CHAPTER - II

MARKETING OF AGRICULTURAL PRODUCE
- A PREVIEW

Marketing of agricultural produce is more complex than the marketing of manufactured goods as the latter is more organised with a positive control over production and distribution. In the marketing of agricultural produce, one is faced with the unique characteristics associated with their production and consumption. The commonly associated features of the marketing of the agricultural produce are (a) Small Scale production, (b) Scattered and specialised production, (c) Seasonal production, (d) Variation in quality, (e) Bulky and perishable products, and (f) inelastic demand. These characteristics have created many problems for its marketing and the marketing management.

Marketing in simple terms may be defined as "the set of human activities directed at facilitating and consumating exchanges". This definition involves the following conditions:

(i) Existence of two or more parties who are potentially interested in exchange of goods,

(ii) Each party possessing things of value to the other/s,

(iii) Each capable of communication and delivery.

So, for marketing of agricultural produce, the existence of two or more parties to sell and to buy is necessary. The commodity to be marketed must be of value. It should not be a free gift of the nature easily available for mere picking. The goods must be capable of being communicated and delivered physically. Marketing today is becoming more complicated with the advancement of the civilization. Man is not dependent on food and fibre in simple form. This has created many marketing problems like storage, packing, grading, processing, etc. This is what is known as marketing management. We are primarily concerned with marketing management today. Days of simple marketing are over. Marketing management is the order of the day, more pronounced in advanced countries but equally essential in developing countries like India in the marketing of the agricultural produce.
It is needless to point out that marketing management means an analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target audiences, for the purpose of personal or mutual gain. It relies heavily on the adaptation and co-ordination of product, price, promotion and place for achieving effective response.²

We have attempted in analysing this co-ordination of agricultural produce, price promotional activities undertaken by the agency of Regulated markets in an area declared as market yard for the purpose. Thus throughout this thesis, one will discern that it is nothing but an effort to point out at the efforts in effecting a sound marketing management in the marketing of agricultural produce in India with the micro-analysis of the marketing of agricultural produce in the Gulbarga Division of Karnataka State.

I. MAJOR CONSTRAINTS IN MARKETING AGRICULTURAL PRODUCE IN INDIA:

(1) **Smallness in Marketable Surplus:**

India has a lowest per capita land holding in

2. Ibid., p. 13.
the world with this land showing diminishing returns being cultivated for number of years and thereby losing much of its "original and indestructible" power of reproduction. This smallness of holding and low yield has always created problems of marketing of the produce particularly of consumer goods if not of the goods in the category of raw materials such as cotton, tobacco, oil seeds which are agricultural goods acting as industrial raw materials. This smallness of quantity has resulted in many unorganised local markets without its proper links at creation of regional or national markets. The smallness of marketable surplus has hindered the creation of market infra-structure in the country on a wide scale; thus resulting in the existence of highly imperfect local markets.

(ii) Seasonal Production:

Most of the agricultural produce is raised during a specific period of the year. Paddy, Jowar and Cotton are harvested from December to March. They are flooded in the market in the months of March, April and May when they pose such marketing management problems as storage, grading and processing. Besides these goods though pressing for marketing by the producers during a particular
season, the demand for it is spread throughout the year. During the above period of three months the produce moves from villages to local and central markets for sale. This creates an additional strain and a demand for such services as transportation, storage and finance. The cost of these services, therefore, rises, thereby either increasing the cost of marketing or creating bottlenecks in these services leading to rise or fall in prices depending upon the supply and demand.

(iii) Scattered and Specialised Production:

Production of agricultural produce is scattered over a wide area unlike the industrial production, which is localised with the factories. Besides, soil, rainfall, climatic conditions have most telling effects in localising the production of few goods or in the specialisation of its production. Thus, for example, climate, the terrain and the rainfall have influenced in location of fruit gardens in certain areas only. Whereas production of Virginia type of tobacco is confined to Andhra Pradesh mostly. Thus, the production of agricultural produce is scattered, small and big in areas far away from the consuming centres. This poses grave problems in marketing the produce.
The bumper crop of apples in Kulu Valley poses a great problem of marketing management to it, since the consumption centres are the cities. This necessitates a marketing system which helps in the concentration of small quantities of agricultural produce of thousands of farmers into bigger lots. It is to be transported to cities or locations of demand for further processing.

