

CHAPTER - I

I N T R O D U C T I O N

A. Importance of Agricultural Marketing:

Marketing produce is as important as production in order to raise the incomes and living standards of the producers. The tempo of the present production in agriculture, consequent to 'GREEN REVOLUTION' could only be maintained by providing various efficient marketing services so that the producers' hard labour is suitably rewarded. In the Indian context, agricultural marketing occupies added importance as nearly 70 per cent of the total population in India depends on agriculture.¹ Agricultural producers in India though forming a major portion of the population remained economically weak and unorganised for centuries, which made them amenable to exploitation by the numerically smaller but economically stronger and well organised middlemen.² The attainment of our national objective-eradication of poverty by increasing per capita income, therefore depends very much upon the extent to which we are able to augment the farm incomes through increased yields coupled with remunerative prices. The intensive use



1. Linga Murthy, N., Jogaiyah, T & Atma, V., Functional Aspects of Warangal Agricultural Market in A.P., Indian Journal of Marketing, Vol.XI, Nos. 5 & 6, Jan.- Feb., 1981, p.2.
2. Dr. Raja Gopal, Planning Agricultural Marketing in India, Edition 1987, Rainbow Publications, Coimbatore, p.64.

of land as envisaged in our plan depends upon the degree of profitability. If there is no monetary gain for their increased input no incentive is left for the producers to raise bumper crops through improved methods of cultivation. The conditions under which the farmers dispose of their product and the price that they realise have a significant bearing on production activities. Therefore, in a predominantly agrarian economy attention is to be paid to the improvement of marketing system as well.³

Agricultural marketing in India suffers from several market imperfections. First, the farming community is highly disorganised and therefore, an individual farmer dealing with his produce has low bargaining power. This is in contrast with the trading community which is more organised and naturally has superior bargaining power. Under these circumstances it is common to find that producers of agricultural produce as a class are being exploited by the purchasers. Secondly, most of the small farmers sell forced marketable surplus usually immediately after harvest in order to meet the pressing claims of the creditors. Thus, they cannot afford to wait for the disposal of their agricultural produce till the price rise takes place as per their expectations.

3. Singh, L.P., Regulated Agricultural Markets in Bihar - An Appraisal, The Indian Journal of Commerce, Vol.XXXIV, Part IV, No.129, December 1981, p.95.

Thirdly, existence of superfluous middlemen take away the substantial share of the farmer out of consumer rupee. Fourthly, malpractices in the market in the form of multiplicity of market charges, spurious deduction, unfair weighing, arbitrary grading methods and undesirable mode of sales etc., are heavily biased against interests of the farmer. Finally, absence of market intelligence regarding price information compels many farmers to bring their produce to the market without knowing prices and puts them at great disadvantage.⁴

B. Regulated Markets:

In order to ameliorate the conditions of the farmers and to safeguard their interests, the regulation of markets was first conceived towards the end of last century.⁵ The Royal Commission on Agriculture in India appointed in 1928 stressed the necessity for establishing regulated markets under a provincial legislation and made the following observations in the course of its fact-finding study.

"Unless the cultivators can be certain of securing adequate value for the quality and purity of his produce the efforts

4. Dr. Shankariah, A., Narasimha Murthy, G., & Hanumantha Rao, N., Performance of an Agricultural Market Committee - An Emperical Assessment, Indian Journal of Marketing, Vol.XII, No.6, February, 1982, p.II.

