CHAPTER I

INTRODUCTION
SIGNIFICANCE OF AGRICULTURE:

Agriculture in India has been a way of life. It has been enjoying since times immemorial a place of pride in our economic and social life. It is by far the most important source of employment. More than 70 per cent of the total population depends on agriculture. It has been a source of livelihood.

In the last twenty years, Indian Agriculture has undoubtedly witnessed a major technological breakthrough and has undergone progressive commercialisation. The Intensive Agricultural District Programme (IADP) started in 1963-64 envisaged a package of superior inputs, to improve the cultivation of selected major food crops. The real breakthrough came with the large scale adoption of the High Yielding Varieties (HYV) seeds programme 1966.

In a predominantly agricultural country, economic development is intimately connected with agricultural development. In order to seek the development of India as a whole, agricultural development still needs priority. It not only provides livelihood to a greater portion of the Indian population, but also provides raw material for industries. Agricultural commodities occupy prime place in India's exports.

Agriculture is the backbone of Indian economy. Unless the agricultural sector is well taken care of and developed as an efficient support to our industrial sector, the progress of
economic development will be slow, unsteady and unbalanced.

Improved or New Agricultural Technology refers to all forms of new farm inputs and services such as High Yielding Varieties, Chemical fertilisers, Insecticides and Pesticides, improved farm machinery and equipment. Similarly in this context the 'Green Revolution' has also come to mean a revolution in the field of agriculture through increased production by using newer farm inputs and improved technologies and there by increasing living standards of the rural people.

After the crops have been harvested, the produce has to pass through various marketing stages like processing, garding, standardization, storage and transportation. Thus its ownership also changes. And when the ownership is transferred from one person to another the price is also to be determined. Thus, in a self-contained and money based economy too, marketing process becomes an integral part of the developing economy. In addition to it, every region of a country has got comparative advantage over the others in producing certain commodities. Naturally, the farmers of each region would prefer to produce that commodity which can be sold in the market easily and can fetch a remunerative price.

**IMPORTANCE OF AGRICULTURAL MARKETING:**

Marketing of goods normally implies their physical transfer as well as the economic terms on which these transfers are made. The efficiency in physical transfers can come about with the
avoidance of wastage during transport, storage, weighment, loading and unloading.  

Marketing acts like a bridge between the producers and distributors on the one hand and consumers on the other. Marketing, in fact, is now being considered an integral part of production process itself. The movement of the produce from the field to the consumer at minimum incidental cost, and at a reasonable margin of profit to the trader, presupposes the existence of an efficient marketing system.  

The word 'Market' is derived from the Latin word 'Marcatus' meaning thereby merchandize, or a place where business is conducted. In a layman's language, a market is a place where buyers and sellers meet for buying and selling of goods.

According to Chapman "Economically interpreted the term market refers not to a place but to a commodity or commodities and buyers and sellers, who are in direct competition with one another".  

In the opinion of Cornot, "Originally a market was a public place in a town. But, the word has been generalised so as to mean anybody or persons who are in intimate business and carry on extensive transaction in any commodity".  

Generally the word 'Marketing' refers to all those various activities and services related to marketing, which are responsible for carrying the produced goods (final products) or commodities from the producer to the consumer. Marketing includes those 

business activities which are involved in the flow of goods and services from production to consumption.

In a study of agriculture, agricultural production is a key factor. In addition to augmenting agricultural production and productivity it is necessary to have efficient marketing system. A well organised system of marketing facilitates progressive and prosperous agriculture. It innovates and motivates the production of agricultural products by ensuring remunerative prices.

The chief objectives of marketing are ensuring acceleration of agricultural growth and consequent economic growth distribution of more equitable income between rural and urban sectors or within the rural sector and to assure better diet for more people. In a country like India where agriculture is the mainstay, it is necessary to ensure accelerated agricultural development. Hence adequate attention must be paid to the overall development of agricultural marketing. The production efforts are likely to suffer, if they are not supported by well developed and scientifically organised market system. The Marketing Committee of the U.N. Conference on Food and Agriculture (1945) observed that "Marketing is the crux of the whole food and agricultural problem. It would be useless to increase the output of food, it would be equally futile to set up optimum standards of nutrition unless means could be provided which represent a fair remuneration to the producer and is within the consumer's ability to pay".
The Royal Commission on Agriculture (1928) expressed that "the prosperity of the agriculturists and the success of any policy of general agriculture improvement depends to a very large degree on the facilities which the agricultural community has at its disposal for marketing". Peter Drucker (1970) considers marketing as important multiplier of economic development and its advancement makes possible economic integration and the fullest utilisation of whatever assets and productive capacity an economy already possesses. Hence, it is incumbent to have the most developed infrastructure is to multiply and optimise the dividends of the farming community.  

