CHAPTER VI

MARKET CONDUCT
MARKET CONDUCT

This chapter is concerned with an elaborate discussion on market conduct in the three subsystems: 1) Mangalore, 1i) Shimoga and 1ii) Sirsi. The role of market conduct in bringing about changes in market structure and hence performance is analysed in terms of behavioural changes and interactions between elements - sellers and buyers - through institutions.

6.01 BACKGROUND

Market conduct is the behaviour of interacting elements - sellers and buyers - in a market situation. It is desired to explain the behaviour of these elements in the three principal markets that are studied. First, it is sought to describe the movement of goods from the primary level to the market. The process of weighment, display, factors considered while on price discovery, the process of price discovery, declaration of price, the sellers' decision, the final bill, the process of payment and marketing charges and the price receipt are enumerated in the order in which they are followed in each market. To highlight the functioning of the APMC, role of SCs and the BC, the price discovery process is discussed and elucidated through a case study.

It is deviated from the usual conventional pattern of considering market conduct as endogenous to the marketing system. Although the two way causality process is to be faithfully accepted in the SCP paradigm, in the context of the
AMS, the market conduct is two way causal and exogenously built into the arecanut marketing system. The role of the APMC is that of moderating the marketing practices and creating an environment that is congenial for supply and demand forces to interact so as to discover that price which is fair and is equivalent to the equilibrium price. The SC and the BC participate in the process of "setting right" the intensity of forces of supply and demand, which otherwise, would have tended to be inconsistent with the presence of private marketing system and/or in the absence of a moderating force. The market conduct is the central fulcrum on which market structure and market performance revolve, change temporally for growth or decline of the sector. Thus, structural changes and performance are influenced by changes in conduct which can be standardised by cultural practices in marketing. It is described as to how the arecanut markets - Mangalore, Shimoga and Sirsi are conducted.

6.02 THE MANGALORE MARKET

The producers of Mangalore prepare only unboiled type for the market. There are, however, some producers in the Malabar region who sell raw (green) arecanuts at Mangalore. It is noted that during the market year 1989-90 about 86 lakh numbers of raw arecanuts had arrived into the market valued at Rs.11.60 lakhs which formed 0.13 percent of the total value of arecanut sold.
The Mangalore market is situated in the Bunder area in Mangalore city. The market is predominantly big in size and it is located in a congested place, wherein there are 66 commission agents and 75 traders who deal with arecanut. The hinterland for the market extends over the entire Dakshina Kannada district and to parts of Malbar region of the Kerala State. The principal selling cooperative - The SKACMS Ltd., the buying cooperative - The CAMPCO Ltd. are located in the market yard. The Joint Stock Company formed by producers viz., KVV Sangha Ltd. is located at Puttur - a branch of it is in the market yard at Mangalore.

The producers choose (or opt) to sell through multiple channels that exist today i.e., producers prefer to sell to itinerants, through FCs, through the collection centres of the buying cooperative (i.e., CAMPCO Ltd.,) and to the buyers through the Commission Agents (CAs) in the market yard.

THE PRICE DISCOVERY PROCESS

As soon as the arecanut arrives into the CA’s shop in the market yard it will be weighed and stacked in the storage godown. If the produce is from an FC, then the weight of the produce is checked up and stored. The producer is given a choice as to when his produce is to be sold both by the CA or the SC. In case the produce is from an FC, written instruction present on the delivery note as to when the lot is to be disposed off and at what price, which is minimum
acceptable price, quoted by the producer is sufficient. Every lot that arrives into the shop is given a number.

