PART 3

THE CHANGING

SOCIO-ECONOMIC FRAMEWORK

AND

THE REGULATED MARKETS
CHAPTER VIII
THE CHANGING SOCIO-ECONOMIC FRAMEWORK
AND THE REGULATED MARKETS

Synopsis: A: A Historical Retrospect.


C: The Prospect.

A: A Historical Retrospect

We have, in the foregoing Chapters, analysed at length, the different facets of regulated marketing in the State against their historical setting and in terms of conceptual development. The picture of the retrospect, synoptically reviewed, emerges thus: Unbridled feudal capitalism permeated the socio-economic framework in India until almost the thirties of the present century. In the internal trade in the rural areas, the prominent institutions for agricultural marketing consisted of the fairs and the village bazars. "Each market was, however, left free to initiate and develop its own trade practices and the agriculture - producers had no voice in their determination ....." 1

Again, new markets sprang up anywhere on private lands, threatening peace. The Markets and Fairs Act, 1862, was, therefore, enacted by the Bombay State "Whereunder no one was allowed to

attempt to establish a new market or fair without the permission of the District Magistrate." The Bombay Borough Municipal Act, 1925, which empowered Municipalities to regulate markets, sale of food, etc., aimed at the preservation of sanitation and health. Both the Acts had nothing to do with the regulation of trade practices.

In the meantime, a structural change that was fast taking place in the spheres of agricultural production and marketing was causing the emergence and growth of local, regional and terminal markets for various commodities and chains of merchant-middlemen were getting established. However, conditions of imperfect competition and imperfect markets prevailed as roads were few and transport was primitive, market intelligence was most backward, marketable surpluses of the mass of agriculturist-producers were meagre, their sales through the money-lenders and local traders were practically forced at low prices, they had no waiting capacity to take advantage of future price-rises, had, as sellers, no collective bargaining power, being scattered and mostly illiterate, and, as in the process of market transactions also, various malpractices relating to selling methods, price fixation, weighment, payment, quality, market allowances, market charges, accounts, discriminatory treatment in favour of buyers crept in.

It was in 1927 that the first attempt was made in the Bombay Presidency and in 1934 in the Baroda State to bring under

regulation marketing practices through the Bombay Cotton Markets Act. The major aims sought to be achieved by this and the subsequent pieces of regulated marketing legislation were of evolving an institution of regulated markets, managed by Market Committees, for relationalising trade practices and procedures for an orderly marketing of progressively increasing number of agricultural commodities in steadily expanding areas of operation so as to raise the degrees of perfection of markets and of conditions of competition therein. While, in popular parlance, the objective was to ensure a fair return for his produce to the farmer-seller, in economic terms, it was to strengthen the forces on the supply side for a fair working of the free market mechanism. The impact of the legislation was, however, very limited until 1947 as (i) only one regulated market existed until 1943 under the Baroda Act and only three were established thereafter until 1947 under the Bombay Act. Since 1939, it was the abnormal situation of shortages and Government controls created by the Second World War and its aftermath that were responsible for it.

It was only with the advent of Independence that a new ray of hope appeared on the economic horizon. The National Government had to be primarily busy initially in the solution of the immediate problems created by the Partition of the country. Effective steps were also soon taken for the economic regeneration of the country. The approach of the erstwhile British Government of making the Indian economy a colonial one was put an end to. Now onwards, it was the Indian interest that was primarily
to govern Government policy decisions and executive action in all spheres. The outlook of the people of a free nation also began to undergo a basic change. The acceptance of the philosophy of a Welfare State by the Government, the integration of Indian princely States, the declaration of the country as a Sovereign Democratic Republic, the utilisation of the scarce physical, financial and skilled human resources in a planned manner through the series of Five-year Plans, the proclamation of social pattern as the accepted creed of the nation, the re-organisation of the States on a linguistic basis, the emergence of the ever-expanding public sector, the penetration of Government regulation and control in different spheres of public activities, the passing of varied and numerous Central and States pieces of legislation and the taking of policy decisions by Government, the continuous growth in population, the rising standards of living and literacy of people - all have metamorphosed the socio-politico-economic framework in the past few years.

Insofar as the sphere of agricultural marketing was concerned, the Government's policies of (i) agrarian reforms aiming mainly at the creation of conditions that would ensure security of agriculturist - cultivators -- particularly to those who were tilling lands not belonging to them -- and of making the pattern of land tenures uniform and (ii) rationalising the structure of agricultural marketing had a far-reaching impact.
As for (1), 14 Acts were passed between 1949 and 1960 by the Bombay Government with the goals of abolishing superfluous intermediaries and of granting ownership rights to the tillers of the land. The steps were intended to free the cultivators.

3.

(vi) The Bombay Merged Territories (Baroda Watans Abolition) Act, 1953.
(viii) The Bombay Merged Territories and Areas (Jagirs Abolition) Act, 1953.
(x) The Bombay Merged Territories Matadari Tenure Abolition Act, 1953.
(xii) The Bombay Merged Territories (Miscellaneous alienation) Abolition Act, 1955.
from the shaukles of the zamindars, landlord-moneylenders and other agencies who, as crop-sharers rentiers, not only took away a major portion of the produce but also directly or indirectly compelled them to sell the former's share to/through them at very low net prices. The transfer of ownership to the tenant-cultivators created a possibility of their produce coming to the free market. The Acts in general had a negative effect where the ceiling became applicable to an individual's holdings as the marketable surpluses per holding went down owing to greater quantities being now used for domestic consumption by the tillers. A positive measure to make holdings viable economic productive units was that of the Bombay Prevention of Fragmentation and Consolidation of Holdings Act, 1947. The Bombay Agricultural Debtors' Relief Act, 1947, helped rehabilitate the tiller-debtors through the sealing down of their debts and the provision of easy terms of repayment in instalments. The Bombay Money-lenders' Act, 1946, brought in force from 17-11-47, sought to eliminate the malpractices of the private money-lenders and regulate their operations. This, too, enabled the loanee-farmers to exercise a free choice in the sale of their produce. The liberalisation of the provisions of the Lands Improvement Loans Act, 1885 and the Agriculturists' Loans Act, 1884, for the grant of advances to meet the long-term and the short-term financial requirements of cultivators and the rapid expansion of the co-operative credit sector accelerated the process of free sales of their produce by
strengthening their bargaining power.

