

## **AGRICULTURAL MARKETING AND WAREHOUSING**

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### **ABSTRACT**

**“ The Purchase of the agriculturalist’s requirements and the scale of his produce are key activities in the business of farming..... Due to his inability to secure fair deal at these two staes, the average agriculturist is denied the full fruits of his industry.”**

### **First Five Year Plan**

The present state of agricultural marketing in India. Marketing of his produce is the most important activity of a farmer. This is particularly true in the case of small farmers who have small surpluses for marketing. There are many ways by which the farmer may dispose of his surplus produce. The first and the most common method is to sell away surplus produce to the village money lender cum trader, who may buy it either on his own or as an agent of a bigger merchant of the neighboring mandi town. It is estimated that in the Punjab, 60 percent of wheat, 70 percent of oils and 35 percent of cotton are sold in the village itself.

The second method adopted by the Indian farmer is to dispose of his produce in the weekly village markets, known in Hindustani as the hat. Besides, fairs are held once a year in important

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villages or towns in connections with religious festivals. In hats and fairs the farmers bring their products as well as livestock and sell them.

This third method of agricultural marketing is through the mandis in small and large towns. The mandi may be located at a distance of several miles and therefore, the farmer has to make special effort to carry his produce to the mandi. In the mandis, there are brokers or dalals who help the farmers to dispose of their produce to the wholesalers know as arhatiyas. The wholesalers may dispose of the agricultural produce which they have purchased from the farmers to retailers or flour mills and processing units. For instance, in the case of cotton, the wholesaler sells to the cotton ginning factories, and in the case of food grains like wheat he sells to the flour mills or to retailers.

**Key Words:** Basic Facilities Needed For Agricultural Marketing, Defects Of Agricultural Marketing In India, Regulated Markets And Its Features, New Thinking On Regulated Markets, Co- Operative Marketing, Development Of Co-Operative Markets, Etc.

## **Introduction**

The present state of agricultural marketing in India. Marketing of his produce is the most important activity of a farmer. This is particularly true in the case of small farmers who have small surpluses for marketing. There are many ways by which the farmer may dispose of his surplus produce. The first and the most common method is to sell away surplus produce to the village money lender cum trader, who may buy it either on his own or as an agent of a bigger

merchant of the neighboring mandi town. It is estimated that in the Punjab, 60 percent of wheat, 70 percent of oils and 35 percent of cotton are sold in the village itself.

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### **Objectives of the Study**

1. To know the basic facilities needed for agricultural marketing
2. To know the defects of agricultural Marketing in India.
3. To know regarding the co-operative markets and its advantages

## **BASIC FACILITIES NEEDED FOR AGRICULTURAL MARKETING**

In order to have best advantage in marketing of his agriculture produce the farmer should enjoy certain basic facilities:

1. He should have proper facilities for storing his goods.
2. He should have holding capacity, in the sense, that he should be able to wait for times when he could get better prices for his produce and not dispose of his stocks immediately after the harvest when the prices are very low.
3. He should have adequate and cheap transport facilities which would enable him to take his surplus produce to the mandi rather than dispose it of in the village itself to the village money lender cum merchant at low prices.
4. He should have clear information regarding the market conditions as well as about the ruling prices; otherwise, he may be cheated. There should be organized and regulated markets where the farmer will not be cheated by the dalals and arhatiyas.
5. The number of intermediaries should be as small as possible so that the middlemen's profits are reduced. This increase the returns to the farmer.

## **DEFECTS OF AGRICULTURAL MARKETING IN INDIA**

Judging from these consideration the position of agricultural marketing in India is still deplorable. The Indian farmer does not have facilities for storing his produce. The storage facilities which are available in the village at present are so poor that 10 to 20 per cent of the produce is eaten away by rats.

The average farmers is so poor and indebted that he was no capacity to wait for better prices. He is forced to sell his output to the money lender or to the trader so as to clear his debts. Such distress sales weaken the already miserable position of the average Indian farmer further.

The transport conditions in rural areas continue to be bad that even richer farmers, who have large amount of surplus, may not be interested in going to the mandis. Most roads are kachcha (unmetalled) and in rainy season they are unusable.

The conditions in the mandis are such that the farmer may have to wait for some time before he may be able to dispose of his produce. He may not have proper warehousing facilities to keep his stock while he waits. The method of transaction is generally against the interest of the farmer. In the mandis the farmer makes use of the services of a dalal (broker) to sell his output to the arhatiyas. The dalal is often in collusion with generally to the advantage of the arhatiyas and not to the farmer. Moreover, through unnecessary deduction on the plea that his produce is of inferior quality, the farmer often loses in going to the mandis.