5. Sivarama Prasad, A., Role of Regulated Markets in the Development of Orderly Marketing, Indian Journal of Marketing, Vol.X, Number, 8, April, 1980, p.15.

required for an improvement in agriculture will not be forth coming."⁶

The Directorate of Marketing and Inspection was set up by the Government of India in 1935 on the recommendations of the Royal Commission on Agriculture (1928) to function as the agency to implement the marketing policies at the centre. The administrative structure for implementing agricultural marketing policies at the state level varies considerably from state to state both as regards the extent of autonomy enjoyed as well as the relative status of the marketing division vis-a-vis the agencies responsible for agricultural production. On the one hand, there is the completely independent Directorate of Agricultural Marketing as in Andhra Pradesh and Maharashtra and on the other hand is the arrangement of entrusting all work relating to agricultural marketing to a small section forming part of the Directorate of Agriculture as in the states of Kerala, Madhya Pradesh, Rajasthan, Assam, etc. In between these two categories, there are states like Karnataka and West Bengal, where agricultural marketing is handled by an autonomus section, which however, functions under a department either of Co-operation or Agriculture. In Karnataka,

6. Regulated Markets in Andhra Pradesh, A booklet explaining agricultural marketing activity in Andhra Pradesh issued on the occasion of first state-level seminar on Regulated Markets, May 2-3, 1975, Jubilee Hall, Hyderabad, p.II.

for instance, agricultural marketing is with the Department of Co-operation and the Registrar of Co-operative Societies is also designated as the Chief Marketing Officer. However, the Additional Chief Marketing Officer under him, heads the Marketing Section which has its own identity, a separate cadre and has considerable degree of freedom of action in its own field of activity.⁷

One of the most important governmental activities that has gone a long way in protecting the producer's interest has been the enactment of Agricultural Produce Markets Act by a number of State Governments. These Acts provide for the establishment of regulated markets, which are administered by a market committee on which are represented both the traders' and Producers' interests. In these regulated markets, malpractices have been largely eradicated and the methods of sale of the commodities brought in by the producers have been standardized enabling them to obtain a competitive price for their produce.

7. Dr. Raja Gopal, Marketing in Present Economy History and Trends, Manas Publications, Delhi, 1988, p.69.

Only licensed traders, commission agents and other market functionaries are allowed to operate in such markets and their commission and other service charges have been fixed. Unlawful deductions and cuts, because of which cultivators suffered previously, have been entirely done away with and prompt payment to cultivators is ensured. Dispute committees for settling differences between the buyers and the cultivator-sellers have been set up.

Although the regulation of markets is a state subject, the Directorate renders guidance and advice to all the State Governments in formulating market legislation and its enforcement. All the States, except Jammu and Kashmir, Nagaland and Sikkim, have enacted legislation for regulating markets. Andaman and Nicobar Islands, Arunachal Pradesh, Dadra and Nagar Haveli, Lakshadweep and Mizoram are yet to enact necessary legislation. In Kerala, only markets situated in Malabar region are regulated under the Madras Commercial Crops Act, 1933. The States and Union Territories which have not enacted the legislation are being persuaded to do so as early as possible. In order to avoid heterogeneity in the existing market legislation in various states and to guide them, the Directorate has also prepared a Model Act. By the end of March, 1984, 5,579 markets in the country had been brought under regulation, out of which 2,045 are principal markets and 3,534 sub-market yards.

The growth of regulated markets is shown in
Table 1.1.

Table 1.1
GROWTH OF REGULATED MARKETS

| Year | No. of regulated markets. | Index No. | Growth rate to subsequent years in percentage |
|---------|---------------------------|-----------|---|
| 1939-40 | 122 | 100 | -- |
| 1949-50 | 283 | 232 | 8.78 |
| 1959-60 | 604 | 495 | 7.88 |
| 1969-70 | 2070 | 1769 | 13.11 |
| 1979-80 | 4446 | 3644 | 7.94 |

Base Year = 1939-40.

The above table reveals that the growth of markets from 1939-40 to 1979-80 is positive but yet the percentage of peasant population covered by the existing markets is not high.⁸ However, the establishment of regulated markets decreased the sale of agricultural produce to itinerant or village traders and encouraged more producers to bring their produce to the regulated market centres.