Groundnut, cotton, tobacco, etc. are concentrated in local markets before they are sent to city markets, then concentrated in central or terminal markets before they are disbursed to the manufacturers. Since concentration process is absolutely necessary for all the agricultural produce, its distribution channel involves a large number of marketing middle-men or market functionaries. This is inevitable in the marketing of agricultural produce. This is one of the reasons for the wide price spread in respect of the agricultural produce between what the primary producer gets and the final consumer pays for it.

(iv) Variations in Quality and Quantity:

Uniformity in quality and quantity is proverbially absent in respect of agricultural produce. The quality and quantity vary from season to season, year to year and during the same year from region to region. Due to these variations, conditions of supply change with the consequent
violent fluctuations in prices. The variation in the quantity poses problems of transportation and storage facilities. When quality varies, it creates problems of grading threatening the smooth functioning of the marketing process. Rice produced in Punjab of, say Basumati variety is not the same in quality of the Basumati of Andhra Pradesh. It varies in length, colour and taste besides the size. This poses difficult problems in the marketing management.

(v) **Bulky and Perishable:**

Agricultural produce is many times bulky and, therefore, weight shedding in the process as well as perishable when exposed to open climatic conditions for a longer duration. Sugarcane when cut has got to be crushed for a better recovery percentage early or else it loses its sucrose content. Cotton is a bulky commodity and for transportation to centres of consumption, it has to be processed and pressed into bales. Tobacco contains considerable amount of foreign material like the ribs, stems, etc. which have to be removed before making it fit for transportation to the consuming centres or terminal markets. The bulkiness of the agricultural produce makes its transportation and storage expensive. These factors
are responsible for the determination of the size of the market for agricultural goods.

Perishability has posed problems of preservation. Air conditioning of the godowns is considered a must but this facility is lacking in all the local markets. That is a positive constraint to the marketing of agricultural produce. Thus, mango which is considered a king among the fruits in India had so far only local markets. The recent development in the infra-structure in the marketing of mangoes, has created a national as well as international market though we have yet to go a long way in getting a better price for this "King of fruits".

(vi) Inelastic Demand:

The demand for agricultural goods is rather inelastic and highly irrratic particularly, this is more pronounced in less developed and developing countries, though developed countries are also not free from this phenomenon.

If the supply of rice is not adequate either due to fall in production or due to artificial barriers of movement, the price rises immediately in the market and
if its supply is more than necessary, its price suddenly falls. Even if the price falls considerably, the consumption does not increase sufficiently. This was the situation in the U.S.A. in 1967-68 through 1970-71. When the production of meat was more than could be consumed resulting in the considerable fall in the price of the product.

Similarly the supply of the agricultural produce is also inelastic. When the demand or price increases the production cannot be increased, all of a sudden, neither it can be cut down when price falls. This poses the problem of supply - demand imbalances leading to price instability.

II. AGRICULTURAL MARKETING IN INDIA:

Having examined the major constraints in the marketing of the agricultural produce in general, we will analyse in brief, the marketing of agricultural produce in India and the defects associated with it from the historical point of view and analyse afterwards step by step, the measures adopted to improve the marketing management of agricultural produce in the country.
Historically speaking agricultural marketing is associated with traditional defects which could be enumerated as (i) lack of organisation, (ii) forced sales, (iii) large number of middle men, (iv) high cost of marketing, (v) market malpractices, and (vi) absence of marketing infra-structure.

We will analyse in brief these defects for better appreciation of the later efforts made in this direction to remove them by the Government.