The number of intermediaries and middlemen between the farmer and the final consumer of his produce is too many and the margin going to them too large.

The farmers do not ordinarily get information about the ruling prices in the big market. As a result the farmers have to accept whatever price is quoted to them and have to believe whatever the traders tell them.

## **REGULATED MARKETS.**

The purpose of a regulated market is to eliminate unhealthy market practices, to reduce marketing charges and to ensure fair prices and in general to protect the interests of farmers. All the states had passed legislation known as State Agricultural produce marketing act for the establishment for regulated markets. In 1951, there were more than 200 regulated markets in India and by the end of the second five year plan. i.e. in 1961, there were nearly 1000 regulated markets. By the end of march 1998 over 7060 agricultural markets in the country had been regulated.

### **Features of Regulated Market**

A regulated market is started under the law either for any specific commodity or for a group of commodities. Such a market is administered by a market committee, which consists of representatives of the state government, the legal bodies, the traders, the commission agents or the dalals and the farmers themselves. The committee is appointed by the government for a specific period and is entrusted with management of the market.

The market committee fixes the market charges, such as the commission to be charged. It ensures that no dalal represent either the buyer or the seller. It prevents unauthorized deductions from the price paid to the farmer and ensures that correct weights and measures are always used. The committee hears all the complaints and settles them. In case of dispute, it arranges for arbitration. The committee is responsible for the licensing of brokers and weigh men. It is vested with powers to punish anyone who is found guilty of dishonest and fraudulent practices.

The system of regulated markets has been found to be very useful in removing fraudulent practices followed by brokers and commission agents and in standardizing market practices. They have helped farmers to secure fair prices for their produce and to come to the market without fear of being cheated. They have helped in using standard measures and weights throughout the country. Hence it is the policy of the government to convert all markets in the country into the regulated type.

**Regulated markets aim at the development of the marketing structure to**

- a. Ensure remunerative price to the producer of agricultural commodities.
- b. Narrow down the price spread between the producer and the consumer
- c. Reduce non functional margins of the traders and commission agents.

To achieve these objectives, the government went for comprehensive and rapid expansion of regulated marketing system. Considerable success has been achieved in states like Punjab and Haryana, where regulated markets have been established in major producing areas, with linked up satellite markets in the rural growth. The regulated marketing system has also proved a good source of generating income for the marketing boards and for use in rural infrastructure. The regulated market complex also includes facilities for grading and for monitoring of prices.

The regulated markets are set up especially in areas where commercial crops like cotton, jute, tobacco and important nontraditional crops are produced and sold in weekly markets and hats. Co-operative marketing and distribution and banking are also linked with the regulated markets.

## **NEW THINKING ON REGULATED MARKETS**

To protect and promote the interests of farmers, the government of India, as well as state governments promoted organized marketing of agricultural commodities through a network of regulated markets. In recent years, however, there has been a new thinking on the part of the central government. The government now feels that regulated markets have had only limited success since they have restricted development of farm marketing, smooth supply of raw materials to agro producers, exchange of information and adoption of new innovative marketing systems and technologies.

The central government would like the farming community to benefit from new market opportunities, through integrating and strengthening the internal agricultural marketing system. The central government formulated and circulated a model Act in the place of the existing state APMC Act. The proposed Act would encourage (a) development of competitive agricultural marketing (b) deregulate the marketing system and (c) promote private investment in marketing infrastructure. Some of the salient features of the Model Act (2003) are:

- i. Permission to farmers, local authorities and others to establish new markets in any area.
- ii. No compulsion on growers to sell their produce through existing regulated markets.
- iii. Setting up of purchase centers, farmers/consumers markets for direct sale.
- iv. Promotion of public private partnership in the management and development of agricultural markets.
- v. Setting up of special markets for such perishable commodities as onions, vegetables, fruits and flowers and

- vi. Regulation and promotion of contract farming arrangements in the country.

### **Co- operative marketing**

Before 1654, separate co-operative marketing societies were established as distinct from the co-operative credit societies. Since 1654, however, multipurpose societies have been started with the purpose of giving credit to the farmers and marketing their surplus produce.