8. Ibid., pp. 77 & 78.

C. Regulation of Markets in Andhra Pradesh:

In pursuance of the recommendation of the Royal Commission on Agriculture and as endorsed by the Central Banking Enquiry Committee, several states passed legislation for the regulation of the markets. The erstwhile Hyderabad state was the first to enact the Hyderabad Agricultural Markets Act, 1930 followed by composite state of Madras with the enactment of the Madras Commercial Crops Markets Act, 1933, Prior to the formation of Andhra Pradesh, the Hyderabad Agricultural Markets Act, 1930 has been in operation in Telangana region and the Madras Commercial Crops Markets Act, 1933 in Andhra region. The main object of these legislations was to regulate the sale and purchase of agricultural produce and to establish a common place where buyers and sellers can directly meet and transact business so that the produce brought to the market is sold in open competition, correct weighment ensured and fixed market charges paid. The only difference in the above two legislations was that the scope of the Hyderabad Agricultural Markets Act was as extensive as to cover 54 commodities of agricultural produce and live stock for regulation of sale and purchase while that of the Madras Commercial Crops Markets Act was restricted to a few selected commercial crops.

As there was a great variation in the modus operandi of the market regulated under the two different market Acts, an imperative need was felt for the coverage of the entire marketable surpluses in Andhra Pradesh under a single market legislation to give the benefit of regulation squarely to a large number of grower-sellers. Thus, with a view to bringing about uniformity in functioning of the markets in Telangana and Andhra region and to extend the scope of the Act to regulate the trade in Livestock, products of Livestock, pisciculture and Horticulture, the Government conceived an integrated legislation and enacted the Andhra Pradesh (Agricultural Produce and Livestock) Markets Act, 1966 which came into force in the state from 19th October, 1967. The rules made under this Act came into force from 21st October, 1969.

This Act provides the declaration of notified area, notified commodity, formation of market committees, collection of market fees. It empowers the Government to make rules for proper management and regulation of such markets, confers on the market committees the powers to frame bye-laws, defines prohibitory acts, offences and authority competent to try and the extent of fines to be imposed on the offenders etc. The object of the Act is to provide institutional protection to producer-seller by way of providing organised markets.

This Act is very comprehensive in as much as it is applied not only to agricultural commodities but also to livestock and products of live stock with compact Jurisdiction over market committees. Any area or any portion thereof could be a notified area for the purpose of this Act so that all sales and purchases of agricultural produce and products of livestock shall take place only within the regulated market area and not outside. The market committees are empowered to issue licenses to traders in a notified area. The minimum and maximum strength of a committee is fixed between 15 and 18 members to accommodate various interests in proper proportion. Specific provision has been made in the Act to safeguard the interests of the producers who have been given a 50 per cent representation in the market committee. Representation to local bodies has also been provided for in addition to the Co-operative Marketing Societies. It also provides for the constitution of a Central Marketing Fund to which every market committee shall contribute 10 per cent of its annual income. This fund would be utilised to give grants-in-aid and loans to the market committees. Every member of the market committee, including the Chairman and the Vice-Chairman is personally liable for misappropriation of funds for which he is a party or happened to be or because of the gross neglect of his duty as a member. Under this Act, market fees are collected from the purchaser.

The object of the legislation is said to be "to organise the system of sale and purchase in a manner that a grower secures a fair share in the price paid by the consumer". The legislation also seeks to provide reasonable facilities to the growers of notified agricultural produce, ensure a proper price for the commodities and protect them from exploitation by the middlemen.

Progress of Regulation in Andhra Pradesh:

Upto the end of March, 1968 Andhra Pradesh has 123 regulated markets including 7 sub-markets. The state consists of 23 districts and is divided into two divisions. One comprising the districts from the composite Madras State and known as the Andhra area and the other carved out of the erstwhile Hyderabad State in November, 1956, known as Telangana area. In Andhra area all districts have regulated markets. The first market regulated in Andhra Region was Guntur in 1939 followed by Kurnool in 1940. Subsequently, it was after a lapse of 11 years, i.e., 1950, the markets Act was extended to Anantapur and Krishna Districts. East Godavari followed soon after in 1951 but regulated markets came into existence only in 1955-56. In the remaining districts, the markets Act was implemented between 1956 and 1958.

