CHAPTER IV

GEOGRAPHICAL SETTING AND MARKET STRUCTURE

"To maximise social welfare an agricultural marketing system must allocate agricultural products in time, space and form to intermediaries and consumers in such proportions and at such prices that no other allocation would make consumers (within the context of their existing income distribution) better off."

— Indian Foodgrain Marketing
(A. L. Husro, S. S. Johl and John Store)

Location of markets:
The districts in which the four markets selected for the study are located - Nowgong, Parrang, Kamrup and Goalpara- are major rice and jute producing areas in Assam. Sibsagar, Kamrup, Parrang and Nowgong are the largest rice producing districts, in that order. In yields, Sibsagar and Parrang districts surpass the average per hectare yield of rice for the State. Kamrup, Goalpara, Parrang and Nowgong together occupy a little over 78% of the total area of autumn paddy in the State and produce about 70% of the total Ahu paddy.¹

Similarly Nowgong, Goalpara, Kamrup and Parrang are major jute producing areas in Assam. These four districts occupy about 90% of the total area under jute in the State and produce nearly a little over 90% of the total jute production in Assam.²
The markets selected for the study are Juria, Mongaldai, Barpeta and Gouripur. Juria market is located in Howrong district, Mongaldai in Tarrang district, Barpeta in Karpur district and Gouripur in the district of Goalpara. All these four markets are important assembling centres for paddy and jute.

All these four markets are located on or near main town and are relatively close to important trade centres. Excepting Barpeta and Mongaldai, other two markets are connected by the North-East Frontier Railway. Mongaldai is on the North Trunk Road and is near Tangla Railway Station on the Rongia-North Lakhimpur branch line. Juria is well fed by both road and railway transport and is on the Chapermukh-Shirabari branch line of the North-East Frontier Railway. Barpeta is on the Guhatai-Barpeta line of road service and is fed by Barpeta Road Railway Station on the North-East Frontier Railway. Gouripur is well connected by both road and Railway. Gouripur is on the Pakiragram-Dhubri branch line of the North-East Frontier Railway and is also on the Guhatai-Dhubri route of the road transport. As such, there is no problem of transportation of goods for all these four markets. There is also no problem of transportation of goods when these are sent to major terminal markets like Guhatai.

All these four markets are equally connected by roads. Roads run almost parallel to the railway lines of all the primary
markets except Barpeta and Mngaldoi providing excellent alternative mode of road transport. The Assam Trunk Road runs from Gauhati to North Lakhimpur in its North-Bank route and from Gauhati to Tinsukia in its South-Bank route. Mngaldoi lies on the North-Bank route. Juria is well linked with the Assam Trunk Road by good feeder roads and can, therefore, easily afford for transportation of goods to Nowgong—a terminal market of the Nowgong district. All these primary markets are closely related to the secondary markets located at important towns. These primary markets play a vital role in feeding their nearest secondary markets.

**Flows of Paddy and Jute:**
Flows of paddy and rice are much more dispersed than any other agricultural crops. Markets from Nowgong and Kamrup districts send major part of their arrivals to Nowgong and Gauhati respectively. During the period of free trade, however, Gauhati received a major portion of paddy and rice from the adjoining districts of Nowgong and Karimganj.

Juria is a major assembling centre of paddy and jute in Nowgong district. Juria is only ten Kilometres from the district headquarters. It acquires paddy and jute locally and from the neighbouring rural areas and supplies those in the form of paddy and rice and raw jute to Nowgong.

Barpeta is an important assembling market of paddy and jute in Kamrup district. There is no railway connection with
Barpeta. However, the nearest railway station is Barpeta Road on the North-East Frontier railway. It is well connected by road, and supplies rice mainly to the adjoining population and Guwahati. From Barpeta jute is supplied mainly to Guwahati.

During the free trade direct supplies of paddy and rice were made by rail and road from Nowgong and Kamrup to Guwahati and even to outside Assam, particularly to North Bengal and Calcutta.

Mangaldoi, a market of Darrang district does not supply much rice to the terminal markets like Tezpur. It supplies rice mainly to the local population and some quantity to Tezpur. This market supplies jute mainly to Guwahati.

Gauripur is also an important assembling market of jute and paddy in Goalpara district which adjoins the state of West Bengal on the west and the district of Kamrup in the east. From Gauripur paddy is supplied to the terminal market of Thubri whereas jute is supplied to Calcutta terminal market. During the period of free trade, large quantities of rice were smuggled to North Bengal and even to Bangladesh (formerly East Pakistan).

