CHAPTER-4
SYSTEM OF AGRICULTURAL MARKETING: ARARIA DISTRICT
4.1 Introduction

Agricultural marketing is 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 consumer\(^1\). Among the various forms of marketing, the marketing of agricultural products is of prime importance, because it provides food to the billions of people throughout the world. The development of agricultural marketing is closely associated with the development of agriculture, especially when surplus production starts. From village exchange system it has now grown into not only national but as international system as well. Thus, agricultural marketing is a system through which commodities are moved from farmers’ home to ultimate consumers\(^2\). During this entire process the commodity moves from one hand to another hand and also from one place to another place. But all these actions and events take place in the some sequence which is known as marketing system.

The agricultural marketing system starts with the farmer and his production, while at the other end of the system is the consumer. The process starts with movement of farm products to the market and its contact with business firms or traders. The factors affecting this contact are transportation, communication, system of law and order and monetary system, which are associated with business management activities. The actual buying and selling activities are done under certain norms and also under some organizational system. And ultimately, the products first being purchased by traders/wholesalers or

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retailers through middlemen/agents and other internal agencies, reach the consumers. In fact, agricultural marketing functions are the activities that are to be performed during marketing of any farm products and all these functions are inter-linked with each other, thus forming a part of efficient marketing system.

4.2 The Nature of Agriculture Trading System

In the study area the agricultural products are marketed through different agencies. The farmers sell their surplus of different commodities mainly through two types of trading system:

Private Trading System (Informal Agencies), and
Public Trading System (Formal Agencies).

4.2.1. Private Trading System (Informal Agencies)

In the private trading system the purchasing agents work as an independent body, on individualistic basis. They are in themselves responsible for profit and loss in the trade. Wholesale traders, village traders, itinerant traders, commission agents and so on are included in the group of private trading agencies who purchase the agricultural surplus from producers at free rate on the basis of price agreement between producer-sellers and buyers. This transaction takes place in the village as well as at market centre. In this system the farmers, especially the small and marginal farmers, are exploited by traders on account of their indebtedness, small size of surplus and ignorance of market price and rules.

The informal agencies are concerned with private trading system. These are private mills, periodic rural markets, direct farm gate sale and

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Periodic market is one of the important informal agencies of agricultural marketing system. Table-4.1 gives the details of marketed surplus of different commodities purchased through various agencies.

**Table-4.1**

**Purchase of Major Agricultural Commodities by Different Agencies in Araria District (2002-2003)**

<table>
<thead>
<tr>
<th>S N</th>
<th>Marketing Agencies</th>
<th>Paddy</th>
<th>Rice</th>
<th>Wheat</th>
<th>Maize</th>
<th>Pulses</th>
<th>Potato</th>
<th>Onion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Formal Agencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a</td>
<td>FCI</td>
<td>12727 (5.40)</td>
<td>-</td>
<td>36612 (19.5)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>b</td>
<td>SFC</td>
<td>4260 (1.81)</td>
<td>-</td>
<td>21720 (11.83)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>c</td>
<td>Marketing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>d</td>
<td>Regulated Markets</td>
<td>57620 (24.45)</td>
<td>139936 (63.4)</td>
<td>59215 (32.26)</td>
<td>11660 (74.27)</td>
<td>7647 (48.71)</td>
<td>29110 (59.29)</td>
<td>23375 (49.82)</td>
</tr>
<tr>
<td>2. Informal Agencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a</td>
<td>Mills</td>
<td>140320 (55.55)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>b</td>
<td>Private Traders</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>c</td>
<td>Periodic Markets</td>
<td>20717 (8.79)</td>
<td>80784 (36.60)</td>
<td>65994 (35.96)</td>
<td>4037.5 (25.73)</td>
<td>8051.0 (51.29)</td>
<td>20034.5 (40.71)</td>
<td>23545 (50.18)</td>
</tr>
<tr>
<td>d</td>
<td>At Home by Consumer</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

*Source: District Statistical Magazine, Mandi Samiti Araria and field survey*

It is found from survey that paddy has been purchased by mills in largest quantities amounting 55.55 per cent (140320 quintals) of total purchase. It is followed by 8.79 per cent (20717 quintals) marketed surplus of paddy purchased in periodic markets through different informal marketing agencies in the study area, during 2002-2003. Similarly, rice has its share of 36.60 per cent (80784 quintals), while wheat 35.96 per cent (65994 quintals), maize 25.73 per cent (4037.5 quintals), pulses 51.29 per cent (8051.2 quintals), potato and onion 40.77 per cent (20034.5 quintals) and 50.18 per cent (23545 quintals).
respectively to the total transaction of marketed surplus in periodic markets during same period as evident from Table- 4.1.