As regards Telanga region, Warangal was the first district to have a regulated market as early as in 1933. Adilabad and Mahabubnagar districts were the next to have regulated markets one each in 1935 and 1936 respectively. By the end of 1940 five more markets were regulated, one in each of the remaining districts, except in Medak.⁹ Thereafter a steady growth of regulated markets is witnessed. The position of Agricultural Market Committees in Andhra Pradesh is shown in the Table 1.2.

9. Ankeneedu Prasad, J., An Analytical Study of Tenali and Duggirala Regulated Markets in Guntur District (A.P.), Department of Management Studies and Research, Dhanwate National College, Nagpur, 1984-85, pp.10-12.

Table 1,2

POSITION OF AGRICULTURAL MARKET COMMITTEES AS ON 1-6-1988

| S.No. | Name of the District | No. of AMCs. | No. of Sub-Markets. |
|-------|----------------------|--------------|---------------------|
| 1 | Srikakulam | 10 | 16 |
| 2 | Vijayanagaram | 8 | 12 |
| 3 | Visakhapatnam | 7 | 10 |
| 4 | East Godavari | 11 | 21 |
| 5 | West Godavari | 8 | 28 |
| 6 | Krishna | 14 | 16 |
| 7 | Guntur | 13 | 22 |
| 8 | Prakasam | 12 | 20 |
| 9 | Nellore | 9 | 17 |
| 10 | Chittoor | 14 | 22 |
| 11 | Cuddapah | 11 | 10 |
| 12 | Anantapur | 11 | 11 |
| 13 | Kurnool | 12 | 7 |
| 14 | Adilabad | 10 | 14 |
| 15 | Hyderabad | 1 | 3 |
| 16 | Ranga Reddy | 9 | 5 |
| 17 | Khammam | 9 | 10 |
| 18 | Karimnagar | 12 | 15 |
| 19 | Mahaboobnagar | 14 | 18 |
| 20 | Medak | 7 | 10 |
| 21 | Nizamabad | 7 | 12 |
| 22 | Nalgonda | 14 | 26 |
| 23 | Warangal | 10 | 11 |
| Total | | 233 | 336 |

SOURCE: Directorate of Marketing, Government of Andhra Pradesh, Hyderabad.

The Table 1.2 reveals that there are 140 agricultural market committees and 212 sub-markets in Andhra region while 93 agricultural market committees and 124 sub-markets are in Telangana region.

Table 1.3

FINANCIAL POSITION OF AGRICULTURAL MARKET COMMITTEES OF
ANDHRA PRADESH

| S.No. | Year | Income Rs. | Expenditure Rs. |
|-------|---------|--------------|-----------------|
| 1 | 1977-78 | 5,96,77,024 | 4,98,52,588 |
| 2 | 1978-79 | 8,54,31,564 | 5,43,99,560 |
| 3 | 1979-80 | 10,53,55,151 | 7,49,27,505 |
| 4 | 1980-81 | 12,67,01,548 | 8,52,14,728 |
| 5 | 1981-82 | 13,59,58,302 | 7,88,81,432 |
| 6 | 1982-83 | 17,36,55,162 | 9,79,17,351 |
| 7 | 1983-84 | 21,29,49,563 | 10,71,88,105 |
| 8 | 1984-85 | 23,86,59,897 | 12,67,29,230 |
| 9 | 1985-86 | 27,84,02,073 | 18,12,74,831 |
| 10 | 1986-87 | 29,59,22,816 | 25,06,89,407 |

SOURCE: Directorate of Marketing, Government of
Andhra Pradesh, Hyderabad.

The Table 1.3 showing the financial position of Agricultural Market Committees in Andhra Pradesh indicates a rapid progress in the growth of income year after year. While the income in 1977-78 amounted to Rs.5,96,77,024, within a decade it sharply increased to Rs.29,59,22,816. During this period, income exceeded expenditure in each year. Closing balance of the agricultural market committees stood at Rs.69,88,38,775 by the end of 1986-87.