If the lot is to be sold immediately (or on the date/dates mentioned by the seller) a sample of four to five kgs is picked up in a bamboo basket from the numbered bag of the producer. The sample so picked up is displayed. On each basket a tag is attached giving details such as the code number, variety and number of bags offered for sale. The sampled baskets are neatly arranged in five or six rows, say A to F or H to facilitate inspection by the intending buyers in all CA shops including the SC (i.e., SKACMS). The arrangement of lots is completed by 12.00 noon on all working days. The lots offered for sale are inspected by prospective buyers. An intending buyer makes a visual examination of the lot, picks up nuts from various parts in the basket, examines the moisture content, colour, brightness and size. Further, the intending buyer picks up nuts from the sample cut it into two halves and examines the colour and the spread of the pith (the white part). This examination takes about two minutes per lot. Then, the intending buyer quotes his price on a tender slip given to him by the APMC. The prospective (or intending) buyer puts the tender slip in the sealed tender box kept in the CA's shop. The intending buyers cover as many CA shops they can, until their daily willed quota is complete. The inspection of lots and price quotation continues until such time earmarked for quotation of prices. Then, the tender box will be opened by the official of the market committee and
sorted out by visual examination. The highest bidder for each lot is recorded in triplicate — one to the CA, one to the APMC for record and one for announcement and display. After the declaration is over one hour (or some prescribed) time limit is given to the seller for making a decision to sell at the price offered. If the seller accepts the price quoted through secret tender, the lot is released from the stacks, reweighed by the buyer and payment invoice is prepared by the CA. The seller signs the invoice in token of having accepted the price; so also is the buyer in obligation and acceptance of the lot. In the private CA shops, payment in part is followed by full payment in ten days which otherwise means that the amount should be paid along with 18.5 percent interest (per annum) on the amount overdue to the seller. If the seller's lot is from an FC, then final payment bill is prepared by the SC to FC by deducting all the charges to be paid by the seller which is credited to the seller's marketing account at the FC. A net transfer of the amount, after deduction of loan raised on the lot (with interest), is made to seller's savings bank account (SB a/c).

THE ROTATION SYSTEM

The above described price discovery process is replicated in all the CA shops in the market yard. It is mentioned that the arrangement of lots is done upto 12.00 noon on all working days and then the process of inspection is proceeded. There are sixty six CAs in the main market yard at Mangalore dealing...
in arecanut, pepper, cardamom and other forest products. The process of declaration of tender is time bound and has to be uniform in its procedure. The APMC officials would visit each of the CAs shop after prescribed time is over for tender, in an order from North to South, and East to West directions and ensure ease in declaration. This used to consume time and those who get their tender declaration first had the advantage of finalising post tender procedures immediately, while others were attended to late thereafter. It is disadvantageous to those who get declaration of tender late as they loose their customers – sellers and buyers. As such, the disadvantaged CAs complained about the lopsided nature of the system of declaration of tenders and desired they should atleast be facilitated to finalise on par with those who are being attended first. The cause of the aggrieved CAs was genuine and as such the APMC looked into it. The result is the introduction of the rotation system for declaration of sale.

The rotation system operates thus in Mangalore market. The CAs are classified into four groups A, B, C and D depending upon their location in the yard. The groups A, B, C and D consist of 13, 11, 35 and 7 CAs respectively. The market transacts business, normally, six days in four sales declaration timings. On each day, there are sales declaration at (1) 12.00 noon (2) 1.30 pm (3) 4.30 pm and (4) 6.30pm. The rotation system of sales declaration timings by days and for different groups are given below in the following Table 6.01.
TABLE 6.01
Sales Declaration Timings at Mangalore Market.

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<th>DAY</th>
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<td>Noon</td>
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<td>MONDAY</td>
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<td>TUESDAY</td>
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<td>WEDNESDAY</td>
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<td>THURSDAY</td>
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<td>FRIDAY</td>
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Source: APMC, Mangalore.

It is observed from Table 6.01 that in four days all the four groups will have a chance to get the sales declaration in the quartet timings in rotation. The process of replication begins in the same order as it had been on Monday and Tuesday on the fifth and sixth days. The objective of nullifying the disadvantage of losing their customers and hence their business has been achieved by providing equal opportunities to all the four groups A, B, C, and D. The APMC has six market supervisors who have been allotted on rotation basis to cover all the four groups. Appropriate replacement is made in the absence of supervisor(s).
THE TRANSACTION

The APMC has created an environment for facilitating business transactions of arecanut, pepper, cardamom and other eleven notified agricultural commodities. Mangalore market is the biggest arecanut market in the country and is known for marketing unboiled varieties of arecanut.

The biggest CA is the SC - the SKACMS Ltd., and the major buyer is the BC - the CAMPCO Ltd. The business transactions take place in the market yard in the presence of the APMC officials who oversee the marketing operations of arrival, storage, display, tendering, preparation of bills (or invoices), payment and despatch. The APMC also attends to disputes, if any, lodged by either the seller, buyer or any market functionary in respect of the transactions.

