CHAPTER 2
REGULATION OF AGRICULTURAL MARKETING

2.1 Regulated market an Overview

It is an important and final stage at which the producers encash their hard labour and other input used in the pre-process of production therefore, the marketing plays a vital role in the process of production. The marketing of agricultural produce in an organized manner was felt as early as 1897. Many of the agricultural goods being basic necessities of life there is an ever growing demand for them with the ever increasing population.

The most of the Indian farmers are illiterate and ignorant. Hence, they are forced to sell their produce to middlemen in order to obtain loans at the time of when they are in distress. Inadequate infrastructural facilities, like all-weather roads. Warehousing absence of grading, the small quantity if their marketable surplus, weak organization, and malpractices in markets, are factors which prevent the producer to get a fair price for their produce.

Hence due to the above problems of the government intervention, is desirable for providing improved marketing facilities. Because the government intervention is needed to protect the farmer from exploitation due to their weak beginning capacity, therefore the government intervention assumes three forms.

Whereas 1) Encouraging the establishment of market

1) Markets Regulations.

2) Buying and price fixation
1) **Encouraging the establishment of marketing**

In the earlier days the government promotes Agriculture marketing in several ways. That is enactment of laws for agriculture marketing the making available funds in the beginning time of the establishment, giving preference to markets in purchases neat for governments etc. However certain shortcoming have been identified in the organization of the agriculture markets in the country. Due to these shortcomings, most of the agriculture markets are incurring losses.

2) **Market regulations**

The government has set up market which are regulated under agricultural produce marketing (Regulation) Acts and Rules. This type of markets are solve most of the marketing problems. The eliminate malpractices and motivate farmer to utilise the regulated markets. Correct weightment, fair deal and prompt and quick payment are ensured to the farmer.

3) **Buying and price fixation**

In this connection the steps mentioned above provide infrastructure for the sound functioning or agricultural markets. The government also taken several steps to directly intervene in the market through its various agencies. Like food corporation of India. The Government makes direct purchasers from producers and trades at stipulated prices. The most of these operations are related to the procurement of food grains for buffer stock and distribution to the public on ration cards under public distribution system. Through import or food grains, the government also intervenes in the market by augmenting. Market supplies and at the other side the government of Indian also fixes prices of principal food grains and non food grains as
per recommendations of agricultural cost and price commission which has been set up for the purpose at the same time the government also offers to buy at stipulated rates.

The first ever regulated market in India to function was "Karanja" cotton market established in 1886, under Hyderabad Residency Order. Later in the setting up of Royal commission on Agriculture attempts were made for regulated markets of agricultural produce by enacting the Berar cotton and Grains market Law. This law was passed in 1897, for ensuring fair trade practices the law provided inter alia.¹

a) All the markets as existed on the date of enforcement of the law came under its fold.

b) The residents could declare any additional markets as bazaars for the sale of agricultural produce.

c) The commissioner was empowered to appoint five members to the committee two representing the municipal authority and three from among the traders.

d) Trade allowances or customs in usage were to be abolished.

e) Unauthorized market and bazaars were banned within 5 2 miles of the notified market.

f) Market functionaries were required to take license.

g) For the levy and collection of fees, licensing of brokers and weighmen and also for checking weights and measurement rules were formed.

h) The act was applicable both for the grain and cotton markets.

i) For breach of the provisions of the law penalties was prescribed.
The markets under the provisions of the law had their own limitations since the growers of cotton were not represented on the committee. On the other hand, representatives of traders and municipal authorities who did not care for the primary producers were in the committee. The committee did not ensure fair trade practices, as majority of the members were traders who were primarily interested in their own benefits. Even though the law provided for the regulated market for all agricultural produces market for cotton alone were established.\(^3\) This was done with a view to ensuring a steady supply of cotton to the mills of Manchester (U.K). Further, there was lack of machinery for arbitration of disputes between the farmers and traders, in spite of these limitations, the Act was a commendable move forward in the Regulation of markets particularly of cotton.\(^4\)

