Lecture No-1

Market and Marketing – Meaning – Definitions – Components of market – Market structure – Meaning – Components – Market conduct – Market performance

MARKET:

Meaning:

The word market comes from the latin word 'marcatus' which means merchandise or trade or a place where business is conducted.

Word 'market' has been widely and variedly used to mean (a) a place or a building where commodities are bought and sold, e.g., super market; (b) potential buyers and sellers of a product, e.g., wheat market and cotton market; (c) potential buyers and sellers of a country or region, e.g., Indian market and Asian market; (d) and organization which provides facilities for exchange of commodities, e.g., Bombay stock exchange; and (e) a phase or a course of commercial activity, e.g., a dull market or bright market.

There is an old English saying that two women and a goose may make a market. However, in common parlance, a market includes any place where persons assemble for the sale or purchase of commodities intended for satisfying human wants. Other terms used for describing markets in India are Haats, Painths, Shandies and Bazar.

The word market in the economic sense carries a broad meaning. Some of the definitions of market are given as follows:

1. A market is the sphere within which price determining forces operate.
2. A market is the area within which the forces of demand and supply converge to establish a single price.
3. The term market means not a particular market place in which things are bought and sold but the whole of any region in which buyers and sellers are in such a free intercourse with one another that the prices of the same goods tend to equality, easily and quickly.
4. Market means a social institution which performs activities and provides facilities for exchanging commodities between buyers and sellers.

5. Economically interpreted, the term market refers, not to a place but to a acommodity or commodities and buyers and sellers who are in free intercourse with one another.

A market exists when buyers wishing to exchange the money for a good or service are in contact with the sellers who are willing to exchange goods or services for money. Thus, a market is defined in terms of the existence of fundamental forces of supply and demand and is not necessarily confined to a particular geographical location. The concept of a market is basic to most of the contemporary economies, since in a free market economy, this is the mechanism by which resources are allocated.

Components of a Market:

For a market to exist, certain conditions must be satisfied. These conditions should be both necessary and sufficient. They may also be termed as the components of a market.

1. The existence of a good or commodity for transactions(physical existence is, however, not necessary);
2. The existence of buyers and sellers;
3. Business relationship or intercourse between buyers and sellers; and
4. Demarcation of area such as place, region, country or the whole world. The existence of perfect competition or a uniform price is not necessary.

Dimensions of a Market:

There are various dimensions of any specified market. These dimensions are:

1. Location
2. Area or coverage
3. Time span
4. Volume of transactions
5. Nature of transactions
6. Number of commodities
7. Degree of competition
8. Nature of commodities
9. Stage of marketing
10. Extent of public intervention
11. Type of population served

12. Accrual of marketing margins

Any individual market may be classified in a twelve-dimensional space.

MARKET STRUCTURE

Meaning:

The term structure refers to something that has organization and dimension – shape, size and design; and which is evolved for the purpose of performing a function. A function modifies the structure, and the nature of the existing structure limits the performance of functions.

By the term market structure we refer to the size and design of the market. It also includes the manner of the operation of the market. Some of the expressions describing the market structure are:

1. Market structure refers to those organizational characteristics of a market which influence the nature of competition and pricing, and affect the conduct of business firms;
2. Market structure refers to those characteristics of the market which affect the traders' behavior and their performances;
3. Market structure is the formal organization of the functional activity of a marketing institution.

An understanding and knowledge of the market structure is essential for identifying the imperfections in the performance of a market.

Components of Market Structure:

The components of the market structure, which together determine the conduct and performance of the market, are:

1. **Concentration of Market Power:**

   The concentration of market power is an important element determining the nature of competition and consequently of market conduct and performance. This is measured by the number and size of firms existing in the market. The extent of concentration represents the control of an individual firm or a group of firms over the buying and selling of the produce. A high degree of market concentration restricts the movement of goods between buyers and sellers at fair and competitive prices, and creates an oligopoly or oligopsony situation in the market.

2. **Degree of Product Differentiation:**

   Whether or not the products are homogeneous affects the market structure. If products are homogeneous, the price variations in the market will not be wide. When products are heterogeneous, firms have the tendency to charge different prices for their products. Everyone tries to prove that his product is superior to the products of others.

3. **Conditions for Entry of Firms in the Market:**

   Another dimension of the market structure is the restriction, if any, on the entry of firms in the market. Sometimes, a few big firms do not allow new firms to enter the market or make their entry difficult by their dominance in the market. There may also be some government restrictions on the entry of firms.

4. **Flow of Market Information:**

   A well-organized market intelligence information system helps all the buyers and sellers to freely interact with one another in arriving at prices and striking deals.

5. **Degree of Integration:**

   The behavior of an integrated market will be different from that of a market where there is no integration either among the firms or of their activities

Firms plan their strategies in respect of the methods to be employed in determining prices, increasing sales, co-ordinating with competing firms and adopting predatory practices against rivals or potential entrants. The structural characteristics of the market govern the behavior of the firms in planning strategies for their selling and buying operations.

Dynamics of Market Structure – Conduct and performance:

The market structure determines the market conduct and performance. The term market conduct refers to the patterns of behavior of firms, specially in relation to pricing and their practices in adapting and adjusting to the market in which they function. Specifically, market conduct includes:

(a) Market sharing and price setting policies;
(b) Policies aimed at coercing rivals; and
(c) Policies towards setting the quality of products.

The term market performance refers to the economic results that flow from the industry as each firm pursues its particular line of conduct. Society has to decide the criteria for satisfactory market performance. Some of the criteria for measuring market performance and of the efficiency of the market structure are:

1. Efficiency in the use of resources, including real cost of performing various functions;
2. The existence of monopoly or monopoly profits, including the relationship of margins with the average cost of performing various functions;
3. Dynamic progressiveness of the system in adjusting the size and number of firms in relation to the volume of business, in adopting technological innovations and in finding and/or inventing new forms of products so as to maximize general social welfare.
4. Whether or not the system aggravates the problem of inequalities in inter-personal, inter-regional or inter-group incomes. For example, inequalities increase under the following situations:
   (a) A market intermediary may pocket a return greater than its real contribution to the national product;
   (b) Small farmers are discriminated against when they are offered a lower return because of the low quantum of surplus;
   (c) Inter-product price parity is substantially disturbed by new uses for some products and wide variations and rigidities in the production pattern between regions.

The market structure, therefore, has always to keep on adjusting to changing environment if it has to satisfy the social goals. A static market structure soon becomes obsolete becase of the changes in the physical, economic, institutional and technological factors. For a satisfactory market performance, the market structure should keep pace with the following changes:

1. **Production Pattern:**
   Significant changes occur in the production pattern because of technological, economic and institutional factors. The market structure should be re-oriented to keep pace with such changes.
2. **Demand Pattern:**

The demand for various products, specially in terms of form and quality, keeps on changing because of change in incomes, the pattern of distribution among consumers, and changes in their tastes and habits. The market structure should be re-oriented to keep it in harmony with the changes in demand.

3. **Costs and Patterns of Marketing Functions:**

   Marketing functions such as transportation, storage, financing and dissemination of market information, have a great bearing on the type of market structure. Government policies with regard to purchases, sales and subsidies affect the performance of market functions. The market structure should keep on adjusting to the changes in costs and government policy.

4. **Technological Change in Industry:**

   Technological changes necessitate changes in the market structure through adjustments in the scale of business, the number of firms, and in their financial requirements.

Lecture No. 2

Agricultural Marketing – Meaning – Definition – Scope – Subject matter – Importance of Agricultural Marketing in economic development.

AGRICULTURAL MARKETING:

Concept and Definition:

The term agricultural marketing is composed of two words-agriculture and marketing. Agriculture, in the broadest sense, means activities aimed at the use of natural resources for human welfare, i.e., it includes all the primary activities of production. But, generally, it is used to mean growing and/or raising crops and livestock. Marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. It includes all the activities involved in the creation of time, place, form and possession utility.

According to Thomsen, the study of agricultural marketing, comprises all the operations, and the agencies conducting them, involved in the movement of farm-produced foods, raw materials and their derivatives, such as textiles, from the farms to the final consumers, and the effects of such operations on farmers, middlemen and consumers. This definition does not include the input side of agriculture.

Agricultural marketing is the study of all the activities, agencies and policies involved in the procurement of farm inputs by the farmers and the movement of agricultural products from the farms to the consumers. The agricultural marketing system is a link between the farm and the non – farm sectors. It includes the organization of agricultural raw materials supply to processing industries, the assessment of demand for farm inputs and raw materials, and the policy relating to the marketing of farm products and inputs.

According to the National Commission on Agriculture (XII Report), agricultural marketing is a process which starts with a decision to produce a saleable farm

commodity, and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations, and includes pre-and post-harvest operations, assembling, grading, storage, transportation and distribution.

Objectives of the Study:

A study of the agricultural marketing system is necessary to an understanding of the complexities involved and the identification of bottlenecks with a view to providing efficient services in the transfer of farm products and inputs from producers to consumers. An efficient marketing system minimizes costs, and benefits all the sections of the society.

The expectations from the system vary from group to group; and, generally, the objectives are in conflict. The efficiency and success of the system depends on how best these conflicting objectives are reconciled.

Producers:

Producer-farmers want the marketing system to purchase their produce without loss of time and provide the maximum share in the consumer's rupee. They want the maximum possible price for their surplus produce from the system. Similarly, they want the system to syupply them the inputs at the lowest possible price.

Consumers:

The consumers of agricultural products are interested in a marketing system that can provide food and other items in the quantity and of the quality required by them at the lowest possible price. However, this objective of marketing for consumers is contrary to the objective of marketing for the farmer – producers.

Market Middlemen and Traders:

Market middlemen and traders are interested in a marketing system which provides them a steady and increasing income from the purchase and sale of agricultural commodities. This objective of market middlemen may be achieved by purchasing the agricultural products from the farmers at low prices and selling them to consumers at high prices.

Government:

The objectives and expectations of all the three groups of society-producers, consumers and market middlemen – conflict with one another. All the three groups are indispensable to society. The government has to act as a watch-dog to safeguard the interests of all the groups associated in marketing. It tries to provide the maximum share to the producer in the consumer's rupee; food of the required quality to consumers at the lowest possible price; and enough margin to market middlemen so that they may remain in the trade and not think of going out of trade and jeopardize the whole marketing mechanism. Thus, the government wants that the marketing system should be such as may bring about the overall welfare to all the segments of society.

Scope and Subject Matter of Agricultural Marketing:

Agricultural marketing in a broader sense is concerned with the marketing of farm products produced by farmers and of farm inputs required by them in the production of these farm products. Thus, the subject of agricultural marketing includes product marketing as well as input marketing.

The subject of output marketing is as old as civilization itself. The importance of output marketing has become more conspicuous in the recent past with the increased marketable surplus of the crops following the technological breakthrough. The farmers produce their products for the markets. Farming becomes market-oriented. Input marketing is a comparatively new subject. Farmers in the past used such farm sector inputs as local seeds and farmyard manure. These inputs were available with them; the purchase of inputs for production of crops from the market by the farmers was almost negligible. The importance of farm inputs-improved seeds, fertilizers, insecticides and pesticides, farm machinery, implements and credit-in the production of farm products has increased in recent years. The new agricultural technology is input-responsive. Thus, the scope of agricultural marketing must include both product marketing and input marketing. In this book, the subject matter of agricultural marketing has been dealt with; both from the theoretical and practical points of view. It covers what the system is, how it functions, and how the given method or techniques may be modified to get the maximum benefits.

Specially, the subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and costs, price spread and market integration, producer's surplus, government policy and research, training and statistics on agricultural marketing.

Difference in Marketing of Agricultural and Manufactured Goods:

The marketing of agricultural commodities is different from the marketing of manufactured commodities because of the special characteristics of the agricultural sector (demand and supply) which have a bearing on marketing. Because of these characteristics, the subject of agricultural marketing has been treated as a separate discipline – and this fact makes the subject somewhat complicated. These special characteristics of the agricultural sector affect the supply and demand of agricultural products in a manner different from that governing the supply and demand of manufactured commodities. The special characteristics which the agricultural sector possesses, and which are different from those of the manufactured sector, are:

1. **Perishability of the Product:**
   Most farm products are perishable in nature; but the period of their perishability varies from a few hours to a few months. To a large extent, the marketing of farm products is virtually a race with death and decay. Their perishability makes it almost impossible for producers to fix the reserve price for their farm-grown products. The extent of perishability of farm products may be reduced by the processing function; but they cannot be made non-perishable like manufactured products. Nor can their supply be made regular.
2. **Seasonality of Production:**
   Farm products are produced in a particular season; they cannot be produced throughout the year. In the harvest season, prices fall. But the supply of manufactured products can be adjusted or made uniform throughout the year. Their prices therefore remain almost the same throughout the year.
3. **Bulkiness of Products:**
   The characteristic of bulkiness of most farm products makes their transportation and storage difficult and expensive. This fact also restricts the location of production to somewhere near the place of consumption or processing. The price

spread in bulky products is higher because of the higher costs of transportation and storage.

4. **Variation in Quality of Products:**
   There is a large variation in the quality of agricultural products, which makes their grading and standardization somewhat difficult. There is no such problem in manufactured goods, for they are products of uniform quality.
5. **Irregular Supply of Agricultural Products:**
   The supply of agricultural products is uncertain and irregular because of the dependence of agricultural production on natural conditions. With the varying supply, the demand remaining almost constant, the prices of agricultural products fluctuate substantially.
6. **Small Size of Holdings and Scattered Production:**
   Farm products are produced throughout the length and breadth of the country and most of the producers are of small size. This makes the estimation of supply difficult and creates problems in marketing.
7. **Processing:**
   Most of the farm products have to be processed before their consumption by the ultimate consumers. This processing function increases the price spread of agricultural commodities. Processing firms enjoy the advantage of monopsony, oligopsony or duopsony in the market. This situation creates disincentives for the producers and may have an adverse effect on production in the next year.

IMPORTANCE OF AGRICULTURAL MARKETING

Agricultural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development. Its dynamic functions are of primary importance in promoting economic development. For this reason, it has been described as the most important multiplier of agricultural development.

The importance of agricultural marketing in economic development has been indicated in the paragraphs that follow.

Optimization of Resource use and Output Management:

An efficient agricultural marketing system leads to the optimization of resource use and output management. An efficient marketing system can also contribute to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation. A well-designed system of marketing can effectively distribute the available stock of modern inputs, and thereby sustain a faster rate of growth in the agricultural sector.

Increase in Farm Income

An efficient marketing system ensures higher levels of income for the farmers by reducing the number of middlemen or by restricting the commission on marketing services and the malpractices adopted by them in the marketing of farm products. An efficient system guarantees the farmers better prices for farm products and induces them to invest their surpluses in the purchase of modern inputs so that productivity and production may increase. This again results in an increase in the marketed surplus and income of the farmers. If the producer does not have an easily accessible market-outlet where he can sell his surplus produce, he has little incentive to produce more. The need for providing adequate incentives for increased production is, therefore, very important, and this can be made possible only by streamlining the marketing system.

Widening of Markets:

A well-knit marketing system widens the market for the products by taking them to remote corners both within and outside the country, i.e., to areas far away from the production points. The widening of the market helps in increasing the demand on a continuous basis, and thereby guarantees a higher income to the producer.

Growth of Agro-based Industries:

An improved and efficient system of agricultural marketing helps in the growth of agro-based industries and stimulates the overall development process of the economy. Many industries depend on agriculture for the supply of raw materials.

Price Signals:

An efficient marketing system helps the farmers in planning their production in accordance with the needs of the economy. This work is carried out through price signals.

Adoption and Spread of New Technology

The marketing system helps the farmers in the adoption of new scientific and technical knowledge. New technology requires higher investment and farmers would invest only if they are assured of market clearance.

Employment:

The marketing system provides employment to millions of persons engaged in various activities, such as packaging, transportation, storage and processing. Persons like commission agents, brokers, traders, retailers, weighmen, hamals, packagers and regulating staff are directly employed in the marketing system. This apart, several others find employment in supplying goods and services required by the marketing system.

Addition to National Income:

Marketing activities add value to the product thereby increasing the nation's gross national product and net national product.

Better Living:

The marketing system is essential for the success of the development programmes which are designed to uplift the population as a whole. Any plan of economic development that aims at diminishing the poverty of the agricultural population, reducing consumer food prices, earning more foreign exchange or eliminating economic waste has, therefore, to

pay special attention to the development of an efficient marketing for food and agricultural products.

Creation of Utility:

Marketing is productive, and is as necessary as the farm production. It is , in fact, a part of production itself, for production is complete only when the product reaches a place in the form and at the time required by the consumers. Marketing adds cost to the product; but, at the same time, it adds utilities to the product. The following four types of utilities of the product are created by marketing:

(a) Form Utility: The processing function adds form utility to the product by changing the raw material into a finished form. With this change, the product becomes more useful than it is in the form in which it is produced by the farmer. For example, through processing, oilseeds are converted into oil, sugarcane into sugar, cotton into cloth and wheat into flour and bread. The processed forms are more useful than the original raw materials.

(b) Place Utility: The transportation function adds place utility to products by shifting them to a place of need from the place of plenty. Products command higher prices at the place of need than at the place of production because of the increased utility of the product.

(c) Time Utility: The storage function adds time utility to the products by making them available at the time when they are needed.

(d) Possession Utility: The marketing function of buying and selling helps in the transfer of ownership from one person to another. Products are transferred through marketing to persons having a higher utility from persons having a low utility.

Lecture No.3

Classification of markets – On the basis of location, Area of coverage, time span, volume of transaction, nature of transaction, number of commodities, degree of competition, nature of commodities, stage of marketing, extent of public intervention, type of population served, accrual of marketing margins

CLASSIFICATION OF MARKETS:

Markets may be classified on the basis of each of the twelve dimensions mentioned below.

1. **On the basis of Location:**

   On the basis of the place of location or operation, markets are of the following types:

   a) **Village Markets:** A market which is located in a small village, where major transactions take place among the buyers and sellers of a village is called a village market.

   b) **Primary wholesale Markets:** These markets are located in big towns near the centers of production of agricultural commodities. In these markets, a major part of the produce is brought for sale by the producer-farmers themselves. Transactions in these markets usually take place between the farmers and traders.

   c) **Secondary wholesale Markets:** These markets are located generally in district headquarters or important trade centers or near railway junctions. The

major transactions in commodities take place between the village traders and wholesalers. The bulk of the arrivals in these markets is from other markets. The produce in these markets is handled in large quantities. There are, therefore, specialized marketing agencies performing different marketing functions, such as those of commission agents, brokers, weigh men, etc.

d) **Terminal Markets:** A terminal market is one where the produce is either finally disposed of to the consumers or processors, or assembled for export. Merchants are well organized and use modern methods of marketing. Commodity exchanges exist in these markets, which provide facilities, for forward trading in specific commodities. Such markets are located either in metropolitan cities or in sea-ports – in Bombay, Madras, Calcutta and Delhi.

e) **Seaboard Markets:** Markets which are located near the seashore and are meant mainly for the import and/or export of goods are known as seaboard markets. Examples of these markets in India are Bombay, Madras, Calcutta.

2. **On the Basis of Area/Coverage:**

On the basis of the area from which buyers and sellers usually come for transactions, markets may be classified into the following four classes:

a) **Local or Village Markets:** A market in which the buying and selling activities are confined among the buyers and sellers drawn from the same village or nearby villages. The village markets exist mostly for perishable commodities in small lots, e.g., local milk market or vegetable market.

b) **Regional Markets:** A market in which buyers and sellers for a commodity are drawn from a larger area than the local markets. Regional markets in India usually exist for food grains.

c) **National Markets:** A market in which buyers and sellers are at the national level. National markets are found for durable goods like jute and tea.

d) **World Market:** A market in which the buyers and sellers are drawn from the whole world. These are the biggest markets from the area point of view. These markets exist in the commodities which have a world-wide demand and/or supply, such as coffee, machinery, gold, silver, etc. In recent years many countries are moving towards a regime of liberal international trade in agricultural products like raw cotton, sugar, rice and wheat.

3. **On the Basis of Time Span:**

On this basis, markets are of the following types:

a) **Short-period Markets:** The markets which are held only for a few hours are called short-period markets. The products dealt within these markets are of highly perishable nature, such as fish, fresh vegetables, and liquid milk. In these markets, the prices of commodities are governed mainly by the extent of demand for, rather than by the supply of, the commodity.

b) **Long-period Markets:** These markets are held for a long period than the short-period markets. The commodities traded in these markets are less perishable and can be stored for some time; these are food grains and oilseeds. The prices are governed both by the supply and demand forces.

c) **Secular Markets:** These are markets of permanent nature. The commodities traded in these markets are durable in nature and can be stored for many years. Examples are markets for machinery and manufactured goods.

4. On the Basis of Volume of Transactions:

There are two types of markets on the basis of volume of transactions at a time.

a) **Wholesale Markets:** A wholesale market is one in which commodities are bought and sold in large lots or in bulk. Transactions in these markets take place mainly between traders.

b) **Retail Markets:** A retail market is one in which commodities are bought by and sold to the consumers as per their requirements. Transactions in these markets take place between retailers and consumers. The retailers purchase in wholesale market and sell in small lots to the consumers. These markets are very near to the consumers.

5. On the Basis of Nature of Transactions:

The markets which are based on the types of transactions in which people are engaged are of two types:

a) **Spot or Cash Markets:** A market in which goods are exchanged for money immediately after the sale is called the spot or cash market.

b) **Forward Markets:** A market in which the purchase and sale of a commodity takes place at time ‘t’ but the exchange of the commodity takes place on some specified date in future i.e., time t + 1. Sometimes even on the specified date

in the future(t+1), there may not be any exchange of the commodity. Instead, the differences in the purchase and sale prices are paid or taken.

