CHAPTER I

METHODOLOGICAL FRAME WORK
The significance of agriculture in the agrarian economy like ours needs no special emphasis. Despite concerted and concentrated efforts to accelerate the pace of industrialisation, agriculture still occupies a place of pride and forms the backbone of our economy. With the introduction of economic planning and with a special niche for agricultural development, particularly after 1962, the previous trend of stagnant agriculture was reversed. The sixties and seventies witnessed significant, unprecedented and farreaching changes in agriculture. The scale of production witnessed a sea change, and agriculture showed signs of "take off". The Green Revolution increased the demand for various inputs such as credit, HYV seeds, extension, farmers', training, transportation, storage, market etc. An efficient system of marketing provides not only an impetus for the producers by way of ensuring remunerative prices for their agricultural products but also protects the interests of consumers by means of supplying qualitative goods at reasonable rates.

SIGNIFICANCE OF AGRICULTURAL MARKETING:

Agricultural production is a key factor in a study of agriculture. However, it is pertinent to note that an overall increase in agricultural production, productivity
are not the only factors required to sustain the tempo of development. Marketing also has a significant bearing on agricultural production. In other words, a well organised system of marketing makes agriculture progressive and prosperous. It innovates and motivates the production of agricultural products with the motto of selling them.

The process of buying and selling economic goods and services, one of the oldest institutions in the history of man, is now labelled as "marketing". The expression "Market" is derived from the latin word "Mercatus" which means the location where there will be get together of buyers and sellers for trade. But, "Marketing" is not merely buying and selling. In the case of agricultural products, "Marketing" would imply the movement of the produce from the farm where it is produced to the consumer or manufacturer. It includes transport, initial processing, grading, storage and selling. The strategic function of a marketing system is to offer a convenient outlet for the produce of the farmer.

The main objectives of marketing are to make income distribution more equitable between rural and urban sectors or within the rural sector, acceleration of economic growth, assuring better diet for more people. But, the objectives/sub-goals do vary from country to country and within
the country from time to time. In countries like India, where agriculture is the mainstay, to ensure a more balanced and continuing development of the agricultural sector, adequate care and attention must be given to the overall development of agricultural marketing failing which the negative trends would set in.

The production efforts themselves are likely to suffer if they are not supported by a well developed and scientifically organised marketing system. The Marketing Committee of the UN Conference on Food and Agriculture (1945) stated 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 a price which represents a fair remuneration to the producer and is within the consumer's ability to pay".

The Royal Commission on Agriculture (1928) also expressed that "the prosperity of the agriculturists and the success of any policy of general agricultural improvement depends to a very large degree on the facilities which the agricultural community has at its disposal for marketing to the best advantage".
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 to multiply and optimise the dividends of the farming community.

MARKETABLE AND MARKETED SURPLUS:

It is said that Agricultural Marketing System plays a significant role in the economic development of the regions whose resources mostly are agricultural in nature. Marketable surplus represents the theoretical surplus available for disposal with the producer left after his requirements of family consumption, payment of wages in kind, feed, seed and wastages have been met. Marketed surplus, on the otherhand, represents only that portion of the marketable surplus which is actually marketed and is placed at the disposal of the non-farm rural and urban population, while marketable surplus is more subjective in nature, the 'Marketed surplus' is objective since it refers to the actual quantity which enters into the market. Marketed surplus of agricultural produce plays a key role in the economic development of under-developed countries.
Dobb, M mentions that "there is reason to suppose that it will be 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 (1963) asserts that "until underdeveloped countries succeed in achieving and sustaining a reliable food surplus, they have not fulfilled the fundamental preconditions of economic development. Similarly W.W. Rostow shows how take off was facilitated in Russia and Japan through the rise in agricultural productivity and marketed surplus.

It is generally viewed that to sustain an increasing tempo of development, it is important that the magnitude as well as the flow of marketable surplus should be augmented. The steps such as monetization of agricultural sector, establishment of regulated markets, evolution of a well designed prices policy enabling the ruralities to have a closer and more frequent touch with urbanities, pursuing a definite and stable agrarian policy etc., considerably increase the marketable surplus. However experience shows that the amount of marketable surplus differs from region to region over in the same region from crop to crop.

Kapde, M.V. (1961) views that higher intensity of cropping leads to higher production which in turn accounts for a large margin of marketable surplus.
Another important factor which significantly influences the quantum of marketable surplus is the size of farm.

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 other factors, that affect the marketable surplus, the consumption habits of producers, nature of crops grown, cash requirements of the farmers, prices of food products etc. are very vital. In addition, unhealthy market conditions also affect the margin of marketable surplus. They include deficient storage capacity, distress sales, deficiencies and difficulties of transport and communication, presence of intermediaries etc.