In Indian cotton committee set up in 1917. Observed that most of the cotton produced was sold to village merchants at cheap prices. Since the farmer were taking loans from village traders. Many middlemen were found for other commodities and the grower never got a reasonable price. The committee observed that market for cotton on Barer system should be established in other provinces\(^5\) having compact cotton tracts. This could be done by the introduction of suitable provisions in municipal Acts or under special legislation in Berar.\(^6\)

2.1A Bombay Cotton Market Act

The Bombay cotton market Act passed in 1927 provided for

a) Establishment of markets for both ginned and unginned cotton

b) Notification of a cotton market by the local Government in consultation with local authorities and district local board.
c) Constitution of the market committee for managing the markets with a majority of members representing cotton growers.

d) Compulsory appointment of dispute subcommittee.

e) Banning trade allowances which were not recognized under the rules bye – laws were framed under the provisions of the Act.

f) Levy of market fees

g) Using of authorized weights and measures

h) Discouraging dampening of cotton and admixture of sand

i) Prohibiting establishment of other cotton markets.

The Bombay cotton market Act was distinct improvement over the Berar cotton and Grains Markets Law, since the defects in the latter were sought to be removed.

2.1B. Royal Commission on Agriculture

The Royal commission on Agriculture was appointed by Government of India in 1928. This commission pointed out sharply the defects and malpractices in the marketing of agricultural produce. The report highlighted the following defects.

1) Defective weights and measures.

2) Exorbitant market charges.

3) Unauthorized deductions and allowances

4) Adulteration in agricultural produces.

5) Absence of standardization and grading

6) Lack of warehousing and transport facilities.

7) Existence of large number of middlemen at various levels.
8) Secret bargaining through code languages
9) Poverty and indebtedness of farmer,
10) Lack of market information.
11) Absence of machinery to settle disputes.

The commission suggested remedial measures and recommended the establishment of Regulated Markets to relive the farmers from the clutches of middlemen and to offer them a fair deal. The committee observed that the defects and chaotic conditions prevailing in the markets for agricultural goods could be removed only by the establishment of properly regulated markets. The overall aim of the markets is to give solution to and remove the defects, which are clear with the existing marketing system.7

The Royal commission which brought to light numerous defects and malpractices in the marketing of agricultural goods recommended the establishment of regulated market on the Berar pattern as modified by the Bombay cotton markets Act 1927. Which would confer immense boon upon the cultivating classes in India.

**The Commission outlined that**

a) The regulation should apply to all agricultural produce.

b) The regulated markets are to be governed by market committees comprising of farmers, traders co-operative societies and Government.

c) The state Government may enact special laws for the establishment of regulated markets.

d) Adequate provisions were to be made for arbitration and settlement of disputer.
e) Standardization of weights and measures.

f) Adequate storage and warehousing facilities were to be provided in the markets.

g) Brokers were to be prohibited from acting both as buyer and seller.

h) Encouraging the organization of co-operative sales societies.

2.1C. Bombay Provincial Enquiry Committee

In the meanwhile, the Bombay Provincial Enquiry, committee 1929-30 brought out various defects in the working of markets and suggested that:

a) The Bombay cotton Act to be made applicable to all-important center in the province.

b) Regulated markets were to be established for streamlining the trade of other agricultural commodities in addition to cotton.

c) Weights and measures were to be standardized

d) Establishment of licensed warehouses in important centers

e) Co-operative societies were to be provided with financial assistance for constructing god owns.