6. **On the Basis of Number of Commodities in which Transaction Takes place:**

A market may be general or specialized on the basis of the number of commodities in which transactions are completed:

a) **General Markets:** A market in which all types of commodities, such as food grains, oilseeds, fiber crops, gur, etc., are bought and sold is known as general market. These markets deal in a large number of commodities.

b) **Specialized Markets:** A market in which transactions take place only in one or two commodities is known as a specialized market. For every group of commodities, separate markets exist. The examples are food grain markets, vegetable markets, wool market and cotton market.

7. **On the Basis of Degree of Competition:**

Each market can be placed on a continuous scale, starting from a perfectly competitive point to a pure monopoly or monopsony situation. Extreme forms are almost non-existent. Nevertheless, it is useful to know their characteristics. In addition to these two extremes, various midpoints of this continuum have been identified. On the basis of competition, markets may be classified into the following categories:

Perfect Markets: A perfect market is one in which the following conditions hold good:

a) There is a large number of buyers and sellers;
b) All the buyers and sellers in the market have perfect knowledge of demand, supply and prices;
c) Prices at any one time are uniform over a geographical area, plus or minus the cost of getting supplies from surplus to deficit areas;
d) The prices are uniform at any one place over periods of time, plus or minus the cost of storage from one period to another;
e) The prices of different forms of a product are uniform, plus or minus the cost of converting the product from one form to another.

Imperfect Markets: The markets in which the conditions of perfect competition are lacking are characterized as imperfect markets. The following situations, each based on the degree of imperfection, may be identified:

a) **Monopoly Market:** Monopoly is a market situation in which there is only one seller of a commodity. He exercises sole control over the quantity or price of the commodity. In this market, the price of commodity is generally higher than in other markets. Indian farmers operate in a monopoly market when purchasing electricity for irrigation. When there is only one buyer of a product the market is termed as a monopsony market.

b) **Duopoly Market:** A duopoly market is one which has only two sellers of a commodity. They may mutually agree to charge a common price which is higher than the hypothetical price in a common market. The market situation in which there are only two buyers of a commodity is known as the duopsony market.

c) **Oligopoly Market:** A market in which there are more than two but still a few sellers of a commodity is termed as an oligopoly market. A market having a few (more than two) buyers is known as oligopsony market.

d) **Monopolistic competition:** When a large number of sellers deal in heterogeneous and differentiated form of a commodity, the situation is called monopolistic competition. The difference is made conspicuous by different trade marks on the product. Different prices prevail for the same basic product. Examples of monopolistic competition faced by farmers may be drawn from the input markets. For example, they have to choose between various makes of insecticides, pumpsets, fertilizers and equipments.

8. On the Basis of Nature of Commodities:

On the basis of the type of goods dealt in, markets may be classified into the following categories:

a) **Commodity Markets:** A market which deals in goods and raw materials, such as wheat, barley, cotton, fertilizer, seed, etc., are termed as commodity markets.

b) **Capital Markets:** The market in which bonds, shares and securities are bought and sold are called capital markets; for example, money markets and share markets.

9. **On the Basis of Stage of Marketing:**

   On the basis of the stage of marketing, markets may be classified into two categories:

   a) **Producing Markets:** Those markets which mainly assemble the commodity for further distribution to other markets are termed as producing markets. Such markets are located in producing areas.

   b) **Consuming Markets:** Markets which collect the produce for final disposal to the consuming population are called consumer markets. Such markets are generally located in areas where production is inadequate, or in thickly populated urban centres.

10. **On the Basis of Extent of Public Intervention:**

    Based on the extent of public intervention, markets may be placed in any one of the following two classes:

    a) **Regulated Markets:** Markets in which business is done in accordance with the rules and regulations framed by the statutory market organization representing different sections involved in markets. The marketing costs in such markets are standardized and practices are regulated.

    b) **Unregulated Markets:** These are the markets in which business is conducted without any set rules and regulations. Traders frame the rules for the conduct of the business and run the market. These markets suffer from many ills, ranging from unstandardised charges for marketing functions to imperfections in the determination of prices.

11. **On the Basis of Type of Population Served:**

    On the basis of population served by a market, it can be classified as either urban or rural market:

    a) **Urban Market:** A market which serves mainly the population residing in an urban area is called an urban market. The nature and quantum of demand for agricultural products arising from the urban population is characterized as urban market for farm products.

    b) **Rural Market:** The word rural market usually refers to the demand originating from the rural population. There is considerable difference in the nature of embedded services required with a farm product between urban and rural demands.

12. On the Basis of Accrual of Marketing Margins:

Markets can also be classified on the basis of as to whom the marketing margins accrue. Over the years, there has been a considerable increase in the producers or consumers co-operatives or other organizations handling marketing of various products. Though private trade still handles bulk of the trade in farm products, the co-operative marketing has increased its share in the trade of some agricultural commodities like milk, fertilizers, sugarcane and sugar. In the case of marketing activities undertaken by producers or consumers co-operatives, the marketing margins are either negligible or shared amongst their members.

Lecture No. 4

Marketing functions – Meaning – Assembling – Grading and standardization – Transportation – Storage – Processing – Packing – Distribution – Buying and Selling – Financing – Risk bearing – Marketing intelligence

MARKETING FUNCTIONS

Any single activity performed in carrying a product from the point of its production to the ultimate consumer may be termed as a marketing function. A marketing function may have anyone or combination of three dimensions, viz., time, space and form.

The marketing functions involved in the movement of goods from the producer to its ultimate consumer vary from commodity to commodity, market to market, the level of economic development of the country or region, and the final form of the consumption. The marketing functions may be classified in various ways. For example, Thomsen has classified the marketing functions into three broad groups. These are:

1. Primary Functions	:	Assembling or procurement Processing Dispersion or Distribution
2. Secondary Functions	:	Packing or Packaging Transportation Grading, Standardization and Quality Control Storage and Warehousing Price Determination or Discovery

Risk Taking
Financing
Buying and Selling
Demand Creation
Dissemination of Market Information

3. Tertiary Functions : Banking
Insurance
Communications – posts & Telegraphs
Supply of Energy – Electricity

Kohls and Uhl have classified marketing functions as follows:

1. Physical Functions : Storage and Warehousing
Grading
Processing
Transportation
2. Exchange Functions : Buying
Selling
3. Facilitative Functions : Standardization of grades
Financing
Risk Taking
Dissemination of Market Information

Huegy and Mitchell have classified marketing functions in a different way. According to them, the classification is as follows:

1. Physical Movement Functions : Storage
Packing
Transportation
Grading

		Distribution
2. Ownership Movement Functions	:	Determining Need
		Creating Demand
		Finding Buyers and Sellers
		Negotiation of Price
		Rendering Advice
		Transferring the Title to Goods
3. Market Management Functions	:	Formulating Policies
		Financing
		Providing organization
		Supervision
		Accounting
		Securing Information

Packaging

Packaging is the first function performed in the marketing of agricultural commodities. It is required for nearly all farm products at every stage of the marketing process. The type of the container used in the packing of commodities varies with the type of the commodity as well as with the stage of marketing. For example, gunny bags are used for cereals, pulses and oilseeds when they are taken from the farm to the market. For packing milk or milk products, plastic, polythene, tin or glass containers are used. Wooden boxes or straw baskets are used for packing fruits and vegetables.

Meaning of Packing and Packaging:

Packing means, the wrapping and crating of goods before they are transported. Goods have to be packed either to preserve them or for delivery to buyers. Packaging is a part of packing, which means placing the goods in small packages like bags, boxes, bottles or parcels for sale to the ultimate consumers. In other words, it means putting goods on the market in the size and pack which are convenient for the buyers.

Advantages of Packing and Packaging:

Packaging is a very useful function in the marketing process of agricultural commodities. Most of the commodities are packed with a view to preserving and protecting their

quality and quantity during the period of transit and storage. For some commodities, packing acts as a powerful selling tool. The chief advantages of packing and packaging are:

1. It protects the goods against breakage, spoilage, leakage or pilferage during their movement from the production to the consumption point.
2. The packaging of some commodities involves compression, which reduces the bulk like cotton, jute and wool.
3. It facilitates the handling of the commodity, specially such fruits as apples, mangoes, etc., during storage and transportation.
4. It helps in quality-identification, product differentiation, branding and advertisement of the product, e.g., Hima peas and Amul butter.
5. Packaging helps in reducing the marketing costs by reducing the handling and retailing costs.
6. It helps in checking adulteration.
7. Packaging ensures cleanliness of the product.
8. Packaging with labeling facilitates the conveying of instructions to the buyers as to how to use or preserve the commodity. The label shows the composition of the product.
9. Packaging prolongs the storage quality of the products by providing protection from the ill effects of weather, specially for fruits, vegetables and other perishable goods.

TRANSPORTATION:

Transportation or the movement of products between places is one of the most important marketing functions at every stage, i.e., right from the threshing floor to the point of consumption. Most of the goods are not consumed where they are produced. All agricultural commodities have to be brought from the farm to the local market and from there to primary wholesale markets, secondary wholesale markets, retail markets and ultimately to the consumers. The inputs from the factories must be taken to the warehouses and from the warehouses to the wholesalers, retailers and finally to the consumers(farmers). Transportation adds the place utility to goods.

Transport is an indispensable marketing function. Its importance has increased with urbanization. For the development of trade in any commodity or in any area transport is a sine qua non. Trade and transport go side by side; the one reinforces and strengthens the other.

Advantages of Transport Function:

The main advantages of the transport function are:

1. **Widening of the Market:** Transport helps in the development or widening of markets by bridging the gap between the producers and consumers located in different areas. Without transport, the markets would have mainly been local markets. The exchange of goods between different districts, regions or countries would be impossible in the absence of this function. The example is the market for Himachal or Kashmir apples. The producers are located mainly in Himachal Pradesh and Jammu & Kashmir; but apples are consumed throughout the country.
2. **Narrowing Price Difference Over Space:** The transportation of goods from surplus areas to the places of scarcity helps in checking price rises in the scarcity areas and price falls in surplus areas thus reduces the spatial differences in prices.
3. **Creation of Employment:** The transport function provides employment to a large number of persons through the construction of roads, loading and unloading, plying of the means of transportation, etc.
4. **Facilitation of Specialized Farming:** Different areas of the country are suitable for different crops, depending on their soil and agroclimatic conditions. Farmers can go in for specialization in the commodity most suitable to their area, and exchange the goods required by them from other areas at a cheaper price than their own production cost.
5. **Transformation of the Economy:** Transportation helps in the transformation of the economy from the subsistence stage to the developed commercial stage. Industrial growth is stimulated by being fed with the raw material produced in rural areas. Manufactured goods from industries to village or rural areas, too, can be moved.
6. **Mobility of the Factors of Production:** Transport helps in increasing the mobility of capital and labour from one area to another. Entrepreneurs get opportunities for the investment of their capital in newly opened areas of the

country, where the prospects of profit are very bright. Moreover, transportation helps in the migration of people in search of better remunerative jobs.

Transportation Cost:

The transportation cost accounts for about 50 percent of the total cost of marketing. It is higher when the produce is transported by bullock carts than when it is carried by other means. The efficiency of transportation depends on the speed and the care with which goods move from one place to another, the extent of the facilities provided, and the degree of care with which goods are handled en route and at terminal stations. However, there is a need for reducing the cost of transportation.

Factors affecting the cost of transportation:

Other things remaining the same, the transportation cost of a commodity depends on the following factors:

1. **Distance:** With an increase in the distance over which a commodity is transported, the total transportation cost increases; but the transportation cost per unit quantity of the produce decreases after a certain distance.
2. **Quantity of the Product:** The transportation cost per unit quantity of a commodity decreases with the increase in the volume. It will be less if a full truckload is available than it would be if only a few quintals are transported.
3. **Mode of Transportation:** The cost of transportation varies with the mode of transportation, e.g., bullock cart, tractor, truck, railway etc.
4. **Condition of Road:** The cost of transportation is less where metalled or tar roads have been constructed than in places where graveled roads exist or where there are no roads at all.
5. **Nature of Products:** The cost of transportation per unit is higher for the products having the following characters:
   a) Perishability (e.g., Vegetables);
   b) Bulkinesss (e.g., straw);
   c) Fragility (e.g. tomatoes);
   d) Inflammability (e.g., Petrol);
   e) Requirement of a special type of facility (for example, for livestock and milk).

6. **Availability of Return Journey consignment:** If goods are also available for transportation when a truck is to return to its starting place, the per unit cost of transportation is less.
7. **Risk Associated:** The transportation cost is less if the produce is transported at the owner's/sender's risk than when the risk is on the agency transporting the produce.

Problems in Transportation of Agricultural Commodities:

The problems in the transportation of agricultural commodities are very serious because of the special factors associated with them; for example, the perishability of the produce, its bulkiness, the small quantity in which it is available, and a large number of suppliers and purchasers. The following are some of the important problems arising out of the transportation of agricultural commodities:

1. The means of transportation used are slow moving;
2. There are more losses/damages in transportation because of the use of poor packaging material, overloading of the produce and poor handling, specially of fruits and vegetables, at the time of loading and unloading;
3. The transportation cost per 100 rupees worth of the farm produce is higher than that for other goods. This is so because of its bulky character and the prevailing practice of fixing charges on the basis of weight or volume rather than on the basis of its value;
4. There is lack of co-ordination between different transportation agencies, e.g., the railways and truck companies. Some of the places are not connected by railway. The produce is often transported for a part of the distance by rail and a part by trucks or other means of transportation.
5. The multi-guage system of railways was also a serious problem in transportation of goods by railways. However, now the country is moving towards a uni-guage system which augurs well for marketing of farm products.

Suggestions for Improvement:

The following are some of the suggestions for effecting improvements in the transport function and reducing transport costs:

1. There must be full utilization of the capacity of the transportation facility in terms of the load. This would reduce the per quintal cost of transportation.
2. The transportation cost per quintal can be reduced by fixing the rate of transportation for different means. At present, each agency charges what it likes and not on the basis of any rational computation of the cost factor.
3. There should be a reduction in spoilage, damage, breakage and pilferage during the period of movement as a result of better handling, packing and the use of the proper types of wagons.
4. There should be a reduction in the barriers to inter-state movement of the produce. If this happens, the time taken in transportation and the quantity of the fuel consumed would be reduced.
5. A reduction in the bulk of the produce by processing it can help in minimizing the transport cost. For example, milk may be processed into condensed milk, butter or ghee and fruits into juices.
6. The speed and capacity of the vehicles used in transportation should be increased. This can be done by research in respective areas. The speed and capacity of bullock carts can be increased by:
   a) The use of pneumatic tyres instead of the existing wooden and iron wheels;
   b) The use of springs in the axle of the cart;
   c) The development of atleast good all-weather roads in the areas.
7. It must be recogninsed that roads and railways are important components of infrastructure; therefore, more public initiative in their expansion is called for. Nearly 50 percent of the villages in the country are still not connected by roads. This apart, there are sharp differences among the states. For example, in states like Orissa, Rajasthan and Madhya Pradesh more than half of the villages are still to be connected by link roads. The rail transport, though capable of transporting agricultural commodities to longer distances in larger quantities with greater speed but it also suffers from multi-guage system, shortages of wagon capacity and congestion on trunk routes. Therefore, in the overall scheme of public investment, development of this infrastructure should receive more allocation.

GRADING AND STANDARDIZATION

Grading and standardization is a marketing function which facilitates the movement of produce. Without standardization the rule of caveat emptor (let the buyer beware) prevails; and there is confusion and unfairness as well. Standardization is a term used in a broader sense. Grade standards for commodities are laid down first and then the commodities are sorted out according to the accepted standards.

Products are graded according to quality specifications. But if these quality specifications vary from seller to seller, there would be a lot of confusion about its grade. The top grade of one seller may be inferior to the second grade of another. This is why buyers lose confidence in grading. To avoid this eventuality, it is necessary to have fixed grade standards which are universally accepted and followed by all in the trade.

Meaning: Standardization means the determination of the standards to be established for different commodities. Pyle has defined standardization as the determination of the basic limits on grades or the establishment of model processes and methods of producing, handling and selling goods and services.

Standards are established on the basis of certain characteristics-such as weight, size, colour, appearance, texture, moisture content, staple length, amount of foreign matter, ripeness, sweetness, taste, chemical content, etc. These characteristics, on the basis of which products are standardized, are termed grade standards. Thus, standardization means making the quality specifications of the grades uniform among buyers and sellers over space and over time.

Grading means the sorting of the unlike lots of the produce into different lots according to the quality specifications laid down. Each lot has substantially the same characteristics in so far as quality is concerned. It is a method of dividing products into certain groups or lots in accordance with predetermined standards. Grading follows standardization. It is a sub-function of standardization.

Types of Grading

Grading may be done on the basis of fixed standards or variable standards. It is of three types:

1. **Fixed Grading / Mandatory Grading:** This means sorting out of goods according to the size, quality and other characteristics which are of fixed standards. These do not vary over time and space. It is obligatory for a person to follow these grade standards if he wants to sell graded products. For a number of agricultural commodities, grade standards have been fixed by the Agricultural Marketing Advisor, Government of India, and it is compulsory to grade the produce according to these grade specifications. Individuals are not free to change these standards. The use of mandatory standards is compulsory for the export of the agricultural commodities to various countries.
2. **Permissive / Variable Grading:** The goods are graded under this method according to standards, which vary over time. The grade specifications in this case are fixed over time and space, but changed every year according to the quality of the produce in that year. Under this method, individual choice for grading is permitted. In India, grading by this method is not permissible.
3. **Centralized / Decentralized Grading:** Based on the degree of supervision exercised by the government agencies on grading of various farm products, the programme can be categorized into centralized and decentralized grading.

Under the centralized grading system, an authorized packer either sets up his own laboratory manned by qualified chemists or seeks access to an approved grading laboratory set up for the purpose by the state authorities / co-operatives / associations / private agencies. Grading in respect of commodities such as ghee, butter and vegetable oils where elaborate testing facilities are needed for checking purity and assessing quality has been placed under centralized grading system. In this system, the Directorate of Marketing and Inspection exercises close supervision on grading work of approved chemists through periodical inspection of the grading stations and the quality of the graded produce.

The decentralized grading system is implemented by State Marketing Authorities under the overall supervision and guidance of the Directorate of Marketing and Inspection. This is followed in those commodities which do not require elaborate testing arrangements for quality assessment. The examples are fruits, vegetables, eggs, cereals

and pulses. For these commodities, the grade of the produce is determined on the basis of physical characteristics.

Advantages of Grading;

Grading offers the following advantages to different groups of persons:

1. Grading before sale enables farmers to get a higher price for their produce. Studies during sixties and seventies revealed that on an average, the producers obtained a premium of 12 paise per kg of tobacco at Ongloe (AP) and Rs. 9.40 per quintal of kapas at Hubli (Karnataka). Graded apple fetched a premium price of 11.27 per cent over that of ungraded apples. Graded dasheri and desi mango fetched a premium of Rs.31.50 and Rs.32.50 per quintal over the price of ungraded mangoes. Grading also serves as an incentive to producers to market the produce of better quality.
2. Grading facilitates marketing, for the size, color, qualities and other grade designations of the product are well known to both the parties, and there is no need on the part of the seller to give any assurance about the quality of the product.
3. Grading widens the market for the product, for buying can take place between the parties located at distant places on the telephone without any inspection of the quality of the product.
4. Grading reduces the cost of marketing by minimizing the expenses on the physical inspection of the produce, minimizing storage loses, reducing its bulk, minimizing advertisement expenses and eliminating the cost of handling and weighing at ever stage.
5. Grading makes it possible for the farmer –
   a) To get easy finance when commodities are stored;
   b) To get the claims settled by the railways and insurance companies;
   c) To get storage place for the produce;
   d) To get market information;
   e) To pool the produce of different farmers;
   f) To improve the "keeping" quality of the stored products by removing the inferior goods from the good lot; and
   g) To facilitate futures trading in a commodity.

6. Grading helps consumers to get standard quality products at fair prices. It is easier for them to compare the prices of different qualities of a product in the market. It minimizes their purchasing risk, for they will not get a lower quality product at the given price.
7. Grading contributes to market competition and pricing efficiency. The product homogeneity resulting from grading can bring the market closer to perfect competition, encourages price competition among sellers, and reduces extraordinary profits.

Thus, the grading of product is beneficial to all the sections of society; i.e., the producers, traders and consumers of the product.

Progress in India

To improve the quality of agricultural products in India, grading and marking were introduced under an Act – The Agricultural Produce (Grading and Marking) Act, 1937. The act authorizes the Central Government to frame rules relating to the fixing of grade standards and the procedure to be adopted to grade the agricultural commodities included in the schedule. The Act of 1937 was amended from time to time to widen its scope, so that a number of commodities may be included under the changed circumstances. Initially, only 19 commodities were included for grading purposes; but now there are 153 commodities in the schedule for which grade standards are available. The commodities included in the schedule are foodgrains, fruits and vegetables, dairy products, tobacco, coffee, oilseeds, edible oils, oilcakes, fruit products, cotton, sannhemp, edible nuts, jiggery, lac, spices and condiments, essential oils, honey, besan, suji and maida.

The Agricultural Marketing Advisor to the Government of India (AMA) is the authority empowered to implement the provisions of the Act, and suggest suitable modifications. The Central Agricultural Marketing Department (Directorate of Marketing and Inspection) maintains some staff for the inspection of the grading premises and the collection of the samples of graded products from different points in the marketing process. The collected samples are examined and analyzed either at the central Agmark laboratory or at other laboratories set up in different parts of the country to test whether the graded products conform to the standards of quality laid down in the Act. If the

sample is below standard, the necessary legal action against the party is taken, and the graded product is removed from the market. The licence of the party, too, is cancelled.

STORAGE:

Meaning and Need:

Storage is an important marketing function, which involves holding and preserving goods from the time they are produced until they are needed for consumption. Storage is an exercise of human foresight by means of which commodities are protected from deterioration, and surplus supplies in times of plenty are carried over to the season of scarcity. The storage function, therefore, adds the time utility to products.

