected by many studies that traditional markets for agricultural commodities do not effectively perform the function of price signalling and that there are huge differences between prices paid by the consumer and those received by the producers, both in terms of time and space. It is caused by monopolistic profits existing in a private trade. Therefore it necessitates the provision of alternative marketing channels in public and cooperative sectors. But the co-operative marketing has not made much headway in the country. Thus the state intervention in the agriculture marketing is urgently required and justified. The state intervention in the unorganized agricultural market, has led to the policy formulation for regulating the agricultural product markets in India.

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\(^1\) Government of India: Tenth Five Year Plan, Planning Commission, Part II, pp.550-551.
It was observed in the Economic Survey (1994-95) that the agricultural marketing in the country was, by and large, operated under balancing force of demand and supply but the private trade is the centerpiece of the marketing mechanism. The government intervention was limited mainly in regulating the trade of farm products\textsuperscript{1}. The administrative structure for implementing agricultural marketing policies at the state level varies considerably from state to state both with regard to extent of autonomy enjoyed as well as relative status of marketing division vis-a-vis the agencies responsible for agricultural production. On the one hand, there are completely independent directorates of agricultural marketing as in Andhra Pradesh, Rajasthan, and Maharashtra. Further, there is an arrangement of entrusting all work relating to agricultural marketing to a small section, forming a part of the directorate of Agriculture as in the state of Kerala, Madhya Pradesh, Assam, etc. Between these two categories, there are states like Karnataka and West Bengal, where agricultural marketing is handled by an autonomous section, which, however, functions under a department either belonging to cooperatives or agriculture. At the state level, sometimes decisions related to agricultural marketing are guided by the food department, civil supplies department, state warehousing corporations, state marketing boards and other similar organizations/agencies.

\subsection*{3.8 Private Trade: Role and Relevance}

Only a few studies are undertaken to take into account the economic behaviour of private traders engaged in agricultural marketing. A trader may be considered as an entrepreneur having abilities to take high risk and willingness to experiment with different

trade relationships and strategies\(^1\). The private trader’s marketing behaviour, by and large, possesses as psychological and social link with the rural community as compared to wholesale trader who has merely economic relationship. By virtue of their linkage effects\(^2\), such agricultural traders may form decentralized rural growth centre. Brookfield (1975)\(^3\) argues that the private traders’ psycho-social linkage with the farmers, by providing inputs for investment goods and by marketing products, has commercialized the country side. London (1975)\(^4\) contends that the private traders are highly competitive in terms of structure variables, such as number of clients and size and distribution of business involved. The private trade is also highly efficient in terms of resource allocation as evinced by analysis of price margins. He further states that private trade is more labour intensive than alternative form of trading organization\(^5\).

Apart from the transactional behaviour of buyer-seller in the markets of private trade domination, topography, location, spatial and temporal distribution of markets and its hinterland also account for establishing the trade system to a large extent\(^6\). Studies to this effect are contributed by Patnayek (1953)\(^7\) Tamaskar (1966)\(^8\), Wayne

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5. Ibid.
(1972), Jana (1978), Rajgopal (1986) and many others. They have discussed the commodity flow, trade channels, trading pattern, market size and spatial and temporal distribution of markets, market classification and levels.

Many studies show that the small farmers are at very disadvantageous position in marketing of their marketable surplus as compared to big farmers due to lack of knowledge of trade techniques, limited storage capacity as well as their indebtedness. Identifying such economic character of small farmers, Satyanarayana (1984) pointed out the above discussed attributes which are the reason for bulk sale of production in village market and monopolistic practices followed by money lenders and itinerant traders. Rudra (1984) pointed out the impact of power configuration of local private traders on the small farmers' and marketing behaviour of agricultural products. The small farmers are usually confined to village markets for their agricultural surplus transaction. So far as they deal with big farmers, they are subjected to local power vested with them. It can be undoubtedly said that the power structure in any commodity or sector of activity has the direct and indirect relationship with the moneylenders. Such a condition in rural markets has an impact on the price trend, and the benefit ultimately goes to

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the medium and large farmers who have ties with the traders, middlemen and big merchant at terminal markets\(^1\). The traders lend advance money to the farmers and align the procurement system. The Reserve Bank of India (RBI-1969), in a study, explores that about 35 per cent of the total production is sold by cultivators, of which 24 per cent is dependent on traders and commission agents\(^2\). Henry (1954)\(^3\) examined the speculative activities of trading community in India.