The Indian central Banking Enquiry committee 1929-31 the Bombay Provincial Banking Enquiry committee and Royal Commission on agriculture held similar opinions on organizing and improving the agricultural marketing in India, by establishing regulated markets through legislative measures. With the objects of eradicating inequalities in the bargaining power between farmers and traders. Eliminating the market malpractices with regard to short weights and measurements. The state Government enacted necessary laws. These
also prohibited the recovery of unauthorized market charges from the farmers and provided for promoting mutual confidence among all parties concerning the deal improving the marketing efficiency and finally reducing the cost of marketing for the mutual benefits of farmers and ultimate consumers the Hyderabad Agricultural producers markets Act 1930. Central provinces Agricultural produce Act. 1935 and Bombay Agricultural Produces market Act. 1939 are notable in this connection.

2.1D. Regulation after Independence

Table 2.1

<table>
<thead>
<tr>
<th>Year</th>
<th>Regulated Market</th>
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<tbody>
<tr>
<td>1939</td>
<td>122</td>
</tr>
<tr>
<td>1950-51</td>
<td>286</td>
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<tr>
<td>1955-56</td>
<td>470</td>
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<tr>
<td>1960-61</td>
<td>725</td>
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<tr>
<td>1980</td>
<td>4652</td>
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<tr>
<td>1991</td>
<td>6640</td>
</tr>
<tr>
<td>2002</td>
<td>7001</td>
</tr>
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</table>

Source: K.S.A.M. Board, Bangalore.

Table 2.1 reveals that the progress of regulation was very slow due to Second World War and in the early 1939, there were only 122 regulated markets in the country. This number increased to 286 1950-51. After Independence the planning commission in its first and subsequent five years plans emphasized that vital role played by the regulated market in promoting an orderly marketing of farm produce in the country, the table exhibits that since the inception of the planning era in 1950-51 there has been remarkable increase in the number of regulated markets which Rose from 286 in 1950-51 to 7001 in 2002 a
accounting to an increase of 2347.0 percent over five decades over a period of six decades i.e. from 1939 to 2002 the number increased by 5638.52.

2.1E. State wise Regulated Market in India As on 31.3.2002

Table 2.2

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>State/Union territories</th>
<th>Regulated Markets</th>
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<td>Pandicherry</td>
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<td>4</td>
<td>3</td>
<td>7</td>
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<tr>
<td>Total</td>
<td></td>
<td></td>
<td>2380</td>
<td>4621</td>
<td>7001</td>
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</table>

Note: Figures are Provision in Bihar and West Bengal Sub yards include rural markets and cold storages and hence figures of total regulated markets and wholesale markets are not comparable.

Source: Collected from Karnataka State Agricultural Marketing Board, Bangalore, June 2003.
Table 2.2 shows that the detailed information relating to the number of regulated markets in different states and union territories in India as on 31st March 2002. It indicates that Maharashtra stood first in the regulation of the markets (including main and sub markets) accounting for 865 markets (12.36 percent). The second and third places have gone to Andrapradesh and Bihar with 862 and 813 markets (i.e 12.31 and 11.61 percent ) respectively. But in terms of the number of main markets Andrapradesh stood first with 294 followed by Tamil Nadu and Uttar Pradesh with 272 and 244 respectively.

Table 2.2 also reveals that the market regulation is completely absent in the state/union Territories like Jammu & Kashmir Mizoram, Sikkim, Andaman & Nicobar Islands, Daopra & Nagar Haveli and Lakshdweep. In state/union Territories viz, Arunachal Pradesh, Jharkand, Manipur, Meghalaya, Nagaland and Daman and Divo the Agricultural produce marketing regulation Acts were passed but today there are no regulated markets in existence.

2.1F MAJOR CONSTRAINTS IN MARKETING AGRICULTURAL PRODUCE IN INDIA

The common constraints of the marketing of agricultural produce are:

(I) Scattered and specialized production
(II) Small scale production
(III) Seasonal production
(IV) Variation in quality
(V) Bulky and perishable products
(VI) Inelastic demand
I. Scattered and Specialized Production

Production of agricultural produce is scattered over a wide area unlike the industrial production, which is localized within the factories. Besides soil rainfall and climatic conditions have most controlling effects in localizing the production of few goods or in the specialization 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 areas, far away from the consuming centers. This poses great 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 centers 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 they are concentrated in central or terminal markets before they are disbursed to the manufacturers. Since concentration process in absolutely necessary for all the agricultural produce, its distribution channel involves a large number of marketing middlemen 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.