(i) Lack of Organisation:

The farm producer in India has remained unorganised unlike the merchants (Merchants Association) and middlemen. The merchants and the middlemen have adopted a code of conduct conducive to uniform policies and practices through their associations or the unions. A primary producer stands alone amongst his large co-producers whose market surplus is limited, scattered and differing in quality. This has resulted in his ruthless exploitation and neglect by the Government. Today we find Ryots associations coming up throughout the country and the organisations of the primary producers are making their presence felt by such persons as Thiru Narayanswami Naidu
of Tamil Nadu, Shri H.S. Rudrappa of Karnataka, Sri Sharad Joshi of Maharashtra. However, the organisation has not become very effective to exert its influence on the marketing of the produce. The recent failure of the agitation by Shri Sharad Joshi for better price for tobacco and onion growers, is the case in point.

(ii) Forced Sales:

Majority of the farmers are forced to sell their produce immediately after it is harvested due to various reasons such as smallness of marketable surplus, lack of storing facility, pressure of the money lenders for repayment of the debts and his pressing domestic needs to meet social and other obligations. This results in getting low price for his produce than he would have been otherwise entitled to if markets had functioned normally. About 65% of the agricultural produce is sold in the villages which has highly ill-organised markets. The primary producer has no holding capacity to withdraw this forced sales of his produce due to lack of credit and marketing facilities in a village. This has resulted in his exploitation by the middlemen merchants.
(iii) Army of Middlemen:

Agriculture marketing in India is fraught with a large number of middlemen at various stages in marketing management. The village merchant functions as a local middleman. He is a monopolist in buying and as such dictates his own terms in buying the produce which is at the lowest price.

The agents or the representatives of the city wholesalers also buy directly from the producers. In the assembling market function, the commission agent is called a 'Kacha Arhatia' and the wholesaler a 'Pukka Arhatia'. Before the produce reaches the final consumer, it passes through wholesalers and brokers in secondary market and the retailers. This army of middlemen, the village merchant, Kacha Arhatia, Pukka Arhatia, the wholesalers and brokers including the speculator buyer and the retailers, all add their share to the escalation of the price for the produce, thus raising the cost of marketing with the consequent increase in the gap of the price received by the primary produce and the price paid by the consumer.

(iv) High Cost of Marketing:

Agricultural produce is exposed to the exploitation by large number of middlemen, in addition to the cost of
transport, which is high due to bad road system, storage, which is proverbially low and on top of it local taxes, and unauthorised deductions.

(v) Market Malpractices:

Market malpractices involve manipulation of weights and scales, unauthorised deductions by the commission agents, underhand dealings in the disposal of the produce to themselves, here acting both as jobbers and brokers or commission agents and taking away a large chunk of the produce by way of samples. All these malpractices add to the cost of marketing with its consequent low price for the primary producer. These market manipulations have resulted in the Government taking action in establishing of Regulated markets to stop this exploitation of the gullible producer by the mounting middlemen.

(vi) Lack of Market Infra-structure:

Marketing of agricultural produce involves an elaborate market infra-structure such as use of standard weights and measures, availability of standardisation and grading, adequate and proper storage facilities, cheap and convenient mode of transport, credit facilities,
dissemination of market information regarding the price trends and the supply position with a forecast for price trends and support price in periods of plenty by the Government. These facilities are either conspicuously absent or available only at a prohibitively high cost thus rendering the farmers to sell their produce at a much lower price, which does not cover their cost of production. It is, therefore, rightly said that farming in India is a way of life. It is not organised like manufacturing industry, which aims at a fair return on the capital invested.

Having considered the traditional defects of the marketing of the agricultural produce in India, we will now analyse the steps taken by the authorities to remove these defects.

III. REGULATION OF AGRICULTURAL MARKETING IN INDIA:

Exploitation of ignorant primary producer in the process of the marketing management by the trader and the continuing malpractices in trade, attracted the attention of the Government of India as early as 1928 which resulted
in the appointment of the Royal Commission on Agriculture. This Commission made a thorough study of Indian agriculture and made many concrete suggestions which shaped the future marketing pattern of agricultural produce. There were many sporadic attempts made by various states in India in regulating the marketing of agricultural produce even earlier than 1928, i.e., before the Royal Commission.