Central Market Funds:

There shall be formed for the whole of the state a fund to be called 'the Central Market Fund'. Every market committee shall contribute ten per cent of its annual income to the Central Market Fund and the contribution so paid shall be placed to the credit of the said fund.

The Central Market Fund shall be vested in the government and deposited in the government Treasury at Hyderabad. It shall be administered and applied by the Director of Marketing for all or any of the following purposes, namely:

- (i) Grant-in-aid of the market committees for the first year after their constitution under this Act;*
- (ii) Grant-in-aid of a deficit market committee for a period not exceeding three years;

* Agricultural Produce and Livestock Markets Act (Act 16 of 1966).

- (iii) Grant of loans to the market committees at such rates of interest as are charged on loans granted by the government for development purposes;
- (iv) Such other similar or allied purposes as may be specified by the government by general or special order.

Provided that the Director of Marketing shall obtain the approval of the government before sanctioning any grant-in-aid or loan exceeding rupees five thousand.¹⁰

Particulars of Central Market Fund, loans sanctioned and grant-in-aid are given in the Table 1.4.

10. Law Department, Government of Andhra Pradesh,
The Andhra Pradesh (Agricultural Produce and Livestock)
Markets Manual, Published by Authority, 1982, p.17.

Table 1.4

CENTRAL MARKET FUND, LOANS SANCTIONED AND GRANTS-IN-AID

| Year | Central Market fund Rs. | Loans sanctioned Rs. | No. of Committees benefited from loan | Grant-in-aid Rs. | No. of Committees benefited |
|---------|-------------------------|----------------------|---------------------------------------|------------------|-----------------------------|
| 1981-82 | 3,15,46,689-22 | 22,88,402 | N.A. | 25,000 | 2 |
| 1982-83 | 4,11,16,468-83 | 6,43,334 | N.A. | 60,000 | 3 |
| 1983-84 | 5,32,75,625-01 | 9,00,333 | N.A. | Nil | Nil |
| 1984-85 | 6,64,58,343-50 | 5,66,000 | N.A. | Nil | Nil |
| 1985-86 | 7,99,51,364-92 | 12,49,300 | N.A. | Nil | Nil |
| 1986-87 | 7,73,01,866-64 | 1,89,00,000 | N.A. | Nil | Nil |
| 1987-88 | 9,75,83,960-86 | 18,75,000 | N.A. | Nil | Nil |

NOTE: N.A. = Not Available.

SOURCE: Directorate of Marketing, Government of Andhra Pradesh, Hyderabad.

D. Regulated Markets in Anantapur District:

The district derives its name from Anantapur, its headquarters town. Anantapur district is neither a geographical, historical nor an ethnical entity but is the creation for administrative convenience. In 1882 it was separated from Bellary district (now in Karnataka State). Anantapur district was further expanded in the year 1910 by the addition of Kadiri Taluk from Cuddapah district. The reorganisation of States in 1956 gave this district, yet another taluk, namely, the Telugu speaking Rayadurg from Bellary District.¹¹

The markets Act, as mentioned earlier, was extended to Anantapur in 1950. Now there are 11 agricultural market committees and 11 sub-markets are in Anantapur district. Financial position of 11 agricultural market committees in the district is shown in Table 1.5 and also presented in a diagram 1.1.