**MARKETABLE AND MARKETED SURPLUS:**

Marketing is the economic process by which goods and services are exchanged and their values determined in terms of money prices. It is widely believed that agricultural marketing system plays a crucial role in the economic development of the region which is predominantly agriculture in nature. It is customary to draw a distinction between Marketed and Marketable Surplus. Marketable surplus represents the theoretical surplus available for disposal with the producer after his requirements of family consumption, payment of wages and seed needs are met with. In other words marketable surplus = total farm production - requirements of the farmers. Marketed surplus, on the other hand, refers to that portion of the Marketable surplus which is actually marketed. The Marketed Surplus is utilised by the non-farm rural and urban population. Marketed Surplus is objective in nature. Marketed
surplus is the quantity of farm produce actually sold by the farmers irrespective of consumption and other requirements. It refers to the actual quantity which enters the market. On the other hand Marketable surplus is more subjective in nature.

Marketed Surplus of agricultural produce plays a key role in the agricultural development of underdeveloped countries. Agricultural marketing mainly depends upon generation of marketable surpluses.

M. Dobb is of the opinion that it is the marketed surplus of agriculture which plays the crucial role in the underdeveloped country in setting the limits to the possible rate of industrialisation.

Nicholls maintains that until underdeveloped countries achieve sustainable food surplus, they do not fulfil the fundamental pre-conditions of economic development. Similarly W.W. Rostow showed how take off was facilitated in Russia and Japan through the rise in agricultural productivity and marketed surplus.

It is necessary that the magnitude as well as the flow of Marketable surplus should be augmented to sustain accelerated development. Indeed monetisation of agricultural sectors establishment of Regulated Markets and adoption of well designed price policy increase Marketable Surplus. Nevertheless experience shows that the Marketable surplus differs over regions and among crops.
Kapde M.V. (1961) maintains that higher intensity of cropping leads to higher production and in turn accounts for emergence of a large margin of Marketable surplus.  

The study of Dharm Narain (1950) revealed that the marketed surplus as a proportion of the value of the produce declined up to 10-15 acres size group and it steadily increased afterwards. A study conducted by Misra B. and Sinha S.P. (1961) reveals that, "the majority of the small families had no marketable surplus of grains while more than 50 per cent of very large families had some marketable surplus.

Among others different factors which affect Marketable surplus include habit pattern of producers, nature of crops grown, cash requirements of the farmer and prices of food product. In addition infrastructural facilities affect the margin of Marketable surplus. They include storage capacity and the extent of transport availability and communication.

We experience a series of difficulties in the measurement of Marketable and Marketed Surplus. The small and marginal farmers make resort to local sale of their produce. Such local sales are not recorded while making an estimate of marketable surplus. Similarly, estimates of arrivals in unregulated markets are not assessed methodically. Existing information about the Marketed surplus in India is inadequate.

The significance of an efficient agricultural marketing system is not debatable. In the absence of adequate marketing facilities
the farmers have to rely upon the local traders and middlemen for the disposal of produce. In the process small and marginal farmers are denied of remunerative prices. Edgar Owens and Robert Shaw (1971) viewed that "Agricultural development is first of all a human problem, not a technical problem. If all farmers have access to production inputs, the financial system, the market and agricultural knowledge, then they can improve the state of agriculture. But most farmers lack access to a market system and thus lack both the resources and incentives to modernise their production methods".\textsuperscript{12}

It is necessary to develop sound agricultural marketing to facilitate the off take of production surpluses brought about by technological innovations. Now the accent is on production, improving the production through improved farming methods and technologies. A comprehensive integrated strategy for developing agricultural marketing system is called for. Hence the importance of sound agricultural marketing to ensure fair returns to the farmers needs no special mention.

**EXISTING MARKETING CONDITIONS:**

We find considerable diversity and flexibility in the marketing of different commodities in different regions. Agricultural production is regarded due to smaller and scattered units of production. Further, production never coincides with the demand in cases of most of the agricultural product. Moreover the quantity and quality of agricultural production are beyond the control of
the producers. Supply and Demand imbalances are pronounced due to drought, floods, hailstorms, animals and plant diseases. Finally the social factors like ignorance, illiteracy, superstition etc., limit the operation of market forces. Hence Agricultural Markets in India by and large are primitive, unorganised chaotic and uneconomic.