Agriculture is characterized by relatively large and irregular seasonal and year – to – year fluctuations in production. The consumption of most farm products, on the other hand, is relatively stable. These conflicting behaviors of demand and supply make it necessary that large quantities of farm produce should be held for a considerable period of time.

The storage function is as old as man himself, and is performed at all levels in the trade. Producers hold a part of their output on the farm. Traders store it to take price advantage. Processing plants hold a reserve stock of their raw materials to run their plants on a continuous basis. Retailers store various commodities to satisfy the consumers day – to – day needs. Consumers, too, store foodgrains, depending on their financial status.

The storage of agricultural products is necessary for the following reasons:

1. Agricultural products are seasonally produced, but are required for consumption throughout the year. The storage of goods, therefore, from the time of production to the time of consumption, ensures a continuous flow of goods in the market;
2. Storage protects the quality of perishable and semi – perishable products from deterioration;
3. Some of the goods, e.g., woolen garments, have a seasonal demand. To cope with this demand, production on a continuous basis and storage become necessary;
4. It helps in the stabilization of prices by adjusting demand and supply;

5. Storage is necessary for some period for the performance of other marketing functions. For example, the produce has to be stored till arrangements for its transportation are made, or during the process of buying and selling, or the weighment of the produce after sale, and during its processing by the processor;
6. The storage of some farm commodities is necessary either for their ripening (e.g., banana, mango, etc.) or for improvement in their quality (e.g., rice, pickles, cheese, tobacco, etc.); and
7. Storage provides employment and income through price advantages. For example, middlemen store foodgrains by purchasing them at low prices in the peak season and sell them in the other seasons when prices are higher.

Risks in Storage:

The storage of agricultural commodities involves three major types of risks. These are:

1. **Quantity Loss:** The risks of loss in quantity may arise during storage as a result of the presence of rodents, insects and pests, theft, fire, etc. Dehydration too, brings about an unavoidable loss in weight. It has been estimated that about 10 million tones of foodgrains are lost every year because of poor and faulty storage.
2. **Quality Deterioration:** The second important risk involved in the storage of farm products is the deterioration in quality, which reduces the value of the stored products. These losses may arise as a result of attack by insects and pests, the presence of excessive moisture and temperature, or as a result of chemical reaction during the period of storage. Dehydration of fruits, vegetables and meat during storage may lower their sale value. Butter, if not properly stored, may become rancid, which reduces its sale value. The loss in the quality of farm products varies with their quality at the time of storage, the method of storage and the period of storage.
3. **Price Risk:** This, too, is an important risk involved in the storage of farm products. Prices do not always rise enough during the storage period to cover the storage costs. At times they fall steeply, involving the owner in a substantial loss. Farmers and traders generally store their products in anticipation of price rise and they suffer when prices fall.

PROCESSING:

Processing is an important marketing function in the present-day marketing of agricultural commodities. A little more than 100 years ago, it was a relatively unimportant function in marketing. A large proportion of farm products was sold in an unprocessed form, and a great deal of the processing was done by the consumers themselves. At present, consumers are dependent upon processing for most of their requirements. Many technological changes have occurred in the recent past, such as the introduction of refrigeration, modern methods of milling and baking food grains, new processing methods for dairy products, and modern methods of packing and preservation. These technological changes have had a significant impact on the standard of living of the consumers, on the economic and social organizations of society, and on the growth of trade in the country.

Meaning:

The processing activity involves a change in the form of the commodity. This function includes all of those essentially manufacturing activities which change the basic form of the product. Processing converts the raw material and brings the products nearer to human consumption. It is concerned with the addition of value to the product by changing its form.

Advantages:

The processing of agricultural products is essential because very few farm products – milk, eggs, fruits and vegetables – are consumed directly in the form in which they are obtained by the producer – farmer. All other products have to be processed into a consumable form. Processing is important, both for the producer – sellers and for consumers. It increases the total revenue of the producer by regulating the supply against the prevailing demand. It makes it possible for the consumer to have articles in the form liked by him. The specific advantages of the processing function are:

1. It changes raw food and other farm products into edible, usable and palatable forms. The value added by processing to the total value produced at the farm level varies from product to product. It is nearly 7 percent for rice and wheat, about 79 percent for cotton and 86 percent for tea. It is generally higher for

commercial crops than for food crops. Examples of the products in this group are: the processing of sugarcane to make sugar, gur, khandsari; oilseeds processing to make oil; grinding of food grains to make flour; processing of paddy into rice; and conversion of raw mango into pickles.

2. The processing function makes it possible for us to store perishable and semi – perishable agricultural commodities which otherwise would be wasted and facilitates the use of the surplus produce of one season in another season or year. Examples of the processing of the products in this group are: drying, canning and pickling of fruits and vegetables, frozen goods, conversion of milk into butter, ghee and cheese and curing of meat with salting / smoking.
3. The processing activity generates employment. The baking industry, the canning industry, the brewing and distilling industry, the confectionary industry, the sugar industry, oil mills and rice mills provide employment to a large section of society.
4. Processing satisfies the needs of consumers at a lower cost. If it is done at the door of the consumer, it is more costly than if it is done by a firm on large scale. Processing saves the time of the consumers and relieves them of the difficulties and botherations experienced in processing.
5. Processing serves as an adjunct to other marketing functions, such as transportation, storage and merchandising.
6. Processing widens the market. Processed products can be taken to distant and overseas markets at a lower cost.

BUYING AND SELLING:

Meaning:

Buying and selling is the most important activity in the marketing process. At every stage, buyers and sellers come together, goods are transferred from seller to buyer, and the possession utility is added to the commodities.

The number of times the selling-and-buying activity is performed depends on the length of the marketing channel. In the shortest channel where no middleman is involved, this activity takes place only once, i.e., the producer or farmer sells and the consumer purchases. But, usually, in the case of farm commodities, selling/buying activities are undertaken each time when the produce moves from the farmer to the primary wholesaler, from the wholesaler to the retailer, and from the retailer to the consumer.

The buying activity involves the purchase of the right goods at the right place, at the right time, in the right quantities and at the right price. It involves the problems of what to buy, when to buy, from where to buy, how to buy and how to settle the prices and the terms of purchase.

The selling activity involves personal or impersonal assistance to or persuasion of, a prospective buyer to buy a commodity. The objective of selling is to dispose of the goods at a satisfactory price. The prices of products, particularly of agricultural commodities vary from place to place, from time to time, and with the quantity to be sold. Selling, therefore, involves the problems of when to sell, where to sell, through whom to sell, and whether to sell in one lot or in parts.

Methods:

The following methods of buying and selling of farm products are prevalent in Indian markets:

(i) Under Cover of a Cloth (Hatha System)

By this method, the prices of the produce are settled by the buyer and the commission agents of the seller by pressing/twisting the fingers of each other under cover of a piece of cloth. Code symbols are associated with the twisting of the fingers, and traders are familiar with these. The negotiations in this manner continue till a final price is settled. When all the buyers have given their offers, the name and offer price of the highest bidder is announced to the seller by the commission agent.

This system provides opportunities for cheating the seller, for the seller is not aware of the price that has been offered by other buyers; the commission agent may not communicate the various prices to the seller, and may strike a deal in favour of one who offers a somewhat lower price. This method has been banned by the government because of the possibility of cheating, though it continues to be used in some markets.

(ii) Private Negotiations:

By this method, prices are fixed by mutual agreement. This method is common in unregulated markets or village markets.

Under this method, the individual buyer come to the shops of commission agents at a time convenient to the latter and offer prices for the produce

which, they think, are appropriate after the inspection of the sample. If the price is accepted, the commission agent conveys the decision to the seller, and the produce is given, after it has been weighed, to the buyer.

In villages, too, private negotiations take place directly between buyer and seller. The sellers takes the sample to the buyer and asks him to quote the price. If it is acceptable to the buyer, a contract is executed. This however, is a slow and time-consuming process and is not suitable when either large quantities have to be sold or a large number of buyers exist in the market. The advantage of this method is that the seller gets a good price, for buyers are not aware of the price offered by other buyers. Each buyer, therefore, tries to bid the highest to get the produce.

(iii)Quotations on Samples taken by Commission Agent:

By this method the commission agent takes the sample of the produce to the shops of the buyer instead of the buyer going to the shop of the commission agent. The price is offered, based on the sample, by the prospective buyers. The commission agent makes a number of rounds of prospective buyers until none is ready to bid a price higher than the one offered by a particular buyer. The produce is given to the one whose bid has been the highest.

(iv)Dara Sale Method

By this method, the produce in different lots is mixed and then sold as one lot. The advantages of this method is that, within a short time, a large number of lots are sold off. The disadvantage is that the produce of a good quality and one of a poor quality fetch the same price. There is, therefore, a loss of incentive to the farmer to cultivate good quality products. This method is common for such crops as zeera in many markets of the country.

(v) Moghum Sale Method:

By this method, the sale of produce is effected on the basis of a verbal understanding between buyers and sellers without any pre-settlement of price, but on the distinct understanding that the price of the produce to be paid by the buyer to the seller will be the one as prevailing in the market on that day, or at the rate at which other sellers of the village sold the produce. This method is common in villages, for farmers are indebted to the local money

lenders. Often the buyer pays less than the prevailing market rate on the plea of the poor quality of the produce.

(vi) Open Auction Method:

By this method, the prospective buyers gather at the shop of the commission agent around the heap of the produce, examine it and offer bids loudly. The produce is given to the highest bidder after taking the consent of the seller farmer. This method is preferred to any other method because it ensures fair dealing to all parties, and because the farmers with a superior quality of produce receive a higher price. In most regulated markets, the sale of the produce is permissible only by the open auction method.

The following are the merits of the open auction method:

a) A sale by this method inspires confidence among the buyers and sellers. The seller is able to follow the bidding easily.
b) The auction serves as a meeting place for the supply of, and demand for, goods.
c) It disposes of the market supply promptly.
d) A wide variety of goods are available to buyers for selection.
e) The auction method reduces the number of salesmen needed in the process.
f) The buyers of small lots are not put to a disadvantage against the buyers of large lots.
g) All the sections interested in the sale and purchase are well informed about the prevailing prices and can take judicious decisions about the sale and purchase of agricultural commodities.
h) The payment of the price of the goods is made immediately after the sale if an auction has been completed.

The disadvantages of the open auction method are:

a) The auction method requires more time on the part of both the buyer and the seller, for they have to wait for the day and time of the auction. An open auction is a very time-consuming process because of the variation in the quality of the various lots.

b) In big market centers, specially in the peak marketing season, the time allotted for auction is short. Both the buyers and the sellers are in a hurry. As a result, sellers may receive a low price.
c) In an open auction, buyers sometimes join hands. Active participation in it is then reduced.
d) The auction leads to a "buyers' market", for buyers have full information about the supply of, and demand for, the product.

Some of the problems arising out of the open auction method may be overcome if the grading of agricultural produce is adopted by the cultivators. This will reduce the time involved in inspection and bidding for each lot separately, and will result in increasing the overall efficiency of the marketing system.

Three types of open auctions are prevalent in different markets. These are:

a) Phar System of Open Auction: By this method, one bid is given for all the lots in a particular shop and all the lots are sold at that price. One extreme case of this method is when one bid is given for the product in the whole market.
b) Random Bid System of Open Auction: By this method, the commission agent invites a few buyers when the produce is brought to his shop for sale. All the prospective buyers are not informed. As a result, the competition is poor. Sometimes, the commission agent informs only those buyers who are either his relatives or whom he wants to oblige. Bidding may continue simultaneously at a number of places to reduce competition.
c) Roster Bid System of Open Auction: This is a systematic method of open auction. Bidding starts from a point in the market at a notified time about which the prospective buyers are given information in advance. This overcomes the defects existing in the previous two methods of open auction. The bidding party, after the auction of the produce at one shop, moves to the next in a clock-wise or anti-clockwise direction till the auction of the produce at all shops is over, or the scheduled auction time expires. On the following day, the auction starts from the next point, and so on. This method is in vogue in most of the regulated markets. The

auction is supervised by the auction clerk or the person nominated by the market committee.

(vii) Close Tender System:

This method is similar to the open auction method, except that bids are invited in the form of a close tender rather than by open announcement. The produce displayed at the shop of the commission agent is allotted lot numbers. The prospective buyers visit the shops, inspect the lots, offer a price for the lot which they want to purchase on a slip of paper, and deposit the slip in a sealed box lying at the commission agent's shop. When the auction time is over, the slips are arranged according to the lot number, and the highest bidder is informed by the commission agent that his bid has been accepted and that he should take delivery of the produce.

Some of the regulated markets have adopted this method of sale, which is time-saving and involves the minimum physical labour. There is no possibility of collusion among the buyers because each has quoted the price on the basis of his individual assessment of profit margins, taking into consideration the price prevailing in terminal and other secondary markets. The smooth functioning of this method depends on the efficiency of, and the supervision exercised by, the market committee officials.

The methods employed for the sale of agricultural commodities in Indian markets differ from market to market and also from commodity to commodity. However, in regulated markets, either the open auction or the close tender system is prevalent. In Tamil Nadu the buyers have adopted the close tender system which, it is claimed, is quicker and tends to give a higher price to the farmer than in the open auction system.

MARKET INFORMATION:

Market information is an important marketing function which ensures the smooth and efficient operation of the marketing system. Accurate, adequate and timely availability of market information facilitates decision about when and where to market products. Market information creates a competitive market process and checks the growth of monopoly or profiteering by individuals. It is the lifeblood of a market.

Everyone engaged in production, and in the buying and selling of products is continually in need of market information. This is more true where agricultural products are concerned, for their prices fluctuate more widely than those of the products of other sectors. Market information is essential for the government, for a smooth conduct of the marketing business, and for the protection of all the groups of persons associated with this. It is essential at all the stages of marketing, from the sale of the produce at the farm until the goods reach the last consumer.

Meaning: Market information may be broadly defined as a communication or reception of knowledge or intelligence. It includes all the facts, estimates, opinions and other information which affect the marketing of goods and services.

Importance: Market information is useful for all sections of society which are concerned with marketing. Its importance may be judged from the point of view of individual groups. These groups are:

a) Farmer-Producers: Market information helps in improving the decision-making power of the farmer. A farmer is required to decide when, where and through whom he should sell his produce and buy his inputs. Price information helps him to take these decisions.

b) Market Middlemen: Market middlemen need market information to plan the purchase, storage and sale of goods. On the basis of this information, they are able to know the pulse of the market, i.e., whether the market is active or sluggish, the temperature of the market (whether prices are rising or falling), and market pressure (whether supply is adequate, scarce or abundant). On the basis of these data, they project their estimates and take decisions about whether to sell immediately or to stock goods for some time, whether to sell into the local market or to go in for import or export, whether to sell in their original form or process them and then sell, and so on. The failure of a business may partly be attributed to either the non-availability of market information or its inadequate availability and interpretation. Co-operative marketing societies operating as commission agents make use of market information for advising their members so that they may take decisions about when to sell their product. Processors make use of market information to plan their purchases so that they may run their plant continuously and profitably.

c) General Economy: Market information is also beneficial for the economy as a whole. In a developed economy, there is need for a competitive market process for a commodity, which regulates the prices of the product. The competitive process contributes to the operational efficiency of the industry. However, a perfectly competitive system is difficult to obtain; but the availability of market information leads towards the competitive situation. In the absence of this system, different prices will prevail, leading to the profiteering by specialized agencies. The business of forward trading is based on the availability of market information.

d) Government: Market information is essential for the government in framing its agricultural policy relating to the regulation of markets, buffer stocking, import-export, and administererd prices.

Types of Market Information:

Market information is of two types

a) Market Intellignece: This includes information relating to such facts as the prices that prevailed in the past and market arrivals over time. These are essentially a record of what has happened in the past. Market intelligence is therefore, of historical nature. An analysis of the past helps us to take decision about the future.

b) Market News: This term refers to current information about prices, arrivals and changes in market conditions. This information helps the farmer in taking decisions about when and where to sell his produce. The availability of market news in time and with speed is of the utmost value. Sometimes, a person who gets the first market news gains a substantial advantage over his fellow-traders who receive it late. Market news quickly becomes obsolete and requires frequent updating.

Criteria for Good Market Information:

Good market information must meet the following criteria so that it may be of maximum advantage to the users:

a) Comprehensive: Market information must be complete and comprehensive. It must cover all the agricultural commodities and their varieties, and all the

geographical regions. It must cover prices, production, supply movements, stocks and demand conditions.

b) Accuracy: The accuracy of market information is essential. The collection of accurate market information is a tedious and expensive task under changing market situations. There must be honesty in the collection of the information. Constant efforts should be made to improve its accuracy. The information reporter must be thoroughly acquainted with the market and the product so that he may collect accurate information about them.

c) Relevance: Market information must be relevant in the sense that it must be collected, arranged and disseminated, keeping in view the user's interest. Generally, a lot of information that is collected is not used; the time and energy spent on its collection, therefore, become a colossal waste. It is not enough to simply collect a mass of data and report them through various media; the data must be accurate and useful.

d) Confidentiality: There must be a sense of confidentiality among the firms for whom the information has been collected. The information revealed under this situation of confidentiality will be more correct and may assist in drawing policy implications. The names of firms should not be leaked out.

e) Trustworthiness: Trustworthiness is another criterion of good market information. The agency that collects it must create faith, and the users must trust the organization which is making this information available to them.

f) Equal and Easy Accessibility: Every person engaged in marketing, whether big or small, wholesaler, retailer, government or a private agency, must have equal and easy access to the available information. There should not be any sort of restriction on individuals in the use of this information.

g) Timeliness: Market information must be made available in time. For this purpose, a speedy transmission is necessary. Late dissemination of market information is of no use. Often, this information becomes stale, particularly when it is disseminated too late to be of any use. A system for speedy dissemination of information should be devised.

FINANCING:

There is a long interval between the time of production and consumption. Between these two points, the ownership of commodities shifts many times – a fact which necessitates financial arrangements. Middlemen need finance not only for the purchase of stocks, but for the performance of various marketing functions, such as processing, storage, packaging, transport and grading. The financing function of marketing involves the use of capital to meet the financial requirements of the agencies engaged in various marketing activities.

No business is possible nowadays without the financial support of other agencies because the owned funds available with the producers and market middlemen (such as wholesalers, retailers and processors) are not sufficient. The financial requirements increase with the increase in the price of the produce and the cost of performing various marketing services. In the words of Pyle: "Money or credit is the lubricant that facilitates the marketing machine."

Factors affecting Capital Requirements of an Agricultural Marketing Firm:

The capital requirements of a marketing agency for its marketing business varies with the following factors:

(i) Nature and Volume of Business: Financial requirements for trading in high value crops like cumin, chillies, cotton and oilseeds are higher than for trading in foodgrains. For the wholesale business too, financial requirements are higher than for retail business.

(ii) Necessity of Carrying Large Stocks: It is essential to carry over large stocks throughout the year, of goods which are seasonally produced and marketed on a wholesale basis.

(iii) Continuity of Business during Various Seasons: If business is continuous throughout the year, the financial requirements will be greater than if business is conducted only during a particular season.

(iv) Time Required between Production and Sale: Some goods are sold immediately after production – perishables, for example – while others are diposed for after a certain time – rice and cheese, for example. Financial requirements in the marketing of the latter goods are, therefore higher.

(v) Terms of Payment for Purchase and Sale: The terms of transactions – whether payment will be in cash, on credit or by instalments – affect the financial requirements of the marketing middlemen.

(vi) Fluctuations in Prices: Financial requirements are higher for goods which suffer frequent price fluctuations than for goods that are subject to less frequent price fluctuations.

(vii) Risk-taking Capacity: The financial needs of the market middlemen vary with their risk-taking capacity. A middleman with a low risk-taking capacity often resorts to hedging, and needs less finance than a middleman who takes risks.

(viii) General Conditions in the Economy: During the period of price fall or recession, the financial requirements increase. The marketing agency has to hold stocks for a longer period in anticipation of a price rise. Moreover, the recovery of old bills tends to be slow. Whenever, therefore, a new product is introduced, the dealer needs more finance temporarily till the demand for it picks up in the economy.

The marketing finance required by the marketing middlemen is of two types – fixed capital for land, buildings (shops and godowns), equipment and machinery (weighbridge, grading equipment, etc.), and working capital which is required to meet the marketing costs, purchase value, and salaries of the employees. The proportion of working capital is higher than that of fixed capital. It is also necessary to make arrangements for financing the farmers during the period between the production and sale of their produce. This is necessary to improve their holding capacity and to avoid the post-harvest sale of the produce when prices are low in the market. Because of their acute financial needs, many farmers market their standing crops – of fruits, for example – or borrow money in advance from local traders/commission agents against their crops, and bind themselves to sell the crop through the trader/commission agent. This checks their freedom to sell the produce in the open market.

To improve the financial position of the farmers and to strengthen their holding capacity, the following steps have been taken by the government.

(i) Since July 1969, with the nationalization, commercial banks have started financing the agricultural sector in a big way and meeting the increasing needs of the farmers for production purposes.

(ii) The co-operatives, too, have developed and entered the field of agricultural financing. An integrated scheme of credit and marketing has been introduced. Under this scheme, co-operative credit societies can realize their credit, together with the interest due on it, by the sale proceeds of the produce directly by intimation to Co-operative Marketing Societies. These may make the payments for the produce to the farmer after deducting their dues. A rapid progress has been made in this area.

(iii) With the development of warehousing facilities in the country, farmers can now meet 70 to 80 percent of their credit needs by placing the produce in the warehouses. Banks extend the financing facility to farmers against the mortgage of the warehouse receipt. This scheme has lessened the financial problems of the farmers and of market middlemen. As a result, the tendency to sell the produce immediately after the harvest should have been checked. However, it has met with only limited success. So long as the interest rate continues to be more than the intra-year rise in prices, storage cannot be a profitable proposition.