II. Smallness in Marketable Surplus

India has a lowest per capita land holding in the world. With this land showing diminishing returns, being cultivated for number of years and thereby loosing much of it "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 unorganized local markets without its proper links at creation of regional or national markets. The smallness of marketable surplus has hindered the creation of market infrastructure in the country on a wide scale, thus resulting in the existence of highly imperfect local markets.

III. Seasonal Production

Most of the agricultural produce are raised during a specific period in a year Paddy, Jawar and cotton are harvested from December to March. They are flooded in the market in the month of March, April and May when they pose such marketing management problem 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 though out the year. During the above period of three month the produce moves from villages to local and central markets for sale. This crates an additional strain and 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.

IV. Variation in Quality

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 problem of grading, threatening the smooth functioning of the marketing process. Rice produced in Punjab, to 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.

V. Bulky and Perishable Products

Agricultural produce is many times bulky and therefore, prone to weight shedding in the process as well as perishable when exposed to open climatic conditions for a longer duration. Sugarcane when cut has to be crushed for a better recovery percentage early, or else it loses its sucrose content. Cotton is bulky commodity and for transportation to centers of consumption, it has to be processed and pressed into bales. Tobacco contains considerable amount of foreign materials like the ribs, stems, etc., which have to be removed before making it fit for
transportation to the consuming centers 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 produce.

Parish ability has posed problems of preservation. Air conditioning of the god owns 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 kung among the fruits in India had so far only local markets. The recent development in the infrastructure 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 erratic, 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 necessity, its price suddenly falls. Even if the price falls considerably, the consumption does not increase sufficiently. 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 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 organization
(II) forced sales
(III) large number of middle men
(IV) high cost of marketing
(V) market malpractices
(VI) lack of market infrastructure

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 Organization:

The farm producer in India has remained unorganized unlike the merchants (merchants Association) and middlemen the merchants and the middlemen have adopted a code of conduct – conductive 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 Royats associations coming up through
out the country and the organizations of the primary producers are 
making their presence. However, the organization have not become 
effective to exert its influence on the marketing of the produce.

II. Force 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 
domestic, 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. The primary producer has no 
holding capacity to withdraw this forced sales of his produce due to 
lack of credit and marketing facilities in villages. This has resulted in 
his exploitation by the merchants middlemen.

III. Army of Middle Men

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

The agents or the representatives of the city assembling market 
also buy directly from the producers. In the assembling market the 
commission agent is called a "Kacha Arhatia" and the wholesaler a 
Pukka Arhatia" are functioning. 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 speculators, 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 producer and the price paid by the final consumer.

IV. High Cost 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 and storage which is proverbially low and on top of it are local taxes and unauthorized deductions.

V. Market Malpractices

Market malpractices involve manipulation of weight and scales, unauthorized deductions by the commission agents, underhand dealings in the disposal of the produce to themselves, 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 producers. These market manipulations have resulted in the Government taking action in establishing regulated markets to stop this exploitation of the gullible producers by the mounting middlemen.

VI. Lack of Market Infrastructure:

Marketing of agricultural produce involves an elaborate market infrastructure such as use of standard weights and measures, availability of standardization and grading, adequate and proper storage facilities, cheap and convenient mode of transport, credit facilities, dissemination of market information regarding the price trends, 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 prohibitatively high cost, thus rendering the farmers to sell their produce at a much lower price which does not cover even their cost of production. It is, therefore, rightly said that farming in India is a way of life. It is not organized 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.

2.2 Marketing of Agricultural Produce – A preview

Marketing in simple terms may be defined as the set of human activities directed at facilitating and commensurating exchange. This definition involves the following conditions.