But a series of difficulties are encountered in the actual measurement of marketable and marketed surplus.
Most of the small and marginal farmers make local sales of their produce which are generally not recorded while making an estimate of marketable surplus. Similarly estimates of arrivals in unregulated markets are not assessed methodically. Moreover, arrivals are not separated by year of production. Existing information about the marketed surplus in India is inadequate. Dharm Narain (1950-51) estimated that 33.4% of all the agricultural produce was marketed by the cultivators.

Thus an effective approach to the problems of agricultural marketing in our country requires a clear understanding of the agricultural structure, the pattern of land utilisation, the combination and relative importance of crops, the overall and regional relationship between production and requirements etc.

In the absence of sound marketing facilities, the farmers have to rely upon the local traders and middlemen for disposal of their produce. In case of small and marginal farmers, marketing of produce at throw away prices is hardly remunerative. 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.

It is clear that for the development of agricultural sector, it is essential to develop agricultural marketing so as to match with the production surplus resulting from technological innovations and exploitation of the existing land and water resources. The agricultural marketing has assumed greater importance and scope than more procurement and distribution to the public distribution system. With the accent on improving the production, through improved farming methods and technologies, a comprehensive and an integrated strategy for developing a modern agricultural marketing system needs to be evolved. The importance of sound agricultural marketing policies for ensuring fair returns to the farmers needs no special mention.

STATE OF MARKETING SYSTEM:

The agricultural marketing system presently prevailing in India is characterised by a considerable degree of diversity and flexibility in the arrangements as between different commodities and regions. Its growth is checked due to some hindrances. Firstly, the efficiency of both production
and marketing are retarded due to much smaller and scattered units of production. Secondly, the season and rate of production never coincide with those of the demand in case of most of the agricultural products. Finally, the quantity as well as the quality of the agricultural production are well beyond the control of the producers. Supply and demand are frequently unbalanced to the detriment of both consumers and producers due to droughts, floods, hailstorms, animal and plant diseases etc. In addition, the social factors like ignorance, illiteracy, superstitions etc. limit the operation of market forces. It is, thus, opined that the agricultural markets in India are primitive, chaotic and uneconomic.

REGULATED MARKETS:

A majority of farmers are marginal, small and near landless and are cultivating the land as traditional subsistence farmers. They do not have significant marketable surplus. These farmers sell their marketable surplus in the local markets which are mostly unorganised. The most pronounced evils in the existing marketing system in rural areas include multiple prices of buying and selling, use of detective weights, existence of a large number of intermediaries conducting transactions and a large deductions made from sellers' dues. Due to the absence of knowledge of the existing marketing facilities, they cannot take advantage of official
testing and marketing of products. This prevents the vulnerable farming community from getting remunerative price for the produce. In order to secure a remunerative price for the produce that a farmer takes to the market for disposal, it imperative to regularise the working of existing market to put a stop to the various malpractices. The concept of regulation of agricultural produce markets as an integral of market reform has been accepted in India for a long time. Regulated markets are now better informed and are developing into important focal points for marketing of agricultural produce. These markets can also be used as contact points between the producer and other government agencies to get the produce more involved not only in the marketing of his produce but also in the general economic development of the country. This could curb unauthorised deductions like charity charges, malpractices like under cover sales etc. It ensures the use of standardised weights and measures and evolves a suitable machinery for the settlement of disputes thereby ensuring that the producers are not only subjected to exploitation but they also receive remunerative prices while disposing of their produce in the markets.

Sain, K. (1975) reports that the small farmers have to be satisfied with average or subnormal prices for their produce while the ultimate consumers receive these through a chain of intermediaries at much higher prices.
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.

Sharma, J.S. & Shah, S.L. (1965) mentioned that in agricultural marketing we are concerned with demand and supply conditions, marketing operations including marketing functions viz., a) Assembling b) Processing and c) distribution, functionaries and costs, price fixation, market structure, conduct and performance of marketing efficiency.

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.

In attempting to draw useful lesson, for marketing improvements from advanced countries, the dynamics and the evolution procedures in the development process of agricultural marketing structures are yet to be better understood. The marketing structure develops hand in hand with improvements in the production and consumption structure, in line with the changing overall economic scenario in the country. The
dynamic process implies the transformation of rural, agriculturally based economies into more urban, industrially based economies (Harrison Kelley, 1975).

However, the basic differences between developed and developing countries exist in agricultural supply systems, labour costs, consumer incomes, degree of urbanization, food habits etc. Hence any attempt to directly transfer marketing methods and organization from developed to developing countries with no analysis is highly risky and may lead to failure.

Considering rapid changes and increasing complexities with a dynamic marketing system, the Government as well as research institutions in India have intensified programmes for change in institutions and reorientation of public policies and programmes. The efforts were aimed at strengthening the marketing services.