It is noticed that 150 to 300 lots arrive into the Mangalore market every day (this does not include the arrivals at its sub market yard at Puttur) and that not all that arrives into the market is sold on the same day. The seller has the option to take a decision to accept or reject the price discovered, while it is not so for the buyer when once his quoted/bid highest price is accepted by the seller. There are about 50 to 75 buyers who bid every day including the BC. The APMC has adopted, as already mentioned, tender system of sale wherein the prospective buyer quotes his price, after visual examination and cut testing, secretly in the tender box. The results of tender are made known immediately after
the tender timings. The mutual functioning of institutions and private firms is discussed now.

THE SC, BC AND PRIVATE TRADE

The SC handles about one third of the total market transactions. The intending buyers begin their transactions with the SC and move over to other CA shops. The SC has an open auction hall and a storage godown. The intending buyers would first look into the samples displayed and begin their quotations. The officers of the BC in coordination with the SC begin their transactions at the SC premises with preconceived strategies. The strategy followed by the BC, after deliberations of its business committee will be put into action through secret tenders. The SC is in full consonance with the BC and is facilitating to foster transactions. The private traders have a closed and conspicuous business of their own. Each trader/CA has a rapport with his upcountry client and decides as to what he should do, at what price, of what quality and so on, in consultation with him. The quantity demanded by the clients is reflected in the quantity sold at the end of the day.

In the premises of the SC there is an offer of such quantities on the written instructions given by the seller as also those who present themselves during the day with their lots to be disposed of. The quantity that is sold is a function of demand schedule of the clients as well as that of
the sellers' decision to dispose it off or not. Moreover, several buyers quote their price for the same lot. It is noticed in our sample check, during the field work, that there were at least twelve buyers intending for a lot and as high as thirty five for another. The presence of the BC has added another dimension to the competition. Since BC is a giant in the transactions, the firms act independently in quoting the price. The firms should exist and for that every firm tries to optimise its profit by satisfying its clients and facing competition for its survival. Every firm has its own sorting unit and has employed on an average six persons for garbling, repacking, stacking and final despatch. The SC is utilising the storage godown to store only produce of sellers, farmers in particular. It is noticed that the private firms depend on the SC on the vital market information regarding crop prospects, quantity of arecanut likely to arrive and about stock positions with the SC. There is vertical coordination of high degree amongst the SC and the BC. The SC liaise with the BC, facilitates in the buying operation by offering credit, storage and requisite facility for smoothening its operations. There is no collusion amongst the SC and the private traders, while there is a good degree of vertical coordination between the SC and the BC. The BC purchases directly from the producers at Mangalore or at any of its branch offices any quantity of arecanut even as small a size of just 500 grams at the price fixed for that quality. It is noticed that producers do not sell directly to the
purchaser but only through the CAs or SC with the exception of the BC. Thus, in Mangalore market the SC and BC are a single composite interacting unit, while private traders form another.

THE CAs, THE SC AND THE BC

Another interesting dimension is that the SC and CAs have the same functional structure with different organisational/personal goals. The SC is for facilitating transaction as an intermediary favouring producers, while CAs are earning profits by being biased toward their upcountry clients. The SC practically monopolises the selling activities without being a monopoly. It honours individual sentiments of the producers by complying with their instructions, i.e., by selling at date(s) and actionise the decisions of sellers as regards price. The SC arranges for payment either through the FCs or directly. The SC owns two, trucks for collection of the produce from the member FCs.

The BC is competition fastener. The personnel of the BC move around CAs and the SC, hasten competition with institutional advantages and environmental support. This is necessitated by one of its laudable goals of achieving stability in the market. May it be added here that the BC provides inputs through FCs from its fertilizer plant thus providing backward linkage and also the SC provides forward linkage of credit to the BC.
THE APMC, MANGALORE

With institutions interacting at various levels and hastening up transactions at the market level, the role of the APMC is restricted to one of creating physical and non-physical infrastructural facilities and evolving norms of business transactions. For creating physical infrastructural facilities there is space restriction at Mangalore. As regards non-physical infrastructural facilities, a thrust is being given although much is to be done. For example, dissemination of market information is the dire need for correcting the market environment and hence the system. The byelaws of the APMC, Mangalore are being amended from time to time so as to regulate marketing charges. The APMC, Mangalore has created environment for dissemination of market information. It has market supervisors on its role to regulate the business and has a grading unit set up for grading arecanut. In short, the APMC, Mangalore is facilitating market conduct by its extra supporting functions. The APMC has a van for Puttur market yard for the collection of produce from farmers (Diagram 12).

