CHAPTER - I

INTRODUCTION

Agricultural marketing plays an important role in the economy of the country like India because, it not only activates the economy but also acts as a catalyst to rise from dormant level. It facilitates the maximum use of production capacity where various facets of the economy are integrated.

Agricultural marketing starts with the production process of agricultural commodity including the market system through which the goods move from the producers to the consumers.

The Indian agricultural system has been affected by historical and geographical factors. Therefore, the marketing system is open to various streamlining process.

It is said that most of the people go hungry because they are forced to pay higher marketing costs for food grains. Marketing of foodgrains plays an important role in a agricultural based developing country like India. If agricultural marketing system is not efficient, the price signals at consumer level is not transferred to producers and the farmers will not get incentive to produce goods of short supply. This will affect the standard of living of both
producer and consumer. Good agricultural marketing system helps in the production of scarce and essential goods thus establishing a link between consumer and producer. It keeps the balance between demand and supply, price stability, economic growth, proper distribution of goods and services. Agricultural marketing helps in sustaining and maintaining the tempo of rural and economic development.

Agricultural marketing is the important multiplier of agriculture development in the sense it accelerates the pace of economic development by stimulating production and consumption.

The technological changes like HYV seeds, fertilisers, pumpsets, tractors etc. has led to increase in production and larger marketable surplus and assurance of remunerative price is a pre-requisite. Thus market problems emerge with production surplus and to sustain the momentum of production it becomes market oriented agriculture.

In India resources are primarily agricultural. Demand for money is increased and price fixation for the product is also facilitated. It helps in non-agricultural development by providing resources, assured supply of food, raw-materials and finance for investment in agricultural and non-agricultural sector.

Agricultural marketing helps in economic development in various ways:
1. Increase in Agricultural Income:

   It assures higher level of income by reducing the number of middlemen and market cost. It assures a fair and better price and induces investment for higher productivity in agricultural inputs which will again result in further marketable surplus and income to farmers.

2. Addition to National Income:

   The agricultural marketing activities add to the gross national product and net national product.

3. Better Living:

   It helps in reducing the poverty of agricultural population.

4. Widening of Markets:

   It helps in increasing demand on a continuous basis, brings higher income and market specialisation.

5. Growth of Agro-based Industries:

   It stimulates the growth of such industries and sometimes many industries depend on agriculture as raw material.

6. Price:

   This helps in planning production in accordance with the need of the economy.
7. Use of Technology

New scientific technology can be used.

8. Employment:

It provides jobs to millions engaged in different activities like packing, transport, processing agents, brokers, traders, staff in marketing system.

9. Optimum use of Resources:

The scarce resources are used in such a way that input costs are reduced and inefficiency in storage, transport etc. are also reduced.

10. Utility:

The market provides the important functions namely, time, place and possession utility. It supplies goods at the place and time they are needed where the prices are high and further helps in transfer of goods and title through buying and selling.

On the whole, one can say that agricultural marketing provides income to farmers so that they can fulfil other domestic needs; livelihood to various people engaged in the process and lastly, food for consumers.

There has been a considerable increase in agricultural production since independence which has given rise to the market surplus that affected the market system. So a gradual transformation in agricultural sector took place. Drastic
changes in the marketing system has also been brought about to enable the farmers
to get fair price in accordance with the quality of the produce. The intervention
of the government in the agricultural marketing to achieve social objective is
one of the major changes in the agricultural marketing structure and system
because the system as it is by itself cannot achieve such objective. The regulation
of agricultural market system into a patterned development of market and
marketing activities has helped the farmers to get greater returns to their produce.

The three major activities which are inter-related, inter-woven and inter-
acting in the marketing process are production, distribution and consumption.
When the farmer brings the produce to the market, the actual process of
agricultural marketing starts. Thus, market place is a specific place which
facilitates the process of marketing. Marketing has both time and space (place)
dimension and a study on this pattern of agricultural market is needed.

The costs of marketing are usually very high due to problems such as
transport, storage, handling, packing and processing technique. There is also
lack of competition in the marketing channel due to lack of information, narrow
market, low mobility of buyers and sellers, absence of grading and
standardisation, weights, measures and basically lack of commercial outlook and
response to cost price volume etc.

The risks of marketing are high — prices may not be remunerative;
lack of credit facility lead to borrowings from money lenders; lack of market
information makes the producer poor. The returns are also not stable because of lack of storage, credit facilities and the speculative traders. The marketing charges by themselves are usually high. The producers are robbed by malpractice, arbitrary deduction, taking substantial quantity as samples, incorrect and false weights, cover bids etc. keep the producer at the mercy of the trader.