**REGULATED MARKETS:**

In India a vast majority of farmers are small and marginal farmers. They cultivate land as traditional subsistence farmers. They do not have significant marketable surplus. They market their surplus in unorganised local markets. The most pronounced evils in the unorganised market system in rural areas include multiple prices of buying and selling, use of defective weights and existence of a large number of transactions. They do not take advantage of official testing and grading of products due to inadequate knowledge. The farmers become vulnerable. They do not get remunerative price for their produce. It is necessary to regulate the working of the existing market to put an end to the prevailing malpractices.

Sain.K. (1975) reports that the Small and Marginal farmers have to satisfy with average or subnormal prices for their produce while the ultimate consumers receive the products through a chain of intermediaries at much higher prices.\(^{13}\)

Mats Lundahl stated that the bargaining power in the commodity markets is sufficiently unequally distributed as to confer most benefits on the intermediaries leaving the peasant in the
most unprofitable situation. There has been unanimity among the economists and agricultural scientists that an efficiently organised market system would facilitate the proper and smooth disposal of what the farmer produces and thereby acts as a catalyst to stimulate increased production. It protects the small and marginal farmers from exploitation.

When the state or any public authority comes forward to enforce regulation for the organisation of market, the market is termed as Regulated Market. In a Regulated Market, market functionaries are required to take licences.

The first attempt at Regulation of Markets in India dates back to 1897 when the Berar Cotton and Grains Markets Law was passed to purge marketing of many of its abuses. Subsequent market acts have improved upon this act.

The Royal Commission (1928) which surveyed Indian Agriculture recommended the establishment of Regulated Market on the Berar pattern as modified by the Bombay Cotton Market Act 1927 which was expected to confer immense benefits to the farmers of India. The Bombay Cotton Market Act 1927 provided for the establishment of Market Committees. The grant of loans by the provincial governments was required to be made to market committees for meeting initial expenses on landed buildings. A provision was made to prevent brokers from acting for both buyers and sellers in the
market. Adequate storage facilities in the Market yards were to be created. Co-operative sale Societies was to be encouraged. Weights and measures were to be standardized.

The Indian Central Banking Enquiry Committee endorsed the recommendation of the Royal Commission on Agriculture and was for taking steps for improving and organising agricultural marketing in India.

The Regulated Markets conferred certain benefits. The producers are freed from the exploitation of market functionaries such as traders and brokers. In a Regulated Market we find licensed functionaries under the control of Market Committees. Marketing charges such as commission and weighment charges are clearly specified and rigidly enforced. Correct weighment is ensured by periodical inspection and checking of scales and weights. Disputes between producers and traders, if any, are settled on the spot. Further cash payments are insisted upon soon after the sale is effected. Open auction and open agreement sales in a Regulated market eliminate underhand and under cover transactions. Reliable and up-to-date market information is made available to producers to help them plan their sales. Moreover fair trade practices are ensured through strict enforcement of regulations.

There exist basic differences between developed and developing countries in agricultural supply system, labour costs consumer incomes, degree of urbanisation, food habits etc. Hence any attempt to directly transfer marketing methods and organisation
from developed to developing countries may be risky. The Government in India has intensified programmes for change in institutions and reorientation of public polices and programmes taking into account complexities of a dynamic marketing system. The Government efforts aimed at strengthening the market services.

The studies of Jasabanwala (1966), Cumings (1967), Uma. J. Lele (1972) broadly concluded that Indian agricultural markets are fairly competent and the existing market structure does not need any radical overhaul at the present stage of economy. Nevertheless provision of adequate transport facilities, grading systems and adoption of fair market practices were recommended for the most effective functioning of agricultural market.

Venkata Ramayya (1972) advocated for setting up Agricultural Markets Finance Corporation for rendering financial assistance for the speedy development of markets. Nagaratnam (1985) found that a number of primary farmers could not afford to come to the market yard. This economic disability arose out of inadequate credit to meet the financial needs of the farmers. Thus the farmers resorted to forced sales in the villages and to the agencies from whom they borrowed loans.

Indian farmer generally sells his produce at an unfavourable place, at an unfavourable time and usually gets very unfavourable terms. The produce is sold soon after harvest due to indebtedness and unsatisfactory nature of communication. This underlines the need to protect the farmer by way of helping him to produce more
and also assisting him in the disposal of his surplus at the best available price, with the least cost.

The experience has been revealing. Notwithstanding the provided infrastructural facilities for the marketing of agricultural produce in many markets, the arrivals do not constitute even fifty per cent of the marketable surplus. The produce is diverted by the village moneylenders and other agencies. If adequate and timely finance as a short term advance is made available to the producers in the market yard, a number of benefits will accrue to the farmers.