4.2.2 Public Trading System (Formal Agencies)

The public or government agricultural trading system has come into existence with a view to ensure fair price for producer’s surplus as an incentive to increase the production, to supply essential commodities to the consumer at reasonable price, to minimize seasonal fluctuation in price and to undertake procurement for maintenance of buffer stock. The main public trading agencies are Food Corporation of India (FCI), State Food Corporation (SFC) and Bihar State Cooperative Marketing Union (BISCOMAUN). All these trading agencies undertake the purchase of different commodities under the scheme of procurement and minimum support price declared by either the central or the state government.

Under the category of formal agencies, regulated markets are one of the important agencies of agricultural marketing system. They have accounted for transaction of 24.45 per cent (57620 quintals) of paddy, 63.4 per cent (139936 quintals) of rice, 32.26 per cent (59215 quintals) of wheat, 32.26 per cent (11660 quintals) of maize, and 48.71 per cent (7647 quintals) of pulses of the total transaction of marketed surplus of these agro-commodities respectively through formal system during 2002-2003. Similarly onion and potato, under category of vegetables have also shown higher transaction through regulated markets. These regulated markets have a share of 59.29 per cent (29110 quintals) and 49.82 per cent (23375 quintals) of these two crops to their total transactions which have been undertaken by agencies of formal marketing system. Other government agencies like FCI and SFC have made a purchase of only wheat and paddy to minimize seasonal
fluctuation and to undertake procurement for maintenance of buffer stock. They have purchased 12727, 4260 quintals of paddy and 21720, 36612 quintals wheat respectively during the same period.

Table -4.2

<table>
<thead>
<tr>
<th>S N</th>
<th>Market Agencies</th>
<th>Paddy</th>
<th>Rice</th>
<th>Wheat</th>
<th>Maize</th>
<th>Pulses</th>
<th>Potato</th>
<th>Onion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Consumer at home</td>
<td>8</td>
<td>26</td>
<td>20</td>
<td>40</td>
<td>6</td>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>Village Traders</td>
<td>20</td>
<td>29</td>
<td>32</td>
<td>20</td>
<td>60</td>
<td>20</td>
<td>22</td>
</tr>
<tr>
<td>3</td>
<td>Village Markets</td>
<td>14.9</td>
<td>10.3</td>
<td>10.5</td>
<td>4</td>
<td>10</td>
<td>13</td>
<td>25.3</td>
</tr>
<tr>
<td>4</td>
<td>Village Shops</td>
<td>1.6</td>
<td>3</td>
<td>3.1</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Town Markets</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>6.8</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Wholesale Markets</td>
<td>10</td>
<td>9</td>
<td>11</td>
<td>12</td>
<td>8</td>
<td>22</td>
<td>7.7</td>
</tr>
<tr>
<td>7</td>
<td>Regulated Markets</td>
<td>24.5</td>
<td>18.7</td>
<td>9.4</td>
<td>12</td>
<td>9.2</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>8</td>
<td>Government Agencies</td>
<td>12</td>
<td>-</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>Mills</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Field Survey 2002-2003. (Unit in percent)