Early measures in regulation: As early as 1886 under the Hyderabad Residency's Order, a regulated market for cotton was established. In 1897, cotton and grain Markets Law was passed in Berar which was then a ceded district of Hyderabad with a view to controlling and regulating the cotton and grain markets of the district. The Act primarily aimed at regulating the cotton market as cotton was the principal commodity of the district and this cotton was purchased by the Lancashire mills in the U.K. Thus, the purpose of regulation was to ensure the quality of a controlled price to the textile mills of the U.K. and not for giving a better price for the primary producer though it resulted in accruing a better price to him through a better market management. Besides, this Act was defective in many respects. It gave unlimited powers to the Resident Representative of His Majesty's
Government. The market committee consisted of the majority representatives of the traders and local bodies and none from the primary producers.

Similarly, the then Bombay State passed an Act known as Bombay Cotton Markets Act, 1927, before the Royal Commission submitted its report in 1928. This Act was a shade better than the cotton and Grains Act of Berar in that it sought to remove the major defects of the latter Act by associating the growers on the Committee and spending the collection of rates on the development of the market. The Act was passed at the instance of the Indian Central Cotton Committee with a view to preserving the better quality of cotton grown in the Sakkur Barrage in Sind (then part of Bombay State) and the cotton grown in the famous black soil of then Bombay Karnataka districts. The Government of Bombay, as a result of this Act, established the first regulated market in cotton in Dhulia in West Khandesh District of now Maharashtra and then Bombay State in 1931.

The submission of the report by the Royal Commission on Agriculture, brought about for the first time in the Country, the widespread exploitation of the gullible farmer, who was the backbone of the Indian
economy, by the unscrupulous traders. The Commission pointed out in detail how the primary producer was systematically and ruthlessly exploited by the money-lender-cum-village merchant who was popularly known as merchant banker (Indigenous).

Further the Royal Commission on Agriculture recommended "Establishment of properly constituted regulated markets which could confer immense boon on the cultivating classes in India. It must indeed in our view form an essential part of any ordered plan of agricultural development in this country." This was the first directive at establishing markets in the Country.

In 1930, the Hyderabad Agricultural Markets Act was passed followed by the Central Province Agricultural Produce Markets Act, 1935, for all kinds of produce except cotton. The Madras Commercial Crops Marketing Act 1933 aimed at controlling the commercial crops like cotton, groundnut, tobacco, etc., but in 1948, the Act was extended to other crops by the State. In 1939 Bombay passed an Agricultural Produce Marketing Act followed by Punjab and Patiala, Madhya Pradesh (1952) and Saurashtra (1955). Thus, Provinces and which were later on known as States
made various attempts at regulating the marketing of agricultural produce in the Country, but these attempts were only sporadic. There was no uniformity in the definition of agricultural produce. For example, the Bombay Act defines 'agricultural produce' as any produce of agriculture, horticulture and animal husbandry as specified in the Schedule. The M.P. Act prohibits inclusion of cotton. The Punjab Act includes all the crops but not the livestock. There is no uniformity regarding the Market Yard. There is no uniformity on the representation on the market committees. Each Act lays down its own norms, where either the Government representatives dominate or the growers or the members of the local bodies or the opted members.

A major break through in the marketing of agricultural produce was first ushered in by the Government of India, when Agricultural Marketing Adviser was appointed in 1934 following the recommendations of the Royal Commission. This was followed by the establishment of the Directorate of Marketing and Inspection in 1935. With subsequent efforts at setting up of marketing organisations at the centre and the Provinces, these marketing organisations were primarily concerned with
investigation, development and grading only. Thus, they touched only a fringe of the problem of agricultural marketing. This in no way relieved the exploitation of the farmer by the traders.