As for (ii), measures were taken to cover various links in the chain of the marketing of agricultural produce. The quality of the grains, fibres, oilseeds, etc. were improved through the distribution of good seeds and fertilisers, pest and insect control, irrigation facilities, etc. The fields of grading and standardisation were extended by bringing 34 commodities within the fold of the Agricultural Produce (Grading and Marking) Act, 1937, and providing for commercial grading in the case of 15 commodities. Warehousing was undertaken in a big way under the Bombay Warehousing Act, 1947, and the Agricultural Produce (Development and Warehousing) Corporations Act, 1956, as replaced by the Warehousing Corporations Act, 1962. A network of all-weather and other roads was laid in the State, many parts witnessing close-knitted constructions. Road hauliers of a variety of types including rubber-tyred hand- and bullock-carts, and power-driven three-wheeled tempos, tractors with trailers and motor-trucks of different tonnage have revolutionised rural transport. Voluntary chains have started coming up for the transport of small lots of agricultural produce to the market centres. (By the way, there is a great scope for developing a new field of transport insurance for such short-distance movements. Also, packing still remains traditional and much wastage is involved during the handling and the transport of commodities owing to leakages, pilferage, etc.) Increased numbers of market centres were brought
within the ambit of the regulated marketing legislation, market functionaries were required to obtain various types of licences for operating in the market areas, market practices and charges were streamlined, trading otherwise than as statutorily provided was illegalised. The Bombay Act, 1939, had remained in force until 1964 in the Gujarat area. The Saurashtra area had, for the first time, the Saurashtra Act, 1955, which, too, remained in force until 1964. Kutch area was uncovered until 1964. The Gujarat Act, 1963, was made operative from 1-6-1964 in the entire State. During this period of 17 years, 92 new regulated markets with 92 principal yards and 84 submarket yards were founded and 63 new commodities were notified for regulation. Also the jurisdiction of the markets once established for one or more commodities was extended to several additional commodities. All these developments did have a multiplier effect in increasing the degrees of conditions of perfect competition and of perfect market wherever free economy existed. However, the low coverage in terms of commodity arrivals in the market yards and the high incidence of illegal transactions have been serious riddles in the field. We have discussed them earlier in great detail.

B: The Problem

There is still another problem -- an institutional one -- which is growing in size and complexity in the existing socioeconomic framework and needs an analysis as, as it stands today, it cuts across the very roots of the regulated marketing
mechanism. It is that of the co-existence of regulated markets, marketing co-operatives and State Trading institutions coupled with State intervention in trading through ad hoc measures related to different commodities from time to time that make their functioning competitive rather than complementary in character.

1. Marketing Co-operatives and Regulated Markets

Broadly stated, marketing co-operativeisation is a method for replacing one or more intermediaries by a plural distributive organisation of producers and/or consumers in the process of marketing. The consumers' co-operatives have to look to the interest of their members by buying in bulk unadulterated products/goods at lowest rates possible. Where the agriculturist-producers are so organised, the intent is to augment their bargaining power on a group-unit basis vis-a-vis the buyers, both users and middlemen. The pulls exerted by the two types of co-operatives are necessarily in opposite directions. However, both can play a vital role in the creation of conditions of competition by bringing in an organised element against the other middlemen who have, in the past, gone against the interests of both, particularly of producers.

The activities of the producers' organisations take various shapes: (1) They act as mere commission agents trying to exert a positive pull to prices and counter the malpractices of private traders in the interests of the farmer-members whose
produce they sell. (ii) They sell the pooled quantities at the costs and risks of the farmers whose produce is so collected. Thus, the profits or losses arising out of the market price variations or risks of storage, processing, transport, etc., are distributed over the owners and the remaining members of the society remain unaffected by the results of transactions. (iii) They make outright purchases from any farmer-members who desire to sell their produce to the co-operatives. (While, according to the bye-laws, members must sell all their marketable surplus through their co-operatives, in practice, it is only to the extent of recovering the amounts of loans granted by the co-operatives that such canalisation is enforced.) Where such practice is followed, the co-operatives function as full-fledged trading organisations bearing all the risks of middlemen and earning profits to be distributed among their members pro rata on the basis of their respective sales. (iv) They may follow more than one of the foregoing patterns of business.

In all cases, the producers' co-operatives directly serve the interest of their members. They can perform various marketing functions assembling, transport of small lots from scattered points, grading and standardisation, storage, finance, delivery, etc.. They have relatively greater waiting capacities when the markets are slack, their working may deter the private traders from following dubious tactics. Now, if the regulated markets are created to protect the farmer-sellers from the exploitation
by private traders and buyers, the producers' co-operatives can perform this service in a better, more concerted and comprehensive manner. This makes the existence of a regulated market superfluous in this particular sphere. Therefore, the licence fees and the market fees collected by the Market Committees from the co-operatives or their member-sellers operating in the market areas impose an unnecessary cost on the farmer-sellers. It may be argued that the co-functioning of co-operatives, private traders and non-member farmer-sellers boost up the general morale of and the competitive conditions in the regulated markets. However, even if this were true, it amounts to an intra-agriculturist subsidisation which is inequitable. Also, it acts as a disincentive to farmers becoming members of the producers' co-operatives in their areas.

My field-work has shown that a serious rift has, of late, been developing between Market Committees and producers' co-operatives in various areas where the latter have started objecting to (i) taking out trading licences on payment of fees, and (ii) their members' paying the market fees on the sales effected by them. The Chairman of the Gujarat Niyantrit Bazar Sangh -- a State Level federal body of regulated markets -- in his 13th Annual Report, was very critical in this regard: "Even now the co-operative societies, that traded in regulated produce, do not pay the market fees according to the provisions of the respective Market Committees. The Director has informed
the Sangh that it should take legal action against the defaulting co-operatives." The Market Committees at Baroda and Sulsar, too, had similarly come out with public criticism in their printed annual reports for 1963-64 about the stiff non-co-operative stand taken by the marketing co-operatives in their respective areas. The Committees at Palanpur, Mahuwa (Surat), Kalol and Amreli, too, have been caustic in this respect in their replies to my questionnaires. A concerted move demanding the denotification of cotton is now in the offing from the co-operatively developed areas in the commodity in the State, where it has been brought within the scope of the regulated marketing legislation.

The demand appears to be plausible as the Government has not enforced it for commodities in the areas where their substantially pooling and/or processing have been undertaken on a co-operative basis. For instance, no one thought of regulating milk marketing in the Kaira District (i) even when (a) it was a 'scheduled' commodity since 1939, and (b) private trade monopoly was highly exploitative in character until 1946-47, and (ii), as, since then a progressively rising number of primary milk producers' co-operatives8 federated into the world renowned

6. D-60: p.5. 7. C-9, C-29, C-44 and C-82.
8. They numbered 481 as on 30-6-66.(Vide: District Registrar, Co-operative Societies, Nadiad).
Kaira District Co-operative Milk Producers' Union Ltd., Anand, have been functioning. Similarly, co-operativisation in the field of sugar cane processing in Kodinar and Bardoli areas was responsible for the non-notification of sugar cane. Even cotton itself has never been a notified commodity in the Surat area.