NABARD in Agricultural Marketing Finance:

The National Bank for Agriculture and Rural Development (NABARD) was set up as an apex organization in the sphere of rural finance. It provides refinancing support to financial institutions for financing wide range of activities pertaining to agriculture and rural development. NABARD in addition to providing refinance facilities for agricultural production, also provides refinance facilities to financial institutions for development of infrastructure, co-operative marketing, construction of warehouses and cold storages, creation of transportation facilities, construction of market yards and processing of farm products.

The refinance facilities available from NABARD in the sphere of agricultural marketing are:

(i) Marketing of Produce – NABARD provides refinance support to the state co-operative banks by way of short-term credit limits for assisting the co-operative marketing societies to help the members in marketing of their produce at remunerative prices and also to enabling them to repay their dues to primary co-operative credit societies.

(ii) Construction of Godowns and Storage Facilities – NABARD provides refinance support for financing of godowns and cold storages.

(iii) Construction of Market Yards – NABARD provides refinance support for construction of market yards to co-operative and other banks. This also includes construction of various amenities in the market yards like construction of shops, platform, rest houses, canteen, bank and post-office premises.

(iv) For Means of Transportation – NABARD makes available the refinance facilities for financing bullock carts, hand carts and other means for transportation of marketable surplus and inputs from fields to the markets.

(v) Establishing of processing Units – NABARD makes available the refinance facilities for financing agro-based processing units such as rice mills, flour mills, oil crushing, canning of fruits and vegetables and gur and khandsari units.

Lecture No.5

Market functionaries – Producers – Middlemen (Merchant middlemen, Agent middlemen, Speculative middlemen, Processors, Facilitative middlemen)-problem in marketing of agricultural commodities

MARKET FUNCTIONARIES:

In the marketing of agricultural commodities, the following market functionaries/marketing agencies are involved:

(i) PRODUCERS:

Most farmers or producers, perform one or more marketing functions. They sell the surplus either in the village or in the market. Some farmers, especially the

large ones, assemble the produce of small farmers, transport it to the nearby market, sell it there and make a profit. This activity helps these farmers to supplement their incomes. Frequent visits to markets and constant touch with market functionaries, bring home to them a fair knowledge of market practices. They have, thus, an access to market information, and are able to perform the functions of market middlemen.

(ii) MIDDLEMEN

Middlemen are those individuals or business concerns which specialize in performing the various marketing functions and rendering such services as are involved in the marketing of goods. They do this at different stages in the marketing process. The middlemen in foodgrain marketing may, therefore, be classified as follows:

(a) Merchant Middlemen: Merchant middlemen are those individuals who take title to the goods they handle. They buy and sell on their own and gain or lose, depending on the difference in the sale and purchase prices. They may, moreover, suffer loss with a fall in the price of the product. Merchant middlemen are of two types:

Wholesalers: Wholesalers are those merchant middlemen who buy and sell foodgrains in large quantities. They may buy either directly from farmers or from other wholesalers. They sell foodgrains either in the same market or in other markets. They sell to retailers, other wholesalers and processors. They do not sell significant quantities to ultimate consumers. They own godowns for the storage of the produce.

The wholesalers perform the following functions in marketing:

(a) They assemble the goods from various localities and areas to meet the demands of buyers;

(b) they sort out the goods in different lots according to their quality and prepare them for the market;

(c) They equalize the flow of goods by storing them in the peak arrival season and releasing them in the off-season;

(d) They regulate the flow of goods by trading with buyers and sellers in various markets;

(e) They finance the farmers so that the latter may meet their requirements of production inputs; and

(f) They assess the demand of prospective buyers and processors from time to time, and plan the movement of the goods over space and time.

Retailers: Retailers buy goods from wholesalers and sell them to the consumers in small quantities. They are producers' personal representatives to consumers. Retailers are the closest to consumers in the marketing channel.

Itinerant Traders and Village Merchants: Itinerant traders are petty merchants who move from village to village, and directly purchase the produce from the cultivators. They transport it to the nearby primary or secondary market and sell it there. Village merchants have their small establishments in villages. They purchase the produce of those farmers who have either taken finance from them or those who are not able to go to the market. Village merchants also supply essential consumption goods to the farmers. They act as financers of poor farmers. They often visit nearby markets and keep in touch with the prevailing prices. They either sell the collected produce in the nearby market or retain it for sale at a later date in the village itself.

(a) Agent Middlemen:

Agent middlemen act as representatives of their clients. They do not take title to the produce and, therefore, do not own it. They merely negotiate the purchase and/or sale. They sell services to their principals and not the goods or commodities. They receive income in the form of commission or brokerage. They serve as buyers or sellers in effective bargaining. Agent middlemen are of two types

Commission Agents or Arhatias: A commission agent is a person operating in the wholesale market who acts as the representative of either a seller or a buyer. He is usually granted broad powers by those who consign goods or who order the purchase. A commission agent takes over the physical handling of the produce, arranges for its sale, collects the price from the buyer, deducts his expenses and commission, and remits the balance to the seller. All these facilities are extended to buyer-firms as well, if asked for.

Commission Agents or Arhatias in unregulated markets are of two types, Kaccha arhatias and pacca arhatias. Kaccha arhatias primarily act for the sellers, including farmers. They sometimes provide advance money to farmers and intinerant traders on the condition that the produce will be disposed of through them. Kaccha arhatias charge arhat or commission in addition to the normal rate of interest on the money they advance. A pacca arhatia acts on behalf of the traders in the consuming market. The processors (rice millers, oil millers and cotton or jute dealers) and big wholesalers in the consuming markets employ pacca arhatias as their agents for the purchase of a specified quantity of goods within a given price range.

In regulated markets, only one category of commission agent exists under the name of 'A' class trader. The commission agent keeps an establishment – a shop, a godown and a rest house for his clients. He renders all facilities to his clients. He is, therefore, preferred by the farmers to the co-operative marketing society for the purpose of the sale of the farmer's produce. Commission agents extend the following facilities to their clients:

(a) They advance 40 to 50 percent of the expected value of the crop as a loan to farmers to enable them to meet their production expenses;
(b) They act as bankers of the farmers. They retain the sale proceeds, and pay to the farmers as and when the latter require the money;
(c) They offer advice to farmers for purchase of inputs and sale of products;
(d) They provide empty bags to enable the farmers to bring their produce to the market;
(e) They provide food and accommodation to the farmers and their animals when the latter come to the market for the sale of their produce;
(f) They provide storage facility and advance loans against the stored product up to 75 percent of its value;
(g) They arrange, if required by the farmer, for the transportation of the produce from the village to the market; and
(h) They help the farmers in times of personal difficulties.

Brokers: Brokers render personal services to their clients in the market; but unlike the commission agents, they do not have physical control of the product. The main

function of a broker is to bring together buyers and sellers on the same platform for negotiations. Their charge is called brokerage. They may claim brokerage from the buyer, the seller or both, depending on the market situation and the service rendered. They render valuable service to the prospective buyers and sellers, for they have complete knowledge of the market – of the quantity available and the prevailing prices.

Brokers have no establishment in the market. They simply wander about in the market and render services to clients. There is no risk to them. They do not render any other service except to bring the buyers and sellers on the same platform. In most regulated markets, brokers do not play any role because goods are sold by open auction. Their number in food grain marketing trade is decreasing. But they still pay a valuable role in the marketing of other agricultural commodities, such as gur, sugar, oil, cottonseed and chillies.

(c)Speculative Middlemen

Those middlemen who take title to the product with a view to making a profit on it are called speculative middlemen. They are not regular buyers or sellers of produce. They specialize in risk – taking. They buy at low prices when arrivals are substantial and sell in the off – season when prices are high. They do the minimum handling of goods. They make profit from short-run as well as long-run price fluctuations.

Processors carry on their business either on their own or on custom basis. Some processors employ agents to buy for them in the producing areas, store the produce and process it throughout the year on continuous basis. They also engage in advertising activity to create a demand for their processed products.

(d)Facilitative Middlemen

Some middlemen do not buy and sell directly but assist in the marketing process. Marketing can take place even if they are not active. But the efficiency of the system increases when they engage in business. These middlemen receive their income in the form of fees or service charges from those who use their services. The important facilitative middlemen are:

Hamals or Labourers: They physically move the goods in marketplace. They do unloading from and the loading on to bullock carts or trucks. They assist in weighting the bags. They perform cleaning, sieving, and refilling jobs and stitch the bags. Hamals are the hub of the marketing wheel. Without their active co-operation, the marketing system would not function smoothly.

Weighmen: They facilitate the correct weighment of the produce. They use a pan balance when the quantity is small. Generally, the scalebeam balance is used. They get payment for their services through the commission agent. The weighbridge system of weighing also exists in big markets.

Graders: These middlemen sort out the product into different grades, based on some defined characteristics, and arrange them for sale. They facilitate the process of prices settlement between the buyer and the seller.

Transport Agency: This agency assists in the movement of the produce from one market to another. The main transport means are the railways and trucks. Bullock carts or camel carts or tractor trolleys are also used in villages for the transportation of food grains.

Communication Agency: It helps in the communication of the information about the prices prevailing, and quantity available, in the market. Sometimes, the transactions take place on the telephone. The post and telegraph, telephone, newspapers, the radio, Television, Internet and informal links are the main communication channels in agricultural marketing.

Advertising Agency: It enables prospective buyers to know the quality of the product and decide about the purchase of commodities. Newspapers, the radio, cinema slides, television and Internet are the main media for advertisements.

Auctioners: They help in exchange function by putting the produce for auction and bidding by the buyers.

Lecture No-6:

Remedial measures-Regulated markets-definition-important features of regulated markets, functions, progress and defects

Agricultural Marketing is a process which starts with a decision to produce a saleable farm

product and involves all aspects of market structure or system, both functional and institutional, based on technical and economic consideration. Forms of government intervention in agricultural marketing system consists of framing rules and regulation, promote infrastructure development,administration of prices and influence supply and demand. The remedial measures for the problems of marketing are classified into the following types:

1. Reduction and regulation of market charges.
2. Organisation of cooperative marketing, and

3. Government legislations.

Though agricultural marketing is a State subject, the Government of India has an important role to play in laying down general policy framework, framing of quality standards, conducting survey and research studies and in providing guidance, technical and financial support to the State Governments. The Central Government is aided and advised by two organisations under its control, namely, the Directorate of Marketing and Inspection (DMI) and the National Institute of Agricultural Marketing (NIAM), Jaipur.

Directorate of Marketing and Inspection:

It is an attached office of the Ministry and is headed by the Agricultural Marketing Adviser to the Government of India. The organisation setup of the DMI is as under:-
Head Office : Faridabad Branch Head Office : Nagpur Regional Office : Chennai, Delhi, Guntur, and Mumbai.
Central Agmark Laboratory is located at Nagpur. Besides, there are 57 sub-offices and 22 Regional Agmark Laboratories spread all over the country.

The main functions of the Directorate of Marketing and Inspection are :
Rendering Advice on Statutory Regulation, Development and management of agricultural produce markets to the States/Union Territories; Promotion of grading and standardization of agricultural and allied products under the Agricultural Produce (Grading & Marketing) Act. 1937; Market Research, survey and Planning; Training of personnel in agricultural marketing; and Administration of Cold Storage Order, 1980 (except regulatory functions) and Meat Food
Products Order, 1973.

National Institute of Agricultural Marketing has started functioning at Jaipur (Rajasthan)
with effect from 8th August, 1988. to augment the agricultural marketing infrastructure of the country through programmes of teaching, research and

consultancy services; to design and conduct training courses appropriate to the specific identified needs of the personnel and enterprises and institutions that they serve; to undertake research to demonstrate and replicate better management techniques in the field of agricultural marketing; to provide consultancy services for formulating investment projects and for problem solving advice; and l To offer educational programmes in agricultural marketing for upplementing the existing facilities.

Regulation and Management of Agricultural Produce Marketing

The DMI, as a central advisory organisation, has been providing technical assistance and advice to the States in framing suitable market legislation. For this purpose, the DMI has framed a "Model Act" which not only provides guidelines for framing of legislation but also intends to bring about uniformity in State legislations. Due to constant endeavour of DMI, all States and UTs except Manipur, Kerala, Andaman & Nicobar Island, Lakshadweep and Dadra & Nagar Haveli have enacted legislation. The Jammu & Kashmir Assembly has passed the Bill on Market Regulation in its State. The DMI is pursuing with remaining States/UTs for enactment of necessary legislation. Out of 7245 wholesale assembling markets in the country, 7062 markets have been brought under the ambit of regulation as on 31st March 1998.

Market Research, Survey and Planning:

The DMI is presently conducting 20 market surveys for various commodities. The NIAM has also taken up the formulation of State Master Plans for the Development of agricultural

produce markets for Goa, Himachal Pradesh, Andhra Pradesh, Jammu and Kashmir and Sikkim. Further,the Institute has taken up case studies on post-harvest management of various commodities.

Grading and Standardisation:

The Agricultural Produce (Grading & Marking) Act,1937 empowers the Central Government to fix quality standards, known as 'AGMARK' standards and to prescribe terms and conditions for using the seal of'AGMARK'. So far, grade standards have been notified for 159 agricultural and allied commodities. During the

year 1997-98, new grade standards have been formulated for five commodities viz. Caraway seeds, Vermicelli, Macaroni and Spaghetti, Cloves, Mace and Large Cardamom. As a result of special efforts initiated to increase grading under 'AGMARK', 271 new packers have been enrolled during 1998-99 up to September, 1998.

Cold Storage Order and Meat Food Products Order:

The Cold Storage Order, 1980 which was uniformly applicable throughout the country except in the States of Haryana, Punjab, Uttar Pradesh and West Bengal. It was promulgated under Section 3 of Essential Commodities Act, 1955 to ensure hygienic and proper refrigeration conditions in the cold storages all over the country. This has been repealed with effect from 27th May, 1997 with a view to remove the controls laid down in the said Order in the areas of licensing,price control and requisitioning of cold storage space etc. and allow functioning of free market mechanism for demand based growth of cold storage industry in the country free from all kinds of administrative interference.

The objective of the Meat Food Products Order, 1973 is to ensure quality control and hygienic manufacturing conditions of meat food products for domestic consumption and the Order is applicable all over the country. A total of 128 licenses have been issued to the manufacturers operating under the Order upto Decemeber, 1997.

Publicity and Extension:

The DMI participated in 'AGMARK' exhibitions during 1998-99 at Bangalore in the India International Trade Fair, 1998. Talks on 'AGMARK' were also organised by AIR, Hyderabad during the year 1997-98.

High Power Committee on Agricultural Marketing:

A High Power Committee on Agricultural Marketing was constituted in January, 1992 under the

chairmanship of Shri Shankarlal Guru, The recommendations have been discussed in the first meeting of Ministers-incharge of Agricultural Marketing of all States/UTs held on 30th January, 1997 at New Delhi. The State/UTs have been directed to implement the recommendations of the High Power Committee as early as possible.

Transfer of the Subject of Agricultural Marketing:

The Subject of Agricultural Marketing has been transferred to the Department of Agriculture and
Cooperation, Ministry of Agriculture, Government of India with effect from 19th December, 1998.

Working group on agricultural marketing infrastructure and policy required for internal and external trade for the xi five year plan 2007-12, Planning Commission, GOI, 2007

As the challenges facing the marketing system are quite different than what these used to be about two decades before, the Working Group identified the bottlenecks in the domestic marketing system, assessed the size of agricultural markets and supply chain for different farm products and reviewed the working of agricultural markets and wholesale mandies.

It reviewed the present status of marketing infrastructure at village haats, assembly centres and terminal markets and projected the infrastructure requirements based on the increases expected in marketed surplus of agricultural commodities. Based on the comprehensive analysis of existing marketing and external trade system, current policies and experience of implementation of various schemes during the past and the X Five Year Plan period, the Group has come out with several recommendations.

The main focus of the Working Group in identifying its recommendations had been on

(a) improving the efficiency of the marketing system and reducing the costs of marketing, particularly the avoidable waste in the marketing chain; (b) to help value addition at the farm and village level as well as at the secondary level for creating employment in rural areas/small towns and for expansion of the demand for farm products; (c) to develop markets but with less regulation; and (d) to segregate products according to quality and increase quality consciousness both among the farmers and actors along the value-chain.

The Working Group, while framing its recommendations, recognized that there are three essential/necessary requirements for evolving an efficient agricultural marketing system in India. These are (a) continuous evolution, perfection and transfer of science and technological inputs in agricultural marketing; (b) introduction of 'scale' in agricultural marketing for reaping the benefits of economies of scale; and (c) continuously refining and putting in place a conducive policy and regulatory framework, including withdrawal of the state in many areas.

The recommendations include those relating to marketing system improvement, strengthening of marketing infrastructure, investment needs, possible sources of funds including that from the private sector, improvement in marketing information system using ICT, human resource development in agricultural marketing, and measures needed for promotion of exports. The Group has also suggested for reorientation of the policy paradigm for boosting agricultural marketing and trade.

Regulated market

Under the traditional system of marketing of the agricultural products, producer-sellers incurred a high marketing cost, and suffered from unauthorized deductions of marketing charges and the prevalence of various malpractices. To improve marketing conditions and with a view to creating fair competitive conditions, the increase in the bargaining power of producer-sellers was considered to be the most important prerequisite of orderly marketing. Most of the defects and malpractices under, the then existing marketing system of agricultural products have been more or less removed by the exercise of public control over markets, i.e., by the establishment of regulated markets in country.

DEFINITION

A regulated market is one which aims at the elimination of the unhealthy and unscrupulous practices, reducing marketing charges and providing facilities to producer-sellers in the market. Any legislative measure designed to regulate the marketing of agricultural produce in order to establish, improve and enforce standard marketing practices and charges may be termed as one which aims at the establishment of regulated markets. Regulated markets have been established by State Governments and rules and regulations have been framed for the conduct of their business

The establishment of regulated market is not intended at creating an alternative marketing system. The basic objective has been to create conditions for efficient performance of the private trade, through facilitating free and informal competition. In regulated markets, the farmer is able to sell his marketed surplus in the presence of several buyers through open and competitive bidding. The legislation for the establishment of regulated markets does not make it compulsory for the farmer to sell his produce in the regulated market make it compulsory for the farmer to sell his produce in the regulated market yard.Instead, voluntary action on the part of the farmers to take advantage of such a market is assumed. The basic philosophy of the establishment regulated markets is the elimination of malpractices in the system and assignment of dominating power to the farmers or their representatives in the function of the markets.

Objectives

The specific objectives of regulated markets are :

1. to prevent the exploitation of farmers by overcoming the handicaps in the marketing of their products ;
2. to make the marketing system most effective and efficient so that farmers may get better prices for their produce, and the goods are made available to consumers at reasonable prices ;
3. to provide incentive prices to farmers for inducing them to increase the production both in quantitative and qualitative terms ;and
4. to promote an orderly marketing of agricultural produce by improving the infrastructural facilities .

Important features of regulated markets

Under the provisions of the agricultural produce market act, the state government gives its intention to bring a particular area under regulation by notifying market areas, market yard, main assembling market and sub market yard, if any, under the principle regulated market. the meaning of these terms is explained in the following paragraph.

1. Market area: The area from which the produce naturally and abundantly flows to a commercial centre, i.e., the market, and which assures adequate business and income to the market committee

2. Principle assembling market: It is the main market which is declared as a principal market yard on the basis of transactions and income generated for the market committee

3. Sub market yard: It is sub yard of the principle assembling market. This is a small market and does not generate sufficient income to declare as a principal assembling market

4. Market yard: This is a specified portion of the market area where the sale, purchase, storage and processing of any of the specified agricultural commodities are carried out.

THE ANDHRA PRADESH (AGRICULTURAL PRODUCE AND LIVESTOCK) MARKETS ACT, 1966. As per this act no persons shall, within a notified area , set

up, establish or use, or continue are allow to be continued, any place for the purchase, sale, storage, weighment, curing, pressing or processing of any notified agricultural produce or products of livestock or for the purchase or sale of livestock except under and in accordance with the conditions of a license granted to him by the market committee

MODEL ACT:The StateAgricultural Produce Marketing(Development & Regulation Act, 2003) 9th September 2003

Salient Features of the Model Act on Agricultural Marketing

Background

Agricultural Markets in most parts of the Country are established and regulated under the State APMC Acts. The whole geographical area in the State is divided and declared as a market area wherein the markets are managed by the Market Committees constituted by the State Governments. Once a particular area is declared as a market area and falls under the jurisdiction of a Market Committee, no person or agency is allowed freely to carry on wholesale marketing activities.

An efficient agricultural marketing is essential for the development of the agricultural sector as it provides outlets and incentives for increased production, the marketing system contributes greatly to the commercialization of subsistence farmers. Worldwide Governments have recognized the importance of liberalized agricultural markets. Task Force on Agricultural Marketing Reforms set up by the Ministry has suggested promotion of new and competitive Agricultural Markets in private and cooperative sectors to encourage direct marketing and contract farming programmes, facilitate industries and large trading companies to undertake procurement of agricultural commodities directly from the farmer's fields and to establish effective linkages between the farm production and retail chains. There is a necessity to integrate farm production with national and international markets to enable farmers to undertake market driven production plan and adoption of modern marketing practices.

If agricultural markets are to be developed in private and cooperative sectors and to be provided a level competitive environment vis-à-vis regulated markets, the existing framework of State APMC Acts will have to undergo a change. The State has to facilitate varying models of ownership of markets to accelerate investment in the area and enable private investment in owning, establishing and operating markets. Working of existing Government regulated markets also needs to be professionalized by promoting public private partnership in their management. Appropriate legal framework is also required to promote direct

marketing and contract farming arrangements as alternative marketing mechanism. Therefore, there is a need to formulate a new model law for agricultural market.