Independence and After:

After the Independence of the country in 1947, the Government was much concerned about the man behind the tiller of the soil. The Report on the All India Rural Credit Survey gave a new orientation to the marketing of agricultural produce in the country.

For the first time, marketing was linked with credit. Thus, the policy aimed at was at co-ordinating the agricultural marketing with the general policy of rural credit. The Post-Independence era also saw the increased activities of the Directorate of Marketing and Inspection by extending its field of activities and paying greater attention to the regulation of markets and market practices.

During the First Five Year Plan, the Central Agricultural Marketing Organisation undertook the Study of 40 principal commodities and published reports on them. With the passing of Agricultural Produce (Grading and Marketing) Act, grading which was confined to ghee and
vegetable oils was extended to other products. A beginning was made by establishing a Central Quality Control Laboratory at Nagpur, followed by eight other regional laboratories of Quality Control.

The Second Five Year Plan aimed at handling the agricultural marketing programme by the co-operative agencies. The Reserve Bank of India took the lead in this respect and advocated multi-purpose co-operative societies to handle the marketable surplus of agriculturists by linking it with the credit facilities. Thus, the emphasis was now shifted to the co-operative societies acting as dispenser of credit and as agents of the borrower to market their products.

However, this problem is outside the purview of the present study and hence, we have not attempted to analyse in depth the marketing of agricultural produce through co-operative societies.

It will not be out of place to point out the legislation enacted by the Centre in the creation of the network of ware-housing corporations both at the Centre and at the States. With a high powered National
Co-operative Development and Warehousing Board to superintend their performance. With an assured backing of ₹80.00 crores the Agricultural Produce (Development and Warehousing) Corporations Act was passed by Parliament in 1956. This was replaced by the Warehousing Corporations Act, 1962, under which the Central Warehousing Corporation was established. So also the National Co-operative Development Act, 1962. These two Acts aimed at the integrated scheme of rural credit, scientific storage, price stabilisation and market intelligence. This led to the establishment of the warehouses in the country which was a crying need of the agriculturists to store their produce during the season and effect the sales throughout the year which will have a salutary effect on the price fluctuations usually associated with agricultural produce. With this background of the historical analysis of the attempts made at regulating the marketing of agricultural produce in India, we will now analyse the attempts made by the State of Karnataka in regulating the markets.
IV. REGULATION OF MARKETING OF AGRICULTURAL PRODUCE IN KARNATAKA:

Early History:

The present State of Karnataka was known as Mysore State from the days of integration of Kannada speaking areas in 1956.

Therefore, the regulatory Act in agricultural marketing was known as Mysore Agricultural Produce Marketing (Regulation) Act, 1966. Prior to the passing of this consolidated Act, there were four Acts in respect of regulated markets, each for the different Kannada areas, which was then associated with the parent State of Madras, Bombay Karnataka, Hyderabad Karnataka and Coorg which was centrally administered and one for the princely State of Mysore. We have given below the names of the Acts against their areas:

1. Bombay Karnataka (consisting of Dharwad, Belgaum, Bijapur and North Kanara Districts)

2. Old Princely Mysore State

3. Madras Karnataka (consisting of S. Kanara and Bellary Districts and Kollegal Taluq)

Bombay Agricultural Produce Market Act, 1939.
Mysore Agricultural Produce Markets Act, 1939.
Madras Commercial Crops Markets Act, 1933.
4. Hyderabad Karnataka (consisting of Gulbarga, Raichur and Bidar Districts)  
   Hyderabad Agricultural Markets Act, 1930.

5. Coorg District (Former a centrally administered State)  

These Acts prevailed in the respective areas till 1966 excepting the Coorg Agricultural Produce Markets Act, 1956 which did not come into operation as the area merged with the then Mysore State in 1956. The prevalence of four different Acts in the State created more confusion than consolidation resulting in the negligence in the implementation. Further, the Acts differed widely in the definition of the markets and the market yards, market fees, to be levied, appointment of market committees, settlement of disputes, and market charges. These differences naturally led to the passing of a consolidated act known as the Karnataka Agricultural Produce Marketing (Regulation) Act, 1966.