6.03 THE SHIMOGA MARKET

The Shimoga market serves the area consisting of Shimoga and Chickmagalur Districts and is known for producing Boiled Coloured Split type arecanut. There are 57 CAs and 174 traders who deal in arecanut. The biggest CA is the SC. The BC is located in the market yard. Only BCS type arecanut
VENN DIAGRAM OF AN APMC IN KARNATAKA

LEGEND
- SUBMARKET
- SUBMARKET YARD
- MAIN MARKET YARD
- RURAL MARKET
- MARKET SUBYARD

MARKET AREA
arrives in to the market. The main interacting institutions are, (1) The SC, (ii) The BC, (iii) The Private traders and (iv) The CAs. The APMC Shimoga is another institution facilitating the organisation and working of trading activity and creating marketing environment.

THE PRICE DISCOVERY PROCESS

The Shimoga APMC owns a well laid out market yard, out of town limits, at a distance of four Kms. The produce that arrives in to the market is weighed first (is known as weighment "A"), recorded and is taken into stock by the CA/SC who receives it. Instruction of the seller who is either present or absent as has issued (in which case) written instruction regarding date of sales is carried out by the CA. On the day of sale, one sample bag is removed from the numbered lot stacked in the godown and opened and displayed in the auction hall.

The auction halls are big enough for thorough visual examination by the intending buyers. Lots are arranged row wise in the hall and in each of the CA's shop. The quotation of lots by intending buyers begins at around 12 noon which continues up to 2 PM. Then the tender boxes are opened by the APMC officials and the declaration of the tender is finalised by 3.30 PM. The seller is given an opportunity to decide as to what he should do immediately. If the seller decides to sell at the price discovered for his lot, final pay bill is prepared after reweighment (known as weighment "B"). The
final bill so prepared is duly acknowledged by the seller. In case the seller does not want to sell his produce at the price discovered, the displayed bag is restitched and sent back to stacks in the storage godown. If the seller is through the SC (i.e., MAMCOS), then written instruction would suffice for the institution to go ahead with sales on the date(s) prescribed until the seller's lot discovers the price desired for it.

THE TRANSACTION

The daily business transaction takes place at the APMC market yard in Shimoga. The arecanut trade is carried out in a well planned market yard constructed for the purpose. In the market yard there are the SC of the Shimoga area i.e., MAMCOS Ltd., and a branch of the BC, the CAMPCO Ltd which take part in the transaction. The private traders/CA's own godowns in the market yard.

THE SC, BC AND PRIVATE TRADE

The SC-MAMCOS at Shimoga is different from that of the SC-SKACMS at Mangalore. The MAMCOS provides credit on the pledge of its members' produce amounting to 60 percent of its estimated value as also the necessary inputs at reasonable prices. The written instructions of the producer-member as regards sale is meticulously followed and the amount realised is credited to the producer's loan account. That is, the SC provides backward and forward linkages on the producers' side. Also, it functions as a CA and facilitates traders'
transactions. The BC's role here is one of intervention in trade. The BC acts in coordination with the SC and participate in trade transactions. The private traders who are quite large in number participate in the transactions. One can observe here a keen interaction amongst traders rather than between the BC and the private traders.

It is noticed that 500 to 1000 lots arrive every day and about 150 to 200 lots are sold. Not on all days the BC intervenes in the business, while there is acute interaction amongst the traders. Also, it is noticed that, as is in Mangalore, there is frequent rejection of price offered by the sellers. The entire premises is well organised for business transactions. The BC adopts the same strategy of business in vertical coordination with the SC. Although SC and BC are well coordinated, there is more threat to traders from amongst themselves, while in Mangalore it is the BC – SC coordination which is powerful. It is SC which has emerged strong with its over a half century of accumulated goodwill amongst producers, traders and the CAs. It is found that about one fourth of the total transaction has passed through the SC alone. The strength of the SC lies in its effective backward linkage through its branches. The forward linkage with the BC, if the current coordination level were to continue, would make an indelible mark on the marketing subsystem and hence the AMS as a whole.