- Agricultural marketing is witnessing major changes world over, owing to liberalization of trade in agricultural commodities. To benefit farming community for the new global market access opportunities, the internal agricultural marketing system in the country needs to be integrated and strengthened. In this context, Government of India in the Ministry of Agriculture appointed an Expert Committee on 19th December 2000 followed by an Inter Ministerial Task Force to review the present system of agricultural marketing in the country and to recommend measures to make the system more efficient and competitive. The Committee and the Task Force in their Reports of June 2001 and May 2002 respectively, have suggested various reforms relating to agricultural marketing system as well as in policies and programs for development and strengthening of agricultural marketing in the country. The reports have noted that the situation of control over agricultural markets by the State has to be eased to facilitate greater participation of the private sector, particularly to engender massive investments required for the development of marketing infrastrure and supporting services.
- The recommendations contained in these Reports were discussed at the National Conference of State Ministers organized by the Ministry of Agriculture, Govt. of India at Vigyan Bhavan, New Delhi on 27th September 2002 and later by a Standing Committee of State Ministers constituted for the purpose under the chairmanship of Sri Hukumdeo Narayan Yadav, Union Minister of State for Agriculture on 29th January 2003. In the Conference as well as the Standing Committee, State Governments expressed the view that reforms in the agricultural marketing sector were necessary to move away from a regime of controls to one of regulation and competition. In view of liberalization of trade and emergence of global markets, it was necessary to promote development of a competitive marketing infrastructure in the country and to bring about professionalism in the management of existing market yards and market fee structure. While promoting the alternative marketing structure, however, Government needs to put in place adequate safeguards to avoid any exploitation of farmers by the private trade and industries. For this, there was a need to formulate model legislation on agricultural marketing.
- The draft model legislation titled the State Agricultural Produce Marketing (Development and Regulation) Act, 2003, provides for establishment of Private Markets/ yards, Direct Purchase Centres, Consumer/Farmers Markets for direct sale and promotion of Public Private Partnership in the management and development of agricultural markets in the country. It also provides for separate constitution for Special Markets for commodities like Onions, Fruits, Vegetables, Flowers etc. A separate chapter has been included in the legislation to regulate and promote contract-farming arrangements in the country. It provides for prohibition of commission agency in any transaction of agricultural commodities with the producers. It redefines the role of present Agricultural Produce Market Committee to promote alternative marketing system, contract farming, direct marketing and farmers/consumers markets. It also redefines the role of State

Agricultural Marketing Boards to promote standardization, grading, quality certification, market led extension and training of farmers and market functionaries in marketing related areas. Provision has also been made in the Act for constitution of State Agricultural Produce Marketing Standards Bureau for promotion of Grading, Standardization and Quality Certification of Agricultural Produce. This would facilitate pledge financing, E-trading, direct purchasing, export, forward/future trading and introduction of negotiable warehousing receipt system in respect of agricultural commodities.

- The Committee hopes that the model legislation will enable nationwide integration of agricultural markets, facilitate emergence of competitive agricultural markets in private and cooperative sectors, create environment conducive to massive investments in marketing related infrastructure and lead to modernization and strengthening of existing markets.

Salient Features

1.The Title of the Act is changed to highlight the objective of development of agricultural marketing in addition to its regulation under the Act. Accordingly, the Preamble of the Act is redrafted to provide for development of efficient marketing system, promotion of agri-processing and agricultural exports and to lay down procedures and systems for putting in place an effective infrastructure for the marketing of agricultural produce.

2.Legal persons, growers and local authorities are permitted to apply for the establishment of new markets for agricultural produce in any area. Under the existing law, markets are set up at the initiative of State Governments alone. Consequently, in a market area, more than one market can be established by private persons, farmers and consumers.

3.There will be no compulsion on the growers to sell their produce through existing markets administered by the Agricultural Produce Market Committee (APMC). However, agriculturist who does not bring his produce to the market area for sale will not be eligible for election to the APMC.

4.Separate provision is made for notification of ‘Special Markets’ or ‘Special Commodities Markets’ in any market area for specified agricultural commodities to be operated in addition to existing markets.

5.The APMC have been made specifically responsible for:

- ensuring complete transparency in pricing system and transactions taking place in market area;
- providing market-led extension services to farmers;
- ensuring payment for agricultural produce sold by farmers on the same day;
- promoting agricultural processing including activities for value addition in agricultural produce; and
- publicizing data on arrivals and rates of agricultural produce brought into the market area for sale.

- Setup and promote public private partnership in the management of agricultural markets.

6.Provision made for the appointment of Chief Executive Officer of the Market Committee from among the professionals drawn from open market.

7. A new Chapter on 'Contract Farming' added to provide for compulsory registration of all contract farming sponsors, recording of contract farming agreements, resolution of disputes, if any, arising out of such agreement, exemption from levy of market fee on produce covered by contract farming agreements and to provide for indemnity to producers' title/ possession over his land from any claim arising out of the agreement.

8.Model specification of contract farming agreements provided in the Addendum to the model law.

9.Provision made for direct sale of farm produce to contract farming sponsor from farmers' field without the necessity of routing it through notified markets.

10.Provision made for imposition of single point levy of market fee on the sale of notified agricultural commodities in any market area and discretion provided to the State Government to fix graded levy of market fee on different types of sales.

11.Licensing of market functionaries is dispensed with and a time bound procedure for registration is laid down. Registration for market functionaries provided to operate in one or more than one market areas.

12.Commission agency in any transaction relating to notified agricultural produce involving an agriculturist is prohibited and there will be no deduction towards commission from the sale proceeds payable to agriculturist seller.

13.Provision made for the purchase of agricultural produce through private yards or directly from agriculturists in one or more than one market area.

14.Provision made for the establishment of consumers'/ farmers' market to facilitate direct sale of agricultural produce to consumers.

15.Provision made for resolving of disputes, if any, arising between private market/ consumer market and Market Committee.

16.State Governments conferred power to exempt any agricultural produce brought for sale in market area, from payment of market fee.

17.Market Committees permitted to use its funds among others to create facilities like grading, standardization and quality certification; to create infrastructure on its own or through public private

partnership for post harvest handling of agricultural produce and development of modern marketing system.

18.For the Chairmanship of State Agricultural Marketing Board, two options provided namely Minister in-charge of Agricultural Marketing as ex-officio or alternatively to be elected by the Chairman/ members of Market Committees.

19.The State Agricultural Marketing Board made specifically responsible for:

(i) setting up of a separate marketing extension cell in the Board to provide market-led extension services to farmers;

(ii) promoting grading, standardization and quality certification of notified agricultural produce and for the purpose to set up a separate Agricultural Produce Marketing Standards Bureau.

20.Funds of the State Agricultural Marketing Board permitted to be utilized for promoting either on its own or through public private partnership, for the following:

- market survey, research, grading, standardization, quality certification, etc.;
- Development of quality testing and communication infrastructure.
- Development of media, cyber and long distance infrastructure relevant to marketing of agricultural and allied commodities

Powers, duties and functions of the Market Committee

(1) Subject to the provisions of this Act, it shall be the duty of the Market Committee

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(i) to implement the provisions of this Act., the rules and the bye-laws made thereunder in the market area;

to provide such facilities for marketing of agricultural produce therein as the Director/Managing Director/Board or the State Government may from time to time direct;

to do such other acts as may be required in relation to the superintendence, direction and control of market or for regulating marketing of agricultural

produce in any place in the market area, and for the purposes connected with the matters aforesaid, and for that purpose may exercise such powers and discharge such functions as may be provided by or under this Act.

and to do all such other acts to bring about complete transparency in pricing system and transactions taking place in market area.

(2) Without prejudice to the generality of the forgoing provisions :-

(a) Market Committee may

(i) maintain and manage the market yards and sub-market yards within the market area;

(ii) provide the necessary facilities for the marketing of agricultural produce within the market yards and outside the market yards and within the sub-market yards and outside the sub-market yards in the market area;

(iii) register or refuse registration to market functionaries and renew, suspend or cancel such registration, supervise the conduct of the market functionaries and enforce conditions of Registration;

(iv) regulate or supervise the auction of notified agricultural produce in accordance with the provision and procedure laid down under the rules made under this Act or bye-laws of the Market Committee ;

(v) conduct or supervise the auction of notified agricultural produce in accordance with the procedure 1aid down under the rules made under this Act or bye-laws of the Market Committee ;

(vi) regulate the making, carrying out and enforcement or cancellation of agreements of sales, Weighment, delivery, payment and all other matters relating to the market of notified agricultural produce in the manner prescribed;

(vii) provide for the settlement of all disputes between the seller and the buyer arising out on any kind of transaction connected with the marketing of notified agricultural produce and all matters ancillary thereto;

(viii) take all possible steps to prevent adulteration of notified agricultural

produce;

- make arrangements for employing by rotation, Weighmen and hammals for weighing and transporting of goods in respect of transactions held in the market yard/ sub yards.
- Set up and promote public private partnership in management of the Agricultural Markets.
- To promote public private partnership for carrying out extension activities in its area viz., collection, maintenance and dissemination of information in respect of production, sale storage, processing, prices and movement of notified agricultural produce;
- take measures for the prevention of purchases and sales below the minimum support prices as fixed by the Government from time to time;
- levy, take, recover and receive rates, charges, fees and other sums of money to which the Market Committee is entitled;
- employ the necessary number of officers and servants for the efficient implementation of the provisions of this Act, the rules and the bye-laws as prescribed;
- regulate the entry of persons and vehicles, traffic into the market yard and sub-market yard vesting in the Market Committee;
- prosecute persons for violating the provisions of this Act, the rules and the bye-laws and compound such offences;
- acquire land and dispose of any movable or immovable property for the purpose of efficiently carrying out its duties;
- impose penalties on persons who contravenes the provisions of this Act, the rules or the bye-laws or the orders or directions issued under this Act, the rules or the bye-laws by the Market Committee , its Chairman or by any officer duly authorised in this behalf;
- institute or defend any suit, prosecution, action, proceeding, application or arbitration and compromise such suit, action proceeding, application or arbitration;
- Pay, pension, allowances, gratuities, contribution towards leave allowance, pensions or provident fund of the officers and servants employed by the Market Committee in the manner prescribed;

- administer Market Committee fund referred to in section-58 and maintain the account thereof in the prescribed manner;
- keep a set of standard weights and measure in each principal market yard and sub-market yard against which Weighment and measurement may be checked;
- inspect and verify scales, weights and measures in use in a market area and also the books of accounts and other documents maintained by the market functionaries in such manner as may be prescribed;
- arrange to obtain fitness (health) certificate from veterinary doctor in respect of animals, cattle birds etc., which are bought or sold in the market yards/market area;.
- carry out publicity about the benefits of regulation, the system of transaction, facilities provided in the market yard etc. through such means as poster, pamphlets, hoardings, cinema slides, film shows, group meetings, electronic media etc., or through any other means considered more effective or necessary;
- ensure payment in respect of transactions which take place in the market yard to be made on the same day to the seller, and in default to seize the agricultural produce in question along with other property of the person concerned and to arrange for re-sale thereof and in the event of loss, to recover the same from the original buyer together with charges for recovery of the losses, if any, from the original buyer and effect payment of the price of the agricultural produce to the seller;
- recover the charges in respect of Weighmen and hammals and distribute the same to Weighmen and hammals if not paid by the purchaser/seller as the ease may be;
- with the prior sanction of the State Government/ Director/Managing Director undertake the constructions of godowns, roads and such other infrastructure in the market yard/sub yard and market area as may be required to facilitate movement of agricultural produce to the market for benefit of producer sellers and traders operating in the market area.
- collect and maintain information in respect of production, sale, storage, processing, prices and movement of notified agricultural produce and disseminate such information as directed by the Director;

- with a view to maintain stability in the market (a) take suitable measures to ensure that traders do not buy agricultural produce beyond their capacity and avoid risk to the sellers in disposing of the produce; and (b) grant licences only after obtaining necessary security in cash as bank guarantee according to the capacity of the buyers;
- to promote and undertake agricultural processing including activity for value addition in agriculture produce.

(3) With the prior sanction of the Director/Managing Director, the Market Committee may undertake the following:

(i) construction of roads, godowns and other infrastructure in the market area to facilitate marketing of agricultural produce and for the purpose give grant or advance funds to the Board, the Public Works Department or any other Department or undertaking of the State Government or any other agency authorized by the Director/ Managing Director.

(ii) maintain stocks of fertilizer, pesticides, improved seeds, agricultural equipments, inputs for sale.

(iii) to provide on rent storage facilities for stocking of agricultural produce to agriculturists.

(iv) to give grant for maintenance of the "Goshalas" recognized by the State Govt.

(4) In addition to above the Market Committee shall also be responsible for

(i) the maintenance of proper checks on all receipts and payment by its officers;

(ii) the proper execution of all works chargeable to the Market Committee fund

(iii) keeping a copy of this Act and of the rules and notifications issued thereunder and of its bye-laws, open to inspection free of charge at its office; and

(iv) arranging for preventive measures against spread of contagious cattle disease.

(5) To promote and encourage e-trading, market committee may establish regulatory system, create infrastructure and undertake other activities and steps needed thereto.

<u>Lecture no:7:</u> Cooperative marketing- meaning-structure- Functions of cooperative marketing societies-National Agricultural Cooperative Marketing Federation (NAFED) and State Agricultural Cooperative Marketing Federations(MARKFED)- State Trading-objectives-Types of state trading.

Cooperative Marketing-meaning:

Co operative marketing organizations are association of producers for the collective marketing of their produce and for securing for the members the advantages that result from large-scale business which an individual cultivator cannot secure because if his small marketable surplus.

In a co operative marketing society, the control of the organization is in the hands of the farmers, and each member has one vote irrespective of the number of shares purchased by him. The profit earned by the society is distributed among the members on the basis of the quantity of the produce marketed by him. In other words, co operative marketing societies are established for the purpose collectively marketing the products of the member farmers. It emphasizes the concept of commercialization. Its economic motives and character distinguish it from other associations. These societies resemble private business organization in the method of their operations: but they differ from the capitalistic system chiefly in their motives and organizations

Functions:

The main functions of co operative marketing societies are:

i) To market the produce of the members of the society at fair prices;
ii) To safeguard the members for excessive marketing costs and malpractices;
iii) To make credit facilities available to the members against the security of the produce brought for sale;
iv) To make arrangements for the scientific storage of the members' produce;
v) To provide facilities of the grading and market information which may help them to get a good price for their produce

vi) To introduce the system of pooling so as to acquire a better bargaining power than the individual members having a small quantity of produce for marketing purposes;
vii) To act as an agent of the government for the procurement of food grains and for the implementation of the price support policy
viii) To arrange for the export of the produce of the members so that they may get better returns;
ix) To make arrangements for the transport of the produce of the members from the villages to the market on collective basis and bring about a reduction in the transportation; and
x) To arrange for the supply of the inputs required by the farmers, such as improved seeds, fertilizers, insecticides and pesticides.

The **advantages that co-operative marketing** can confer on the farmer are multifarious, some of which are listed below.

1. ***Increases bargaining strength of the farmers***

Many of the defects of the present agricultural marketing system arise because often one ignorant and illiterate farmer (as an individual) has to face well-organised mass of clever intermediaries. If the farmers join hands and for a co-operative, naturally they will be less prone to exploitation and malpractices. Instead of marketing their produce separately, they will market it together through one agency.

2. ***Direct dealing with final buyers***

The co-operatives can altogether skip the intermediaries and enter into direct relations with the final buyers. This practice will eliminate exploiters and ensure fair prices to both the producers and the consumers.

3. ***Provision of credit***

The marketing co-operative societies provide credit to the farmers to save them from the necessity of selling their produce immediately after harvesting. This ensures better returns to the farmers.

4. ***Easier and cheaper transport***

Bulk transport of agricultural produce by the societies is often easier and cheaper. Sometimes the societies have their own means of transport.

5**.** ***Storage facilities***

The co-operative marketing societies generally have storage facilities. Thus the farmers can wait for better prices.

6. ***Grading and standardization***

This task can be done more easily for a co-operative agency than for an individual farmer. For this purpose, they can seek assistance from the government or can even evolve their own grading arrangements.

7. *Market intelligence*

The co-operatives can arrange to obtain data on market prices, demand and supply and other related information from the markets on a regular basis and can plan their activities accordingly.

8**. *Influencing marketing prices***

Wherever strong marketing co-operative are operative, they have bargained for and have achieved, better prices for their agricultural produce.

9. ***Provision of inputs and consumer goods***

The co-operative marketing societies can easily arrange for bulk purchase of agricultural inputs, like seeds, manures fertilizers etc. and consumer goods at relatively lower price and can then distribute them to the members.

10. ***Processing of agricultural produce***

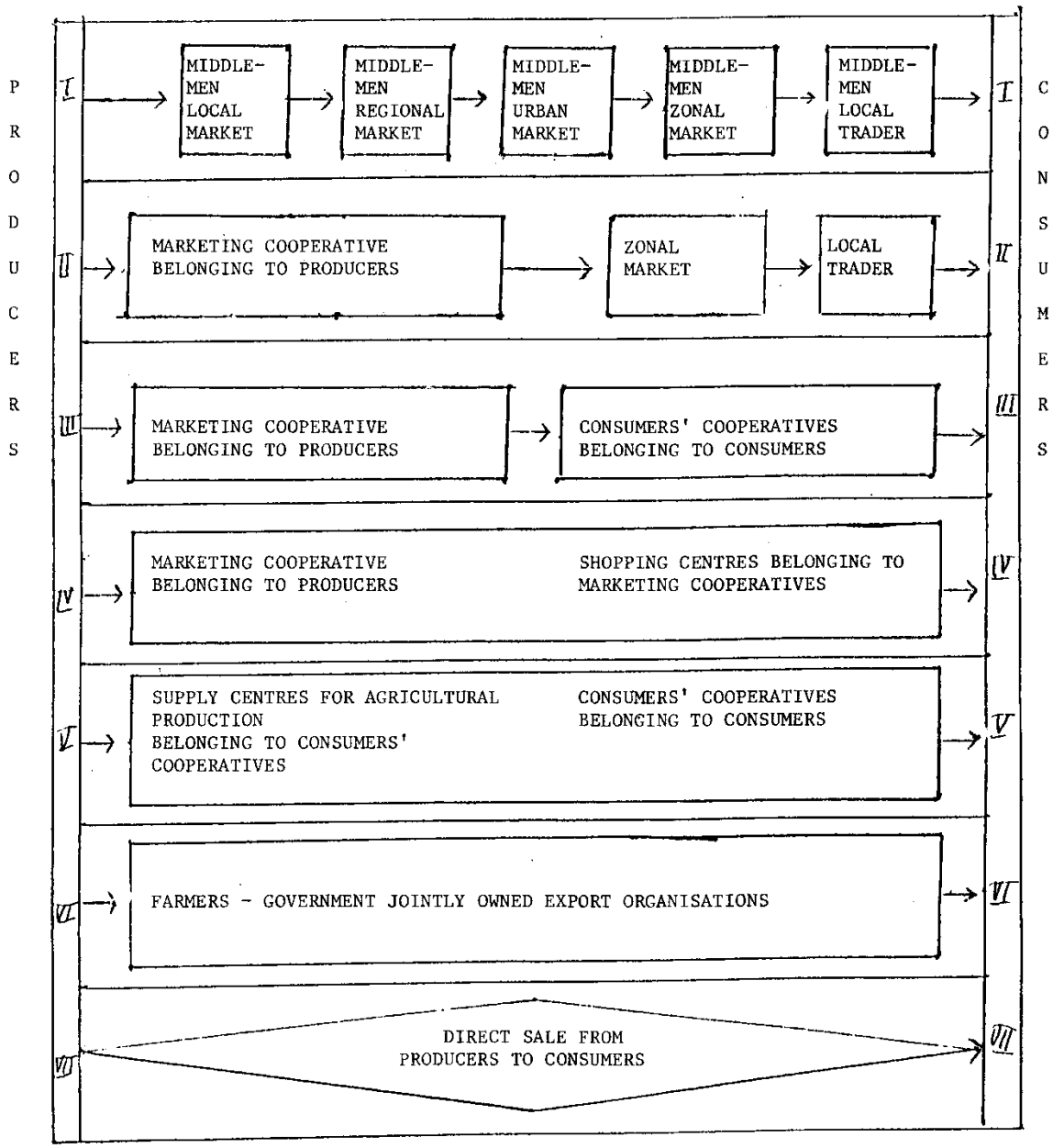
The co-operative societies can undertake processing activities like crushing seeds, ginning 'and pressing of cotton, etc. In addition to all these advantages, the co-operative marketing system can arouse the spirit of self-confidence and collective action in the farmers without which the programme of agricultural development, howsoever well conceived and implemented, holds no promise to success.

Cooperative Marketing System in India

Though the above measures have improved the system of agricultural marketing to some extent, a major part of the benefits has been derived by large farmers, who have adequate marketable surplus. However, the small and marginal farmers continue to sell a major part of their produce to moneylenders to meet their credit needs and these moneylenders offer them very low prices. Therefore it is essential to form cooperatives of the small and marginal farmers to enable them to obtain fair prices for their produce

FIGURE N° 2

DIFFERENT MODELS OF MARKETING COOPERATIVE



National Agricultural Cooperative Marketing Federation (NAFED)

Objectives of Nafed:

The objectives of the NAFED shall be

1) to organise, promote and develop marketing, processing and storage of agricultural, horticultural and forest produce,
2) to distribute agricultural machinery, implements and other inputs,
3) undertake inter-State, import and export trade, wholesale or retail as the case may be and
4) to act and assist for technical advice in agricultural production for the promotion and the working of its members and cooperative marketing, processing and supply societies in India.