The studies of Jasabanwala (1966), Cumings (1967), Uma, J. Lele (1972), John, R., More and Khusro (1973) 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. However, changes in transport, grading systems and adoption of fair market practices were recommended for the most effective functioning of agricultural markets.
Venkata Ramayya (1972) mentions that Agricultural Markets Finance Corporation needs to be constituted for rendering financial assistance for the speedy development of markets.

Varadarajan (1991) asserted that the vital question of finance and communication remain the major constraints for developing markets. He further added that little attention has been paid to the two major inputs – proper road linkage and financial assistance. He made a suggestion to set up an Agricultural Marketing Bank to finance agricultural marketing products under the State Markets Act. He stressed the need for an improved marketing system with appropriate infrastructural and credit facilities.

Nagarathanam (1985) revealed that a number of primary farmers cannot afford to come to the market yard. This economic disability arises out of the fact that the existing volume of mutual credit is too inadequate to meet the financial needs of the farmers. Thus they resort to forced sales in the villages and to the agencies from which they borrow loans and advances.

The National Planning Committee rightly observed that the farmer in general 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 poverty, indebtedness, unsatisfactory nature of communication, lack of holding power and the need for finance. 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.

Experience has shown that even though the infrastructure facilities for marketing of agricultural produce are provided in many markets, the arrivals do not represent even 50 per cent of the marketable surplus, the produce is generally being diverted by the village money lenders and other agencies. If adequate and timely finance as a short term advance is made available to the producers in the market yards, a number of benefits will accrue to the farmer and to the market committees.

As Dr. B.V. Jha, the noted agricultural Scientist has observed, an efficient marketing system would not only provide the necessary drive for developing agriculture by stabilising prices at a remunerative level, but would also create an atmosphere of investment by assuring secured return.
To quote him, once there is the assurance for their survival, they would certainly maximise their income through an all out effort to raise agricultural productivity.

ICRI (1976) opined that the producer-sellers were not only interested in selling the produce at a remunerative price but also wanted to purchase their necessities at cheaper prices at market centres. It revealed that the 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. It is rather unfortunate to note that a substantial portion of the agricultural produce is sold out in the village itself at a low price. There are intermediaries between the cultivator and the ultimate consumer. The innocent and illiterate farmers are being exploited by the greedy middle men. The malpractices such as manipulation of weights and measurements, taking away the surplus without payment etc. are rampant.

The studies of Dantwala (1950), Kulkarni (1977), Subba Rao (1978), Babara Haris (1980) and Narasimha Murthy (1984) revealed that lack of organisation amongst the cultivators, presence of middlemen, unregulated markets, unreasonable market charges, widespread malpractices in the markets, inadequate storage facilities, ill equipped transport facilities, defective marketing methods, absence of grading and standardization
etc. are some of the hindrances that damage the interests of both producers and consumers.

It is clear that effectiveness of marketing facilities, services such as training, market intelligence, research and advisory services etc. are vital for acceleration of development of marketing channels. The effectiveness of marketing largely depends on the extent to which they are oriented to the particular situation of marketing and the stage of a country's development.

There is also a tendency among the economists to feel that the present marketing systems should be improved through an indirect approach fostering better marketing methods, better storage and transportation facilities, education and training of agents, quick and accurate market intelligence services, and well coordinated institutional arrangements. Direct government intervention in the market systems operation would be the last resort to depend on, if it effectively induces the continuously increased volume of agricultural flows from the producer to the consumer.

The above review gives a bird's eye view of the significance of agricultural marketing, the concepts of marketable and marketed surplus, the problems and prospects
of agricultural marketing, the research findings of different studies on Agricultural Marketing etc.

NEED FOR THE STUDY:

It appears somewhat paradoxical that in spite of being predominantly an agricultural zone, agricultural marketing has not really developed in Anantapur district. Non-availability of marketable surplus has retarded the development of the marketing system in this district.

There are not many studies on agricultural marketing in chronic drought prone Anantapur district. As such there is dearth of information regarding marketing of agricultural products, the disposal practices, problems of marketing etc. at the micro level.

The present study provides a systematic approach to the identification of marketing problems and also suggests suitable ways and means to plan for an effective and an efficient system of marketing.

OBJECTIVES:

The main objectives of the present study are
1. To assess the factors that influence the marketing efficiency.

2. To find out the opinions of the respondents on the working of rural markets;

3. To evaluate the opinions of the farmers on the existing marketing facilities in the study areas; and

4. To identify the hindrances that come in the way of marketing the agricultural products.

HYPOTHESES:

The following are a few hypotheses that were tested in the present study.