As early as in February, 1959, Shri T.R. Bharde, Minister for Co-operation (also in charge of Agricultural Marketing), Government of Bombay, while addressing the State Level Conference of the Chairmen, the secretaries of Regulated Markets, the Deputy Registrars and the Assistant Marketing Officers had unequivocally declared that "The object of the Regulated Markets are to provide better buying and selling of agricultural produce and eventually securing better return to the cultivator for his produce. The co-operative sales achieve this end and also increase the bargaining power of the agriculturist. The ultimate object in agricultural marketing should be the co-operative monopolistic sales." Since the commencement of the series of the Five Year Plans, the State has witnessed a rapid expansion in the fields of co-operative marketing and processing in selected commodities. The humble beginnings made initially got a great fillip in consequence of the acceptance of the major recommendations of the Committee of Direction that submitted the Rural Credit Survey Report in 1954. Liberal financial assistance in the forms of (a) Government participation in

9. The first cotton sale society was formed in as early as 1921. Subsequently, they federated into a strong union known as 'Daksin Gujarat Sahkari Cotton Sale Societies Union' in 1930.

the share capital, (b) loans at low rates of interest and (c) outright subsidies, and preferential treatment vis-a-vis private enterprise in the grant of licences, quotas, etc. greatly assisted their growth. (Vide: Table VIII.1.) Viewed regionally, the co-operatively very developed areas consist of (i) Surat, Broach, Baroda, Ahmedabad and Kaira districts, for cotton, (ii) Kaira, Surat, Ahmedabad, Mehsana and Baroda districts, for milk, and Amreli, Surat and Junagadh districts, for sugar cane.

Table VIII.1

<table>
<thead>
<tr>
<th>Types of marketing societies</th>
<th>Number of marketing societies</th>
<th>Number of members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Individuals</td>
</tr>
<tr>
<td>Purchase and Sale Unions</td>
<td>197</td>
<td>77,048</td>
</tr>
<tr>
<td>Cotton Sale Societies</td>
<td>55</td>
<td>26,719</td>
</tr>
<tr>
<td>Fruits &amp; Vegetables Sale Societies</td>
<td>40</td>
<td>11,735</td>
</tr>
<tr>
<td>Other Sale Societies</td>
<td>8</td>
<td>6,592</td>
</tr>
<tr>
<td>Cotton Ginning and Pressing Societies</td>
<td>80</td>
<td>50,249</td>
</tr>
<tr>
<td>Oil Mills</td>
<td>7</td>
<td>2,201</td>
</tr>
<tr>
<td>Paddy &amp; other Processing Societies</td>
<td>22</td>
<td>4,482</td>
</tr>
<tr>
<td>Milk Societies &amp; Unions</td>
<td>742</td>
<td>1,27,495</td>
</tr>
<tr>
<td>Sugar Factories</td>
<td>6</td>
<td>15,225</td>
</tr>
<tr>
<td>Spinning Mills</td>
<td>8</td>
<td>10,111</td>
</tr>
</tbody>
</table>

* as on 30-6-65.

11. The Registrar, Co-operative Societies, Gujarat State, Ahmedabad.
Therefore, if the Government's policy of superimposing marketing co-operativisation is to be implemented, a rational approach for it will be to establish basic guidelines to avoid inconsistencies and anomalies in future.

There are a few important issues that must be given adequate thought before any principles are enunciated: (i) A Committee cannot discriminate between one seller and the other on the regulated market -- whether one is or not a member of the marketing co-operative in the area -- in regard to the collection of market fees and between one market functionary and the other in regard to the issue of licences. (ii) It will always take time to co-operativise marketing in any commodity in any area. The institution of regulated markets will ever remain a need everywhere until co-operatives establish their firm roots. Denotification of a commodity can come in at a point of time when a predetermined minimal standard of trade-coverage is attained. The share of co-operative sales in the total sales of a particular commodity in a particular market may serve as a useful indicator for the purpose. Such figures as are available from the printed annual reports for 1963-64 of 11 Committees are presented in Table VIII.2 by way of illustration. The decision pertaining to the fixing of the minimum share is a difficult one. (iii) Take 75% share, for the sake of argument. What happens to the interests of farmer-sellers of the remaining 25% produce sold in the open market after the termination of a regulated market in that commodity? And, in no democratic country can a market be ever co-operativised 100%.
### Table VIII.2

<table>
<thead>
<tr>
<th>APMC</th>
<th>Cotton arrivals *</th>
<th>Through marketing co-operatives</th>
<th>Percentage of arrivals through co-operatives to total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bavla (Ahmedabad)</td>
<td>59,081+</td>
<td>11,659+</td>
<td>19.0</td>
</tr>
<tr>
<td>Sanand (Ahmedabad)</td>
<td>31,441+</td>
<td>3,281+</td>
<td>10.4</td>
</tr>
<tr>
<td>Bodeli (Baroda)</td>
<td>2,64,421</td>
<td>34,297</td>
<td>12.9</td>
</tr>
<tr>
<td>Dabholi (Baroda)</td>
<td>1,73,624</td>
<td>55,554</td>
<td>31.9</td>
</tr>
<tr>
<td>Ankleshwar (Broach)</td>
<td>1,40,354</td>
<td>1,18,556</td>
<td>88.4</td>
</tr>
<tr>
<td>Broach (Broach)</td>
<td>1,32,650+</td>
<td>94,087+</td>
<td>70.9</td>
</tr>
<tr>
<td>Jambusar (Broach)</td>
<td>1,50,700</td>
<td>96,453</td>
<td>64.0</td>
</tr>
<tr>
<td>Cambay (Kaira)</td>
<td>24,552</td>
<td>16,857</td>
<td>68.3</td>
</tr>
<tr>
<td>Dhanak (Sabarkantha)</td>
<td>1,39,901</td>
<td>48,684</td>
<td>35.5</td>
</tr>
<tr>
<td>Himatnagar (Sabarkantha)</td>
<td>95,551</td>
<td>18,916</td>
<td>19.7</td>
</tr>
<tr>
<td>Kosamba (Surat) @</td>
<td>43,881</td>
<td>38,841</td>
<td>88.5</td>
</tr>
</tbody>
</table>

* Quintals + Number of Bales @ for 1964-65

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(iv) Co-operative marketing societies have to play a vital role in the entire sphere of agricultural marketing. On one hand, they have to exert a collective pull on the supply side to raise prices to the advantage of the members. On the other, they have to tone up the conditions of competition in the markets until now dominated by private traders creating monopolistic/oligopolistic

situations and following numerous malpractices. The co-existence of co-operatives and private merchants as buyers in the market yards alone can start upward spiral of healthy practices and prices all round. The co-operatives will act as a perennial check on the private trade in the market yards.