Government intervention in the market mechanism becomes necessary due to the imperfections in the marketing system of agricultural produce and to reduce the undue, undesirable grip of traders in the agricultural process, thereby increase benefits of the growers and to protect the interests of different segments in the society. There are a number of ways in which the government can intervene. One important practice adopted by the government is the formulation of set of rules and regulations to be compulsorily followed by all market functionaries and creation of institutional structure vested with authority for the following of directives. Sometimes promotional activities like storage, warehousing, transport, communication, credit facilities, grading, standardisation and other facilities are provided. Administration of prices at different levels of marketing, minimum price support to producer, fixing of rates of commission, supply and demand can be influenced by import export distribution etc.

Regulated markets are set up by state governments to regulate and control the sale of agricultural commodity. The state establishes the market under some enactment and frames rules and regulations for business transactions etc. The Act makes it clear the purpose of establishing regulated markets as "An Act
to provide for the better regulation of buying and selling of agricultural produce and the establishment and administration of markets for agricultural produce in the State of Karnataka. Malpractices like incorrect weightment, unnecessary deduction charges are curbed. Thus the establishment of regulated markets eliminates the defects of traditional marketing system: create healthy conditions in the market; provides various amenities and facilities to different functionaries and ultimately helps in getting a better reward to the cultivator/producer/seller.

A number of theoretical and empirical studies have been conducted by scholars and academicians of national and international repute on agricultural production and marketing of agricultural commodities. The theories and the framework of analysis used in the study of market, market structure, conduct and performance of regulated markets has been useful to a great extent.

Richard Holton in his study conducted in the year 1953 has stated that increasing the production of agricultural goods in the inefficient marketing system of developing countries will increase unemployment and it becomes difficult to evaluate the marketing performance.

Puerto Rican and J.K. Galbrith (1955) found that food marketing was being performed by highly inefficient methods, institutions and also by comparing the food retailing and wholesaling system.

J.C. Abbott (1958) published through FAO, a marketing guide for developing nations, in which the importance of effective marketing systems at
all stages of development were highlighted. In an article of his he spoke of the three basic conditions for agricultural development - prices must be stable and remunerative, adequate marketing facilities to be provided and satisfactory system of land tenure.

Bain, in the year 1959, examining the market structure, conduct and performance of the American industries stated in his work that the market structure consists of inter-related factors like the number of buyers, sellers, functionaries, quality of goods and conditions of entry in the market.

Sosmick, in 1961, in his work gave an analysis of market structure, conduct and performance of the market. The performance depends on the outcome of action in the market and by action he means the quality bought from the seller by the buyer, the market price, transfer cost and profit of operators.

Cloudins and Muellar (1961) clarified the concepts of market structure, conduct and performance with a broad perspective. The inter-relationship of the above factors depend upon the impact of co-operative institution and the impact of government intervention.

Peter Drucker emphasised that marketing is the most important factor for economic development and for development process he stressed the need for training and developing of managers in the distribution system. While Drucker is mainly concerned with the importance of marketing in general, Abbott concentrates on agricultural marketing.
George Mehren tried to find out the reasons for the least development of agricultural production and distribution system. To him, the slower growth is the result of the production and distribution firms being very small and fragmented, and that they cannot adopt to modern financing, storage, transportation and communication facilities.

Reed Moyer thinks that marketing can contribute extensively to economic development. He concludes by summarising the functions of marketing: (1) by providing information marketing system can reduce risks (2) an organisational framework should be provided to co-ordinate production and consumption (3) major source for capital and human resource (4) bring technological changes (5) it draws subsistence producers into exchange economy (6) provides new and improved products to the buyers (7) lowers the consumer cost (8) reduces the exchange cost between producers and consumers.

Marketing plays an important role in the economic development of a country and it is essential that increase in production should be accompanied by improvement in marketing. Development of good marketing system promotes development of other sectors. Therefore, one can say these two systems are interdependent. Developing of marketing system will help in the fulfilment of the objective of rural development. It also brings in modern agriculture in place of traditional agriculture.
Williams (1966) in his study emphasised the importance of the study of market structure in the transformation of traditional market structure.

Hoffman (1969) observed that large firms would perform more efficiently than the small ones and the attitude of the competing firms is important.

Abbott in his study in 1972 noted that marketing reduces the gap between producer and consumer and helps to facilitate market location, price, improved facilities and organised distribution.