The private traders consider the SC and BC as potential threats for the future, while Mangalore traders point them out.
as a sort of competitive instrument. The private marketing system, in Shimoga area is strong because of two basic factors: (1) there is no backward cooperative linkage (i.e., of FCs) and (11) prevalence of itinerants in the area. The itinerant merchants (Is) have rapport with the private traders and with the SC. They sell their produce to the private traders through CA or through the SC. They are agents for both. Most of these Is are Chenidars (i.e., garden buyers on contract). The private traders, although dominant consider cooperatives a threat to their functioning in business transactions.

THE CA, SC AND THE BC

The CAs are highly competitive like the SC. The CAs provide their clients necessary inputs, credit and at times make them avail of more facilities than elsewhere. On some occasions, interest free loans are given to woo the conscience of producers. It is this factor which has made them sound in the business. The SC also has made its impact by evolving a business culture which is cooperative in spirit. The SC and BC have common ideologies to share with and have marketing functions to perform in coordination. The BC and SC are yet to break the private ice. The goodwill of the SC and the BC would change market scenario and make its impact deeper than what it is at present.
THE APMC, SHIMOGA

The APMC, Shimoga has created an excellent physical infrastructure for arecanut marketing with well laid out market yard, closed auction platforms, shop cum godowns, rest house for farmers, motorable roads, compound wall, staff quarters and so on. On the non infrastructural part, the APMC is enforcing the relevant provisions of the law in force. The tender system of sale is in vogue on the lines of what it is at Mangalore. It is facilitating market conduct of the users in a way it is desired for harmonious interaction.

6.04 THE SIRSI MARKET

The producers in the Sirsi area prepare both unboiled and Boiled Coloured Whole type arecanut. The produce is brought to the market yard where the TSS and the TAPCMS are located. There are 28 CAs and 49 traders in the market yard. There is also one Joint Stock Company - FAMA Co. Ltd. dealing with arecanut business.

THE PRICE DISCOVERY PROCESS

The lots received are weighed, recorded, numbered and displayed in the auction halls of the TSS and the TAPCMS. The transaction begins at 10 AM. By about 11 AM, the intending buyers inspect the lots arranged for sale in the auction hall and quote the prices in the tender slips. The tender boxes wherein tender slips are collected are opened in the presence,
of the APMC officials by 2 PM. Then, the successful bidders are declared and instructions are issued for necessary proceedings by the APMC authorities. The seller makes a decision regarding sale of his lot in about half an hour after declaration of the tender. In case of the decision to dispose of his produce, the lot is reweighed and packed and final bill is prepared. The amount is paid by the buyer immediately. If the seller decides against selling his produce, it is repacked and stacked. The TSS is the principal CA in the market yard followed by the TAPCMS (established in 1985). If the seller's produce is from FCs then the TSS or the TAPCMS arranges for sale of the lot and as soon as the lot is sold, the proceeds of sale is effected and the amount is credited after making necessary deductions.

The characteristic feature of the Sirsi market is that the transactions take place in the auction halls of the TSS and the TAPCMS. A seller can directly sell his produce to the Joint Stock Company which offers fixed price for unboiled varieties.

THE TRANSACTION

As had been explained above, the daily transaction is one of interaction between two SCs i.e., TSS, TAPCMS and private traders. The other CAs are relatively redundant. The arecanut business takes place in the closed auction halls of the TSS and the TAPCMS. The arecanut arrives from the producers directly and/or through FCs to the two SCs and to the private traders.
THE SCs, BC AND PRIVATE TRADE

The two SCs attract most of the produce (about 97%) in the market yard. The TSS has a long characteristic history, while the TAPCMS was established in 1985. As they exist, both are CAs, facilitate transactions of the produce on the norms evolved over the years. The TSS was one of principal traders of arecanut prior to the introduction of uniform marketing legislation in 1966 in the State. It still has the same imprint on the marketing practices although nomenclature has changed. The TSS is an agent of the BC, while the TAPCMS does the commission business on behalf of its principals. The other CAs and traders are monitored by the cultural marketing practices of the TSS. The entire APMC Sirsi market yard echoes the market conduct of the TSS. The traders actively participate in the business transactions. The BC and other traders cannot be demarcated as there is demarcation between the TSS and TAPCMS on the one side and the traders and the BC on the other. The two SCs and CAs are a part of the entire marketing transactional system. There is, however, perfect vertical coordination between the TSS and the BC. The BC intervenes in business through the TSS. The marketing subsystem at Sirsi is one of centralised powerful sellers' cooperatives with FCs and producers on one side and the traders, the BC and the Joint Stock Company on the other. Among private traders there is an intense competition and also between the BC and the FAMA.
THE APMC, SIRSI