Structure of Market:
The majority of the farmers in Assam are small-sized farmers and a very small section of them are big farmers. This fact is evident in the later part of this study. In case of small
farmers proportion of foodgrain marketed in relation to their total production is remarkably low. A predominantly large portion of the foodgrains is retained for the purpose of home consumption, such as for food, seed, payment of rent in kind and wages to agricultural labourers, in most cases made in kind. Thus the proportion of the marketed surplus by the farmers is influenced by many factors like the size of farm, size of the family, volume of production, level of indebtedness and total cash income. Because of the emergence of these factors the task of estimating the proportion of marketed surplus becomes a complex one.

The decision as to how much of the quantity to sell and when to sell is likely to be influenced by the level of indebtedness of the farmers. The empirical study made in Assam in this context reveals that the debtless farmers have sold relatively smaller proportion of their produce during the peak marketing period. Therefore, the cultivators having no debt have better retention capacity and are able to take the opportunity of better prices in the lean season. It also reveals that with the increase in the level of indebtedness, the proportion of marketed surplus increased during the peak season.

The level of crop production was associated with the size of holdings. Similarly, as the holdings increased, the area under foodgrains also increased. It is found that if the
income of the farmer is sufficiently high, he would not sell his produce during the peak season when prices are low, he can withhold his produce anticipating higher prices in the lean season. The concept of total cash income used here includes both farm incomes and non-farm income of the sample cultivators. Thus, the response of the cultivator in marketing of crops seems to have been influenced by the size of operational holdings.

There is no standardisation of the agricultural produce, particularly in case of paddy and rice. However, in case of jute, millers or even wholesale dealers resort to grading of jute according to the quality of its fibre. In many cases, there is not much standardisation of the various weights and measures used. The marketed surplus of the cultivators flows from small rural markets to large secondary markets in urban areas through a number of middlemen. But since the takeover of wholesale trade in paddy and rice by the State Government in November, 1973, the multiplicity of intermediaries seems to be on decline. Though there are similarities in the marketing of agricultural crops throughout Assam, yet major differences exist in the marketing of paddy and jute, the later being a more complex one.

A most significant feature of the marketing of paddy and rice as compared to that of jute is relatively unorganised and local in nature. Rice produced in Assam is of great
significance since it is consumed throughout the North-Eastern region. Yet there are no rice markets that can be compared to wheat markets of Punjab in size and dominance over other markets. If scarcity of rice arises due to natural havoc like floods, some rice is imported from the neighbouring states. Traditional trade connections of rice have therefore, been maintained with the neighbouring States like West Bengal, Orissa.

The share of the fine varieties of rice marketed in the total marketed rice is of little significance. It is interesting to observe that in India, of the total rice production, only 10% of the crop is of fine variety and about 30% is of medium variety, some 60% is of coarse in quality, price being low and usually consumed by the common masses of consumers.

The dispersal of paddy marketing is of course, not universal. Although paddy and rice are sold at assembling centres or primary rural markets, still a large portion of paddy surplus is sold in direct transaction at the village. In contrast to these, rice markets constitute important assembling centres in Punjab and Andhra Pradesh. These features of the rice trade in Assam may have resulted from some economic factors, such as strong preference for local varieties of rice in most places of Assam, indebtedness of farmers and payment of wages or rent through paddy. In many cases it is found that farmers take loans from local moneylenders against standing crops.
In case of marketing of jute, the producer either sells his produce at the village site to one of the middlemen. Sometimes the producer brings it directly to the primary market called 'hat'. The agent of the wholesaler or dealer then brings these produce to the secondary markets wherefrom these are supplied again to the terminal market. From the secondary markets jute is supplied to the terminal markets through different wholesalers or the institutional agencies involved in the trade. Now, the Jute Corporation of India is the only institutional agency which procures jute on Government account at the village level 'hats' and secondary markets.

Rural Markets and their share in marketing:

In Assam, each village or a number of small villages has a common market where a large number of rural farmers assemble usually once or twice a week. In these markets, farmers sell their surplus produce and purchase their necessities. One interesting feature of the transactions involved in these markets is that these are mostly of small quantities. In these markets farmers from within a range of ten to fifteen kilometres gather to sell their marketable surpluses. But the well-to-do farmers who possess relatively large surplus usually go to larger wholesale market whereas the price difference between these two markets does not attract the farmers with small quantity of surplus to go to the wholesale markets. In village markets, marketed surplus is purchased by co-villagers, small retailers, agents of
wholesalers, and in some cases Government agencies like the Food Corporation of India, Assam State Co-operative Marketing and Consumers' Federation Ltd. (STATEFU) and the Jute Corporation of India.