Table-4.2 indicates the proportion of marketed surplus at different stages of agricultural marketing agencies in Araria district. These stages of marketing agencies include direct purchase at home, village traders, village markets, village shops, town markets, wholesale markets, regulated markets, government agencies and mills of different commodities in the study area. Regulated markets have recorded highest share 24.5 per cent of marketed surplus of paddy. While in village markets, vegetables especially onion has been contributed in largest proportion of their total marketed surplus among different
stages of marketing agencies in the study area. It is followed by paddy with 14.9 per cent, potato with 13 per cent, wheat with 10.5 per cent, and rice amounting 10.3 per cent of their total marketed surplus respectively. The village traders are found very important agent of marketed surplus of agricultural products in several areas of the study region. 20 per cent of marketed surplus of paddy, 29 per cent of rice, 32 per cent of wheat, 20 per cent of maize, 60 per cent of pulses, 20 per cent of potato and 22 per cent of onion have been marketed through village traders in the villages, specifically by small and marginal farmers who reported to have very small size of marketable surplus. This factor discourages them to sell their surplus in distant specialized agricultural markets to avoid unnecessary transport and time cost.

The purchase of agricultural produces by consumers directly from the growers’/farmers’ house is another important agency of agricultural marketing in the area as evident from the survey. Study shows that 40 per cent of marketed surplus of maize, 26 per cent of rice, 20 per cent of wheat, 20 per cent of onion, 8 per cent of paddy and 6 per cent of pulses were marketed through direct marketing. In this marketing, margin of commission agents to consumers’ price is reduced, as it is the smallest chain of all marketing channels. So both farmers and consumers get benefit. Besides, the time of consumers (usually agricultural and land less laborer) is also saved in which they can earn more wages. It is a dominant characteristic of direct marketing especially between direct consumer and producers in Araria District of Bihar.

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PROPORTION OF PADDY MARKETED AT DIFFERENT STAGES IN ARARIA DISTRICT 2002-2003

*Thick line represents percentage of marketed surplus at different stages in the district

Fig -4.1
PROPORTION OF RICE MARKETED AT DIFFERENT STAGES IN ARARIA DISTRICT 2002-2003

![Graph showing the proportion of rice marketed at different stages in Araria District.]

*Thick line represents percentage of marketed surplus at different stages in the district.

Fig.No-4.2
PROPORTION OF WHEAT MARKETED AT DIFFERENT STAGES IN ARARIA DISTRICT 2002-2003

*Thick line represents percentage of marketed surplus at different stages in the district

Fig -4.3
PROPORTION OF MAIZE MARKETED AT DIFFERENT STAGES IN ARARIA DISTRICT

2002-2003

*Thick line represents percentage of marketed surplus at different stages in the district

Fig -4.4
PROPORTION OF PULSES MARKETED AT DIFFERENT STAGES IN ARARIA DISTRICT
2002-2003

*Thick line represents percentage of marketed surplus at different stages in the district

Fig -4.5
PROPORTION OF POTATO MARKETED AT DIFFERENT STAGES IN ARARIA DISTRICT
2002-2003

*Thick line represents percentage of marketed surplus at different stages in the district

Fig -4.6
PROPORTION OF ONION MARKETED AT DIFFERENT STAGES IN ARARIA DISTRICT

2002-2003

*Thick line represents percentage of marketed surplus at different stages in the district

Fig -4.7
4.3 Methods of Transaction of Agricultural Products

The nature of transaction methods of agricultural products in the study area through different marketing agencies is found to vary according to quantity and quality of products under sale process. Thus accordingly, these transaction methods can be grouped into various categories as discussed below:

(a) Undercover Method

(b) Open Auction Method

(c) By Quotation on Samples

(d) Private Negotiation

(e) Close Tender System

(f) Government Purchase

(a) Undercover Method

This is very primitive method, which is rarely in operation in periodic markets. In this method Arhatiya forms group of buyers and sellers. He clasps their hands under a cover cloth, usually small towel or dhoti and presses the fingers on sellers palm to indicate the rate at which the buyer is ready to purchase. The under cover method is practiced only in wholesale periodic markets at Araria Court, Jokihat, Chanderdai and Doriaonapur.

(b) Open Auction Method

This is also a wholesale trading process in which the buyer declares his bids aloud to auctioneer who may be an Arhatiya, broker or seller himself. The goods are usually sold to highest bidder. However, in some markets, double
auction system prevails. At first, the market official auctions each heap of commodities to dalal/broker. In the second auction the dalal/broker or wholesale trader, auctions his own purchases (from the first auction) to other buyers. This system is found in both the regulated markets of Araria and Forbesganj of the district. This system of sale is preferred over all other systems because of the fact it ensures fair dealing to all parties.