The APMC, Sirsi is working on the lines of the APMC, Shimoga. The market yard is well structured and the physical infrastructure is as good as for any standard market yard. The trading practices are standardised and a sense of competitive marketing culture has internalised the subsystem. The APMC is concentrating on non-physical infrastructural facilities. The TSS is taking the lead in evolving a competitive marketing subsystem and the role of the APMC is an inseparable part of the entire marketing functions, activities and practices. The above analysis of market conduct can be clearly picturised by narrating the case study which portrays the strength and weakness as also the opportunity and threat likely to be created by the market functionaries in the AMS.

6.05 THE CASE OF "P"

The case of a producer "P" is narrated which throws light on the functioning of institutions and hence the AMS. Mr."P" hails from a village which is eighty kilometers away from the market in the study area. He is a medium size land holder producing arecanut. His ancestors used to sell arecanut to the commission agents at the market. The tradition has continued even after their property was reappropriated amongst his brothers. Mr. "P", like many others, thought it

*Mr."P" is a disguised name. The area, PACS, market and the variety are concealed. The Incident Reporting Method is adopted here.
better to send his produce through the PACS of which he was a member. Costwise, the sale of arecanut through PACS has proved to be more beneficial because of reduction of personal expenses to be incurred at market as also waste of his labour and time. Moreover, the PACS have provided loan facility to the extent of 75 percent of the estimated value based on previous week's average price of arecanut at the market. He had the advantage of using his charisma to get a loan on his produce up to 85 percent of its estimated value from the PACS as they know him well as a conscientious cooperator. Mr. "P" used to part with his produce entirely through the PACS after two or three years of initiation of the PACS. The PACS worked well and perhaps very well to his satisfaction. In 1987 season, he sent through PACS, for sale, five bags of arecanut of standard variety. He drew loan to the extent of 85 percent of the value of produce in the hope of returning it immediately after sale. As usual, he had sent in the instruction slip, the probable date or dates and the minimum acceptable price to the sellers' cooperative (SC) at the market to be adhered to by them. The sale of arecanut of Mr. "P"'s lot took place on the date-range specified by Mr. "P" at a price about 50 percent higher than what was acceptable to him. When the news of sale of arecanut came, Mr. "P" was excitedly happy. The normal time period for payment on sale allowed is ten days according to the agreement between the SC and buyer. Mr."P" did not receive payment through SC even after waiting for a fortnight. Mr."P" lodged a letter for steps for immediate payment from the buyer.
The buyer at the market (say Mr."B" for our convenience) did not "lift" the lot for a fortnight and after receipt of the letter from Mr."P", the SC took up the issue with Mr."B" through the APMC. The APMC authorities referred it to the Sub Committee on Disputes for immediate and necessary action.

The Sub Committee on Disputes took up the issue and summoned the concerned. The SC, on behalf of Mr."P" presented the case and Mr."B" referred to his version.

It was contended by Mr."B" that the produce of Mr."P" is not up to the standard quality as had been exhibited in the sample. The quality was highly inferior in all the five bags and therefore, it was not worth buying - according to Mr. "B".

The SC pleaded strongly for Mr. "P" and argued that Mr."B" had violated the basic norms of business by not lifting the lot and bypassing the issue on the grounds of inferior quality. The SC made out a case of violation of the byelaws of the APMC.

The Sub Committee on Disputes after examining the case of Mr."P" in detail and on the basis of the available evidence ordered that Mr."B" should lift the lot at the quoted and accepted price by paying the amount to the seller. The APMC conveyed the decision of the Sub Committee on Disputes to Mr."B" and directed him to comply with the decision. The time taken for arriving at the decision by the Sub Committee on Disputes was a fortnight. In the process, one month had been lost from the day on which the produce was tendered.
The incident did not end up here. Mr."P" had to move from pillar to post to get the sale effected as agreed upon by Mr."B". The SC did its job sincerely; the APMC its law bound duty. The price of arecanut, by this time, started declining and fell by almost half the price discovered for Mr."P"'s produce. Two more months proved hazardous to Mr."P". The loan he had borrowed from the PACS had to be repaid, the interest amount was accumulating on the one side and the prices were declining on the other. Mr."P"'s efforts were in vain. Mr."P" finally disposed off his produce at the market by rendering at a low price to arrest further loss.