The co-operative marketing society functions in the following manner. The members of the society agree to sell their surplus produce to the society; they get an advance to carry on with their agricultural operations. The society collects the produce of all the members as also of the non members of the village who are willing to sell their produce, often processes the produce and then dispose it of in the mandi. It does away with many of the middlemen. If the current process are not favorable and if it is anticipated that process may rise in future, the society may decide to stock the commodity. As soon as the produce is sold, the society pays the farmers the balance of the amount due to them. An important feature of the marketing society is that it is managed by paid staff. Usually a society covers a number of villages so that it may be effective and successful.

### **Advantages of Co-operative marketing societies**

In some of the western countries, co-operative marketing has been extremely successful. Denmark has been well known throughout the world for co-operative marketing of dairy products. Many advantages are claimed for agricultural marketing on co-operative basis. They are

- i. The marketing society substitutes collective bargaining in place of individual bargaining. The farmer by himself is weak but the marketing society is said to be strong.
- ii. It advances loans to the farmers and enables them to wait for better prices. Besides, it lends to them for their other needs. Thus, co-operative marketing societies can link credit, farming, marketing and processing to the best advantage of the farmers.
- iii. It can have its own storage and warehousing facilities. It can thus remove the damage to agricultural produce through rats, ants, dampness, etc.
- iv. It can arrange to have quick and cheap transport and sometimes it can even have its own transport.
- v. It can encourage the farmers to produce graded and standardized products and discourage them from adulterating their produce.
- vi. It can control the flow of supplies and thus influence the prices.
- vii. It can eliminate many of the middlemen and thus remove their large profit margins.
- viii. Apart from selling the product of the farmers it can supply them such essential goods as seeds, fertilizers. Implements etc. Thus the cooperative marketing society is probably the best method to reorganize rural marketing and promote planned growth of our rural areas.
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### **Development of cooperative marketing**

There is great scope for the development of cooperative marketing societies,. In the first place there is the necessity to co-ordinate better farming, finance and marketing. AT present efforts are being made to have one society which will perform all the three services for the farmers.

The marketing societies increasingly undertaken processing of agricultural goods. Several agricultural goods can be more favorable marketed if they are processed before sale. Cotton can

be ginned and pressed; oilseeds can be crushed and oil may be sold; jute can be processed and baled and so on.

The co-operative marketing societies can attempt to sell agricultural goods to consumers directly ( wherever possible) and thus eliminate the middlemen and their commission.

The co-operative marketing societies should be made to grade their goods. The grading facilities through the Agricultural Marketing Department. Grading will not only help the societies to secure better price for their produce but also induce them to bring pressure upon their members to improve the quality of their products through the use of improved seeds. Etc.

The government should use the co-operative marketing societies whenever it is possible and necessary. The Food Corporation of India should buy food grains from the co-operative marketing societies and thus eliminate the usual channels of trade. This will encourage the formation of cooperative marketing societies.

### **PROGRESS IN CO-OPERATIVE MARKETING**

Under the active encouragement of the Government and the Reserve Bank of India, co-operative marketing has made great progress in Maharashtra, Andhra Pradesh, Tamil Nadu, Uttar Pradesh and Bihar. The Cotton Sale Societies of Maharashtra and Gujarat gin and press cotton for members and have provided considerable benefit to them. The sugar cane marketing societies of UP and Bihar protect the interests of the members as against sugar mills and also help to improve the quality of sugarcane. They advance funds as well as undertake welfare activities in the villages. Besides they supply cane to the factories and finance the purchase of seeds and manures. There are co-operative societies in Maharashtra specializing in the sale of tobacco, fruit, vegetables, etc. They sell members produce on a commission basis, but in some cases

process the produce and supply manures and pure seeds. Under the recommendations of the All India Rural Credit Survey Committee, attempts were made to link co-operative marketing with co-operative credit. On the eve of the Fourth Plan, about 66 percent of credit societies were linked to marketing societies. The balance of 34 percent of credit societies were also affiliated to the marketing societies subsequently.

### Cooperative Processing

There are now more than 20,000 Membership as compared over 326 in 1962-63. The Membership, its share capital, reserves, deposits, borrowing from RBI/NABARD etc. are displayed in the form of Table below.