1. There will be a close nexus between the class and caste of the respondents in the study areas;

2. The small and marginal farmers prefer selling their products prior to / immediately after harvesting;

3. The agricultural marketing efficiency is independent of the factors like caste, education, age etc.;

4. The unorganised institutions will be more active than the organised institutions in providing marketing information; and

5. The prevalence of high level of illiteracy coupled with the most un conducive methods of marketing affect the economic interests of the farming community at the grass roots.
UNIVERSE AND SAMPLE:

At the first phase two revenue mandals of Anantapur District namely Tadipatri and Yellanur have been chosen on the basis of purposive sampling technique.

In the second stage two villages from each revenue mandal have been selected using simple random sampling technique.

In all 100 respondents comprising 25 from each of the selected village have been interviewed by adopting proportional stratified random sampling technique (Table 1.1).

The word 'universe' would imply all categories of farmers in Chukkalur and Ravi Venkatampalli of Tadipatri mandal, and Nittur and Peddamallepalli of Yellanur mandal. Our sample consists of 100 respondents drawn from all categories of farmers viz., Marginal farmers (M.Fs), Small Farmers (S.Fs), Big Farmers (B.Fs), Medium Farmers (Md. Fs). Marginal farmers are those who possess less than 2.5 acres of land followed by small farmers with 2.5 to 5 acres, medium farmers with 5 to 10 acres and big farmers with above 10 acres of land.

METHODS OF DATA COLLECTION:

A structured schedule was administered to the respondents.
The schedule covers various aspects of marketing, such as disposal pattern, cropping pattern, costs/yield levels, problems of marketing etc.,

TOOLS OF ANALYSIS:

The statistical analysis was carried on the basis of the nature of data. The non parametric statistical technique called chi-square was used to study the factors that influence the marketing efficiency at the grass-root level. In addition, simple mathematical tools have also been used to analyse the results.

PLAN OF THE STUDY:

The first chapter refers to methodological framework that has been adopted for the present study. It also presents the empirical findings of the research studies on Agricultural Marketing.

The second chapter deals with the economic profile of Anantapur district.

The third chapter refers to the socio-economic traits of the sample farmers.
The fourth chapter presents the cropping pattern, yield levels of commercial and non-commercial crops, cost of production of various crops etc.

The fifth chapter deals with the disposal pattern, problems of marketing and the opinions of the respondents in regard to marketing facilities. In addition, the factors that influence marketing efficiency have also been examined.

The major findings of the present study are mentioned in the sixth chapter.

LIMITATIONS:

1. The study is confined to only four villages of the two revenue mandals.

2. The selection of respondents restricted to 100 due to economic constraint.

3. The duration of the study was confined to a limited period—kharif and Rabi seasons of 1990.

4. The yield/cost particulars furnished by the sample respondents in local measurement have been converted into money value.

5. The study is mostly descriptive in nature and hence the statistical limitations may be kept in view while analysing the results.
### Table 1.1 Selection of Respondents from the Study Areas

<table>
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<tr>
<th>S.No.</th>
<th>Mandal/Village</th>
<th>Marginal Farmers</th>
<th>Small Farmers</th>
<th>Medium Farmers</th>
<th>Big Farmers</th>
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<td>PC</td>
<td>BC</td>
<td>SC</td>
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<td>(15.67)</td>
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<td>(33.33)</td>
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<td>(26.32)</td>
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<td>Yellanur</td>
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<td>(33.33)</td>
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<td></td>
<td>2) Peddhamallepalli</td>
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<td>(33.33)</td>
<td>(15.87)</td>
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<td>(100.0)</td>
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### 1.2 Salient Features of Agricultural Markets in Andhra Pradesh, 1987.

<table>
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<th>S.No.</th>
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<th>Unit</th>
<th>Percentage</th>
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#### I. Agricultural Market Committees in Andhra Pradesh

- i) Coastal Andhra: 92, 39.55%
- ii) Rayalaseema: 47, 20.26%
- iii) Telangana: 93, 40.08%
- iv) Total: 232, 100.00%

#### II. Notified Markets

- i) Coastal Andhra: 316, 41.15%
- ii) Rayalaseema: 158, 20.15%
- iii) Telangana: 294, 38.28%
- iv) Total: 768, 100.00%

#### III. Other Information

- i) No. of mandals in A.P.: 1104
- ii) Notified markets in the mandals: 645
- iii) Non-market yards: 294
- iv) Developed markets: 187
- v) Centralised markets: 143
- vi) Investments on National warehousing scheme: 705.15 lakhs
- vii) Rural warehouses constructed: 93
- viii) Central Assistance (in crores): 3.43
- ix) Markets under Central assistance: 137
- x) Annual income (in crores): 25
- xi) Short term loans (in crores): 3.36
- xii) Marketing arrivals total value (1985-86) (in crores): 2355.49

References:


22. Dharm Narain: Distribution of the Marketed surplus of Agricultural Produce by size level of Holding in India 1950-51, Asia Publications, New Delhi.