Now, this presupposes the co-operatives playing the role of buyers in the open market as against their present role of mere marketeers. Sale of lots of individual or a group of members by the co-operatives acting as commission agents or poolers makes their impact from the supply side. If, however, there are only a few private traders operating for purchases, in all probability, they can combine through mutual understanding perpetrating conditions of low demand. The only solution that seems practicable is for the co-operatives to start making outright purchases from members -- and even non-members -- through the market yards in competition with the private merchants. In all circumstances, this approach will never have a depressionary impact on the earnings of the farmer-sellers in relation to those they will secure through the process of outright assembling of their marketable surpluses by their co-operatives. Another significant benefit they will ensue from this new approach will be that of increasing the confidence of the members have in their co-operative pretty-organisations -- which unfortunately is at low ebbs in many cases at present owing to the misdoings of their managements -- as all the deals will be open and full
payments will be received on the spot both from the private merchants and the co-operatives. Again, it will provide an opportunity to the co-operatives to prove their efficiency vis-a-vis private traders and neutralise the criticism that co-operatives have been existing/flourishing only because of their insulated functioning.

The new approach amounts to the co-operatives accepting the transfer of an important risk from the shoulders of their members -- and even non-members -- to their own as it will be their responsibility to dispose of the stocks purchased by them and a subsequent fall in prices may inflict losses upon them. Such situations will usually be rare. A provision can be made for the creation of revolving special reserves to meet such financial emergencies through from out of the distributable profits at the end of every year. In the initial period, I would suggest a subvention scheme in substitution of the existing scheme\textsuperscript{13} of the Government under which an outright Government subsidisation to enable the marketing co-operatives to bear a loss upto the level prescribed is provided. (v) Out of the 108 major regulated markets as on 30-9-1966,\textsuperscript{14} only 5 were single-commodity ones. In multi-commodity markets, there are always one or a few major commodities that support their entire financial and 'other-commodity-trading' intra-structures. If these are denotified, the markets concerned may crash financially, functionally and administratively.

\textsuperscript{13} K-32: pp. 68-70.
\textsuperscript{14} A-11.
functionally and administratively.

The preceding discussion makes it clear that there is ample justification for regulating commodities in areas where producers have organised into viable marketing co-operatives, though the later's role requires modification, and that the two institutions of the regulated markets and the marketing co-operatives must function as complementary rather than competitive agencies. The only difference which needs to be resolved is: Who shall bear the costs of the licence fees and the market fees? There is no doubt that they must be payable to the regulated markets concerned to eliminate inequity/discrimination as between their different segments. Both the licence fees and the market fees payable on sales from the members of co-operatives must be collected from the co-operatives and the latter should be subsidised on this account annually by the Government from public revenues. Such a cost to the Public Exchequer is wholly justifying if only on the ground of toning up the entire agricultural marketing sector which forms the biggest single segment of the Indian economy affecting about 70% of the population. An advantageous by-product will be that the step will serve as a positive incentive to non-member farmers to get within the co-operative marketing fold.

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16. I am not in favour of granting exemption to co-operatives and their members from the payment of licence fees and market fees respectively on the grounds of inequity, and loss of major portion of their revenues. I have, during my field-work, come across an isolated instance of the APMC at Broach which has resolved to recommend to the Government such an exemption.
2. State Intervention in Trading

As a vital feature of State capitalism, in the centrally planned economics of the East European countries and Communist China, the entire foreign trade and all the major sectors of the internal trade have been fully conducted by the State created specialised organisations. But, in capitalist countries, too, the last two and a half decades have witnessed the entry of the State in the field of trading almost on a continuing basis. The First World War did necessitate distributive controls in some of the essential commodities. However, the scope of Government control was relatively limited. It was the period the Second World War that brought about massive action in the belligerent and their dependents owing to acute shortages of numerous materials needed for war and civilian utilisation. The post-war years were marked by war-ravaged economies to be rehabilitated, the pent up consumer-demand, fast expanding populations in underdeveloped countries, rapid industrialisation in the former colonial countries becoming independent, the fast-rising standards of living through increasing purchasing power in the hands of the lower stratas of society and welfare activities and the continuance of the conditions of allround shortages. The economic drives had to accept a planned resources distribution in order to maximise the rates of growth in different countries. State intervention has come to stay. It has gone to the length of monopoly procurement in many cases.

In most of the free economics, State trading is found mainly in the domain of the farm products. In "Canada, Australia,
Italy, Japan, etc., there is social control over the principal foodgrains consumed. Thus, in Canada, the Canadian Wheat Board has internal and external trade monopoly in regard to the wheat grown in the country. In Australia, the Australian Wheat Board is the sole authority for the marketing of wheat. In Italy, paddy is totally subject to compulsory deliveries to the Government and sold under a rationing system at a fixed price.\textsuperscript{16}

Direct and indirect price support programmes for a few agricultural and dairy products have long been in operation in countries like the United States of America, the United Kingdom and other European countries.

In India, controls on commodity movements, prices, rationing, quotas, etc. were first introduced in the middle of the Second World War. They have since then been in operation with interruptions in terms of their removal for short periods and the emphasis-variation in different cases. However, the acceptance of the creed of planned mixed economy against the mounting pressure of population growth has brought in infiltration of the Government -- departmentally, through its agencies and specially created public corporations in numerous fields including the one of trading. State intervention in the field of agricultural marketing has manifested itself in various ways.

\textbf{Monopoly procurement}: Under the system, the whole estimated surplus is taken away by Government at a fixed price, directly from each producer. This system makes an allowance only for the

\textsuperscript{16} Ashakant; "Monopoly Procurement of Jawar: Is it a Failure?" L-26: p.5.
reasonable requirements of the commodity for use of the producer's family. It prohibits private trade and are unauthorised movements of the commodity. Local traders, millers or co-operative societies in some cases may be used for purchasing such commodity from the cultivators as well as distributing supplies to the licensed retailers.

**Levy:** Under this system, each producer is compelled to sell to the Government a fixed quantity of a commodity at a flat or graduated rate, based on the acreage under crop or on the estimated production-surplus potential, at a fixed price. The residue can be sold in the open market. If the levy is on trade, the procurement is made from the trader so that the Government is saved from the irksome task of assembly of small lots from scattered producers.