(c) **By Quotation on Samples**

Under this system, the commodity is not heaped up but is kept in bags on cart etc and the *Arhatiya* collects samples from the sellers samples and takes them round and offers are made on the basis of these samples. This kind of method is found in big rural markets where bigger wholesale transactions take place. They are Araria Court, Jokihat, Chanderdai, and Doriaonapur.

(d) **Private Negotiation**

Under this system the seller may invite offers for his produce and sell to one who might have offered the highest price for the produce. It is most common in unregulated market.

(e) **Close Tender System**

This is similar to auction but the rates are not open and bids are invited in the form of a close tender and the product is given to the highest bidder.

(f) **Government Purchase**

The government agencies make purchase with a view to ensure fair price for producers’ surplus, as an incentive to
increase the production, supply of essential commodities to the consumer at reasonable price, to minimize seasonal fluctuation and to undertake procurement for maintenance of buffer stock. The main public trading agencies are Food Corporation of India (FCI), State Food Corporation of India (SFC), Bihar State Cooperative Marketing Union (BISCOMAUN). All these trading agencies undertake the purchase of different commodities under the scheme of procurement and minimum support price declared by government.

4.4 Market Functionaries

The study of market functionaries involved in trading of agricultural commodities is an important aspect of agricultural marketing system in India. The system of agricultural marketing is saddled with a long chain of intermediaries who in turn, reduce the effective share of producers to the consumers’ price, to a considerable extent. The number of middlemen or functionaries and their operations vary with the nature of commodities dealt with. The important functionaries involved in agricultural marketing system are.

(a) Village Beoparies
(b) Itinerant Traders
(c) Arhatiyas
(d) Brokers (Dalals)
(e) Auctioneers
(f) Wholesalers
(g) Retailers
(h) Processing agents

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(i) Weighmen
(j) Palledars
(k) Others

(a) Village Traders/Beoparies

Village beopari is the most usual purchaser of agricultural produce. He usually collects the produce from the villages/ haats and brings it to the secondary markets and from there it reaches consumers. The village beopari is sometimes also a producer and he buys locally for a sale to secondary markets. Thus storing and primary assembling are his main functions. Often he advances money to the producers, thus acting as a financier too. In almost all of the sampled villages, village traders had given advanced money at the time of sowing to the producers and in return producers sold their product to the village traders.

(b) Itinerant Traders

Itinerant dealer wanders village to village, purchases and collects the agricultural produce and takes, it to the nearest market. He purchases the produce at cheaper rate from the farmers owing to the lack of competition from other beoparis. Sometimes he also finances the cultivators at the time of sowing and in lieu of that he purchases the produce from them at cheaper rates.

(c) Arhatiyas

They are also known as commission agents. The arhatiyas are of two types, viz: (i) Katcha arhatiyas and (ii) Pucca
The *Katcha arhatiyas* are men of small capital, who sell the produce in assembling market on behalf of those farmers of village from whom they collect the produce. The *Pucca arhatiyas* own big capital and buy and sell the produce on behalf of the merchants from outside markets. *Arhatiyas* often perform the function of wholesale merchants also. Thus, the *Katcha arhatiya* is concerned with the assembling of produce while the *Pucca arhatiya* distributes it. They also advance loans to the village *beoparies* and itinerant dealers on the conditions that the produce will be sold to them or through them.

### (d) Brokers or Dalals

Generally speaking, the *dalal* assists the *arhatiya* in bringing together sellers and buyers and arranging the sale of produce. The charge paid to *dalals* in lieu of their services is known as brokerage or *dalali*.

### (e) Auctioneers

The auctioneers play important role in the marketing of fruits, vegetables and other perishable agricultural commodities. The auctioneer brings the produce before the purchasers and auctions it to the highest bidder often charging commission for his service.

### (f) Wholesalers

Wholesalers are those traders who sell and purchase the agricultural produce in very large quantities. The wholesalers are assisted by village traders and *arhatiyas* in their trade. They generally perform the functions of
assembling, storing, grading, risk bearing and marketing finance.