Jasdanwala in 1977, in her research study opined that the existing marketing structures were in need of radical overhaul in terms of regulation of markets and improving infrastructure facilities.

Demaine in 1988 said that scientific method of farming increased production in developing countries that helps the farmers to gain economic benefits.

All the above mentioned studies show that farmers are benefitted by agriculture market and have contributed to the economic development.

Agriculture marketing system has been neglected by policy makers on the assumption that farmers need only assistance and private traders could be replaced by government agencies and provide the necessary marketing services at lower cost.
It has been assumed that marketing activities do not add anything to product value and intermediaries are the necessary evils and economic parasites.

Johnson in 1976 and Epstein in 1985 opined that the neglect of role of marketing will lead to misutilisation of resources and will threaten the world's food supply.

Gopal Rao in 1985 in a microlevel study revealed that in spite of developments of market yards major output is sold outside the market yard.

Several factors have changed the agricultural marketing system especially economic reforms. Most of the studies done by the numerous scholars have concentrated on economic aspects only. But the socio-economic study and the study of market participants to make reforms successful is needed.

Bhide (1981) studied the regulated markets and found that there was increasing degree of competitiveness in the market structure.

Aulakh (1983) studied food grain market structure in Punjab and found out that large buyers purchased major share of arrivals but there was competition in operation and no collusion among the traders Parthasarathy (1961), Cumming (1967), Lele (1967), Subba Rao (1998) through trend analysis found uniform trends among markets which showed that markets were integrated with respect to price movements and also indicate efficiency of information flow. Lele (1967) studied the market integration and found out that prices of same commodity did not
differ significantly in different markets beyond transportation cost. In another study, Lele (1973) compared the miller purchase price and wholesale paddy price in the same market found that it was poorly integrated on account of imperfect mobility, transport and knowledge. Acharya (1985) assessed the integration of markets in price formation for pulses in 12 markets. He found out that there was high and significant correlation coefficients and concluded that distance and accessibility did not matter as far as the price integration is concerned.

Anita Arya (1991) in her study found that price movements were integrated in terms of price.

The above studies have given divergent conclusion about market integration. In general it is found that markets are integrated. Arora and Jayaprakash (1979) examined the relative efficiency of regulated and private markets and found out that marketing cost incurred by farmers in private markets was 77 percent higher than those in regulated markets and concluded that regulated markets offer better opportunities for sale compared to privately operated markets. Patnaik (1985) in the study of marketing channels identified five channels. The producers share was highest in some channels and lowest in some other channels and concluded that farmers would be benefitted if they sell directly to co-operative processing units or through commission agents in regulated markets.

Mundinamani (1989) in the study of four market channels found
out that it would be erroneous to conclude that shortest channel results in least marketing margin and profitable to consumers or producers and thus instead of eliminating middlemen provision of facilities to them will help producers.

Gurumallappa in his study observed a continuous increasing trend both in arrivals and prices over a long period of time.

Singh and George in 1972 found decreasing trend in price for the arrivals at the market during harvest due to lack of storage facility and financial needs of sellers.

Verma and Nigam in their study of arrivals and prices found that prices were higher in off-season and were low in season which showed a negative relationship between prices and arrivals. To avoid price fluctuations storage facilities has to be increased.

Harris in 1984, Urs in 1985 stated that establishment and functioning of regulated markets are benefitting private commercial sector and not producer sellers.

Gopal Rao and Maheshwari in 1984 Uppal in 1979, Urs in 1987 and 1995 have found out that only a small portion of total marketed surplus of different agricultural commodities is handled by the regulated markets.
The issue of regulated markets is much debated one. Scholars like L.P. Singh in 1962, Krishnaswamy in 1970, Krishna in 1983, Goswamy in 1984 have made a microlevel region specific case studies. Their study reveals that 1) regulated markets have reduced the market charges 2) facilities provided attract producers to bring agricultural produce to regulated markets 3) better understanding of marketing, reduced village sales and monetary gains to producer 4) margin of middlemen is reduced and increased the producer's share in consumer's rupee 5) reduced market cost 6) change in cropping system 7) increase in market surplus which affects the performance of markets in terms of arrival prices 8) increase the social responsibility of the functionaries.

Acharya and Agarwal in 1984, Gopal Rao and Urs in 1987 have shown that various measures taken to regulate and improve performance of regulated markets have resulted positively and there is still wide scope for further progress.

The above survey shows that there is a general agreement regarding the role of marketing among the scholars. The state intervention and its impact on marketing system has not been assessed properly because of micro level study and confinement to some aspects of marketing.