11. Census of India 1981, Series -2, Andhra Pradesh, District Census Hand Book, Anantapur District.

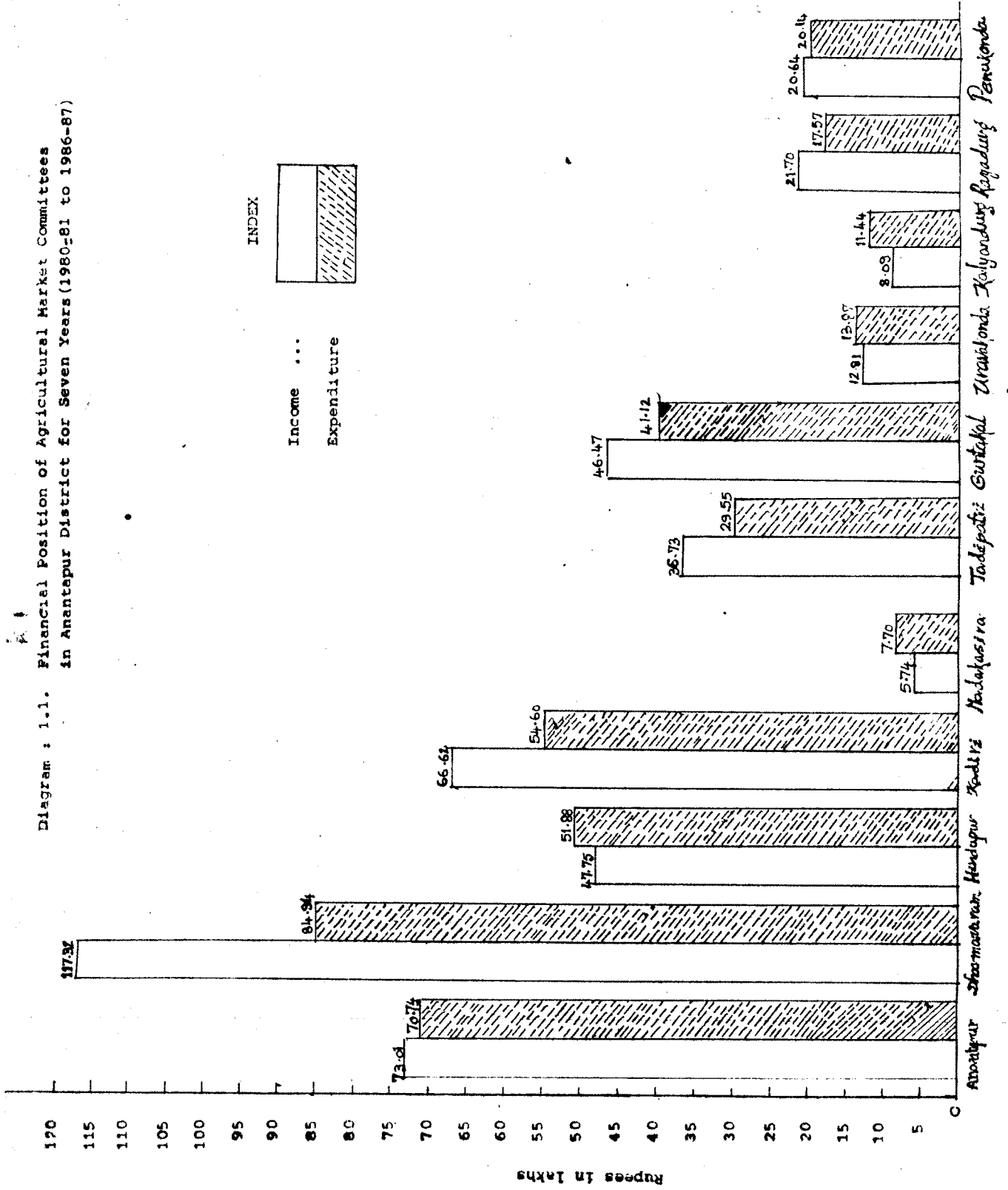
Table 1.5

FINANCIAL POSITION OF AGRICULTURAL MARKET COMMITTEES IN ANANTAPUR DISTRICT (Rs. in lakhs)