In furtherance of these objectives, the NAFED may undertake one or more of the following **functions/activities** :

1. to facilitate, coordinate and promote the marketing and trading activities of the cooperative institutions in agricultural and other commodities, articles and goods;
2. to undertake or promote on its own or on behalf of its member Institutions or the Government or Government Organisations, Inter-State and international trade and commerce and undertake, wherever necessary, sale, purchase, import, export and distribution of agricultural commodities, horticultural and forest produce.
3. to undertake purchase, sale and supply of agricultural products, marketing and processing requisites, such as manure, seeds, fertiliser, agricultural implements and machinery, packing machinery, construction requisites, processing machinery for agricultural commodities, forest produce, dairy, wool and other animal products;
4. to act as warehouseman under the Warehousing Act and own and construct its own godowns and cold storages;
5. to act as agent of any Government agency or cooperative institution, for the purchase, sale, storage and distribution of agricultural, horticultural, forest and

animal husbandry produce, wool, agricultural requisites and other consumer goods;

6. to act as insurance agent and to undertake all such work which is incidental to the same;
7. to organise consultancy work in various fields for the benefit of the cooperative institutions in general and for its members in particular;
8. to undertake manufacture of agricultural machinery and implements, processing, packing, etc. and other production requisites and consumer articles.
9. to set up storage units for storing various commodities and goods, by itself or in collaboration with any other agency in India or abroad;
10. to maintain transport units of its own or in collaboration with any other organisation in India or abroad for movement of goods on land, sea, air etc.;
11. to collaborate with any international agency or a foreign body for development of cooperative marketing, processing and other activities for mutual advantage in India or abroad;
12. to undertake marketing research and dissemination of market intelligence;
13. to subscribe to the share capital of other cooperative institutions as well as other public, joint and private sector enterprises if and when considered necessary for fulfilling the objectives of NAFED.
14. to arrange for the training of employees of marketing/processing/supply cooperative societies;
15. to maintain common cadres/pools of managerial/technical personnel required by the marketing/processing/supply cooperative societies;
16. to establish processing units for processing of agricultural, horticultural and forest produce and wool;
17. to undertake grading, packing and standardisation of agricultural produce and other articles;
18. to acquire, take on lease or hire, lands, buildings, fixtures and vehicles and to sell, give on lease or hire them for the business of NAFED.
19. to advance loans to its members and other cooperative institutions on the security of goods or otherwise;
20. to guarantee loans or advances or give undertakings to any Society or Company in which the Federation has a shareholding or financial involvement as a

promoter to be able to assist its development or expansion or for starting any industrial undertaking by such societies/companies;

21. to guarantee loans or advances or give undertakings on behalf of any such society or company as mentioned above to any financing institutions:
22. to do all such things or undertake such other business or activities as may be incidental or conducive to the attainment of any or all of the above objects.

Andhra Pradesh State Agricultural Cooperative Marketing Federation(APMARKFED)

ORGANISATION:

A.P. Markfed (Andhra Pradesh State Co-operative Marketing Federation Ltd) was established in the year 1957 with head-quarters at Hyderabad. It is a federation of Marketing Co-operative Societies in A.P.

Main Objective :

The main objective is of helping the farmers to secure better price for their produce by taking care of their market needs and providing agricultural inputs. Against this objective the Markfed's present activity consists of sale of farm inputs like chemical fertilizers, pesticides & seeds, maintenance of godowns & procurement of Agricultural commodities through its member societies.

MEMBER ORGANISATIONS:

The total membership of the organisation at present is 1475. The break up of the membership is as follows:

Member Organisations	No's
District Co-operative Marketing Societies	22
Primary Agricultural Co-operative Societies	1451
Andhra Pradesh Co-operative bank	1
Government of Andhra Pradesh	1
Total	1475

District Co-operative Marketing Societies and Primary Agricultural Co-operative Societies help in the supply of inputs to the farmers and marketing the commodities

produced by the farmers.

The Andhra Pradesh Co-operative bank help in financing the activities of the District Co-operative Marketing Societies and Primary Agricultural Co-operative Societies.

What is a State trading enterprise?

State trading is a common feature of many economies where agriculture is an important sector of trade. Thus, State trading enterprises are found in developed countries with significant agricultural trading interests, as well as in agriculturally-based developing countries. The heavy emphasis on agriculture in State trading activities would seem to indicate governments' belief that State trading is an appropriate means of implementing agriculture-related policy objectives, such as providing price support for important agricultural products or ensuring food security. In the area of industrial goods, State trading may arise as a by-product of the nationalization of an ailing industry or as a means of pursuing government policies on products or industries considered to have strategic importance.

Objectives:

The objectives of state trading are:

i) To make available supplies of essential commodities to consumers at reasonable prices on a regular basis;
ii) To ensure a fair price of the produce to the farmers so that there may be an adequate incentive to increase production;
iii) To minimize violent price fluctuations occurring as a result of seasonal variations in supply and demand;
iv) To arrange for the supply of such inputs as fertilizers and insecticides so that the tempo of increased production is maintained;
v) To undertake the procurement and maintenance of buffer stock, and their distribution, whenever and wherever necessary;
vi) To arrange for storage, transportation, packing and processing;
vii) To conduct surveys and provide the required statistics to the government so that it may improve the conditions of the farmers; and
viii) To check hoarding, black marketing and profiteering.

Types of state trading:

State trading may be partial or complete, depending upon the extent of intervention desired by the government.

i) Partial state trading

In partial state trading, private traders and government coexist. Traders are free to buy and sell in the market. The government may place some restrictions on them, such as declaration of stocks, limits on the stock which can be held at a point of time and submission of regular accounts. The government enters the market for the purchase of commodity directly from producers at notified procurement price. It undertakes the distribution of commodities to consumer through a net work of fair price shops. In this way, it safeguards the interest of producers and consumers alike, and keeps a check on the undesirable activities of traders.

ii) Complete state trading

This is extreme form of trading adopted by the government when partial state trading fails to ensure fair prices to producers and make goods available to consumers at responsible prices. The purchase and sale of commodities is undertaken entirely by the government or its agencies. Private traders are not allowed to enter the market for purchase or sale. The government remains the sole purchaser and distributor of the commodity.

Complete state trading necessitates the outlay of huge finance, and the provision of storage facilities at important production and consumption centers, and calls for appointment of efficient men so that the purchase and distribution functions of professional traders may be effectively taken over by a governmental agency. In India, complete whole sale trade in wheat was taken over by the government in 1973; but it had to be given up very soon.

Lecture No-8:

Warehousing-meaning- warehousing in india- Central Warehousing Corporation(CWC)- working of warehouses -advantages- State Warehousing Corporations (SWC)- Food Corporation of India(FCI)- objectives- functions

Meaning:

Warehousing: warehouses are scientific storage structures especially constructed for the protection of quantity and quality of stored products

Warehousing may be defined as the assumption of responsibility for the storage of goods. It may be called the *protector of national health,* for the produce stored in warehouses is preserved and protected against rodents, insects and pests. and against the ill-effect of moisture and dampness.

The warehousing scheme in India is an integrated scheme of scientific storage, rural credit, price stabilization and market intelligence and is intended to supplement the efforts of co-operative institutions.

The important functions of warehouses are :

1.Scientific storage: Here, a large bulk of agricultural commodities may be stored. The product is protected against quantitative and qualitative losses by the use of such methods of preservation as are necessary.

2.Financing: Nationalized banks advance credit on the security of Warehouse receipt issued for the stored products to the extent of 75 % of their value

3.Price stabilization: Warehouses help in price stabilization of agricultural commodities by checking the tendency to making post-harvest sales among the farmers. Warehouse helps in staggering the supplies throughout the year. Thus helps in stabilization of agricultural prices.

4. Market intelligence: Warehouses also offer the facility of market information to persons who hold their produce in them. They inform them about the prices prevailing in the period, and advice them when to market their products.

This facility helps in preventing distress sales for immediate money needs or because of lack of proper storage facilities. It gives the producer holding

power; he can wait for the emergence of favourable market conditions and get the best value for his product

Warehousing in India:

In 1928, the Royal commission on agriculture underscored the need for a Warehousing system in India. The central banking enquiry committee, 1931, too, drew attention to this need. The Reserve bank of India emphasized the need for Warehouses as early as in 1944, and proposed that every state government enact legislation to regulate the functioning of warehouses. The All India Rural Credit Survey Committee of the Reserve Bank of India (set up in 1951 and submitted its report in 1954) also made comprehensive recommendations for the development of Warehousing as an integrated scheme of rural credit and marketing. As a result of the recommendations of the committee, the Government of India enacted the Agricultural produce (Development and Warehousing) corporation act, 1956. The act provided for:

a) The establishment of a National Co-operative Development and Warehousing board (which was set up on 1st September, 1956);
b) The establishment of central Warehousing corporation (Which was established on 2 nd march, 1957); and
c) The establishment of state Warehousing Corporation in all states in the country (which were established in various states between July 1957 and August 1958).

Central Warehousing Corporation:

Central Warehousing Corporation(CWC) is a premier warehousing agency in India, established during 1957 providing logistics support to the agricultural sector, and one of the biggest public warehouse operators in the country offering logistics services to a diverse group of clients. CWC is operating 475 Warehouses across the country with a storage capacity of 10.3 million tonnes providing warehousing services for a wide range of products ranging from agricultural produce to sophisticated industrial products.

Warehousing activities of CWC include

- foodgrain warehouses,

- industrial warehousing,
- custom bonded warehouses,
- container freight stations,
- inland clearance depots and aircargo complexes.
- Apart from storage and handling, CWC also offers services in the area of clearing & forwarding, handling & transporation, procurement & distribution, disinfestation services, fumigation services and other ancillary activities.
- CWC also offers consultancy services/ training for the construction of warehousing infrastructure to different agencies.

Functions:

- ✓ To acquire and build godowns and Warehouses at suitable places in India.

To run Warehouses for storage of agricultural produce, seeds, fertilizers and notified commodities for individuals, co-operatives and other institutions.

- ✓ To act as an agent of the govt. for purchase, sale, storage and distribution of the above commodities.

- ✓ To arrange facilities for the transport of above commodities.

- ✓ To subscribe to the share capital of SWC.

State Warehousing Corporation: SWCs were operating1440 Warehouses with total capacity of over 131.38 lakh tones.The total share capital of the SWC is contributed equally by the concerned state govt. and CWC.The area of operation of the SWC are centres of district importance

A.P**. State Warehousing Corporation**: The A.P.State Warehouse Corporation was established in August, 1958 under Sub-Section 1, Section 18 of the Warehousing Corporation Act, 1958 (Central Amended Act of 1962) enacted by the Parliament. APSWC is a Corporation having 50% Share Capital by Central Warehousing Corporation and 50% share capital by the Govt. of A.P. It has its Corporate Office at Hyderabad with 8 Regional Offices and 135 Warehouses scattered all over the state.

- The Warehousing Scheme envisages providing storage facilities for food grains and other agriculture commodities, seeds, manures and fertilizers to minimize losses and deterioration in storage.

- The scheme also aims to enable farmers to have easy and cheap credit facilities from Banks against pledge of the Warehouse Receipt to improve the holding capacity of the producer to avoid distress sales in harvesting seasons.
- To realize the above objectives, the Warehousing Corporation is empowered to a acquire and build Warehouses for storage of agricultural produce, seeds, fertilizers and other notified commodities .
- to act as an agent of the Central Warehousing Corporation or of the Government, for the purpose of purchases, sales storage, distribution etc., of agricultural commodities in time of need.

ORGANIZATIONAL SET UP OF THE CORPORATION :

According to Section20(a) of the Warehousing Corporation Act 1962, the General Superintendence and Management of the affairs of the State Warehousing Corporation are vested in a Board consisting of 11 Directors of whom 5 are nominated by the Central Warehousing Corporation, The remaining 6 Directors are from the State. The Chairman of the Board is appointed by the State Government with the prior approval of the Central Warehousing Corporation.

FOOD CORPORATION OF INDIA

An efficient management of the food economy with a view to ensuring an equitable distribution of grains of food grains at reasonable prices to the vulnerable sections of society is essential in the present socio-economic environment of the country. The government felt the necessity of an organization which can act as its main agency for handling food grains., acquire a commanding position in the food grain trade as a countervailing force to the speculative activities of private trades and, at the same time, work on commercial lines. Towards the end of 1964, Parliament decided to transfer the government's function of trading in food grains to the public sector. Legislation was enacted; and the food corporation India (FCI)WAS BORN ON January 1,1965.

Food Corporation of India was setup on 14th January 1965 under **Food Corporations Act 1964** to implement the following objectives of the National Food Policy :

i. Effective price support operations for safeguarding the interests of the farmers

ii. Distribution of foodgrains throughout the country for **Public Distribution System**

iii. Maintaining satisfactory level of operational and buffer stocks of foodgrains to ensure National Food Security

It is the largest Corporation in India and probably the largest supply chain management in Asia. It operates through 5 zonal offices and 24 regional offices. Each year, the Food Corporation of India purchases roughly 15-20 per cent of India's wheat output and 12-15 per cent of its rice output. The purchases are made from the farmers at the rates declared by the Govt. of India.

The Food Corporation of India initially operated in the southern part of the country. Later, it extended its services throughout the country. Today, the FCI is unrivalled food marketing agency, serving the interest of both the farmers and consumers. Its market operations prevent the speculative trader from acting against the interests of the farmers by assuring him a remunerative price for his produce, it ensures a prompt and uninterrupted supply of food grains to the vulnerable sections of the society all over the country. Operationally the FCI reaches the remotest corners of the country through its vast network of offices and storage centers. Financially, it is one of the largest public sector undertakings, with an annual turnover of over Rs.25400 crores.

FUCTIONS:

The main functions of the Food Corporation of India are:

a) To produce a sizable portion of the marketable surplus of foodgrains and other agricultural commodities at incentive prices from the farmers on behalf the central and state governments
b) To make timely releases of the stocks to public distribution system(Fair price shops and controlled item shops)so that consumer prices may not raise unduly and unnecessarily
c) To minimise seasonal price fluctuations and inter regional price variation in agricultural commodities by establishing a purchasing and distribution network and
d) To build up a sizable buffer stock of food grains to meet the situation that may arise as result of short falls in internal procurement and imports

Lecture No 9:

Quality control-Agricultural products-AGMARK-CODEX -need of CODEX certification- Relevance

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QUALITY CONTROL

To ensure the confidence of consumers, it is essential that grading is done in accordance with the standards that have been set. For this purpose, the inspection of the goods at regular intervals by a third party is essential.

Inspection involves the testing of graded goods with a view to determining whether they conform to the prescribed standards. It ensures quality control. For the purposes of inspection, samples of product are drawn at various stages- from the manufacturer, the market middleman or the consumer at his door steps- and are tested in the laboratory. These inspections are carried out by inspectors appointed by the government, and not by a producer or a buyer.

Regular inspection creates confidence among the buyers. Producers, too, know that there is someone who checks the standards of the produce graded by them. This avoids the temptation of adopting such malpractices in the grading as mixing of the inferior grade produce, etc. after laboratory tests, if the produce is below standards, the licence of the grader is cancelled and legal action is initiated against him.

There were 566 approved grading and/or testing laboratories in the country at end of March, 1984. Their number increased to 633 in 1990-91 and further to700 in 1991-92. Presently, there are111 state-owned grading laboratories, 549 laboratories of the licensees (private packers), nine laboratories in co-operative sector and 49 private and commercial laboratories with a total of 718 approved grading and/or testing laboratories in the country which are engaged in the analysis in the analysis and determination of AGMARK grades.

QUALITY CONTROL- AGRICULTURAL PRODUCTS

The graded products according to the standards fixed by the Agriculture Marketing Advisor, Government of India, bear the label 'AGMARK'.

AGMARK is the abbreviation of Agriculture Marketing. It the quality certification marks under the Central Agricultural Produce (Grading and Marketing) Act, 1937. This label indicates that the purity and the quality of the product on the basis of the standards that have been laid down. The labels of different colours are used to indicate bthe grade of the product. The AGMARK labels are printed on the special quality paper and issued by the Agriculture Marketing Advisor. They are serially numbered, and the firm is required to maintain the account of the labels, which are issued to the grader, in a register. It is a voluntary scheme. Interested traders and manufacturers are given licence to grade their products under AGMARK quality certification mark.

AGMARK label is attached to the container of the product in such a way that it is not possible to remove the contents of the package with out tampering the AGMARK label. Each AGMARK package bears the date of the packing and date of expiry of the product. AGMARK products are pretested and certified for the quality. AGMARK products are of assured quality and different from adulterated and spurious goods. If any AGMARK product purchased by the consumer is found to be defective, the consumer gets the product replaced or gets the money back as per the procedure laid out. There are about 14,000 licensees manufacturing and marketing their products under AGMARK quality certification marks.

"Agmark grading" means grading of an article in accordance with the grade standards prescribed under the provisions of the Act;

"Agmark label" means the label specifying name of commodity, grade designation and bearing prescribed insignia;

"Agmark replica" means a grade designation mark in lieu of Agmark label consisting of prescribed design with the word "AGMARK" and the Certificate of Authorisation number;

"Certificate of Agmark Grading" means a certificate in specified proforma issued by an authorised Officer of the Directorate of Marketing and Inspection or a person designated by the approved laboratory to issue the same in respect of agmark graded consignment meant for export.

GROUPWISE LIST OF THE COMMODITIES FOR WHICH AGMARK GRADE STANDARDS HAVE BEEN FORMULATED UNDER THE AGRICULTURAL PRODUCE
(GRADING AND MARKING) ACT, 1937 (as on 31-03-2011)

Name of the Group: No. of commodities notified

1. Food grain and allied products 30
2. Fruits and Vegetables 44
3. Spices and condiments 26
4. Edible Nuts 8
5. Oil Seeds 15
6. Vegetable Oils and Fats 19
7. Oil cakes 8
8. Essential oils 8
9. Fibre crops 5
10. Live stock, Dairy and 10
poultry products
11. Other products 32

TOTAL 205

MANUFACTURED PRODUCTS

Manufactured products are grades in accordance with the standards laid down by the Indian Standards Institution, now Bureau of Indian Standards and bear the ISI label. Manufacturers have to use proper ingredients in specified proportions and follow the technique of manufacture given in the standards laid down by the Indian Standards Institution. The ISI label is an indicator of the good quality of the product.

Quality management in food:

(a) HACCP

Indian manufacturers need to upgrade the quality of the products by adopting HACCP (Hazard Analysis and Critical Control Point), a food safety system, which is an internationally recognized auditing method. HACCP focuses on chemical, physical and microbial hazards.

HACCP and Risk Analysis is a modern concept of quality management applied to food items. The concept of HACCP gained recognition and acceptance globally as a system of choice for good safety due to following reasons:

i. To identify food safety hazards for different farm products and their process of production.
ii. To accept responsibility for food safety instead of relying upon compliance with official regulation and inspection by food safety inspectors.
iii. Necessity of creating awareness among people to realize their role and responsibility for food safety.
iv. To improve the design of food products and process for achieving safe food, and
v. To prepare food companies for future HACCP bases food safety regulations and trade specifications.

International food safety standards are developed by the Codex Alimentarius Commission (CODEX) . This is a joint commission of FAO and WHO and recognizes HACCP based system for food. As per the WTO requirement, only Codex standards are acceptable for international trade. Therefore, Codex-HACCP is minimum international standard for trade among countries in future. Based on this analysis, appropriate action can be taken to ensure that the areas identified as critical control points are kept under control and are not allowed to endanger the items produced.

There are seven principles of Codex-HACCP:

i. Conduct a hazard analysis
ii. Determine the critical control points (CCPs)
iii. Establish critical limit
iv. Establish a system to monitor control the CCP
v. Establish the corrective action o be taken when the monitoring indicates that a particular CCP is not under control
vi. Establish procedure for verification to confirm that the HACCP system is working effectively.

vii. Establish documentation concerning all procedures and records appropriate to these principles and their application.

Food safety is analyzed in terms of hazards and risks. A hazard is the capacity of a thing to cause harm under certain conditions. The probability that a defined harm will occur is the risk associated with that hazard. The hazards may be physical, chemical or micro-biological and can occur at any stage from raw material to the consumption by the consumer.

The benefits of testing food by HACCP are:

i. Avoids human sufferings;
ii. Reduces burden form over burdened health care system;
iii. Increases the export of food products;
iv. Attracts more foreign tourists; and
v. Increases earning potential of citizens.

Lecture No-10:

Producer's surplus- Meaning- Marketable surplus- Marketed surplus-importance- Factors influencing marketable surplus- Marketing channels- Definition

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PRODUCERS SURPLUS OF AGRICULTURAL COMMODITIES

In any developing economy, the producer's surplus of agricultural product plays a significant rote. This is the quantity which is actually made available to the non-producing population of the country. From the marketing point of view, this surplus is more important than the total production of commodities. The arrangements for marketing and the expansion of markets have to be made only for the surplus quanit6ty available with the farmers and not for the total production.

The rate at which agricultural production expands determines the pace of agricultural development, while the growth in the marketable surplus determines the pace of economic development. An increase in production must be accompanied by an increase in the marketable surplus for the economic development of the country. Though the marketing system is more concerned with the surplus which enters or is likely to enter the market, the quantum of total production is essential for this surplus. The larger the production of a commodity, the greater the surplus of that commodity and vice versa.

The commodity, the marketed and marketable surplus helps the policy-makers as well as the traders in the following areas.

(i) *Framing Sound Price Policies* : Price support programmes are an integral part of agricultural policies necessary for stimulating agricultural production. The knowledge of quantum of marketable surplus helps in framing these polices.

(ii) *Developing Proper Procurement and Purchase Strategies*: The procurement policy for feeding the public distribution system has to take into account the quantum and behaviour of marketable and marketed surplus. Similarly, the traders, processors and exporters have to decide their purchase strategies on the basis of marketed quantities.