CO-OPERATIVE SOCIETIES NUMBER, MEMBERSHIP AND FINANCIAL POSITION OF STATE CO-OPERATIVE BANKS (2014-15) (As on 31st March 2015)										
(Amount ₹ Million)										
State/Union Territory	Members	Share capital	Reserves	Deposits	Borrowings from				Total working Capital \$	Loans issued during the year
	hip\$\$ Societies				Govt.	RBI/ NABARD	Others	Total		
1	2	3	4	5	6	7	8	9	10	11
Andaman & Nicobar	160	42.41	685.63	6085.47	-	591.61	0.00	591.61	7715.71	351
Andhra Pradesh	22	3173.54	7245.22	52084.36	-	59352.70	2339.02	61691.73	128513.30	104651
Arunachal Pradesh	106	1963.93	15.75	1250.04	-	0.00	1933.24	1933.24	0.00	0
Assam	1817	108.36	471.70	18884.98	-	48.68	0.00	48.68	20798.10	729
Bihar	59	193.81	3575.06	18464.36	-	1500.00	7242.63	8742.63	32634.12	10218
Chandigarh	371	8.22	340.30	2825.75	-	0.00	0.00	0.00	3091.06	321
Chattisgarh	24	1324.13	1013.26	25492.76	-	11944.40	12.00	11956.40	38794.97	103
Delhi	1978	77.34	2413.82	9416.79	-	311.25	0.00	311.25	13333.45	3991
Goa	1443	432.51	506.45	16259.67	-	0.00	0.00	0.00	17348.34	9661
Gujarat	432	257.23	4648.08	63688.75	-	32653.35	10605.71	43259.06	112951.63	64861
Haryana	19	1326.07	3829.98	21795.52	-	43164.99	1085.40	44250.39	75774.42	NA
Himachal Pradesh	1619	85.71	5063.46	71598.87	-	8412.21	253.08	8665.29	82378.90	16316
Jammu & Kashmir	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Jharkhand	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Karnataka	164	2390.19	6025.32	71191.54	-	64361.82	31.05	64392.87	125421.95	82188
Kerala	14	6787.38	4552.74	56425.43	-	13193.06	0.00	13193.06	82920.47	9464

Madhya Pradesh	67	4717.47	4250.98	50956.83	-	67190.18	1070.67	68260.85	129666.89	111073
Maharashtra	1861	4567.28	16535.37	99926.64	-	65172.07	1999.98	67172.04	209695.08	522152
Manipur	2194	152.68	302.59	919.87	-	0.00	1186.68	1186.68	3022.09	35
Meghalaya	603	79.62	1312.83	16908.45	-	230.60	136.50	367.11	20019.04	601
Mizoram	1020	36.82	216.92	5171.50	-	213.88	57.00	270.88	5451.93	532
Nagaland	3675	573.74	66.04	4680.37	-	10.00	6.56	16.56	5208.87	1167
Orissa	104	3534.12	1984.06	65292.93	-	48670.61	4.71	48675.32	121841.63	NA
Pudduchery	282	245.06	219.90	6019.12	-	40.00	70.00	110.00	6835.02	3832
Punjab	53	1593.88	4444.82	26732.05	-	67278.32	9.86	67288.18	95548.28	28708
Rajasthan	40	3769.50	4636.42	55211.30	-	83692.57	1010.29	84702.86	135392.98	102579
Sikkim	282	139.81	224.10	5263.77	-	131.00	0.00	131.00	5860.10	343
Tamil Nadu	23	11916.16	5590.08	77677.87	-	30491.55	2600.85	33092.40	133281.55	87563
Tripura	428	245.97	1066.21	18117.59	-	837.50	200.00	1037.50	19336.74	3820
Uttar Pradesh	61	2470.54	4681.55	68307.75	-	34565.86	5.48	34571.34	104693.74	82956
Uttarakhand	34	663.84	313.99	12588.06	-	8290.69	110.21	8400.90	21986.38	11324
West Bengal	1669	687.07	1718.21	67780.83	-	12934.25	0.25	12934.50	86752.40	0
<b>Total</b>	<b>20624</b>	<b>53564.38</b>	<b>87950.83</b>	<b>1017019.21</b>	<b>-</b>	<b>655283.14</b>	<b>31971.18</b>	<b>687254.32</b>	<b>1846269.13</b>	<b>1259539.77</b>

Source: As sourced by National Bank for Agriculture and Rural Development from concerned St CBs

NA-Not Available

The figures of borrowings from Other sources include borrowings from Government.

# Negligible

@ Figures in col. Relate to borrowings from NABARD

\$ Indicates 'Average working fund'

\$\$ Source : NAFSCOB

## GOVERNMENT AND AGRICULTURAL MARKETING

Let us consider the various measures which the government has taken so far in the field of agricultural marketing.