**Monopoly-cum-levy procurement:** It combines the chief elements of monopoly and the levy systems, these being (a) the collection of compulsory and graded levy, expressed as a portion of surplus, from each producer; (b) the enjoyment by the Government of the first right of purchase of any excess over the levy quota, if available for sale, (c) the enforcement of a strict control over its movements, (d) monopoly of distribution by Government everywhere and (e) the allowance to private trade to the extent of retail sales by a producer within the village, for the bona-fide consumption of the buyer and his family.

Such action can have serious repercussions on the functioning of regulated markets. Where all the marketable surpluses
are compulsorily so collectable, the regulated market becomes redundant for the particular commodity and, if that commodity has been the major one sustaining it, it may mean a complete disaster for it financially and functionally. In fact, Government entry through monopoly purchasing aims at stabilising a price at a pegged level so that the interests of both the producers and the consumers are equitably protected, as far as possible against the manipulations of market intermediaries. It sterilises the free market mechanism of price fixation through the interaction of the forces of supply and demand. The Government-appointed/authorised machinery handles the assembly and

17. Opinions are divided on this question. The Asok Mehta Committee Report, 1957, pointed out that the issue prices from ration shops were 12% to 15% higher than the procurement prices, the margin reflecting the expenditure incurred by the Government in handling foodgrains.

The monopoly participation of Government in the trade of a commodity may create a psychological upheaval in the community. Everyone becomes uncertain about the regularity of supplies and begins to keep stocks to an extent greater than in the past. Profiteers may have the ulterior motive of hoarding. But the common man, too, wants to play safe in regard to the continuity of supplies he normally needs and may be ready to invest more in maintaining greater supplies. This tendency cuts across the normal production-demand flows, and in the short period, greatly exaggerates the shortages. Frequently it results in the dislocation of the entire market equilibrium. In the case of foodgrains, etc. the producers, too, begin to retain more stocks under the pretext of the needs of the family for consumption. These needs are sheer estimates. Some may be genuine, but the others may be motivated by the desire to secure black market prices through secret deals.

18. A criticism levelled against the step is that such prices are arbitrarily set. They affect the relative commodity price structure and profitability of various crops thereby causing shifts in their production as the country has a considerable area under cultivation where inter-crop shifts are possible.
the distribution both at the wholesale and the retail levels. In so doing, some of the existing marketing channels may be utilised through a licensing system. It may be stated that no where, at present, is a hundred per cent procurement or levy scheme in operation in regard to any agricultural commodity in the State. The decade-old controversy about the nationalisation of the internal trade has been set at rest by the Union Finance Minister who, in his inaugural address to the first All-India Traders' Conference held on 8th December, 1966, has, in univocal terms, declared that the Government has no desire whatsoever to do so.

Where partial collection of produce at fixed prices directly from the farmer-sellers is made compulsory through the Government machinery, the portions of marketable surpluses so frozen are diverted from the concerned regulated markets. They will result in reduced arrivals in the market yards. While the prices of such freely traded lots may go up to the advantage of the agriculturist-sellers, the Market Committees will suffer from declines in their incomes from market fees. Insofar as

18. (continued from p.582) Particularly a diversion from foodgrains to cash crops generates a vicious chain of problems. According to one school of thought, experience everywhere is that half-way control measures are impossible. Sooner or later the whole economy has to be cobwebbed by multi-pronged controls everywhere or discontrol measures leading again to the free market have to be initiated.

19. A complete nationalisation of foodgrains trade alone would, according to the estimates of late Mr. M.H.Hasnain Premji, President, Federation of All-India Foodgrain Dealers Associations, Bombay, disemploy over 3 lakhs of persons in the trading community in the country.

foodgrains are concerned, however, as my field-work has shown, in such situations the non-requisitioned quantities of the marketable surpluses of foodgrains are disposed of by the growers directly and their arrivals in the market yards are poorly limited. In the case of cash crops, the impact is much less. The replies to my questionnaire received from various Committees make an instructive reading.

The Committees at Amreli, Bayad, Devagadh Baria, Godhra, Kalol, Lunawada, Nadiad, Palanpur, Santrampur, Thaera and Umreth complained of reduced commodity arrivals in the market yards.\(^{21}\) Those at Bansda, Billimora, Chikhali, Khedbrahma, Dhanera and Malpur reported that the arrivals of lots from villages in the adjoining States into the market yards situated near the State boundary have stopped.\(^{22}\) Against this, the APMC, Deesa, complained that under the Gujarat Foodgrains Dealers Licensing Order, 1964, one wholesale dealer can not sell it to another wholesale dealer and that, therefore, the controlled commodities are smuggled out across the border to the adjoining State-territories giving a blow to it.\(^{23}\) Those at Baroda, Billimora, Chikhli, Cambay, Gondal, Jambusar, Kadi, Kalol, Savli, Santrampur and Viramgam stated caustically that the market yards have stagnated and all trading in foodgrains stopped completely.\(^{24}\)

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21. C-9, C-29, C-37, C-44, C-47, C-52, C-53, C-67, C-70, C-71 and C-74.
22. C-35, C-40, C-45, C-87, C-88 and C-89.
23. C-42.
24. C-3, C-21, C-28, C-29, C-55, C-59, C-64, C-71, C-77, C-86 and C-89.
Open market sales in rice and paddy in the market yards had practically come to an end at Bulsar, Chikhali, Bansda and Matar in the major paddy growers areas. Secret sales at rates beyond the prescribed ceiling prices were reported by these committees as also by the ones at Dhanera, Dehgam, Dhandhuka, and Bansda. The Committees at Amreli, Baroda, Dhandhuka, Dhanera, Godhra, Lunawada, Kalol, Talod and Viramgam also expressed anxiety in regard to their falling revenues from market and licence-fees. The APWC at Vadnagar viewed the situation more gravely. According to it, partial controls result in the creation of the market disequilibrium, insecure conditions for the farmer-sellers using the market yards and inflict losses on those who are law-abiding citizens. In brief, partial entry of the Government in the field of purchases of agricultural commodities becomes almost as ruinous to the regulated markets as does the monopoly procurement schemes.

The Central and the State Governments have taken certain steps in the fields of intra- and inter-State trading, that did not always involve actual purchase of produce by them. Nevertheless, they still did have a significant impact upon the working of the regulated markets. We shall consider the important ones in

25. C-49, C-87, C-88 and C-89.
26. C-18, C-20, C-45, C-49, C-87, C-88 and C-89.
27. C-9, C-20, C-29, C-38, C-45, C-59, C-67 and C-70.
28. C-35.
Zonal System: India has been a multi-State Union wherein some States are surplus while the others are deficit ones in one or more agricultural commodities. As for foodgrains, in an attempt to reduce violent price variations and acute gluts and shortages between them, a zonal system was introduced some years back. Deficit and surplus States were grouped together in inter-State Zones to secure a rough balance in the supply-demand positions, of course, added by foreign imports to meet the overall deficits. Intra-Zone trade was free and the only restriction, in practice, was on inter-Zone trade. This had practically no adverse impact on the working of the regulated markets in Gujarat.