Village markets in Assam are not without constraints. The main bottlenecks are transportation, storage and sanitation etc. Bullock cart is the major mode of transportation of farm surplus. Some markets are not easily accessible due to lack of roads. Very little markets have telephones or even postal facilities. However, most of the markets possess at least minimum facilities of the above services.

Village markets play a vital role in agricultural marketing in Assam since more than 65% of the surplus foodgrains are sold by farmers directly in village markets. There are two reasons for which major portion of the surplus is sold in village markets. Firstly, most of the village markets are easily accessible and are situated in the vicinity of different villages under one marketing centre. Secondly, price difference between a village market and a wholesale market is not more than the transportation cost. One very significant determinant of marketed surplus of paddy which requires processing is the availability of processing units like rice mills. If this agency exists in the immediate proximity, then the surplus is more likely to be marketed in villages. Even now, in Assam a bulk of the paddy is hand-pounded and
winned and is therefore sold in local village markets.

In Assam, however, no paddy or jute market is regulated till now. With the takeover of wholesale trade in paddy and rice by the State Government since 1st November, 1973 wholesale trade of paddy and rice by non-Government agencies and private dealers has been banned. Ordinarily, no individual is allowed to carry paddy or rice in excess of five quintals. Since then wholesale purchase of paddy on Government account is made by the Assam State Co-operative Marketing and Consumers' Federation Ltd. and the Food Corporation of India. It is observed that after the takeover of wholesale trade in paddy and rice by the Government, village markets have become free to some extent from the influence of middlemen due to the increasing absence of a highly developed network of intermediaries at the village level, in contrast to the earlier period when there was no State Trading in Assam.

Middlemen at the Village Markets:

A number of marketing agencies operate in the village markets to part with the marketed surplus of the cultivators. These are village dealers, itinerant traders and commission agents. In Assam previously, a major portion of the surplus paddy was purchased by commission agents of the rice millers of a neighbouring area. The commission agents usually get a fixed commission for the purchases they make. Now the share of these commission agents in the marketing of paddy in
village markets, is becoming less significant. It is interesting to observe that paddy sold to rice millers during 1976-77 formed only 2.30% of the marketed paddy surplus (Table II-3.3.). However, in case of marketing of jute these commission agents still play a very influential role. A commission agent means an agent who operates as a middleman between the producer and the buyer. He is also known as a "Yachha arhitya" in the northern India.

The village trader known as 'village Bepari' is by far the most regular and usual purchaser of the marketed surplus of cultivators, who acts in his own capacity. He usually purchases the produce from the villages and 'haats' and later, brings it to the wholesale markets and therefrom it reaches the consumers. These village traders usually make purchases during the harvesting season when prices are low and sell it during the lean season when prices are high.

Itinerant trader goes from village to village, collects the produce from the farmers and brings it to the nearest market. He also purchases at cheaper rates due to lack of any competition from other traders.

A little portion of the paddy is sold by cultivators directly to millers at the mill site. However, from all of these numerous middlemen, the village trader is most influential and important assembling agent in Assam. After
purchasing paddy and jute in villages they send it to major assembling centres or primary wholesale markets. In the wholesale market, they sell paddy either to a local rice miller or to his agent of a distant market. He sells jute either to a commission agent or agent of wholesaler or directly to a wholesaler in this wholesale market. Some traders deal only in paddy while others are engaged in converting paddy into rice by paying milling charges besides selling rice in a local market or a secondary market.

**Primary Wholesale Markets:**

Primary wholesale markets are held in a fixed centre of a place and are usually situated in important business centres. In these markets, a large volume of transactions take place daily. These markets are much better than the village markets so far as the transportation and communication facilities are concerned. These markets are connected with distant consuming centres or terminal markets by roads or railways. Some of wholesale markets are also assembling centres for distant producing areas. For instance, Gouripur in Goalpara district and Haiborgaon in Nowgong district are primary wholesale markets for jute and also serve as important assembling and baling centres of jute.

**Terminal Markets:**

Terminal markets are situated in large urban centres where transaction takes place primarily among traders. In these markets, there are no transactions between cultivators and traders, and only a small part of the produce is sold to consumers for local consumption whereas the majority of it
is forwarded to other consuming centres. The basic feature
of the terminal market is that, there, the produce is either
finally sold direct to consumers or processors or assembled
for supplying to distant places or for redistribution to
neighbouring areas.

**Middlemen in Primary Markets:**
The primary wholesale markets play an important role in the
inter-market flow of grains, because major grains from the
village markets of different areas are assembled in primary
markets. The functions of intermediaries connected with
primary markets are discussed below.