KARNATAKA AGRICULTURAL PRODUCE MARKETING ACT, 1966:

This Act, which was enacted in 1966 was brought into force from May, 1968 replacing the five pieces of marketing legislations in force in different regions of
the State. The Act is "a piece of socio-economic legislation promulgated with the twin objects of eliminating fraud and exploitation at the stage where the primary producer converts his crops into cash and of providing amenities in the yards for the users of the markets."\(^3\)

With a view to achieving the objective stated in the Act, it seeks to regulate all the processes of marketing gone through at the wholesale level in the primary market. The Act, therefore, makes it compulsory on all the market functionaries to obtain a licence from the market committee for operating in the yards.

The major operations at the primary wholesale level are weighment, sale and payment for the sales effected. The Act lays down clearly that weighment of agricultural produce should be done only by persons licenced by the market committee. This eliminates the possibility of fraud by unauthorised persons operating in the market yard. Besides the method of sales for the

\(^3\) Organisation and Working of Agricultural Produce Market Committees in Karnataka State - Published by Karnataka State Agricultural Marketing Board, Bangalore, 1979, p. 1.
agricultural produce is also prescribed, the chief of them being (i) open auction, and (ii) tender system. This eliminates all underhand dealings which were prevalent in the pre-regulation period or those practiced in unregulated markets.

Regulation of Markets in the Market Area:

With the introduction of regulation, the Government notifies its intention to regulate the marketing of specified agricultural produce in specified areas. In the same notification, the objections, if any, and also the suggestions of the local people are invited with a view to involving the interests of the local people in the said regulation.

Then the Government declares the specified area as 'Market area' and publishes a list of commodities notified for regulation. Normally the "market area" is the hinterland of the market from which the agricultural produce flows into the market for sale. Incidentally, it also serves as a franchise limit for the election of agriculturists' representatives of the market committee.

This is followed by a market for each 'market area' and one or more sub-markets, as may be necessary.
Every market has a "market yard" and every sub-market has a "sub-market yard". It is pertinent to note that within the market but outside the market yard there may also be market sub-yards, which are the sub-centres of marketing within the limits of the market. It is incumbent on the part of the producer that once the produce is brought into the market, the same shall be sold only in the market yard as per Section 8 of the Act.

Licencing of the Market Functionaries:

All the market functionaries such as traders, Commission Agents, brokers, processors, weighmen, etc. must take out licences under the Act, from the market committee. It is an offence under the Act to use any place in the market area for marketing of notified agricultural produce or to operate as market functionary without or otherwise than in conformity with the terms and conditions of the licences granted by the market committee. The producer and the person who buys the agricultural produce for his domestic consumption are, however, exempted from the provision of taking the licence. Each market functionary has to maintain and submit accounts to the market committee relating to his
transactions and periodical returns which are subjected to scrutiny by the market committee.

Recording of Arrivals:

As soon as agricultural produce arrives into the premises of the commission agent, it is his duty to take possession of the same and arrange for its proper storage and intimate the committee as regards the quantity of the produce which has been entrusted to him for sale. The figures of arrivals in respect of notified commodities in the market are compiled by the market committee, which show the arrivals for the day. The bye-laws of the market committee further stipulate that the produce that arrives for sale should be weighed immediately on arrival and an acknowledgement to this effect should be issued to the owners of the produce. This ensures fair weighment practices which were totally absent in un-regulated markets.

Methods of Sale:

The Act has made it clear that the agricultural produce shall be sold only by open methods such as tenders, public auction, open agreement, by sampling by reference
to a known standard or in such other manner as may be
directed by the market committee.