However, the surplus States brought a political pressure on the Centre on the ground that the surplus stocks were pulled out of their territories through the inter-State trade channels with the consequence that their populations suffered both in terms of price rises and shortages. The Central Government, therefore, replaced the multi-States zones by a single-State ones. A big controversy raged over the issue. Two bodies, viz., the High Power Committee appointed by the Chief Ministers, in 1966, at Bangalore to evolve a national food policy and the Agricultural Prices Commission, 1966. In one of the recommendations, the Committee had favoured the continuance of restrictions on zonal movements. The Commission recommended that the single-State

food zones should be continued.  

The deficit States have always remained discontended with the system for understandable reasons. The surplus States underestimate their surpluses. All sorts of impediments are being created by authorities in the regular releases of even the already determined normal quotas. So much so that the District Collectors used their powers under the Defence of India Rules for banning or restricting inter-State movements. Very wide price variations prevailed in the neighbouring markets in the adjoining States and smuggling and corruption ensued despite the huge administrative costs incurred on the policing function. And, it involves a basic issue of principles. If different States constituting India are permitted to act as independent units regarding foodgrains trading, to expect friendly countries like the U.S.A. to go on supplying almost unlimited shipments of foodgrains aid with no expectation of even friendly gestures on, say, international issues with no direct involvement on the part of India is, to put it mildly, complete irrational. A zonal system is against the national interests internally. It leads to disintegration of the country, cuts the very root of the feeling of oneness amongst its citizens, "creates a sense of isolation amongst States, and may ultimately foster a separatist tendency, each State thinking in terms of its own individual interest and forgetting the age-old ties of inter-dependence."  

32. K-30-A; p.75.
It is unfortunate that one of the policy decisions taken at the recent Chief Ministers Conference\(^33\) was to continue the present single-State food zones for wheat and rice.

Gujarat is a deficit State in regard to foodgrains. The zonal system has boosted up prices by creating artificial shortages through the sealing of the free channels of inter-State trade. Even inter-districts movement-bans within the State were also imposed. Their impact on the regulated markets was similar to that of the inter-State trade Zones, but in a narrow range. As the minimum and the maximum prices are fixed, black market prices beyond the ceilings become the order of the day -- particularly when the levy system is also in force -- the arrivals in the market yards are seriously affected.\(^34\) In some cases where the farmer-sellers are able to sell their surpluses directly at high prices, they are beneficiaries. But, in most cases, it is the private traders who procure and corner the limited stocks and profiteer through hoarding. In all cases, however, the trading in the market yards thins out and cripples

\(^33\) Held on 16-11-66(Vide: News Item : L-30: p.1.)

\(^34\) For instance, in 1965-66, the Government had collected a 75% levy of the estimated surplus of paddy. This year, too, the same rate was declared in the beginning but was later revised to a reduced 60%. The floor and the ceiling prices for each variety of rice have been fixed(News Item: L-42; p.5.) Last year these steps had paralysed the paddy and rice trade in the grain markets. It is premature to say how far will the reduction in the levy percentage will make the traders honest and serve as an incentive to the producers to bring produce so relaxed for sale through the regulated markets.
the regulated markets in these and related commodities.

The situation in regard to groundnut is the reverse of the one described above as Gujarat has been a surplus State. The Government had to yield to pressures to introduce zoning in the commodity, for the first time, somewhere in August, 1964. It continued to be in force until 30-10-1966. This went against the interests of agriculturist-sellers as the earlier competitive demand from/on behalf of buyers in the other States in the regulated markets got eliminated. Inter-State movements of groundnut-oil were strictly controlled by Government through the system of special Government-sanctions. However, the arrivals in the market yards remained practically undisturbed and so also the incomes of the Committees. Since 1-11-66, the Gujarat Groundnut Oil Procurement Levy Order dated 30-10-66 issued under the Essential Commodities Act, 1955, has been operative. The distinguishing feature of the scheme\textsuperscript{35} are:

(i) Anyone having a stock of or crushing more than 800 Kgs. of groundnut oil has to tender 20\% thereof to an authorised officer.

(ii) Exports of groundnut and groundnut oil are possible only on permits from Government to whom a prior tendering of 25\% of such quantities is necessary.

(iii) Rs. 2.50 per Kg. and Rs. 44 per tin of 16 Kgs. (inclusive of packing and other charges) have been fixed as rates to be paid by the Government.

\textsuperscript{35} News Item: L-41: p.5.
(iv) The Government is empowered to lift the levy-stocks of oil within two months until which time they will be with the sellers at the latters' costs and risks. 36

An upward march of the open market prices of groundnut has already commenced -- the rise in only a month's time in November, 1966, having been between 9.2% and 31.4% in three important groundnut markets in Gujarat (Table VIII.3) -- and will, in all probability, enlarge the future arrivals in the regulated markets in the commodity owing to the competitive demand from buyers outside the State.

Table VIII.3 37

<table>
<thead>
<tr>
<th>APMC</th>
<th>District</th>
<th>Ruling prices in Rs. of 300 Kgs. of groundnut as on 31-10-66</th>
<th>1-12-66</th>
<th>Price rise Absolute Rs.</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodeli</td>
<td>Baroda</td>
<td>277</td>
<td>364</td>
<td>87</td>
<td>31.4</td>
</tr>
<tr>
<td>Derol</td>
<td>Panch Mahals</td>
<td>322</td>
<td>356</td>
<td>34</td>
<td>10.5</td>
</tr>
<tr>
<td>Talod</td>
<td>Sabarkantha</td>
<td>326</td>
<td>356</td>
<td>30</td>
<td>9.2</td>
</tr>
</tbody>
</table>

The consequences of the restrictions imposed by the Government on the export of agricultural commodities as viewed by

36. According to a news item dated 7-12-66 appeared in "Sandesh", this period has been reduced to one month in the case of newly crushed oil or new oilseeds by common consent in a meeting of the representatives of the oil mills in the States with the Minister and the Deputy Minister, Gujarat State.