(iii) *Checking Undue Price Fluctuations :* A knowledge of the magnitude and extent of the surplus helps in the minimization of price fluctuations in agricultural commodities because it enables the government and the traders to make proper arrangements for the movement of produce from one area, where they are in surplus, to another area which is deficient.

(iv) Advanced estimates of the surpluses of such commodities which have the potential of external trade are useful in decisions related to the export and import of the commodity. If surplus is expected to be less than what is necessary, the country can plan for imports and if surplus is expected to be more than what is necessary, avenues for exporting such a surplus can be explored.

(v) Development of Transport and Storage System: The knowledge of marketed surplus helps in developing adequate capacity of transport and storage system to handle it.

MEANING AND TYPES OF PRODUCERS SURPLUS

The producers surplus is the quantity of produce which is or can be made available by the farmers to the non-farm population. The producers surplus is of two types.

1. Marketable Surplus

The marketable surplus is that quantity of the produce which can be made available to the non-farm population of the country. It is a theoretical concept of surplus. The marketable surplus is the residual left with the producers farmers after meeting his requirement for family consumption, farm needs for seeds and feed for cattle, payment to labour in kind, payment to artisans, blacksmith, potter and mechanic payment to landlord as rent and social and religious payments in kind. This may be expressed as follows :

$$MS = P - C$$

where

MS = Marketable surplus

P =Total production, and

C = Total requirements (family consumption, farm needs, payment to labour, artisans, landlord and payment for social and religious work)

2. Marketed Surplus

Marketed surplus is that quantity of the produce which the producer farmer actually sells in the market, irrespective of the requirements for family consumption, farm needs and other payments. The marketed surplus may be more, less or equal to the marketable surplus.

Whether the marketed surplus increases with the increase in production has been under continual theoretical security. It has been argued that poor and subsistence farmers sell that part of the produce which is necessary to enable them to meet their cash

obligations. This results in distress sale on some farms. In such a situation any increase in the production of marginal and small farms should first result in increased on-farm consumption.

An increase in the real income of farmers also has a positive effect on on-farm consumption because of positive income of farmers also has a positive effect on on-farm consumption because of positive income elasticity. Since the contribution of this group to the total marketed quantity is not substantial the overall effect of increase in production must lead to an increase in the marketed surplus.

RELATIONSHIP BETWEEN MARKETED SURPLUS AND MARKETABLE SURPLUS

The marketed surplus may be more, less or equal to the marketable surplus, depending upon the condition of the farmer and type of the crop. The relationship between the two terms may be stated as follows.

$$\text{Marketed surplus} \begin{matrix} > \\ < \\ = \end{matrix} \text{surplus}$$

1. The marketed surplus is more than the marketable surplus when the farmer retains a smaller quantity of the crop than his actual requirements for family and farm needs. This is true especially for small and marginal farmers, whose need for cash is more pressing and immediate. This situation of selling more than the marketable surplus is termed as distress or forced sale. Such farmers generally buy the produce from the market in a later period to meet their family and/or farm requirements. The quantity of distress sale increased with the fall in the price of the product. A lower price means that a larger quantity will be sold to meet some fixed cash requirements.

2. The marketed surplus is less than the marketable surplus when the farmers retains some of the surplus produce. This situation holds true under the following conditions.

(a) Large farmers generally sell less than the marketable surplus because of their better retention capacity. They retain extra produce in the hope that they would get a higher price in the later period. Sometimes, farmers retain the produce even up to the next production season.

(b) Farmers may substitute one crop for another crop either for family consumption purpose or for feeding their livestock because of the variation in prices. With the fall in the price of the crop relative to a competing crop, the farmers may consume more of the first and less of the second crop.

3. The marketed surplus may be equal to the marketable surplus when the farmer neither retains more nor less than his requirement. This holds true for perishable commodities and of the average farmer.

FACTORS AFFECTING MARKETABLE SURPLUS

The marketable surplus differs from region to region and within the same region, from crop to crop. It also varies from farm to farm. On a particular farm, the quantity of marketable surplus depends on the following factors.

i. **Size of holding :** There is positive relationship between the size of the holding and the marketable surplus.

ii. **Production :** The higher the production on a farm, the larger will be the marketable surplus and vice versa.

iii. **Price of the Commodity :** The price of the commodity and the marketable surplus have a positive as well as a negative relationship, depending upon whether one considers the short and long run or the micro and macro levels.

iv. **Size of family :** The larger the number of members in a family the smaller the surplus on the farm.

v. **Requirement of Seed and Feed :** The higher the requirement for these uses, the smaller the marketable surplus of the crop.

vi. **Nature of Commodity :** The marketable surplus of non-food crops is generally higher than that for food crops. For example,in the case of cotton, jute and rubber, the quantity retained for family consumption is either negligible or very small part of the total output. For these crops, a very large proportion of total output is marketable surplus. Even among food crops, for such commodities like sugarcane, spices and oilseeds which require some processing before final consumption the marketable surplus as a proportion of total output is larger than that for other food crops.

vii. **Consumption Habits :** The quantity of output retained by the farm family depends on the consumption habits, for example, in Punjab, rice forms a relatively small production of total cereals consumed by farm-families compared to those in southern or eastern states. Therefore, out of a given output of paddy/rice, Punjab farmers sell a greater proportion than that sold by rice eating farmers of other states.

The functional relationship between the marketed surplus of a crop and factors affecting the marketed surplus may be expressed as :

$$M = f(x_1, x_2, x_3, ...)$$

Where

M = Total marketed surplus of a crop in quintals

x_1 = Size of holding in hectars

x_2 = Size of family in adult units

x_3 = Total production of the crop in quintals

x_4 = Price of the crop

the other factors may be specified..

RELATIONSHIP BETWEEN PRICES AND MARKETABLE SURPLUS

Two main hypotheses have been advanced to explain the relationship between prices and the marketable surplus of foodgrains.

1. INVERSE RELATIONSHIP : There is an inverse relationship between prices and the marketable surplus. This hypothesis was presented by P.N. Mathur and M. Ezetkiel. They postulate that the farmers cash requirements are nearly fixed and given the price level, the marketed portion of the output is determined. This implies that the farmers consumption is a residual and that the marketed surplus is inversely proportional to the price level. This behaviour assumes that farmers have inelastic cash requirements

The argument is that, in the poor economy of underdeveloped countries farmers sell that quantity of the output which gives them the amount of money they need to

satisfy their cash requirements ; they retain the balance of output for their own consumption purpose. With a rise in the prices of foodgrains, they sell a smaller quantity of foodgrains to get the cash they need and vice versa. In other words, with a rise in price, farmers sell a smaller, and with the fall in price they sell a larger quantity. Olson and Krishnan have argued that the marketed surplus varies inversely with the market price. They contend that a higher price for a subsistence crop may increase thte producers real income sufficiently to ensure that the income effect on demand for the consumption of the crop outweighs the price effect or production and consumption.

POSITIVE RELATIONSHIP : V.M. Dandekar and Rajkrishna put forward the case of a positive relationship between prices and the marketed surplus of foodgrains in India. This relationship is based on the assumption that farmers are price conscious. With a rise in the prices of foodgrains, farmers are tempted to sell more and retain less. As a result, there is increased surplus. The converse, too, holds true.

MARKETING CHANNELS

Marketing channels are routes through which agricultural products move from producers to consumers. The length of the channel varies from commodity to commodity, depending on the quant9ity to be moved, the form of consumer demand and degree of regional specialization in production.

DEFINITION

A marketing channel may be defined in different ways according to Moore at al the chain of intermediaries through whom the various foodgrains pass from producers to consumers constitutes their marketing channels. Kohls and Uh/[2] have defined marketing channels as alternative routes of product flows from producers to consumers.

FACTORS AFFECTING LENGTH OF MARKETING CHANNELS

Marketing channels for agricultural products vary from product to product country to country, lot to lot and time to time. For example, the marketing channels for fruits are different from those for foodgrains. Packagers play a crucial role in the marketing of fruits. The level of the development of a society or country determines the final form in which consumers demand the product. For example, consumers in developed countries demand more processed foods in a packed form. Wheat has to be supplied in the form of bread.

MARKETING CHANNELS OF DISTRIBUTION

The course taken in the transfer of the title of a commodity constitutes its channel of distribution. (OR) It is the route taken by a product in its passage from its first owner i.e. producer to the last owner, the ultimate consumer.

Important channels of distribution :

1. Producer or manufacturer – Retailer – Consumer.
2. Producer or manufacturer – Consumer.
3. Producer or manufacturer – Wholesaler – Retailer – Consumer.
4. Producer – Commission agent.

Wholesaler is most important functionary in the chain of distribution of goods.

Definitions of Marketing Channels

1. According to Moore et al. "The chain of intermediaries through whom the various food grains pass from producers to consumers constitutes their marketing channels".
2. Kohls and Uhl have defined marketing channels as alternative routes of product flows from producers to consumers.

Factors considered while choosing a Channel:

1. Nature of the product.
2. Price of the product.
3. No. of units of sale.
4. Characteristics of the user.
5. Buyers and their buying units.

- Low priced articles with small units of sale are distributed through retailers.
- High price special items like radios, sewing machines etc are sold by manufactures and then agents.
- Public services like gas, electricity and transport are usually sold directly to the consumer.

Lecture : 11
Market integration-definition-types of market integration-horizontal, vertical and conglomeration-markeing efficiency-meaning-definitions-technical or physical or operational efficiency-pricing or allocative efficiency

MARKET INTEGRATION

Kohis and Uhl have defined "Market integration as process which refers to the expansion of firms by consolidating additional marketing functions and activities under a single management".

Eg: - 1. Setting up of milk processing plant.

2. Establishment of wholesale facilities by retailers.

- Integration shows the relationship of firms in a market.
- Integration influences market conduct of firms and consequently their marketing efficiency.
- Markets differ in the extent of integration.

Types of market integration :

1. Horizontal integration :

- When a firm gains control over other firms, performing similar marketing functions. Some marketing agencies (say, sellers) combine to form a union with a view to reducing their effective number and the extent of competition in the market.
- Horizontal integration is advantageous for the members who join the group.
- If farmers join hands and form cooperatives, they are able to sell their produce in bulk and reduce their cost of marketing.
- Horizontal integration of selling firms is not in the interests of consumers or buyers.

2. Vertical integration :

- Occurs when a firm performs more than one activity in the sequence of the marketing process.
- It is linking together of two a more functions within a single firm or under a single ownership.

  Eg: - 1. If a firm assumes the functions of the commission agent as well as retailing.
  2. Floor mill which engages in retailing activity as well.

  - Vertical integration leads to some economies in the cost of marketing.
  - Enjoys greater market power while reducing the number of middlemen.

There are two types of vertical integration

a). Forward integration :

Eg: Wholesaler assuming the function of retailing i.e. assuming another function.

b). Backward Integration:

Eg: Processing firm assumes the function of assembling / purchasing the produce from villages.

Firms often expand both vertically and horizontally. Eg: Modern retail stocks.

Horizontal : Expanding either retail stores or number of commodities they deal.

Vertical : Operate their own wholesale, purchasing and processing establishment.

3. Conglomeration:

A combination of agencies or activities not directly related to each other, may when it operates under a united management, be termed a conglomeration.

Eg: Hindustan Lever Ltd. Delhi cloth and General mill (cloth & vanaspati).

MARKETING EFFICIENCY

Marketing efficiency is essentially the degree of market performance. It is a broad and dynamic concept.

Def: - If is the ratio of market output (satisfaction) to marketing input (cost of resources). An increase in ratio represents improved efficiency and vice versa.

Components of marketing efficiency :

1. Effectiveness with which a marketing service is performed.

2. The cost at which the service is provided.

3. The effect of this cost and the method of performing the service as production and consumption. i.e. effect of (1) & (2), last two are more important.

Assessment of marketing efficiency :

1. Technical or Physical or Operational efficiency: It pertains to the cost of performing a function; Efficiency is increased when the cost of performing a function per unit of out put is reduced.

Eg: - Storage processing, handling etc.

2. Pricing / Allocative efficiency : System is able to allocate farm products either over time, across the space or among the traders, processors and consumers at a point of time in such as way that no other allocation would make producers and consumers better off. This is achieved via pricing the product at different stages, places, times among different users. Pricing efficiency refers to the structural characteristics of the marketing system, when the sellers are able to get the true value of their produce and the consumers receive true worth of their money.

The above two types are mutually reinforcing in the long run.

Emperical Assessment of Marketing Efficiency :

A reduction in the cost for the same level of satisfaction or an increase in the satisfaction at a given cost results in the improvement in efficiency. (Khols and Uhl.)

$$E = \frac{O}{I} 100$$

E = level of efficiency

O = value added to the marketing system.

I = real cost of marketing

Shepherd ‘s formula of marketing efficiency :

$$ME = \left(\frac{V}{I} - 1 \right) 100$$

ME = Index of marketing efficiency

V = Value of the goods sold or price paid by the consumer (Retail price)

I = Total marketing cost or input of marketing.

This method eliminates the problem of measurement of value added.

Lecture : 12
Marketing cost-margins-price spreads-factors affecting the costs of marketing-reasons for higher marketing costs of agricultural commodities- ways of reducing marketing costs for farm products.

Marketing Costs

The movement of products from the producers to the ultimate consumers involves costs, taxes, and cess which are called marketing costs. These costs vary with the channels through which a particular commodity passes through.

Eg: - Cost of packing, transport, weighment, loading, unloading, losses and spoilages.

Marketing costs would normally include :

i. Handling charges at local point

ii. Assembling charges

iii. Transport and storage costs

iv. Handling by wholesale and retailer charges to customers

v. Expenses on secondary service like financing, risk taking and market intelligence

vi. Profit margins taken out by different agencies.

vii. Producer's share in consumer's rupee :

$$P_s = \left(\frac{P_F}{P_r} \right) \times 100$$

Where,
P_s = Producer's share
P_F = Price received by the farmer
P_r = Retail price paid by the consumer

Total cost of marketing of commodity,

$$C = C_f + C_{m1} + C_{m2} + \ldots + C_{mn}$$

Where, C= Total cost of marketing of the commodity
C_f = Cost paid by the producer from the time the produce leaves till he sells it

$C_{mi=}$ Cost incurred by the ith middlemen in the process of buying and selling the products.

Market Margins

Margin refers to the difference between the price paid and received by a specific marketing agency, such as a single retailer, or by any type of marketing agency such as retailers or assemblers or by any combination of marketing agencies such as the marketing system as a whole.

Absolute margin is expressed in rupees. A percentage margin is the absolute difference in price (absolute margin) divided by the selling price.

Mark-up is the absolute margin divided by the buying price or price paid.

Marketing margin of a Middleman : There alternative measures may be used.

The three alternative measures which may be used in estimating market margins are.

(a) Absolute margin of ith middlemen (A_{mi})

$$= P_{Ri} \left(P_{Pi} + C_{mi} \right)$$

(b) Percentage margin of ith middlemen (P_{mi})

$$\frac{P_{Ri} - (P_{Pi} + C_{mi})}{P_{Ri}} \times 100$$

(c) Mark-up of ith middleman (M_2)

$$\frac{P_{Ri} - (P_{Pi} + C_{mi})}{P_{pi}} \times 100$$

Where,

P_{Ri} = Total value of receipts per unit (sale price)
P_{pi} = Purchase value of goods per unit (purchase price)
C_{mi} = Cost incurred on marketing per unit.

The margin includes profit to the middlemen and returns to storage, interest on capital, overheads and establishment expenditure.

Sum of Average Gross margins method :

The average gross margins of all the intermediaries are added to obtain the total marketing margin as well as the break up of the consumer's rupee :

$$M_T = \sum_{i=1}^{n} \left(\frac{S_i - P_i}{O_i} \right)$$

M_T = Total marketing margin.

S_i = Sale value of a product for i^{th} firm

P_i = value paid by the ith firm

Q_i = Quantity of the product handled by its firm

i = 1, 2, ... n (No. of firms involved in the marketing channel).

Concepts of Marketing Margins :

- Complex because it is difficult to follow the path of the channel for a given quantity of the channel for a given quantity of the commodity.
- It is still difficult to estimate in respect of commodities subjected to processing.

Two methods are identified :

1. Concurrent margin method :
   - This method stresses on the difference in price that prevails for a commodity at successive stages of marketing at a given point of time.
2. Lagged Margin Method :
   - This method takes into account the time that elapses between buying and selling of a commodity by the intermediaries and also between the farmer and the ultimate consumer.

- Lagged margin indicates the difference of price received by an agency and the one paid by the same agency in purchasing in equivalent quantity of commodity.

PRICE SPREAD

- The difference between the price paid by the consumer and price received by the farmer.
- It involves various costs incurred by various intermediaries and their margins.
- Marketing costs are the actual expenses required in bringing goods and services from the producer to the consumer.

Price Spread in Groundnut Marketing

Marketing channel :

Producer – wholesaler – Decorticating unit – Oil miller – Retailer – Consumer :

(Rs 1 q)

S.No.	Marketing channel		Amount	%
1.	Producers sale price	Rs/g	1119.50	80
2.	Wholesaler	Purchase price	1119.50	
		Marketing cost	3.5.25	2.51
		Margin	71.00	5.06
3	Decorticating unit	PP	1225.75	
		MC	31.62	2.25
		MM	40.0	2.85
4	Oil miller	PP	1297.35	-
		MC	44.55	3.17
		MC	32.50	2.32
5	Retailer	PP	1374.40	
		MC	13.00	0.86
		MM	16.80	1.20
6	Consumer's purchase price		1404.20	100

Objectives of Studying Marketing Costs :

1. To ascertain which intermediaries are involved between producer and consumer.
2. To ascertain the total cost of marketing process of commodity.
3. To compare the price paid by the consumer with the price received by the producer.
4. To see whether there is any alternative to reduce the cost of marketing.

Reasons for High Marketing Costs :

1. High transportation costs
2. Consumption pattern – Bulk transport to deficit areas.
3. Lack of storage facilities.
4. Bulkiness of the produce.
5. Volume of the products handled.
6. Absence of facilities for grading.
7. Perishable nature of the produce.
8. Costly and inadequate finance.
9. Seasonal supply.
10. Unfair trade practices.
11. Business losses.
12. Production in anticipation of demand and high prices.
13. Cost of risk.
14. Sales service.

Factors Affecting Marketing costs

1. Perish ability
2. Losses in storage and transportation
3. Volume of the product handled

   Volume of the More – less cost
   Volume of the Less – more cost
4. Regularity in supply : Costless irregular in supply – cost is more
5. Packaging : Costly (depends on the type of packing)
6. Extent of adoption of grading
7. Necessity of demand creation (advertisement)
8. Bulkiness
9. Need for retailing : (more retailing – more costly)
10. Necessity of storage
11. Extent of Risk
12. Facilities extended by dealers to consumers. (Return facility, home delivery, credit facility, entertainment)

Ways of reducing marketing costs of farm products.

1. Increased efficiency in a wide range of activities between produces and consumers such as increasing the volume of business, improved handling methods in pre-packing, storage and transportation, adopting new managerial techniques and changes in marketing practices such as value addition, retailing etc.
2. Reducing profits in marketing at various stages.
3. Reducing the risks adopting hedging.
4. Improvements in marketing intelligence.
5. Increasing the competition in marketing of farm products.

Lecture : 13

Characteristics of agricultural product prices-agricultural price stabilization-need for agricultural price policy- commission for Agricultural cost and Prices (CACP)-administered prices- minimum support price, procurement price and issue price.

Characteristics of Agricultural product prices

In agricultural based economies like India, prices of farm products undergo wide variations than in industrial goods. They have profound effect on the economy. The characteristics of agricultural product prices are presented below to design appropriate price policy.

i. Production and supply of agricultural products cannot be adjusted quickly to changes in prices or demand.

ii. Variability in cost of production from region to region.

iii. Wide variation in quality of products and hence prices.

iv. The prices of farm products in general exhibit co-movement at least within a group.

v. The prices of farm products vary across space.

vi. The prices of farm products in general remail low in the post-harvest period.

vii. There are multiple prices in the same market at a point of time.

Agricultural Price Stabilization

Price instability does great harm to agriculture. Government takes the responsibility to stabilize agricultural prices. The objectives of price stabilization assures reasonable level of living, keeping parity with other sectors, adjustment of production to demand as well as stabilization of general price level in relation to world prices. Concerned by the spiraling prices of agriculture and food articles, the government is likely to set up a price stabilisation fund along with a market intervention plan for key agricultural products. A proposal to this effect is currently under the consideration of the Ministry of Agriculture. This move by the government comes at a time, when inflation has been on a ten month high at 5.92%, mainly on account of rising food and agricultural products. With the proposed market intervention plan, the government would be able to

step in when prices of a particular product rises beyond a threshold limit or fall below a floor price. Various state governments have similar plans for farm products.

Need for Agricultural Price Policy

Agricultural Price Policy has special significance when there is a maladjustment in demand and supply and jump up and down the equilibrium price level. Several government interventions were initiated to protect farmers and consumers. Government undertakes the following measures.

1. Procurement operations.
2. Public distribution at fixed issue prices, rationing, restrictions on movement of food grains from one place to another place i.e. state to state.
3. Maximum controlled prices, assured minimum prices, statutory minimum prices, ban on exports, stepping up of imports, regulation of futures trading.
4. Minimum price for sugarcane to sugar factories.
5. Floor and ceiling prices, controls on futures trading and imports have been the major policy measures taken for regulation of prices of raw cotton and jute.
6. History of Agricultural price policy :

   Agricultural Price policy 1947 – 1965 i.e before setting up of APC

Food grains prices committee, was set up in 1964 to determine producer prices of rice & wheat on all India basis for 1964 season subsequently. Food grain policy committee, 1966 was established. The important aspects pertaing to foodgrains are : (i).Controls on the movement, (ii).Compulsory levy procurement (iii). Fixation of maximum statutory prices of food grains, (iv). Rationing, either statutory or informal. Other crops covered are sugarcane, cotton, jute and oil seeds.

