CHAPTER SIX

CONCLUSIONS AND POLICY PRESCRIPTION

6.1 Introduction

In the foregoing chapters, a fairly comprehensive study has been made on the marketing efficiency of potato and rice in Hooghly district using both the secondary and primary data. On the basis of observations made in the preceding chapters we are going to present the conclusion and policy prescription in this chapter. In section 6.2 we shall present the conclusions of this study. The policy prescription on the marketing of potato and rice on the basis of this study is given in section 6.3. Section 6.4 concludes the chapter.

6.2 Conclusions

The following conclusions can be made regarding the marketing efficiency of potato and rice in Hooghly district from our study.

(1) From the analysis of impact of Operation Barga (O.B.) and economic liberalisation policy of 1990 on production, area under production and productivity of some selected crops we have observed an upward structural shift in the area under production of potato and oilseed and a downward structural shift in the area under production of pulses and wheat due to O.B. Operation Barga has led to an upward shift in the production of rice, potato, jute and oilseed and downward shift for production of other two crops viz. pulses and wheat. The liberalization policy did not have any favourable impact on productivity of any of the
six crops selected in our analysis. An upward structural shift in the area under production after liberalization policy of 1990 could be observed for pulses only. Thus more equal redistribution of land during the O.B. has led to increase in the area under production, production and productivity of most of the important crops in West Bengal. This was quite in conformity with the general expectation. But the effect of liberalization policy was different from the expectation. It was expected that with the increase in income of the consumers the production and productivity of most of the crops in general and commercial crops in particular would experience an upward structural shift. But production and productivity of potato and oilseed experienced a downward shift following the liberalization policy. For jute there was no such structural change. The only crop among the six crop selected for which both the area under production and output had an upward shift was pulses. With the increase in income the demand for protein enriched crops generally increase and this might have been responsible for such a change in pulses.

(2) From the analysis of the secondary data we have observed that there was seasonality in the wholesale and retail prices of potato despite the increasing capacity of the cold storages in the district (the rate of growth of cold storage capacity was lower than the rate of growth of production in the district). It appears that a group of traders are taking undue advantage of storing to utilize the seasonal gap in the prices of potato. This is not a feature of the competitive market. No seasonality could be observed for the wholesale and retail prices of rice. The rice traders do not get the opportunity to take the advantage of seasonal difference in the prices of rice. Rice is generally grown twice in a year in the district and due to its less perishability compared to potato limits the arbitrage capacity of the rice traders during inter-temporal selling.

(3) From the analysis of the secondary data of monthly prices of potato and rice we observed that wholesale and retail markets of potato and
rice are integrated. Both the Engle-Granger and Johansen-Juselius tests suggested that degree of market integration was higher in potato markets compared to the rice markets in Hooghly district.

(4) From the analysis of the primary data we observed that the small and marginal farmers were subject to distress sale. On the other hand the small and marginal paddy growers kept a major share of their total production for their own consumption. The higher average cost of production of potato forced the producers mainly from the small and marginal group to sell their output just after harvesting.

(5) From the analysis of sources of credit and its influence on selling pattern of the potato growers we have seen that the borrowers from the institutional sources have higher withholding capacity than the borrowers from the non-institutional sources. But the withholding capacity of the institutional borrowers also was very less. Thus mainly the traders enjoyed the advantage of higher price of potato during May to December.

(6) The marketing channel though limited in the villages, with least intermediaries was the most efficient channel for both potato and rice. Thus reducing the number of intermediaries may lead to an increase in the level of efficiency.

(7) The rates of return of itinerant traders, wholesalers, Arhatdars, retailers of potato were very high which does not indicate efficiency. In that sense marketing of potato and rice was not efficient.

The results obtained in our study on the basis of secondary and primary data are contradictory. The wholesale and retail prices of potato and rice in the seven market intelligence centers are integrated to such extent that the markets can be called efficient. But the rates of return of different intermediaries of the important marketing channels are very high which indicates that the markets were not markedly efficient. Market integration does not ensure reasonable margin at
different stages. Possibly this limitation affects all markets similarly for which integration was not adversely affected.