Subbarao in 1983 examined that no tangible benefit was received by small farmers and they retailed more remunerative prices at the village sales. Big farmers avoided regulated markets to avoid tax.
Panday in 1983 indicated that quantity of transactions in regulated markets and market arrivals was decreasing inspite of huge investment in infrastructure.

Prasad J. in 1985 pointed out that producers were suffering even after regulation because of the manipulative power of wholesalers.

The study and its outcome of the above three scholars indicate a contrary view of the belief and evidences on the effective role of regulated markets.

The present study is made on the documents and information which provide an idea of the functioning of regulated markets in Dharwad district. A detailed study of marketing performance of the district is not done by any institution or private agency. In this context this study assumes greater importance.

The green revolution increased the food grain production and with the increase in production the problem of better returns to producer also arose. Therefore, proper marketing facilities to get better income to the large number of small marginal farmers becomes a major problem. Production is complete when it reaches the consumer or its consumption. Thus marketing is the link between production and consumption and it becomes a major problem when there is surplus production.

New technology changed the production level and with the increase in output there was gradual displacement of subsistence farming by commercial
agriculture. The greater flow of market surplus increased the problem of marketing. Marketing now has assumed greater importance. Concentrating on increased production and ignoring marketing would not pay in economic terms. It depends solely on the market and marketing system, that is, the success of agriculture depends upon the successful marketing system.

The farmers will produce only if they get good returns and stable price. They will be motivated to sell major portion of the production. Marketing becomes crucial in this context. On the one side, market competition, provision of infrastructure, conduct and performance of marketing play an important role, on the other side, the market efficiency, reducing margin and cost is necessary.

The government intervention in agricultural marketing in Karnataka was started with the passing of Karnataka Agricultural Produce Market Committee Act in 1966. Karnataka has made a significant contribution to the development of regulated markets. Regulation of trade and providing good marketing facilities are the important areas in which the state has made heavy investments. The marketing system of foodgrains has become complex with not only an increase in agricultural produce (which is impressive) and the volume of marketable surplus, but also in the number of different commodities that are brought to the regulated markets. With the advent of new technology agricultural production pattern, land use patterns changed. The agricultural system is diversifying and the market development also changes in the context of this transition. Therefore, a number of programmes and policies were implemented
to make marketing system efficient. A study in which an attempt to analyse and evaluate the marketing system and policies that are followed is needed. The effectiveness of the marketing system and the role played by the regulated markets in increasing their performance in agricultural marketing in the state is important. Thus, an indepth study of market development and the working of markets including the issues and problems in order to provide policy formation in Dharwad district is made.

Need for the Study :

The Royal Commission on Agriculture, set up in 1928, recommended the setting up of regulated markets in the country. The Bombay Cotton Market Act of 1927 was the first law in the country that attempted the regulation of markets and in 1931, the first regulated market under this Act was established in Dhulia in West Khadesh. In Mysore, the Act was passed in 1939 and the first regulated market in Tiptur was established in 1948. Karnataka Agricultural Produce Market Committee Act was implemented in 1959 and regulation of trade and providing good marketing facilities was the thrust area in which the state has made heavy investments. The marketing system has become complex with the increase in the number of commodities to the market.

The effective functioning of the marketing system of agricultural produce market adds to the success of the regulated markets. Dharwad district geographically occupies a central place in Karnataka state. Before the redivision
of the districts, Dharwad was one of the biggest, districts areawise and population wise. Now the district has five talukas containing five main markets - Dharwad, Hubli, Annigeri, Kalghatgi, Kundgol and eleven sub-markets. Dharwad regulated market committee started functioning in 1949. Its annual business amounts to around 280 crores. Hubli APMC has regulated 52 agricultural commodities whereas in Dharwad 29 agricultural commodities come under regulation.

The successful performance of a regulated market depends on the facilities provided by the respective agricultural produce market committee. A study of the structural pattern of regulated market yards, market area, organisation, financial management, growth process and functioning of the APMC's in Dharwad district agricultural produce market has both academic and applied importance.

The performance evaluation of the APMC's in Dharwad district is necessary because it also throws light on the marketing problems that exist due to increase in agricultural production and marketable surplus and the drawback that hinder the progress and prosperity of that market. There is vast scope for development with integrated approach and planning.

Objectives:

At present Dharwad district has five talukas containing five main markets and eleven sub-markets where many agricultural commodities are brought and sold at an estimated value of 280 crores per year. Though Dharwad regulated market was established in the year 1947, it started functioning in 1949.
The present study aims to discuss the pattern of regulated markets in the district and evaluate their performance with reference to market participants — farmers, middlemen, traders, and other staff etc. in general and farmers/producers in particular. The problems and issues found during the study of the working performance of regulated markets are mentioned and suggestions to overcome them are referred to.