Highlighting the collusive behaviour of India’s trading community as main reason, Dantwala (1961)\(^4\) and Miller (1968)\(^5\) state that wide marketing network and substantial exploitation of consumers and producers, accompanied by the inefficiency in rendering of services and low productivity in the case of the capital, labour and research have also been other important reasons for the state intervention in the marketing and management of food grains and essential commodities. The traders and their activities have always been held responsible for food strategies, speculative demand and supply etc and spiralling of the prices by political influences. As a result of the activities of traders, the common man has been the worst sufferer and the burden has come to rest on the government to intervene to safeguard the interest of producers and consumers. The government, therefore, instead of relying completely on the traders,

\(^1\) Ibid

\(^2\) Reserve Bank of India (1969) *Report of Rural Credit Review Committee*, New Delhi

\(^3\) Henery, K. (1954) *Food Administration in India*, Stand Ford University, California, p.31.


has preferred to intervene, regulate and, if necessary, operate in the field of procurement and distribution management.

3.9 Cooperative Marketing: Future Prospect

The need of cooperative marketing in India arose due to a number of reasons. Of these the first factor was the prevalence of malpractices in the existing marketing system with a view to discourage these phenomena the cooperative marketing society was introduced. The cooperative movement towards marketing activities was accorded considerable importance in the First Five Year Plan. But these activities remained at low level of progress. The stress has been given to recognize the marketing cooperatives to make them more viable during the Fourth Five Year Plan. The two-tier organizational pattern of cooperatives was recommended with an apex organization at state level and primary marketing societies at the mandi level. The efficiency of marketing is highly dependent upon the institutional structure of transaction of commodities. Food and Agricultural Organization (FAO), earmarking the contribution of cooperatives in regional economic development, states that there are some factors which have direct involvement in the promotional policies of the commercial sectors with reference to small farmers.

The farmers marketing cooperatives have been chosen as an instrument for development of commercial sector of small farmers by providing leadership to the cultivators without state intervention. The marketing of agricultural produce by the cooperatives received a set back during recent past because of:

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(a) inadequate coverage of number of growers;
(b) low volume transaction of marketing services societies;
(c) inadequate link between marketing and processing cooperatives and of the state federation; and
(d) inadequate financial resources.

The marketing cooperatives at the primary level do not have adequate resources either to undertake marketing cooperation at massive scale or to absorb the loses.

Apart from these institutional constraints, human factor is also equally important which affects the growth of the marketing cooperatives, like (i) lack of loyalty towards organization and understanding of cooperative principles; (ii) shortage of efficient management personnel and lack of training; and (iii) low level of salaries, absence of promotional prospects and poor communication, are basic factors which lead to the negative growth of marketing cooperatives. On the whole, commodity-wise marketing and processing of agricultural produce by the cooperatives has not made any significant impact in the marketing network. However, there are few exceptions like milk, sugarcane and cotton where cooperative sector is dominant and has shown tremendous dynamism in the western region of India. This is because of horizontal organization linkages established by the cooperative through integrated approach. Despite few success stories there are certain issues which yet remain as pillar to withhold the growth in the cooperative sector. The most important question to be asked is: will cooperatives be able to withstand in the new economic order?

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References


(2) *Cotton and Grain Markets Act of Hyderabad Assigned District, 1987* or so called Berar Law.