(g) Retailers
Retailers purchase the agricultural produce from wholesalers at a wholesale price and sell it to final consumers. The profit earned by the retailers in buying and selling the produce is known as retailer’s margin. The growers sometimes also work as retailers in rural periodic markets, dealing with the consumers directly.

(h) Processing Agents
Processors are that group of traders who purchase the agricultural produces directly from the farmers and some other intermediaries to add valuability to the products before they go to the consumers. These traders may be small scale processors in rural areas itself, big farmers or the owners of big mills.

(i) Weighmen (Taulas)
Taula not only weighs the produces but sometimes collects their samples from villages and takes them to the dealers in towns. He gets his commission as well as taulai (charge for weighing the products).

(j) Palledars
Palledars are the market labourers who attend the collection and handling of produce in the markets. They are usually independent workers, though in certain cases they are permanent employees of commission agents. The charge paid to the palledars is known as palledari. Their charges are deduced from the producer sellers.
(k) Others

There are number of other minor functionaries such as sweeper, water carriers and other servants of *arhatiya* who attend the affairs of *arhatiya* client.

4.5 Marketing Channels of the Agricultural Products

Generally, agricultural commodities namely, paddy, rice, wheat, maize, pulses, potato, onion etc undergo a change of ownership through time and space. The intermediaries are involved in passing of the commodities from producer to ultimate consumer through different market channels of the commodities. In Araria district following marketing channels have been identified for rice, wheat, maize, pulses, potato and onion. They are given below.

4.5.1 Marketing Channels For Paddy/Rice

(1) Producer → Consumer (Direct Sale).


(3) Producer → Itinerant Trader → Primary Wholesaler → Miller → Secondary Wholesaler → Retailer → Consumer.

(4) Producer → Miller → Wholesaler → Retailer → Consumer.

(5) Producer → Miller → Consumer.

(6) Producer → Commission Agent → Miller → Wholesaler → Retailer → Consumer.


(8) Producer → Cooperative Marketing Societies → Cooperative Processing Unit → Wholesaler → Retailer → Consumer.
MARKETING CHANNELS FOR PADDY/RICE

4.5.2 Marketing Channels for Wheat

(1) Producer→Consumer (Direct Sale).

(2) Producer→Village Shopkeeper→Village Trader→Wholesaler-Retailer→Consumer.

(3) Producer→Itinerant Trader→Wholesaler→Retailer→Consumer.

(4) Producer→Primary Wholesaler→Secondary Wholesaler→Retailer→Consumer.
(5) Producer → Primary Wholesaler → Miller → Wholesaler → Retailer → Consumer.


(9) Producer → Periodic Market → Consumer.

(10) Producer → Periodic Markets → Itinerant Trader → Consumer.

MARKETING CHANNELS FOR WHEAT

![Diagram of marketing channels for wheat]

Fig-4.9
4.5.3 Marketing Channels for Maize

(1) Producer → Consumer (Direct).

(2) Producer → Primary Market (Rural) → Secondary Market →
Wholesaler Commission Agent → Wholesaler-Retailer →
Consumer.

(3) Producer → Primary Market → Secondary Market →
Wholesaler Commission Agent → Retailer → Consumer.

(4) Producer → Itinerant Merchant → Village Shop → Rural
Consumer.

MARKETING CHANNELS FOR MAIZE

Fig-4.10
4.5.4 **Marketing Channels for Pulses**

1. Producer → Consumer (Direct).


5. Producer → Primary Wholesaler → Consumer.


Producer → Periodic Market → Itinerant Trader → Consumer.

**MARKETING CHANNELS FOR PULSES**

![Diagram of Marketing Channels for Pulses]
4.5.5 Marketing Channels for Potato/Onion

(1) Producer → Consumer.

(2) Producer → Village Trader → Consumer.

(3) Producer → Periodic Market → Buying Trader → Urban Consumer.

(4) Producer → Town Market → Consumer.

(5) Producer → Cold Storage → Wholesaler → Retailer → Consumer.

(6) Producer → Cold Storage → Wholesaler → Retailer → Consumer.

MARKETING CHANNELS FOR POTATO/ONION

Fig-4.12
References