1. Existence of two or more parties who are potentially interested in exchange of goods.
2. Each party possessing things of value to the others.
3. Each capable of communication and delivery.

Hence for marketing of agricultural Produce, the existence of two or more parties to sell and buy is necessary. The commodity to be marketed must be of some value. It should not be a free gift of the nature easily available for mere packing. 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 fiber 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 needs to point out that marketing management means an analysis. Planning implementation and control of programmer designed to bring about desired changes 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.

We have attempted in analyzing this co-ordination of agricultural produce and price, promotional activities under taken by the agency of regulated markets in an area declared as market yard for the purpose.

Marketing of agricultural produces is more complex than the marketing of manufactured goods as the latter is more organized with a positive control over production and distribution. In the marketing of agricultural produce one of faced with the unique characteristics associated with their production and consumption.

2.2A REGULATION OF AGRICULTURAL MARKETING PRODUCE IN KARNATAKA

Early History

The present sate 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 area, 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)
   Bombay Agricultural Produce Market Act 1939.

2. Old Princely Mysore State
   Mysore Agricultural Produce Market Act, 1939.

3. Madras Karnataka
   (consisting of S.Kanara and bellary district and Kollegal Taluq)
   Madras Commercial crops market Act, 1933

4. Hydrabad Karnataka
   (consisting of Gulburga, Raichur and Bidar Districts)
   Hyderabad Agricultural market Act 1930

5. Coorg District
   (consisting of Gulburga, Raichur and Bidar District)
   Coorg Agricultural Produce markets Act, 1956.

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.

2.2B 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 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"

With a view to achieving the objective stated in the Act, it seeks to regulate all the process 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 license 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 affected. The Act lays down clearly that weighment of agricultural produce should be done only by persons licensed by the market committee. This eliminates the possibility of fraud by unauthorized persons operating in the market yard. Besides the method of sales for the 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.

I. 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.

II. Licensing of the market functionaries

All the market functionaries such as traders, commission Agents, brokers, processors, weighmen, etc must take out licenses under the Act, from the market committee. It is an offence under the Act, from the market committee. It is an offence under the Act to use my place in the market area for marketing of notified agricultural produce or to operate as market functionary without or otherwise than in conformity with terms and conditions of the licenses granted by the market committees. The producer and the person who buys the agricultural produce for his domestic consumption are, however, exempted from the provision of taking the license. 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.

III. Recording of Arrivals

As soon as agricultural produce arrives in to 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 stipulated 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.

IV. Methods of Sale

The Act has made it clear that the agricultural produce shall be sold only be 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 use full and have therefore, adopted the same with advantage.

V. 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 as 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, 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 licensed Traders shall buy or take delivery of goods from licensed 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 that one percent of the aggregate amount of the indebtedness arising out of such credit purchases. The fixing of credit limits for each traders 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 with 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 reoffered from the commission agents and paid to the concerned producer - sellers. Excess collection of market charge is likewise 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.

**VI. 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 is respect of any transaction relating to notified agricultural produce other that 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 deduction in this regard however relate to deduction of the weight of the container when it is of a negligible value deduction 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 deduction 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. The provisions amply ensures that no unauthorized deductions either in cash or kind are effected by the commission agents or Traders.
VII. Market Charges

The legislation has rationalized the market charges that could be levied and collected by them from the sellers and growers. The chief items of the market changes 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 percent 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.

VIII. 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 recognized as such by the market committee.

IX. 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 neighboring market yards and put up the information either through
the display on boards or through bulletined or through announcements on the radio.

X. Grading and Standardization

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 preclearing of produce. There are 44 primary grading units with three supervisory grading centers at Dharwad, Bangalore and Mysore, 12 more grading centers 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 the such grading centers for cotton which is ginned. Karnataka being a premier stat in producing cotton. It is quite essential that all facilities for grading of cotton are rendered.