All the regulated markets are farmer oriented (more than half of the strength of market committee is represented by farmers) and they are the beneficiaries. It is the farmer who plays the key role in the efficient working of regulated markets. Thus the effective functioning of the marketing system of agricultural produce market also adds to the success of the regulated markets in Dharwad district.

The purpose of regulation of agricultural marketing, its origin and growth in India, the implementation of the Agricultural Produce Regulation Act in 1966 in Karnataka, the framing of laws and bye-laws are also covered.

Though an attempt to study the performance of the regulated markets in Dharwad district from many angles is made, the stress is on the farmer's angle.

Hypothesis:

Regulated markets provide a place for marketing of agricultural produce. Market regulations help farmers to sell their produce for a fair price and a quick settlement of payment to the farmers is made. It helps in providing services and
facilities like grading, storage, banking etc. It reduces the market cost and market charge. Due to quality improvement, better competition and reduction of cost, higher prices are obtained. It helps in increasing employment, create infrastructure, scientific development and further increase in market activities.

To help these regulated markets work efficiently and effectively and to pull out the economy from subsistence agriculture to commercial venture, various legislations and policies/programmes supported by the necessary administrative framework in public, co-operative and private sectors is made.

In Dharwad district many legal reform policies were introduced for an efficient performance of agricultural marketing system.

Research Design:

This study 'Marketing Performance of Regulated Markets in Dharwad' has been divided into seven chapters.

The First chapter entitled 'Introduction' gives a brief introduction to agricultural marketing, purpose of setting up regulated markets and the role it plays in achieving the social objective. The objectives, research methodology, research design and concepts used in the study is mentioned in this chapter.

The Second chapter 'Agricultural Marketing' describes the meaning of the concept 'Market', the derivation of the concept of 'Agricultural Marketing', the characteristic features of agricultural marketing and its defects.
The Third chapter 'Agricultural Marketing in India' makes an attempt to highlight the history and growth of regulated markets in India. The important policies and programmes that were introduced to reform the agricultural marketing system and the role of legislation in the working maintenance and sustenance of agricultural market system is also dealt with in this chapter.

The Fourth chapter 'Agricultural Marketing in Karnataka' deals with market development policies and programmes followed in Karnataka after its formation as a state in 1956; the implementation of the Karnataka State Agricultural Produce (Regulation) Act in 1966; the formation and progress of Agricultural Marketing Department, the schemes introduced for development and the achievements of the Department; formation of Karnataka State Agricultural Marketing Board; the schemes introduced for progress and the achievements of the Board.

The Fifth chapter entitled 'Agricultural Marketing in Dharwad District', deals with the formation and growth of regulated markets, the functioning and the marketing practices in vogue in regulated markets.

The Six chapter, 'An Appraisal of the Marketing Efficiency of Regulated Markets in Dharwad District' makes an estimation of the marketing efficiency from the point of view of market market participants especially from the farmers' angle.
The Seventh chapter 'Conclusion' as it suggests gives an account of the various findings that lead to the concluding remarks of the regulated markets of Dharwad district. Suggestions and recommendations to improve the scope and functioning of regulated markets are proposed.

Methodology:

Type of Data: The data collected for the study is from both primary and secondary sources.

The primary data has been collected with the help of three sets of questionnaires used for field work in the five Agricultural Produce Market Committees of Dharwad district — one set for farmers, another for traders and the third set for the agricultural produce regulated markets. 50 farmers belonging to each regulated market were chosen. 20 traders/commission agents from each regulated market were interviewed in detail. The APMC officials and other market functionaries were also interviewed.

The secondary data has been obtained from various reports, books, journals, maps, census, gazetteeries and other published literature.

Information is collected from Chief Statistical Officer of Karnataka State and District, Office of the Deputy Director, Agricultural Marketing Board Dharwad, Agricultural Market Training College Hubli, Agricultural Marketing Board, Population Census and Agricultural Produce Market Committees of Dharwad district.
Tools for Analysis:

Various information collected from primary and secondary sources has been recasted and used to show comparative features by tabular analysis, average, ratios, percentages, charts, graphs, bar diagrams, pie charts, relative measure of range, relative variation, correlation co-efficient and assigning weights.

However, the main parameters are the total income, total number of market functionaries, total arrivals and value of arrivals.