The International Crop Research Institute (1976) opined that the producer-sellers were not only interested in selling the produce at the remunerative prices but also wanted to purchase their necessities at reasonable prices at market centres. Indian market cannot be developed without solving the problems of agricultural marketing and rural finance. The Government has been granting credit to land owners as well as tenants against anticipated crops. In the absence of adequate credit to the farmer-producers, a substantial portion of the agricultural produce is sold out in the village itself at a low price. The middlemen and the other intermediaries between the cultivators and consumers exploit the illiterate farmers. The other malpractices such as manipulation of weights and measures, and taking away the surplus without payment are also rampant. 20
The provision of marketing services are necessary for the development of marketing. It is also necessary to provide better transport and storage facilities to strengthen marketing structure. Education and training of involved agents would gear up the marketing system leading to its effective functioning.

The review undertaken provides insights into the significance of agricultural marketing, the problems and prospects of agricultural marketing, apart from cursory glance at the research findings of different studies on agricultural marketing.

NEED FOR THE STUDY:

Agriculture is the mainstay of the people in the Kurnool district. Agricultural marketing, however, has not adequately developed in the district. This sounds paradoxical. Not many studies were undertaken on agricultural marketing in the Drought Prone Rayalaseema region in general and in Kurnool district particular. Hence not much light is thrown on the marketing practices and disposal practices of the farmers in Kurnool district. The study is a micro level study with specific reference to marketing problems in Kurnool district.

The present study identifies Marketing problems and suggests appropriate measures to facilitate an efficient and effective system of marketing.
OBJECTIVES:

The study keeps in mind the following objectives:

1. To analyse the socio-economic characteristics of farmers.
2. To depict the cropping pattern and yield levels of sample farmers.
3. To ascertain the opinions of the respondents on the working of rural markets.
4. To evaluate the opinions of the farmers on the existing marketing facilities in the study area.
5. To identify the hindrances which come in the way of marketing the agricultural products.

HYPOTHESES:

The following hypotheses were formulated before they could be tested in the present study.

1. The agricultural marketing efficiency is independent of the factors like caste and age.
2. Education has bearing on marketing efficiency.
3. The unorganised institutions are more active than the organised institutions in providing marketing information.
4. The size of land holding and marketing efficiency are positively related.
SAMPLE SELECTION:

The study is carried out in Kurnool district. Two Revenue Mandals namely Mantralayam and Kosigi were chosen based on purposive sampling. From each revenue mandal two villages were selected using Simple Random Sampling Technique. The selected villages are Rampuram and Madhavaram from Mantralayam mandal and Kosigi and Belgal in Kosigi mandal. In all hundred respondent farmers were interviewed. Of the hundred farmers twenty five were selected from each village based on proportional stratified random sampling. Thus the sample farmers represent all categories of the farmers. Namely Marginal Farmers, Small Farmers, Semi-Medium Farmers, Medium Farmers and Large Farmers. The Marginal farmers possess less than 1 Hectare of land. The Small farmers own land from 1 Hectare to 2 Hectares. The Semi-Medium Farmers possess land in the range of 2 Hectares to 4 Hectares. The land owned by the Medium farmers is in the range of 4 Hectares to 10 Hectares. The Large Farmers have above 10 Hectares of land. Table - 1.1 presents village-wise selection of respondent farmers.

COLLECTION OF DATA:

A schedule was administered to the respondents. The schedule covers different aspects of marketing including disposal pattern. It is designed to obtain the related information on cropping pattern, costs and yield levels. The collected data relates to the Agricultural year 1994-95.
TABLE-1.1 : SELECTION OF THE RESPONDENTS FROM THE STUDY AREA

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<th>S.No.</th>
<th>Mandal/Village</th>
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2. The Handbook of Mandal Statistics.

Note: Figures in brackets percentage to total.
The collected data was subjected to statistical techniques before meaningful inferences could be drawn. The techniques used ranged from Chi-Square test to simple percentages and ratios.

**PLAN OF THE STUDY:**

The second chapter deals with the Economic Profile of Kurnool district. The Third Chapter refers to Socio-Economic characteristics of the sample farmers. The Fourth Chapter presents the cropping pattern yield levels and costs of different crops raised in the sample villages. The penultimate chapter deals with the disposal pattern and problems of marketing facilities. The lost chapter deals with the summary and conclusion.
REFERENCES:


10. Dharm Narain: Distribution of the Marketed Surplus of Agricultural produce by size level of holding in India 1950-51, Asia Publications, New Delhi.