XI. Facilities in the market yard

Apart from grading and market intelligence services provided by the market committee there are other facilities offered to the users of the market in the yards. The chief of them are open auction plat forms, sale halls, rest houses for ryots, cattle sheds, drinking water facilities, fodder for cattle, canteeri, 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 of preparing of the plans and estimates and supervising the departmental works.
2.2C Numbers of Regulated markets in Karnataka

Tables 2.3 exhibit the details about the growth of market regulation in the state after Re-organization (1956).

Table 2.3

Number of Regulated markets in Karnataka

<table>
<thead>
<tr>
<th>Year</th>
<th>Regulated markets (main &amp; sub)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>155</td>
</tr>
<tr>
<td>1971</td>
<td>186</td>
</tr>
<tr>
<td>1981</td>
<td>319</td>
</tr>
<tr>
<td>1991</td>
<td>411</td>
</tr>
<tr>
<td>1997</td>
<td>462</td>
</tr>
<tr>
<td>2002</td>
<td>483</td>
</tr>
</tbody>
</table>

Source: Karnataka State Agricultural marketing Board Bangalore 2002 March

It is clear from the Table 2.3 that, in 1956 (at the time of State Reorganization 155 regulated markets existed. The number of markets rose to 186 in 1971, and 411 in 1991. And 462 in 1997. In 2002 the number of markets increased to 483 of which 141 were main markets and 342 were sub markets.

The district wise and division wise details of regulated markets in Karnataka as on 31-3-2002 are shown in Table. 2.4
### 2.2D District Wise Regulated Markets in Karnataka (Main and sub-Market) up to March 2002

**Table 2.4**

District Wise Regulated Markets in Karnataka (Main and sub-Market) up to March 2002

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>District</th>
<th>Main Market</th>
<th>Sub-Market</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bangalore</td>
<td>2</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>2</td>
<td>Bangalore (R)</td>
<td>3</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>14</td>
<td>Chitradurga</td>
<td>4</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>4</td>
<td>Davanagere</td>
<td>6</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>5</td>
<td>Kolar</td>
<td>8</td>
<td>15</td>
<td>23</td>
</tr>
<tr>
<td>6</td>
<td>Shimoga</td>
<td>4</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>7</td>
<td>Tumkur</td>
<td>10</td>
<td>23</td>
<td>33</td>
</tr>
<tr>
<td>I.</td>
<td>BANGALORE DIVISION</td>
<td>37</td>
<td>88</td>
<td>125</td>
</tr>
<tr>
<td>8</td>
<td>Belgaum</td>
<td>10</td>
<td>33</td>
<td>43</td>
</tr>
<tr>
<td>9</td>
<td>Bijapur</td>
<td>3</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>10</td>
<td>Bagalkot</td>
<td>5</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>11</td>
<td>Dharwad</td>
<td>5</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>12</td>
<td>Gadag</td>
<td>5</td>
<td>17</td>
<td>22</td>
</tr>
<tr>
<td>13</td>
<td>Haveri</td>
<td>6</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>14</td>
<td>Uttar Kannada</td>
<td>8</td>
<td>27</td>
<td>35</td>
</tr>
<tr>
<td>II.</td>
<td>BELGAUM DIVISION</td>
<td>42</td>
<td>129</td>
<td>171</td>
</tr>
<tr>
<td>15</td>
<td>Bellary</td>
<td>6</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td>16</td>
<td>Bidar</td>
<td>5</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>17</td>
<td>Gulbarga</td>
<td>7</td>
<td>22</td>
<td>29</td>
</tr>
<tr>
<td>18</td>
<td>Raichur</td>
<td>4</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>19</td>
<td>Koppal</td>
<td>4</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>III.</td>
<td>GULBARGA DIVISION</td>
<td>26</td>
<td>69</td>
<td>95</td>
</tr>
<tr>
<td>20</td>
<td>Chikmanglur</td>
<td>5</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>21</td>
<td>Dakshina Kannada</td>
<td>5</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>22</td>
<td>Udupi</td>
<td>3</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>23</td>
<td>Hassan</td>
<td>6</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>24</td>
<td>Kodagu</td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>25</td>
<td>Mandya</td>
<td>4</td>
<td>9</td>
<td>13</td>
</tr>
<tr>
<td>26</td>
<td>Mysore</td>
<td>7</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>27</td>
<td>Chamaraja Nagar</td>
<td>3</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>IV.</td>
<td>MYSORE DIVISION</td>
<td>36</td>
<td>56</td>
<td>92</td>
</tr>
<tr>
<td>STATE</td>
<td>141</td>
<td>342</td>
<td>483</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Dept. of Agricultural Marketing, Govt. of Karnataka, March, 2002.