37. C-38, C-60 and C-69.
Market Committees are summarised in Table VIII.4.

Table VIII.4

<table>
<thead>
<tr>
<th>Nature of impact</th>
<th>Reporting Committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depression sets in the market prices.</td>
<td>Bodeli, Chansma, Dohad, Mehmadabad and Talod.</td>
</tr>
<tr>
<td>Demand from buyers in the other States gets frozen and this causes further price declines.</td>
<td>Amreli and Vishnagar.</td>
</tr>
<tr>
<td>The market arrivals of lots from villages across the borderer in the adjoining States cease owing to police cordening.</td>
<td>Bansda, Dhanera, Dohad, Devagadh-Baria, Dhansura, Deesa, Himatnagar, Jhalod, Khedbrahma and Malpur.</td>
</tr>
<tr>
<td>Price differences in neighbouring boarder villages situated in different States encourage smuggling operations.</td>
<td>Bansda, Deesa, Dohad, Jhalod and Nizar.</td>
</tr>
<tr>
<td>Hoarders corner stocks and profiteer.</td>
<td>Bavla, Dohad and Chansma.</td>
</tr>
<tr>
<td>Income from market fees falls.</td>
<td>Bansda, Dhanera, Dohad, Dhansura and Jhalod.</td>
</tr>
</tbody>
</table>

**Fixation of prices:** In the case of cotton, the Central Government has, for the past few years, been regulating its marketing through the lever of the floor and the ceiling prices declared in advance of the season. The twin goals sought to be attained are to restrain the price rises in the end products for the consumers and to guarantee minimum prices to the cotton-

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38. C-9, C-19, C-27, C-28, C-32, C-35, C-37, C-58, C-39, C-40, C-41, C-42, C-46, C-47, C-53, C-72, C-73, C-74, C-83 and C-88.
growers who can plan production accordingly. It is the Textile Commissioner who has been empowered to fix the prices. The policy of the Government has been subjected to severe criticism by the producers' interests on the grounds (i) that the floor prices are superfluous as, in practice, there are no chances of their falling in view of the fact that the country is short of the requirements of indigenous cotton and (ii) that the fixation of ceilings favour the organised mill sector at the cost of the farmers who are disabled to secure possible prices that would otherwise rise beyond them.

Insofar as the regulated markets are concerned, in normal times, the arrivals in the yards remain unaffected and the variations in the auction-prices are limited to the range set by the floor-ceiling prices. However, this year an abnormal situation has arisen: (a) The devaluation of the rupee in June last raised overnight the prices of the imported cotton between 50 and 60%. About 12% of the total cotton consumption of the Indian mills consists of imported varieties. The suddenly created wide gaps between the prices of the imported and the locally produced varieties of cotton encouraged the shrewd and financially sound Mill-managements to undertake usually large purchases of stocks in different markets. Deals for new crop cotton lots were effected in auctions on 19th August, 1966, at the Baramati

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38.A.D-189; p.5 and "Ceiling prices of Cotton": Letter to Times, by the Chairman, South Gujarat Co-operative Cotton Marketing Union Ltd. (Vide: L-28: p.5.)
Cotton Market in Maharashtra State) at price well above the official ceilings. The Indian Cotton Mills Federation in its memorandum to the Central Government stated that "the prices of cotton are very high the ceiling, in certain cases as high as 50 per cent over the ceiling". This completely upset the usual market equilibrium and started a grave chain of reactions.

(b) The inter-commodity price balances got seriously affected during the period of 16 months since June, 1965, on the basis of the cotton price level of which the ceiling price for the current year was announced. The general price level has gone up by over 25% since then. (The Reserve Bank of India's Annual Report for 1965-66 itself reported a rise of 18% until 30-6-1966 and the rise has since then continued at an accelerated rate.) The prices of competitive crops like foodgrains and oilseeds have risen by 18 and 53% respectively during the same period.

While the Government had its own difficulties in revising upward the prices of cotton once declared in advance last year, the deals in the markets did have to feel these pressures. A more severe criticism on the Government that seems to be very tenable is that the Government ought to have intervened with drastic action when the ceiling prices were openly flouted in the cotton markets in the country. The consequence has been that a serious crisis developed in November, 1966, when the Indian

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41. "Ceiling prices of cotton : Letter to the Editor, the Economic Times (Vide: L-28: p.5.)
Cotton Mills Federation decided to close down all mills from 19th December, 1966 for 15 days at a stretch on the ground of non-availability of cotton stocks and the sealing of 6 per cent of the installed spindles in all mills except those having less than 12,000 spindles with effect from 3-1-67. Hectic moves by the Union Commerce Ministry have resulted in the following steps: (i) Movements of cotton has been first banned from Bombay with effect from 18-10-66. They have, subsequently, been regulated within and from all major cotton growing areas in the country. (ii) The Textile Commissioner has been authorised to requisition cotton from mills having larger stocks and from traders to meet the immediate requirements of the needy mills. (iii) No mill is permitted to retain stocks of cotton equal to their requirements for more than two months. (iv) No block closer of mills is allowed. (v) No mill will be allowed to close without the prior permission of the Textile Commissioner. (vi) No mill will be allowed to run more than the number of shifts that it had been working during July-August-September, 1966. (vii) Each mill is to observe one additional weekly holiday until further notice to cut cotton consumption. The ceiling prices have been revised with immediate effect by 5% which would raise the price by Rs. 45 to 75 per candy.

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47-51. Commerce Minister's Statement in Lok Sabha on 3-12-66. (Vide : L-33: p.1.)
Gujarat State is vitally concerned with the above developments as it is a cotton growing region and as over 20% of the cotton textile mills are located in Ahmedabad and a dozen other places. The first three measures were announced on 18-10-66, 15-11-66 and 17-11-66 respectively. The Textile Commissioner has imposed a total ban on the movements of cotton -- baled or loose -- from out of the Surat, Broach, Baroda, Kaira, the Panch Mahals, Sabarkantha, Ahmedabad and Mehsana districts with effect from 23-11-66. The measures regarding the closure and the working of the mills have become effective from 12-12-1966.

The cotton season in Gujarat will commence this month. Thus, the cotton-growers in the State have not been able to take advantage of the block devaluation rises that were available in the markets outside the State, except the isolated producers' organisations which had stocks carried over from the last year and which could make such stray deals. The new measures provide only for a 5% rise in the ceiling prices and limit the movement of cotton within the region consisting of only 8 districts in the State. The factors coupled with the restrictions on the maintenance of stocks by mills and the power granted to the Textile Commissioner to requisition cotton from the buyers and the trade will in all probability have an adverse impact on trading in regulated markets of cotton in Gujarat.

53. Commerce Minister's statement in Lok Sabha on 3-12-66(Vide: L-33: p.1)
State Trading Institutions: The past ten years have witnessed the establishment of a few State Trading Corporations for organised public sector participation in foreign and internal trade of our country. Two of them are relevant for our purpose. They are: (i) The State Trading Corporation of India (Private) Ltd., registered as a Government company on 18-5-1956. (ii) The Food Corporation of India, created under a special Act of Parliament passed in November, 1964.