The trend in market committees in this regard
has been that in view of the proved advantages of tender
system of sale more and more regulated markets are
adopting this system for the sale of agricultural
commodities. Another significant fact in this regard
is that markets of a very big size find it advantageous
to follow the tender system of sale, as it will save both
time and labour. Another advantage in the tender system
is that the highest price that is offered by the tenderers
being unknown to one another, each trader offers his
maximum price, which is not necessarily the case in the
other system of sale. Smaller markets, however, find the
auction system quite workable and useful and have,
therefore, adopted the same with advantage.

Payment of Sale Proceeds:

The next important aspect of regulation is
delivery of the produce to the buyer and the payment
of sale proceeds to the seller.
The liability to deliver the goods of the principal to the buyer is squarely placed on the commission agent. Section 78 of the Act casts a duty on the commission agents to pay the principal, as soon as the goods are sold, the price thereof, irrespective of whether he has or has not received the price from the buyer of goods. This ensures cash and carry system in the market. Credit transactions are, however, allowed by the market committee under strict conditions. The Act lays down that all the commission agents and all traders who want to have credit transactions should furnish cash security or bank guarantee to the market committee. In regard to credit transactions by traders, the Act lays down that no licenced trader shall buy or take delivery of goods from licenced commission agents on account of the purchases of goods to such an extent as the security or guarantee deposited or furnished by him falls short of such percentage as shall be provided in the bye-laws which shall not be less than one percent of the aggregate amount of the indebtedness arising out of such credit purchases. The fixing of credit limits for each trader ensures promptness in payment of sale proceeds to the sellers and also prevents over-trading in the market, thus helping in maintaining market stability.
The commission agent is called upon to prepare an account settlement slip in which the details relating to the quantity and price of the produce and market charges recovered are mentioned. These slips are prepared in triplicate, one of which is handed over to the seller, the second is sent to the market committee and the third is retained by the agent. These slips are checked by the market committee for correctness. Irregularities, if any, relating to payment of sale proceeds or market charges recovered are detected by the market committee and corrective action is taken immediately. There are several cases where short payments are detected, the amount is recovered from the commission agents and paid to the concerned producer-sellers. Excess collection of market charge is like-wise corrected by recovering the excess amount and paying back to the concerned sellers. This has resulted in a substantial monetary benefit accruing to the producer-seller in the markets of the State and also makes the erring merchant to be alert in future.

Elimination of Trade Allowance:

An equally significant aspect of the Act relates to the prohibition of deductions in weight or price of the
produce. Section 80 of the Act lays down that no market functionary and no other person shall make, give, allow, receive or recover any deduction in weight or payment or any other allowance in respect of any transaction relating to notified agricultural produce other than those provided in the Act, the rules or the bye-laws, and no civil court shall, in any suit or proceeding arising out of any such transaction, entertain or allow any claim for any deduction or allowance not so provided for. Permissible deductions in this regard, however, relate to deduction of the weight of the container when it is of a negligible value, deductions in weight on account of shortage of raw produce as shall be fixed by the market committee, deductions in weight on account of deviation from sample or known standard and on account of the detection of adulteration not readily detected on customary examination, made in regard to the decision of the authority entrusted with the settlement of the disputes under the Act.

Another special feature of the Act is that it calls upon the Chief Marketing Officer to ensure that permissible deductions are uniform in all the market areas in the State in respect of similar types of container and that deductions on account of moisture
or drying do not materially vary in markets located in the areas with similar climatic conditions. This provision amply ensures that no unauthorised deductions either in cash or kind are effected by the commission agents or traders.

**Market Charges:**

The legislation has rationalised the market charges that could be levied and collected by them from the sellers and growers. The chief items of the market charges are the market fee that should be paid to the market committee, the weighment fee, commission, brokerage, hamali charges and grading fee.

The maximum market fee that could be levied under the Act is Rs.2/- per Rs.100/- worth of produce bought and the liability to pay this fee is that of the buyer of the agricultural produce. The maximum commission that could be collected by any commission agent is two per cent of the price of the produce sold. This is payable by the seller. The brokerage, weighment fee and grading fee are, however, prescribed under the bye-laws.
Market Functionaries:

The various market functionaries operating in the regulated markets of the State are the commission agent, trader, broker, warehouseman, weighman, processor, stockist, exporter, importer, surveyor and any other functionary in relation to the marketing of agricultural produce to be recognised as such by the market committee.