It is clear from the table 2.4 that Belgaum district ranks first in regulation of markets accounting for 43 markets (including main & submarkets) followed by Uttar Kannad District with 35, Tumkur with 33 and the percentage share in total number of regulated markets of the state is 8.90, 7.25 and 6.83 percent respectively. Coorg district
have the lowest number of regulated markets with 6 (1.24 percent of total regulated markets of the states).

In the matter of main regulated markets, Belgaum and Tumkur District Stands first with 8 each followed by Kolar and Uttar Karnataka with 8 each. The highest number of Sub markets (33) are in Belgaum District (23), Gulbarga (22) and Gadag (17).

2.3A Karnataka State Agricultural Marketing Board

The Karnataka State Agricultural Marketing Board was established on 1st September 1972 as per section 100 of Karnataka Agricultural Marketing (Regulation) Act 1966. The Board acts as a co-coordinator and liaison between the market committees and state government in marketing activity.

The Board consists of one representative from each/revenue district of the state. The secretary to Government. Co-operation Department and the secretary to Government Agricultural Department shall be ex-officio members of the Board. The minister in charge for Regulated Markets is the ex-officio chairman of the Board. The Board elects a Vice-Chairman from among the elected 20 members of the Board.

The Board derives its income from the contribution of market committees at the rate of 5. Percent of the gross receipts by way of market committee fee (cess) and license for every month. The Board also gets grants from the state Government.

The important functions carried out by the board are as follows:

1) Providing loans and grants of financially weak or needly market committees.

2) Carrying out propaganda and publicity on Agricultural Marketing.

3) Importing training and education in the field of agricultural marketing.
4) Promoting of grading standardization and warehousing.
5) Conducting research in the field of agricultural marketing.
6) Publication of periodicals and other literature in local languages on agricultural marketing.
7) Providing legal assistance to needy market committees.
8) To arrange of for safety insurance on the life of farmer.

2.3B Department of Agricultural Marketing

In Karnataka, the Department of Agricultural marketing plays an Important role in helping the producer to secure a higher share in the price paid by the consumer through regulation of market practice. For this purpose the department is engaged in the implementation of the following Acts and Rules.

ii) Agricultural Produce (Grading and Marketing) Act, 1937.
iii) Karnataka Warehouse Act, 1961 and Rules 1969 (licensing aspects only)

2.3C Objectives of Karnataka Agricultural produce Marketing (R) Act, 1966 and Rules 1968

The KAPM® Act 1966 (Rules 1968) has 155 sections and 96 rules. This Act was passed in 1966, which received assent of the President of India on 19th August 1966. The main objective of the Act is to provide for the better regulation of agricultural produce and establishment and administration of markets for agricultural produce in the state.

The other objectives of the Act are as follows:
1) To grant of licenses of all kinds of market functionaries.
2) To introduce competitive atmosphere in trading activity.
3) To ensure standard weights and measures.
4) To restrict illegal and unauthorized market charges.
5) To settle disputes between producer-seller and buyer of agricultural produce.
6) To ensure prompt and quick payment to producer-seller as soon as goods are sold.
7) To provide adequate infrastructural facilities and amenities for the marketing of agricultural produce in and outside the market yard.
8) To publish and disseminate up to date market information.
9) To promote grading and standardization.
10) To introduce definite methods of sale of agricultural produce.
11) To prevent over trading.
12) To abolish the illegal deductions in payment.
13) Prevention of brokers from acting for both the buyers and sellers in the market.