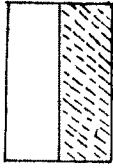
| Sl. No. | Year | Anantapur | | Dharmavaram | | Hindupur | | Kadiri | | Madakasira | | Tadipatri | | Guntakal | | Usvakonda | | Kalyandurg | | Rayadurg | | Penukonda | |
|---------|---------|-----------|---------------|-------------|---------------|----------|---------------|----------|---------------|------------|---------------|-----------|---------------|----------|---------------|-----------|---------------|------------|---------------|----------|---------------|-----------|---------------|
| | | In- come | Expen- diture | In- come | Expen- diture | In- come | Expen- diture | In- come | Expen- diture | In- come | Expen- diture | In- come | Expen- diture | In- come | Expen- diture | In- come | Expen- diture | In- come | Expen- diture | In- come | Expen- diture | In- come | Expen- diture |
| 1. | 1980-81 | 5.95 | 5.39 | 24.54 | 6.13 | 6.09 | 6.50 | 4.30 | 3.33 | 0.72 | 1.94 | 2.63 | 2.04 | 3.39 | 1.73 | 1.45 | 1.41 | 1.27 | 1.23 | 2.21 | 1.17 | 0.53 | 1.89 |
| 2. | 1981-82 | 10.72 | 4.09 | 13.29 | 2.75 | 6.43 | 4.84 | 5.38 | 4.69 | 0.52 | 1.04 | 3.41 | 3.25 | 3.48 | 2.44 | 1.52 | 1.66 | 1.47 | 1.32 | 2.75 | 1.43 | 2.26 | 3.52 |
| 3. | 1982-83 | 8.25 | 5.70 | 8.76 | 3.33 | 5.55 | 6.45 | 5.07 | 5.75 | 1.66 | 1.20 | 4.71 | 2.22 | 5.16 | 2.07 | 1.54 | 2.00 | 0.95 | 3.10 | 2.52 | 1.44 | 1.96 | 2.19 |
| 4. | 1983-84 | 10.27 | 9.28 | 13.55 | 13.28 | 5.91 | 7.20 | 13.46 | 5.14 | 0.24 | 0.79 | 5.22 | 2.47 | 7.51 | 4.51 | 2.38 | 1.30 | 1.11 | 1.37 | 3.11 | 3.49 | 3.93 | 3.35 |
| 5. | 1984-85 | 7.07 | 3.79 | 12.25 | 9.00 | 6.92 | 7.74 | 3.62 | 7.56 | 1.29 | 1.07 | 6.33 | 4.11 | 9.90 | 4.34 | 2.64 | 2.42 | 1.05 | 1.47 | 4.34 | 4.15 | 2.12 | 2.49 |
| 6. | 1985-86 | 13.38 | 16.32 | 21.57 | 25.93 | 7.12 | 3.10 | 11.23 | 3.30 | 1.19 | 0.97 | 6.45 | 3.93 | 6.56 | 7.35 | 0.93 | 2.77 | 1.63 | 0.76 | 2.75 | 3.24 | 3.73 | 3.26 |
| 7. | 1986-87 | 16.37 | 20.67 | 18.35 | 14.47 | 9.73 | 11.05 | 17.99 | 12.73 | 0.12 | 0.69 | 7.43 | 7.37 | 10.47 | 13.13 | 1.80 | 1.81 | 0.61 | 1.69 | 3.61 | 2.64 | 6.06 | 3.44 |
| Total | | 73.01 | 70.74 | 117.32 | 34.94 | 47.75 | 51.38 | 66.62 | 54.60 | 5.74 | 7.70 | 36.73 | 29.55 | 46.47 | 41.12 | 12.81 | 13.37 | 8.09 | 11.44 | 21.70 | 17.57 | 20.64 | 20.14 |

SOURCE: Annual Administration Reports, Assistant Director of Marketing, Anantapur.

Diagram : 1.1. Financial Position of Agricultural Market Committees in Anantapur District for Seven Years (1980-81 to 1986-87)



INDEX



Income ...

Expenditure

Rupees in Lakhs

Anantapur Shamshadpur Hundapur Koduri Madakusira Tadipatri Guntakal Urisalonda Kalyandurg Rajadurg