(i) The State Trading Corporation of India (Private) Ltd.: It was primarily established to undertake operations in the field of foreign trade and has, of late, in "pursuance of Government's policy to maintain the country's production at the highest level possible, to ensure fair prices to the growers of certain agricultural commodities and to sustain foreign demand at a steadily rising rate .... been called upon at different times to undertake price support and buffer stock operations in respect of "55 some agricultural commodities.

Insofar as Gujarat is concerned, it had operated in the 1961 season, in the groundnut markets in Saurashtra to purchase large quantities of the commodity through the agency of co-operatives for the purpose of exporting groundnut oil to foreign countries.56 Similarly, since 1964 it has been operating a scheme of buying bananas from growers through co-operatives in

56. The Directorate of Agricultural Marketing, Ahmedabad.
selected areas in Gujarat for their export. So also, in February this year, the Government intervened to prevent prices from a further decline caused by the then bearish tendencies. In addition to the Textile Commissioner's lifting almost all the curbs on the distribution on Indian cotton to mills, the Government of India had asked the STC to enter the cotton markets of different regions of the country for purchasing Buri 'Bengal Deshi', Virnal, Zarila, and other medium and short staple varieties to grant support prices to cotton-growers.

(ii) The Food Corporation of India: Its primary duty is to undertake the purchase, storage, movement, transport, distribution and sale of foodgrains and other foodstuffs in the

57. Cf. "The Commerce Ministry has been informed by experts in Moscow that the STC's experiment of banana export to Russia has proved successful. This has opened the door for the export of this highly perishable fruit, of which this country has an export potential of one lakh tonnes, which can earn Rs. 10 crores in foreign exchange every year."

Discouraged by a total loss of Rs. 12 lakhs on a consignment that was sent to Italy in 1961-62, the growers' cooperatives in Maharashtra and Gujarat are believed to have refused to take on the present Russian export contract. It was at the instance of the STC chairman, Mr. B.P. Patel, that the polythene packing experiment was tried, in the face of opposition from quality control experts who advised the Commerce Ministry against the experiment. Polythene packing reduced the cost by as much as Rs. 200 per tonne in freight and it also gives to banana greater "storage space". The significance of the Russian experiment is that the whole banana export programme hinges on it... In order to tap the entire 1 lakh tonne exportable surplus, the STC has a massive programme of development which will immediately benefit growers in Maharashtra and Gujarat. An attempt is being made to turn banana into an all-the-year-round crop. Magdalla is specially being earmarked as the export port for banana". (Vide: News Item: L-26: p.1)

country. 59 It is also empowered to set up or assist in the setting up of the rice mills, flour mills and other undertakings for the processing of foodgrains and other foodstuffs. 60 In the first year of its working, the Corporation failed to make any satisfactory headway. Mr. T.A. Pai, its first chairman, had just before his relinquishing the post, dwelt at length on the difficulties the Corporation experienced. He had pointed out that it was designed to be the agency to ensure minimum prices to the farmers throughout the country; but the aim could not be achieved because of the lack of co-operation, particularly, from the Governments of surplus States. As regards the question why the Corporation did not enter the field of marketing, bring about an improvement in marketing facilities, remove middlemen and perfect the market constraints, Mr. Pai found the answer in the State Governments' not favouring the idea of monopoly purchases of foodgrains by the Corporation. 61

It is only last week, 62 for the first time in Gujarat, that the Government has decided to entrust the Corporation with the purchase of groundnut oil under its recent 20/25% compulsory levy scheme.

While the operation of the two State Trading Corporations have not yet had any adverse impact on the regulated markets in Gujarat, they do have a great potential of becoming mighty influential organisations in course of time. When and to what

60. Ibid.
extent this would happen will depend upon Government policy decisions from time to time. A controversy about the role of Govt. agencies in trading still lingers. The Foodgrains Enquiry Committee, 1957, had asserted that "until there is social control over the wholesale trade, we shall not be in a position to bring about stabilisation of foodgrain prices. Our policy should, therefore, be that of progressive and planned socialisation of the wholesale trade in foodgrains".63 The Third Five Year Plan, too, provided: "State Trading has also to be undertaken on an increasing scale according to the needs of the economy".64 On the other hand, the supporters of laissez-faire are equally vociferous.

If a complete takeover of wholesale trading in foodgrains—or, for the matter, any other agricultural commodity—becomes a fait accompli any time, it will mean a death-knell for the concerned regulated markets as direct monopoly procurement at fixed prices through village collection centres—irrespective of who the appointed buying agents are—will be the order of the day. This possibility seems to be remote provided the present food crisis becomes too acute for the Government to withstand the pressure for nationalised distribution of cereals in the country. (It needs also to be mentioned here that the move that was afoot a few months back to set up the Cotton Corporation

64. L-22: p.4.
of India - 'a centralised trading organisation for dealing in Cotton' - for procurement and wholesale distribution of cotton through it throughout the country was shelved - probably temporarily, owing to stiff opposition by the Millowners' Organisations. A levy system will also have its adverse impact -- though partially -- on the regulated markets.

If, however, the State Trading Organisations formulate a programme on a continuous basis -- and not as a gap-filling arrangement -- for price support to various agricultural commodities through competitive open market operations, they will tone up the working of the regulated markets everywhere. The part that was played by the STC to support the sagging raw jute markets elsewhere in the country in 1962-63 serves as a beacon light for future positive action. For, the Corporation not only "stepped in to make available funds to jute growing States to enable them to make purchases at the minimum prices fixed by the Government but also made arrangements at some 340 centres all over eastern jute growing States for the purchase of jute on the spot. These operations were effective in carrying conviction to the growers that they need not sell their produce below the fair minimum prices prescribed by Government. Even more significant is the conviction conveyed to the trading community that it was in their long-term interests to fall in line with the Government's object to ensuring minimum prices

to the producers lest they should lose their business altogether to the alternative arrangements that were made". In other words, in course of time, the operations of the State Trading Organisations should aim at attaining 'a commanding position' in the regulated markets through their operations therein.

C: The Prospect

The competition among the three distinct groups of private traders, co-operatives and State Trading organisations will eliminate the malpractices of market functionaries and exert at least a triangular pull to help the free market economy function most efficaciously. The resultant price-structures will serve the best interests of various constituents of the community. If the basic socio-economic framework of rural India is not to be allowed to be torpedoed by extremist tendencies, such a reconciliation is the only rational solution of 'the problem'. Let not temporary difficulties blur the vision of long-term good.