2.3 Salient Features of the Model Act for State Agricultural Produce Marketing Act, 2003

The Department of Agriculture and Cooperation has formulated a Model Law on Agricultural Marketing and Centract Farming in consultation with the State Government and representatives of trade and industry. The salient features of the Model Law are given below.

1. Legal persons, growers and local authorities permitted to establish new market in any area.
2. No compulsion on growers to sell their produce through existing regulated markets.
3. Establishment of direct purchase centers, Consumers/ Farmers Markets for direct sale.
4. Promotion of Public-Private Partnership in the management and development of agricultural markets

5. Separate constitution for special markets for commodities like onions, fruits vegetables and flowers

6. A separate chapter to regulate and promote contract-farming arrangements in the country

7. Prohibition of commission agency in any transaction of agricultural commodities with the producers

8. Market Committee to promote alternative marketing system, contract farming, direct marketing and farmers/consumers market

9. State marketing Boards to promote standardization, grading, quality certification, market led extension and training of farmers and market functionaries in marketing related areas.

10. Constitution of State Marketing Standards Bureau for promotion of grading, standardization and quality certification of agricultural produce.

2.4 List of Notified Commodities

In order to avoid confusion and complications among farmers’ functionaries and official of APMCs the Government of Karnataka has announced the common list of notified commodities on 31-10-2001 all over the state. Which every APMC has to adopt as notified commodities.

List of notified commodities as per Government Order: SE: 10:

MRE: 2001 Dated: 30-10-2001 is given below:

1. Animal Husbandry
   1. Cattle
   2. Goats
   3. Sheep

II. Fibers
   1. Cotton Ginned
   2. Cotton Unginned

III. Flowers: All flowers
### IV Food Crops

1. Bajra
2. Jau
3. Jowar
4. Kambu
5. Maize
6. Navane
7. Paddy
8. Ragi
9. Rice
10. Save
11. Wheat

### V. Forest Produce

1. Antwala
2. Bamboo
3. Canes
4. Hippe Seeds
5. Honge Seeds
6. Neem Seeds
7. Soap Nuts
8. Tamarind

### VI Fruits

1. Apple
2. Banana
3. Borehannu
4. Citrus Fruits
5. Chakkotihannu
6. Guava
7. Grapes
8. Jack Fruit
9. Jamun
10. Lemon
11. Kharbuja
12. Mango
13. Mosumbi
14. Pineapple
15. Papaya
16. Pamogranate
17. Sapota
18. Siddota
19. Orange
20. Watermelon.

### VII Oil Seeds

1. Groundnut (Shelled and Unshelled)
2. Castor Seeds
3. Cotton Seeds
4. Linseed
5. Mustard
6. Niger Seeds
7. Safflower
8. Seasamum
9. Sunflower seeds
10. Soyabean
VIII Plantation Crops and Species

1. Areca nut
3. Chillies (Dry)
5. Copra
7. Garlic
9. Methi
11. Turmeric.

IX Pulses

1. Alsande (Cowpea)
3. Bengal gram
5. Bullur
7. Horse Gram
9. matki
11. Peas
13. Moath

X Vegetables

1. All Vegetables
3. Green Chillies
5. Potato
7. Sweet Potato

XI. Wood.

1. Beete
3. Firewood
5. Hadga
7. Hanimattal
9. Iyani
11. Jamba
13. Kindal
15. Mathi
17. Rampatre
19. White cedar
21. Eucalyptus

XII. Other Products

1. Betal Leaves
3. Seega
REFERENCES:

2. Eight Kilometers.
5. Province are the present states.