- i. *Marketing Surveys:* In the first place the government has undertaken marketing surveys of various goods and has published these surveys. These surveys have brought out the various problems connected with the marketing of goods and have made suggestions for their removal. The government gives wide publicity to prices of agricultural goods in all major markets.
- ii. *Grading and Standardization:* The government has done much to grade and standardize many agricultural goods, under the Agricultural Produce (Grading and Marketing) Act, 1937 the government has set up grading stations for commodities like, ghee, flour, eggs, etc. To facilitate

grading, standards have been laid down for 162 agricultural and allied commodities. The grade goods are stamped with the seal of the Agricultural Marketing Department – AGMARK. The “Agmark” goods have a wider market and command better prices.

A Central Quality Control Laboratory has been set up at Nagpur and eight other regional laboratories in different parts of the country with the purpose of testing the quality and purity of agricultural products applying for the Government’s “Agmark” have been created. The Government is further streamlining quality control enforcement and inspection and improvement in grading. The number of testing laboratories is being increased and the programme of grading at producer’s level is receiving greater attention especially for commercial crops.

- iii. *Setting up of regulated markets.* A very important measure which the government has taken to improve agricultural marketing has been the setting up of regulated markets in the country. There are no more than 7062 regulated markets in the country as on 9<sup>th</sup> May 2017. With the establishment of these regulated markets, the malpractices in mandis have disappeared and the market charges have been rationalized. As much as 80 per cent of agricultural produce is now sold in regulated market.
- iv. *Provision of Warehousing Facilities:* To prevent distress sale by the farmers, particularly, the small and marginal farmers, due to prevailing low prices, rural godowns have been set up. The government has done much to provide warehousing in towns and villages. The Central Warehousing Corporation was set up in 197 with the purpose of constructing and running godowns and warehouses for the storage of agricultural produce. The state has set up the State warehousing Corporations with the same purpose. At present the Food Corporation is constructing its own network of godowns in different parts of the country.
- v. *Setting Up Of Special Boards:* The Central Government has set up a number of development councils for special commodities like rice, pulses, jute, millets, cotton, tobacco, oilseeds, sugarcane, areca nut, etc. The government of India has also set up export promotion council and the Agricultural and Processed Food Export Development Authority.

## **WAREHOUSING IN INDIA**

Warehousing facilities are necessary to prevent the loss arising out of defective storage and also to equip the farmers with a convenient instrument of credit. Both the Agricultural Finance Sub

Committee (1945) and the Rural Banking Enquiry Committee (1950) emphasized the importance of warehousing as a method of promoting rural banking and finance in India. An important landmark in the field of warehousing was the detailed recommendation of the All India Rural Credit Survey Committee (1954) for initiating a country wide programme of warehousing development. This Committee recommended a three tier system at (a) the National Level (b) State and District level (c) Village and Rural Level. In accordance with its recommendation, the Food Corporation of India and Central Warehousing Corporation were required to create storage facilities at centers of All India importance and the rural storage needs were to be looked after by the co-operatives. The Government of India accepted the recommendations of the committee and set up the National Co-Operative Development and Warehousing Board (in 1956) and the Central Warehousing Corporation (in 1957). This was followed by the setting up of State warehousing corporations by all states.

### **Central Sector Schemes for Construction of Rural Godowns**

With a view to create scientific storage in rural areas, the government is implementing since 2001 a Central Sector Scheme for the construction of rural godowns. The scheme provides a subsidy to private and co-operative bodies on the capital cost of the storage projects. By the end of 2003-04, over 4850 storage projects were sanctioned by the banks involving investments of Rs 1300 crores. The scheme is extended up to the end of the Tenth Plan i.e., 2006-07. The scheme has helped the farmers to store commodities near their fields and obtain pledge loans and marketing credit from the banks, thereby avoiding distress sale at the time of harvest.

Taking an overall view, at the macro level, there is no shortage of capacity of food grains storage. However, there is a mismatch at the micro level, especially for rural public distribution system, hilly, remote and inaccessible areas. Efforts should be directed to bring about balance at the micro level as well.

### **Cumulative Storage Capacity Constructed by various Organizations by the End of 2000**

<b>Organizations</b>	<b>Total Capacity (Lakh Tonnes)</b>	<b>Percent of Total</b>
FCI	150.4	21.4
CWC	64.0	9.1
SWC	111.4	15.9

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Co-operatives through NCDC	137.4	19.6
Deptt. Of Rural Development	21.3	3.0
Various Agencies through NABARD	135.0	19.2
Other agencies	82.1	11.7

**Note:** FCI(Food Corporation of India), CWC(Central Warehousing Corporation), SWC(State Warehouse Corporation), NCDC (National Co-operative Development Corporation)/

**Source:** *Tenth Five Year Plan (2002-07), Vol.II, p.548*

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