6.3 Policy Prescription

The following policy prescriptions can be made on the basis of our study. First, since we have observed that the prices of rice and potato in different markets in Hooghly district are integrated the government should not intervene in the normal functioning of the markets of these two crops. Any restriction on the inter district or inter state movement of these crops on part of the government may not be beneficial to the producers as well as to the consumers. The district has good infrastructure but some villages lack all weather road. The government should take proper initiative to build good infrastructure in these villages.

Second, irrespective of the availability of institutional sources the marginal and small farmers have much less access for credit to these sources compared to the larger farmers. The commercial banks and the cooperatives must ensure even distribution of credit across the different size classes. Considering the greater credit requirement of the potato growers these institutional sources should provide short term loan to small and marginal group at reasonably low interest rate so that they can have the opportunity of having higher price at the later time period. The institutional sources should also increase the coverage of crop insurance to the small and marginal groups.

Third, from the analysis of efficiency of different marketing channels of potato and rice we observed that the channels with the least number of intermediaries were the most efficient channels. Keeping this in mind we can say that organised retailing of large firms can play an important role in
marketing these crops. These firms purchase the product directly from the farmers and farmers can enjoy higher price for their products.

Fourth, considering the fact that the potato producers generally face situation of glut in every two to three years we can say that contract farming can reduce risk and uncertainty in potato price fluctuation through stable market. Setting up food processing industries may also help the farmers to get higher prices.

Fifth, keeping in mind the inability of the small and marginal farmers to store potato in the cold storages we can say that government should encourage setting up more cold storages in the district. The government should also try to introduce modern technology and reduce the average cost of storage. The government may persuade the storage owners to reduce their margin.

Sixth, since the small and marginal farmers are forced to sell a sizeable portion of their output just after harvest the officials of the agricultural department can impart knowledge and training to these farmers about the scientific and low cost indigenous methods of storing potato by which potato can be stored for two to three months.

Seventh, the potato growers mostly import the seeds from Punjab, which is more expensive than the locally available seeds, the government should take proper initiative to develop good quality local seeds. The Government can consider setting up of a potato research institute in the district like the presently functioning rice research institute in the district.

Eighth, though the officials of the department of agricultural marketing share the information of the marketing of agricultural products, the large farmers have better access to this information compared to the smaller farmers.
The government should take proper step to percolate the information to all the farmers evenly.

Ninth, considering the fact that processing of paddy fetch a higher return to the farmers they can be encouraged to process more paddy by using modern methods. The marginal and small farmers may be encouraged to form cooperatives by which they can sell the processed paddy and get higher price for their product.

Tenth, since potato and rice are hugely produced in the state the government should try to increase the export of these crops to other states.

6.4 Conclusion

Our field survey was limited in three villages in three different blocks out of eighteen blocks in the district. For more appropriate generalizations on the basis of the primary data the data should have been collected from larger sample of farmers covering more primary markets and more villages from greater number of blocks. We have found seasonality in the wholesale and retail prices of potato in the district but in our study we could not go into the details of the behaviour of the Arhatdars (stockiest) and cold storage owners. Though we have tried to analyse various aspects of agricultural marketing, we believe there is enough scope to conduct research work on the behaviour of cold storage owners and rice millers to know how their activities can influence the marketing of rice and potato.

In spite of our best efforts there have been a number of limitations of our study. Some have been mentioned in the respective chapters, some remained without clear specification. We believe a number of some limitations are parts of our discipline today. We hope further researchers to point out these limitations and try to remove them. Our study is a small effort to analyse the state of affairs.
in the marketing of two important crops in an important district of the state. We hope the study will go a considerable way to help the authorities adopt some measures for the improvement of marketing of potato and rice in the state as a whole.