CACP: Commission for Agricultural Costs and Prices,

Agricultural Price Commission, APC was established in 1965 on the recommendations of Foodgrains Policy committee under the chairmanship of L.K. Jha.

The APC has been renamed as CACP on similar lines as has been done to the industry in 1985. The significant contributions during 1965-77 were

a. **MSP :** Chief function is to set a floor to the downward fluctuations in the market prices. It is a insurance against price uncertainty.

b. **Maximum Ceiling Prices :** APC has not favoured maximum or ceiling prices for agricultural commodities. In the case of food grains, the **s**tates were unable to enforce legally fixed maximum prices. Private stocks tended to go underground.

   Cotton : Price of several varieties ruled well above the ceiling prices in all the years.

c. **Procurement Prices :** Always higher than MSP. Government procures for deficit states and vulnerable sections of population. APC takes into account market prices, minimum prices announced in the season, marketing and processing costs, the likely impact of levels of procurement prices on farmer's own cost of living, cost of production of the agricultural based industries, and the external competitiveness of the commodities concerned.

d. **Issue Prices :** These are below open market prices and always higher than procurement prices. Food grains prices supplied through fair price shops and rationing at subsidized rates are issue prices. The practice led to several malpractices and uneconomic use of imported grains(wheat) shifted towards coarse grains. APC favoured levy on producers on acreage basis for procurement.

Administered Prices :

Prices fixed by the government with the objective of protecting farmers against a decline in prices during the year of bumper production, protecting consumers from excessive price increases and ensuring procurement for buffer stocks or operation of PDS. These are three types :

1. **Minimum Support Price, (MSP) :** Price fixed by the government to protect farmers against excessive fall in prices.

2. **Procurement Price :** Refers to the price at which government procures from producers to maintain buffer stocks and feed Public Distribution System.

3. **Issue Price :** Price at which the commodity is made available to consumers at fair price shops. It is always higher than procurement price.

Determination of Administered Prices :

Demand and supply forces determine market prices. Administered prices are the prices fixed by the government under varied circumstances. Government makes a commitment to purchase all the produce offered for sale through MSP. Government buys at its discretion without any compulsion to meet its obligation procurement price. When procurement is done under compulsion from the millers, the procurement price is called levy price. Government considers various issues suggested by CACP on fixation of prices.

Lecture : 14

Risks on marketing-meaning-types of risks- measures to minimize risks-speculation-hedging-future trading-meaning-commodities for future trading-services rendered by a forward market-dangers of forward market-contract farming/contract farming-Price forecasting

RISKS IN MARKETING

Risk is inherent in all marketing transactions. Fire, rodents, quality deterioration, price fall, change in tastes, habits or fashion, placing the commodity in the wrong hands or area are all also associated with marketing risk. Hardy has defined risk as uncertainty about cost, loss or damage. The longer the time lags between production and consumption, the greater the risk. Most of the risk is taken by market middlemen. The bearer of the risk may be better off or worse-off. A risk cannot be eliminated because it also carries profit.

Types of Risk : The risks associated with marketing are of three types, namely physical risk, price and institutional risk.

i. Physical risk includes loss of quantity and quality. It may be due to fire, flood, earthquake, rodents, pests, excessive moisture or temperature, careless handling, improper storage, looting or arson.
ii. Price risk associates with fluctuation in price from year to year or within the year.
iii. Institutional risks include the risks arising out of a change in the government budget policy, imposition of levies price controls etc.

Measures to Minimize Risks :

a. Reduction in Physical loss through fire proof storage, proper packing and better transportation.

b. Transfer of physical losses to Insurance companies.

c. Minimization of price risks through.

- ✓ Fixation of minimum and maximum price by government.

- ✓ Dissemination of price information to all sections of society over space and time.
- ✓ Effective system of advertising and create a favourable atmosphere for the commodity.
- ✓ Operation of speculation and hedging : Futures trading, forward market, contract farming, contract marketing.

Speculation : Purchase or sale of a commodity at the present price with the object of sale or purchase at some future date at a favourable price.

Hedging : It is a trading technique of transferring the price risk. "Hedging is the practice of buying or selling futures to offset an equal and opposite position in the cash market and thus avoid the risk of uncertain changes in prices" (Hoffman).

Futures Trading : It is a device for protecting against the price fluctuations which normally arise in the course of the marketing of commodities. Stockicsts , processors or manufactures utilize the futures contracts to transfer the price risks faced by them.

Future trading includes both hedging and speculation.

S.No.	Speculation		Hedging
1.	Purchases and sales in the cash as well as in futures markets are made with the objective of making profit	:	To protect oneself against excessive price fluctuation.
2.	The activities of buying and selling are not necessarily opposed to each other.	:	Are always opposed to each other.
3.	It is not necessary that the two types of transactions should be of equal quantity.	:	If is obligatory to buy and sell the goods in equal quantities in the two markets.
4.	Speculator purchases and sells goods when prices are as per his expectations.	:	The commodities are not stored by traders. Only the difference in the price is given or taken on the due date.

Commodities for Futures Trading

Commodities permissible under futures trading must satisfy the following conditions.

1. Plentiful supply of the commodity.
2. Must be storable.
3. Commodity should be homogeneous.
4. Commodity should have a large demand.
5. Supply of the commodity should not be controlled by a few large firms.
6. The price of a commodity should be liable to fluctuate over a wide range.

Forward Markets

A market in which the purchase and sale of a commodity takes place at time 't' but the exchange of the commodity takes place on some specified date in future i.e. t+1.

Some times even on the specified date in the future, (t+1) there may not be any exchange of the commodity. Instead, the differences in the purchase and sale price are paid or taken.

Services Rendered by a Forward Market.

1. Reduces price fluctuations so that the margin of profit may be small.
2. Ensures an even flow of goods, avoiding gluts in the peak season, and shortages in the slack seasons.
3. It brings about an integration of the price structure of commodities at different points of time.
4. Facilitates large purchases and sales at a short notice.
5. Brings coordination of the current and future expectations by rotating in the light of changing supply – demand situation.

Dangers of Forward Market

1. Forward market opens out the way for a large number of persons with insufficient means, inadequate experience and information to enter into commitments which may be beyond their means. In such conditions market gets demoralized.

2. It enable unscrupulous speculators, with little interest in the actual supply of and demand for, a particular commodity, to corner the supplies and organize bear raids and bull raids on the market in the hope of making easy money for themselves. This results in violent fluctuations in prices.

Contract Farming/Marketing:

Contract farming is evolving an institutional arrangement of alternative marketing in India. One of the brilliant ideas that are being thrown around is that of contract farming. Indian government, agriculture and commerce ministries, corporate interests, IMF, World Bank, Indian agricultural scientists,are keen on farming by contract. It is such a simple and benevolent idea thrown in by consultants of global repute. State like Punjab, Karnataka, Maharastra, Madhya Pradesh and Tamil Nadu have been front runners in this regard. Experience shows that there is considerable saving of inputs and rising profitability due to introduction of technology and effective extension service. It is also successful in crop diversification in many states such as tomato in Punjab and Haryana, cucumber in Andhra Pradesh, cotton in Tamil Nadu etc.

It is a bipartite agreement between farmer and industry to supply the agreed quantity at a specified date. Services provided by sponsoring firms range from supply of inputs, extension service, quality monitoring to purchase of output. However the absence of common legally binding contractual arrangement gives the way for violation the contract on both sides. Some successful cases are presented as follows.

Successful Contract Farming Projects in Andhra Pradesh

Crop	**Location**	**Company**
Cocoa	EG, WG	Cadburys India
Oil palm	-	SICAL, Godrej, Palm tech
Vegetables	Kuppam	BHC
Gherkins	Chittoor, Mehaboobnagar	Global Green Capricorn Foods
Marigold	Anantapur	A.V. Thomas
Indian Goosberry	-	DABUR

Potential areas of Contract farming in Andhra Pradesh.

Crop	Location	Area(ha)
1.Chillies	Guntur	52000
2.Sapota	Prakasam	2300
3.KP Onion	Kadapa	3000
4.Tomato	Kurnool,Chittoor	34000
5.Citrus	Nalgonda, Anantapur	24000
6.Acid lime	Nellore	22000
7.Tapioka	East Godavari, Vizag	17000
8.Cashew	Srikakulam, Vizag, Vizianagaram East and West Godavari	130000
9.Grapes	Ranga Reddy	1300
10.Papaya	Anatpur, Kadapa	15000
11Coconut	East and West Godavari	70000
12Vegetables	Ranga Reddy, Chittoor	40000
13.Turmeric	Nizamabad, Karimnagar	24000
14.Mango	Krishna, Chittoor	230000
15.Pomegranate	Anantpur	6000

Price Forecasting

Market information can be used by those involved in the marketing process to make better marketing decisions. The primary objective of a market information service is to increase the degree of knowledge of market participants (farmers, traders and consumers) about the market. Forecasting is the prediction of values of a variable. Forecasts also may be based on expert judgments, which in turn are based on historical data and experience.

I-Market information needs of farmers

What crop or combination of crops to plant?

In making this decision, farmers must take into consideration their physical resources, i.e. land quantity and topography, water availability and quality, soil fertility, labour, and capital. Progressive farmers, whose objective is profit maximization, are interested in knowing exactly which crop and specific variety would give them the highest returns in the market during a particular period time.

When to plant?

Timing of planting is usually determined by seasonal factors. However even within these constraints there may be possibilities, through the use of improved varieties and irrigation, to vary planting schedules and produce in the off-season. For successful farmers, the decision on when to plant can therefore be seen as the decision on, when to harvest and sell to maximize returns.

Where to sell?

A key consideration in making the decision, is the farmers' expectations of prices, which may be obtained in the different markets. In making the immediate decision on where to dispose of produce which has already been harvested or needs to be harvested in the near future, farmers need to be aware of the current prices for the produce in different markets. Knowledge of current market prices would also assist them in the bargaining process with traders.

The price forecasts are estimated using the historical modal prices of various farm commodities in important markets. Some of the commonly used price forecasting models are:

1. Simple Exponential Smoothing
2. Double Exponential Smoothing
3. Autoregressive Integrated Moving Average (ARIMA)
4. Artificial Neural Networks (ANN)

Lecture :15

International trade-definition-difference between international and inter-regional trade- free trade vs protection

International Trade

International trade is the exchange of goods and services between countries. This type of trade gives rise to a world economy. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries. Almost every kind of product can be found on the international market: food, clothes, spare parts, oil, jewellery, wine, stocks, currencies and water. Services are also traded: tourism, banking, consulting and transportation. A product that is sold to the global market is an export, and a product that is bought from the global market is an import. Imports and exports are accounted for in a country's current account in the balance of payments.

Global trade allows wealthy countries to use their resources - whether labor, technology or capital - more efficiently. Because countries are endowed with different assets and natural resources (land, labor, capital and technology), some countries may produce the same good more efficiently and therefore sell it more cheaply than other countries. If a country cannot efficiently produce an item, it can obtain the item by trading with another country. This is known as specialization in international trade. We discuss an example in the following.

The basis of international trade

The comparative cost theory developed by David Ricardo illustrated it in 1817 by using two country, two commodity model.

Country	Labour units/unit of cloth	Labour units/unit of wine	Exchange ratio between wine and cloth
England	100	120	1 wine : 1.2 cloth $\left(\frac{120}{100}\right)$
Portugal	90	80	1 wine : 0.88 cloth $\left(\frac{80}{90}\right)$

Portugal has an absolute superiority in production of both cloth and wine.

Law of comparative advantage indicates that a country should specialise in the production of that commodity in which it is more efficient and leave the other commodity to other country. The two nations will then have more of both goods by engaging in trade.

Portugal has a greater comparative advantage over England in wine relating to cloth

$$\frac{80}{120} < \frac{90}{100}, \text{ i.e. } 0.67 < 0.9$$

and import of cloth from England which has a comparative advantage in cloth production. England will gain by specializing in producing cloth and selling it in Portugal in exchange of wine.

The key to international trade lies in the theory of comparative advantage ie each nation specializes in the production of those commodities in which it has the highest productivity.

Country	**Specialization**
US	Making computers
Brazil	Growing coffee

The theory of comparative advantage states that international trade is mutually beneficial even when one of the countries can produce every commodity more cheaply than the other country.

The terms 'absolute' and comparative are key terms to understand this principle. Eg: A best lawyer is best typist in the town. A secretary is less efficient than lawyer

The benefit of international trade results in a more efficient employment of the productive forces of the world. (John Stuart Mill). Foreign trade expands a nation's consumption possibilities. The following table explains this fact.

Sells	**Buys**	**Good**	**Foreign trade**
Japan	US	Cameras	By specializing, each nation ends up consuming more than it could produce alone.
US	Australia	Computers	
Australia	Japan	Coal	

Two issues are involved in foreign trade:

1. Trade among different nations : Problem of Protectionism : (whether foreigners are discriminated or treated equally)

2. Different nations use different currencies (or monies).

Difference between Foreign trade and domestic trade.

S.No.		Domestic trade	Foreign trade
1	Factors of production	Immobile	Mobile
2	Currencies	No difficulty	The possibility of variations in exchange rates between different currencies in creases risk
3	Restrictions on trade	Relatively less	Imposed by a. Custom duties

			b. Fixed quotas c. Tariff barriers d. Exchange restrictions
4	Ignorance	Less ignorance	Difference in culture, religion language etc.
5	Separate markets	India uses right hand drive cars	Ethiopia uses left hand drive cars
6	Transport and insurance costs	Less	Impede international trade.

Free Trade vs. Protectionism

There are opposing views. International trade has two contrasting views regarding the level of control placed on trade: free trade and protectionism. Free trade is the simpler of the two theories: a laissez-faire approach, with no restrictions on trade. The main idea is that supply and demand factors, operating on a global scale, will ensure efficient production. Therefore, nothing needs to be done to protect or promote trade and growth because market forces will do so automatically.

In contrast, protectionism holds that regulation of international trade is important to ensure that markets function properly. Advocates of this theory believe that market inefficiencies may hamper the benefits of international trade and they aim to guide the market accordingly. Protectionism exists in many different forms, but the most common are tariffs, subsidies and quotas. These strategies attempt to correct any inefficiency in the international market.

To conclude, the opportunity for specialization and therefore more efficient use of resources, international trade has potential to maximize a country's capacity to produce and acquire goods. Opponents of global free trade have argued, however, that international trade still allows for inefficiencies that leave enveloping nations

compromised. What is certain is that the global economy is in a state of continual change and, as it develops, so too must all of its participants.

Lecture : 16

The General Agreement on Trade and Tariffs(GATT)- World Trade Organization (WTO) Agreement on Agriculture (AOA)-Market access –Aggregate Measures of support (AMS)- export subsidies- Sanitary and Phyto-sanitary measures(SPS)- Trade Related Intellectual Property Rights(TRIPS)

Genesis of GATT/ WTO

- Brettonwood conference of 1944 recognized the need for an institution to oversee the liberalization of free trade.
- For facilitating world trade, General Agreement on Tariffs and Trade, (GATT) was established in 1947 at Geneva in Switzerland.
- India was founder member of GATT.
- There have been several rounds of negotiations between 1947-94..

Main features of GATT (General Agreement on Tariffs & Trade)

1. Reduction in agricultural tariffs by 30% for all agricultural commodities from 1994.
2. Agricultural input subsidies are reduced by 30%, export subsidies by 36% and value of subsidized exports by 21%.
3. Trade liberalisation policies would bring about 2-10% rise for agricultural commodity prices in international markets resulting in a gain of $200 billion.
4. As import tariffs are reduced, the domestic demand for imports increases putting pressure on trade balances. The developing countries have to resort to real exchange rate devaluation to increase their exports.
5. GATT reforms are more beneficial to developed countries because of high prices for export goods such as capital goods, machinery etc.
6. According to GATT, India can offer subsidy to increase its export competitiveness with out altering policy related to PDS, food security etc.

7. Under TRIPS, seeds and plant varieties must be protected either by patents or by an effective system of its own or a combination of both.

8. All regulations, rules, restrictions (QR_s), export duties, minimum export prices have to be removed to boost exports.

9. TRIMS : No restrictions on quantum of foreign investment.

2nd round	1948	France	Concentrated on Tariff, rules and trade policies till 1964.
3rd round	1956	England	‘’
4th round	1956	Geneva	‘’
5th round	1960	Dillon	‘’
6th round	1967	Kenny	Antidumping
7th round	1973-79	Tokyo	Framework of GATT arrangements.
8th round	1986-93	Uruguay	Boundaries were expanded to TRIPS, TRIMS, GATTS, Agricultural trade etc.
9th round	1994	Morocco	WTO establishment on 01-01-1995.

- Till 1964, negotiations were concentrated on tariff, rules, trade policies under GATT.

- In 1982, US suggested new items such as TRIPS, agriculture and service sectors for inclusion in the discussions. Several nations opposed the move initially. Ultimately every one was forced to accept.

- 1989-94, Dunkel draft was discussed. Lot of opposition including India, but signed in 1994 at Markesh in Morocco.

- On the recommendation of Dunkel draft, WTO was established on 1st January, 1995 with head quarters at Geneva. At present there are 153 member countries joined WTO as on 01-01-2010.

Three divisions of WTO:

1. Ministerial level conference: Meet once in two years to take principal policy decisions.

2. General council : Consists of all members, handles day to day work of WTO.

3. Bodies : (a) Dispute settlement Body, (DSB). (b) Trade policy Review Body (TPRB).

Main Functions of WTO :

1. In addition to goods, it covers trade in services, TRIPs and TRIMs.
2. Dispute settlement system is faster and more automatic aims at solving trade problems.
3. WTO has global states similar to IMF and World Bank.

Agreement on Agriculture (AoA)

- AoA was signed as part of the Uruguay Round Agreement in April, 1994.
- It came into force with effect from 1st January, 1995.
- AoA covers three broad areas of agriculture and trade policy, namely.
    - i. Market Access
    - ii. Domestic Support, and
    - iii. Export subsidy

1. Developed countries have to reduce their tariffs by an average of 36% over a period of 6 years from 1995-2000, while developing countries to reduce by 24% in a span of 10 years from 1995 to 2004. Least developed countries are exempted.
2. India is under no obligation to reduce domestic support or subsidies currently extended to agriculture.
3. No export subsidy has been extended in India.

Market Access, Domestic subsidy and Export subsidy commitments under AOA :

Sl.No.	Pillars of AOA	Developed countries (1995-2000)	Developing countries (1995-2004)
1.	Market access : Tariff cuts for agricultural products (Average) (Base period : 1986-88) minimum cut per product line	36% 15%	24% 10%
2.	Domestic support (Base : 1986-88) AMS	20%	13%
3.	Export subsidies : (Base : 1986-90) Subsidy volume : Subsidised quantities (Volume)	36% 21%	24% 13%

Aggregate measure of support (AMS)

- Subsidies are considered to be market distortions and have a reduction commitment based on product specific and non-product specific calculations of AMS, based on levels of 1986-88 expressed as a percentage and the value of the production of the relevant agricultural product or entire agricultural production.

- There was no requirement in the agreement for reduction commitment it the AMS was 5% for developed countries and 10% for developing and least developed countries.

- In other cases member countries were required to reduce their total AMS by 20% over 6 years by developed countries and 13.3% over 10 years by developing countries.

- Exemption from AMS calculations were granted to green box and blue box subsidies.

- Green box subsidies : Have minimal trade distorting effects such as research, extension, buffer stocks for food security purposes and other similar activities.

- Blue box subsidies consist of measures which have non-distorting and conditional on the limitation on production.
- Amber box subsidies : The reduction commitment applies only to the Amber box subsidies once exemption was given to green and blue box subsidies.

Agreement on the Application of Sanitary and Phytosanitary Measure (SPS)

SPS deals with standards for food safety and animal and plant health. WTO encourages member countries to use international standards or guidelines where they exist and names some examples are given below:

1. Codex Alimentative commission is named for food safety which is an inter governmental body of FAO & WHO.
2. International office of Epizootics for animal health.
3. FAO secretariat of the International plant protection convention for plant health.
4. Higher standards are based on scientific justification, which is based on "risk assessment".

Trade Related Intellectual Property Rights (TRIPs)

Different form of intellectual property rights (IPR) identified by TRIPs Agreement governed by WTO are

1. Patents
2. Copyrights
3. Trade marks
4. Designs
5. Trade secrets
6. Geographical indications.

1. Patent :

A patent is an exclusive right granted to the inventor to use and market the invention for a limited period of time in consideration of the disclosure of the invention.

The product must be (a) novel, (b) have industrial application and (c) must be useful for entitlement of a patent. Patents are given only for inventions. Inventions are solutions to specific problems in the field of technology. An invention may relate to a product or a process.

2. Copy Rights :

Copy right law deals with the rights of intellectual creators. It is concerned with protecting creativity and ingenuity. It promotes and disseminates national cultural heritage. It is meant for original literary, dramatic, musical and artistic works, cinematographic films and softwares. Copy right is registered at Ministry of HRD which is valid for 60 years after author's death.

3. Trade mark :

It is a sign that individualize the goods of a given enterprise and distinguishes them from the goods of its competitors. It is limited to word marks, abbreviations, names, figures and hologram.

4. Designs :

A design includes features of structure, configuration, pattern, ornament, or composition of lines and colors applied to an article in 2 or 3 dimensional form by any technical process. The process or product can be manual, civil, electrical, chemical and mechanical or combination of all.

5. Trade secret :

It is the agreement between the employer and employee to keep the research information secret or confidential. The employer can recover damages from the improper disclosure or use of his trade secret by the employee.

6. Geographical Indication :

Place names used to identify products such as "Champagne", Roquefort cheese, Basmati rice etc. They provide legal means so that interested parties can stop the use of such geographical indications for products that do not originate from the used place name or do not have the usual characteristics associated with that place name.

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