(a) **Rice Millers:** In case of marketing of paddy in primary
markets in Assam, rice millers continued to be one of the
major buyers of paddy even a few years back. After purcha­s­
ing paddy at primary markets, they undertook milling opera­tions and thereafter, either supplied rice to some terminal
markets or sold it to commission agents who again used to
supply those rice to terminal markets. However, after the
suspension of private wholesale trade in paddy and rice
since November, 1973 rice millers' role in primary markets
has declined.

(b) **Commission Agents:** A commission agent is an intermediary
between the grower and the consumer. In case of marketing of
jute at the primary markets, the commission agents are the
most influential middlemen. The usual practice of the farmers
is to bring their surplus jute to the shop belonging to the commission agent. In the markets, price is arrived at by means of bargaining. After purchasing raw jute from growers, he begins to grade those jute in bales, in accordance with the quality of the jute fibre and moisture content etc. Thereafter, the commission agent sends those baled jute to the terminal markets like Guwahati and Calcutta.

In the paddy markets of Assam, commission agents who purchase paddy in village on behalf of rice millers and wholesale dealers of big markets usually receive commission from the buyers. However, in case of transactions between the primary wholesale market and terminal market, the commission agent buys paddy or jute in a primary market for a dealer in the terminal market, receives commission from the buyer. On the other hand, when the agent acts on behalf of his principal in the primary market, for selling the produce in terminal market, gets his commission from the principal.

Thus, a commission agent plays a dual role in the primary-terminal market transactions. There is no law regarding his commission. Even then, the commission which he gets is usually uniform.

A commission agent also renders manifold functions for the farmers. He plays a vital role in providing credit facilities to the farmers. The farmers, who are marginal or small, are to approach the commission agent for borrowing money to satisfy their domestic requirements. Sometimes, the farmers
get loan from the commission agent against the standing crops in the field. In most cases of loans, these are free of interest whereas interest is charged only on the loans which bear more risk on the part of the moneylenders i.e. the commission agents. It is found that the commission agent enters into moneylending business only to bind the farmers to dispose their crops to them. Thus the commission agent enjoys privileges of non-price competition.

However, in case of marketing of paddy in Assam, the suspension of private wholesale trade since November, 1973 has disturbed the traditional trade relationship between the farmer and the commission agent. Simultaneously, the moneylending activities of the agents are increasingly on decline because, the farmer does not sell his produce through the commission agent. Thus, the abolition of private wholesale trade in paddy has, to some extent, made this non-price competition of the commission agents an ineffective one.

(c) Wholesalers: The wholesale trader is also an important middleman in the primary market level in Assam. Sometimes, the commission agent also plays the role of wholesaler. The village-dealers or small traders usually sell their stocks to the wholesale traders in the primary wholesale market. Sometimes, they sell it to local consumers later in the season in anticipation of higher prices.
The commission agent plays the dual role either as a major wholesaler who purchases grain on his own account or for his principal in the terminal market. Sometimes, the same person acting as a wholesaler in the inter-market transactions is also a major commission agent.

In any case, the role of wholesalers in the inter-market transactions is pertinent specially in case of jute. But it may be observed that the dual functions of the wholesaler or the commission agent represent the interest of the farmers whereas the wholesaler represents the interest of the consumers.

**Conclusion**: The preceding discussion in this chapter shows that the traditional market structure offers a complex set of alternative marketing channels at different stages of marketing. It is observed that, the intermediaries engaged in the marketing of foodgrains did enough of service both to the consuming population and the growers. Particularly, the village traders play a great role in the process by collecting grains from the farmers and supplying those to the primary markets.

But, despite the services rendered by the middlemen, they are not without malpractices. It is found that, the commission agent, wholesale traders, and rice-millers were mostly engaged in hoarding the grain so as to sell those grains in
the lean season expecting some higher prices. Thus, they were responsible for creating artificial scarcity and thereby led to rise in the prices of foodgrains. Therefore, to remove these anomalies and malpractices of the intermediaries in the distributive channels of foodgrains, the Government of Assam took over the wholesale trade in poddy since November, 1973 through a network of about 660 wholesale cooperatives in order to ensure: (a) stability of foodgrain prices, and (b) a minimum support price to the growers.

1 & 2: Source: Statistical Hand Book, Assam, 1971

3 Secondary markets: Secondary markets are usually situated in important trade centres or district headquarters. Here, the major quantity of commodities arrive from other primary markets and transactions take place between the wholesaler and the retailer.

4 Source: Rice Economy of India, p. 9.