The institutions had performed duties and functions in accordance with the existing environmental conditions. The environment failed to enforce market discipline and norms of marketing practices. In the case of a situation such as this, market environment is beyond creation of infrastructure and utilities. It is and must be "power put in to action" for ensuring marketing efficiency of a high order. The case is a classic example of test of strength as well as weakness of a structurally well knit system at times of stress.

6.06 CHANGES IN MARKET CONDUCT

Studies conducted earlier suggest that efforts were on to modify market conduct as early as in 1940's. The then objective was to protect producers from undue exploitation from traders. The report of the DMI (1949) had stressed the need for establishment of cooperative marketing.
institutions on the lines of MAMCOS and SKACMS. The subsequent survey by the DMI (1962) elucidated the functioning of SCs in Karnataka (by which time the TSS was functioning). Satyapriya's (1984) work recorded the role of cooperative institutions, in particular the TSS, in changing market conduct. The APMCs have been playing a seminal role in bringing about significant changes in marketing practices.

The discussions in the preceding sections apparently point towards change in scenario in each subsystem wherein there are interactions between private traders on the one side and SCs and the BC (and to some extent JSCs) on the other. More importantly, marketing practices and marketing culture have been internalised in each of the three subsystems. The cooperativisation process strengthened further with the MIOs of the BC. The changes in market conduct are justified by H-indices for Mangalore and Shimoga subsystems. Can there be better substantial evidence than what are described in the previous sections? The sprouting of JSCs favouring producers, functioning of the SCs and the BC at the market level associated with the FCs or the branches of the BC or SC (as in Mangalore and/or Shimoga subsystems) point towards changes in market conduct as perceived and evolved by the producers over five decades. Interestingly, it is found that adulteration of arecanut by ripe fruits of sago palm (caryota urens, linn) which was prevalent about five decades ago is nowhere to be seen in the three markets studied. Could it not be ascribed
as a resultant effect of change in market conduct. Our participation—observation of the working of the institutions has lead us to impeccable conclusion of acceptance of hypotheses of changes in market conduct in each of the three subsystems namely, Mangalore, Shimoga and Sirsi vis-a-vis the entire AMS.

6.07 CONCLUSIONS

In the present chapter an elaborate discussion on market conduct is made in respect of each of the three subsystems—Mangalore, Shimoga and Sirsi under captions: (a). The price discovery process, (b). The transaction, (c). The SC, BC and the private trade, (d). The CAs, the SC and BC and (e). The APMC.

(a) The Price Discovery Process

The sequence of operations of the price discovery is the same in all the three subsystems. All the three markets have adopted tender system of sale for price discovery.

(b) The Transaction

The transaction of business consists of the elements such as the sellers, CAs, the SC, the BC and private traders. There is a difference in the composition of these elements in each subsystem and hence their size.

(c) The SC, BC and the Private Trade

It is noted that there is vertical coordination between the SC and the BC and a forward linkage of credit between the
SC and BC. The private trade is altogether a separate entity as far as price discovery process and transactions are concerned. The private trade and the BC (along with SCs) have conflicting interests.

(d) The CAs, the SC and the BC

The CAs and the SC perform identical functions of credit, storage and transfer facilitation in all the three subsystems. The BC and SCs in all the three subsystems are working in harmony with each other.

(e) The APMC

The APMCs are environment creating institutions for orderly marketing of notified agricultural produce. They facilitate to perform physical, exchange and facilitating functions effectively. It is obligatory on the part of APMCs to enforce Byelaws to meet the location specific problems. The rotation system in the APMC, Mangalore is a classic exposition.

(f) The Case of "P"

The case of "P" portrays the strength as well as weakness of the existing marketing system. This case, however, need not be generalised. At times of stress, the institutional fibre gets weakened or may prove ineffective.

(g) Market Conduct

Changes in market conduct have been observed temporally which are testified by standardisation of marketing practices in the AMS.
6.08 REFERENCES


5. ---: Report on the Marketing of Arecanuts (Tamul) and Betelnuts (Supari) in India; Marketing series No. 125, DMI, GOI, 1962, pp 1 to 226.