Market Intelligence:

Market intelligence is one of the important promotional services provided by the regulated markets. In its absence, seller is put to considerable inconvenience and at a disadvantage in his bargaining capacity. The Committee collects market information about the arrivals and the prices in not only in their market area, but also in various other neighbouring market yards and put up the information either through the display on boards or through bulletins or through announcements on the radio.

Grading and Standardisation:

Grading of farm produce being of prime importance to the marketing, it is undertaken by the committees. There are 13 grading laboratories with 15 sub-packing stations functioning in the State. Grading at producers'
level is also undertaken by pre-clearing of produce.
There are 32 primary grading units with three supervisory grading centres at Dharwad, Bangalore and Mysore. 12 more grading centres are proposed to be established shortly.

Apart from the grading of the agricultural produce special facilities for grading of cotton (Kapas) is arranged. It is proposed to establish ten such grading centres for cotton which is ginned. Karnataka being a premier state in producing cotton, it is quite essential that all facilities for grading of cotton are rendered.

Facilities in the Market Yard:

Apart from grading and market intelligence services provided by the market committees there are other facilities offered to the users of the market in the yards. The chief of them are open auction platforms, sale halls, rest houses for ryots, cattle sheds, drinking water facilities, fodder for cattle, canteen, light, post office and banking facilities, veterinary services, fire fighting measures, storage facilities, shops for selling agricultural inputs, etc. An engineering cell has been created in the Marketing Department for preparing of the plans and estimates and supervising the departmental works.
State Agricultural Marketing Board:

The Act provides for the establishment of the State agricultural marketing board which is being done with headquarters at Bangalore. The role of the State Agricultural Marketing Board is that of a co-ordinator and liaison between the market committees and the Government in the several aspects of regulatory and allied activities. It is composed of as many members as there are districts in the State. The Minister in charge presides over the meetings.

The Board derives its income from the contributions of the market committees at the rate of 5% of their income with a matching grant from the Government.

We have so far examined the working of the Karnataka Agricultural Produce Marketing (Regulation) Act, 1966. Now the marketing of the agricultural produce is further assisted by the continuous efforts by various agencies. There are schemes to improve and develop the rural roads linking the villages to the marketing centres for improving agricultural marketing.
State Agricultural Marketing Department:

A separate Department of Marketing was constituted in 1941 to deal with the problems of agricultural marketing including opening of regulated markets and grading stations, the improvement of containers and methods of packing, storage and other facilities and the development of market news service, etc.

The Department is attending to the enforcement of the following Acts in addition to implementation of plan schemes drawn for improving agricultural marketing:

(1) The Karnataka Agricultural Produce Marketing (Regulation), Act, 1966;

(2) The Karnataka Warehouses Act, 1961;

(3) The Agricultural Produce (Grading and Marketing) Act, 1937.
The State area is divided into four divisions for implementation of the Act. The divisions are (i) Bangalore, (ii) Mysore, (iii) Belgaum, and (iv) Gulbarga. We are concerned with the Gulbarga Division and the micro-analysis of the survey is presented in subsequent chapters.

Karnataka State is one of the foremost states in the country to get the financial assistance in the marketing of agricultural produce through the regulated markets and other allied schemes by the World Bank. This has given a big boost to the marketing of agricultural produce in the State. This aspect of the development could be discerned by increased activities of the market committees in making available more and more facilities to the primary producer at the market yard.

Now having analysed the efforts put in by the Government of India and the State Government in providing better facilities for marketing of the agricultural produce, we will examine the working of the Karnataka Agricultural Produce (Marketing Regulation) Act, 1966 in Gulbarga Division, with the help of the survey undertaken by us, in subsequent chapters.