

sector requires fertilizers, pesticides, farm equipments, machinery, diesel, electricity, packing material and repair services which are produced and supplied by the industry and non-farm enterprises. The expansion in the size of farm output stimulates forward linkages by providing surpluses of food and natural fibres which require transportation, storage, milling or processing, packaging and retailing to the consumers. These functions are obviously performed by non-farm enterprises. Further, if the increase in agricultural production is accompanied by a rise in real incomes of farm families, the demand of these families for non-farm consumer goods goes up as the proportion of income spent on non-food consumables and durables tends to rise with the increase in real per capital income. Several industries, thus find new markets for their products in the farm sector.

Agricultural marketing, therefore, can be defined as comprising of all activities involved in supply of farm inputs to the farmers and movement of agricultural products from the farms to the consumers. Agricultural marketing system includes the assessment of demand for farm-inputs and their supply, post-harvest handling of farm products, performance of various activities required in transferring farm products from farm gate to processing industries and/or to ultimate consumers, assessment of demand for farm products and public policies and programmes relating to the pricing, handling, and purchase and sale of farm inputs and agricultural products. Of late trade in the domestic and international markets also become the part of it.

Scope and Subject Matter

Agricultural marketing in a broader sense is concerned with the marketing of farm products produced by farmers and of farm inputs and services 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 and other agricultural commodities following the technological breakthrough. On one hand surplus production in agriculture resulted in problem of distribution to consumption centres and on the other transformed agriculture into a commercial venture where market needs came to the lime lite. 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

(a) Regulated Markets: These are those 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, marketing 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.

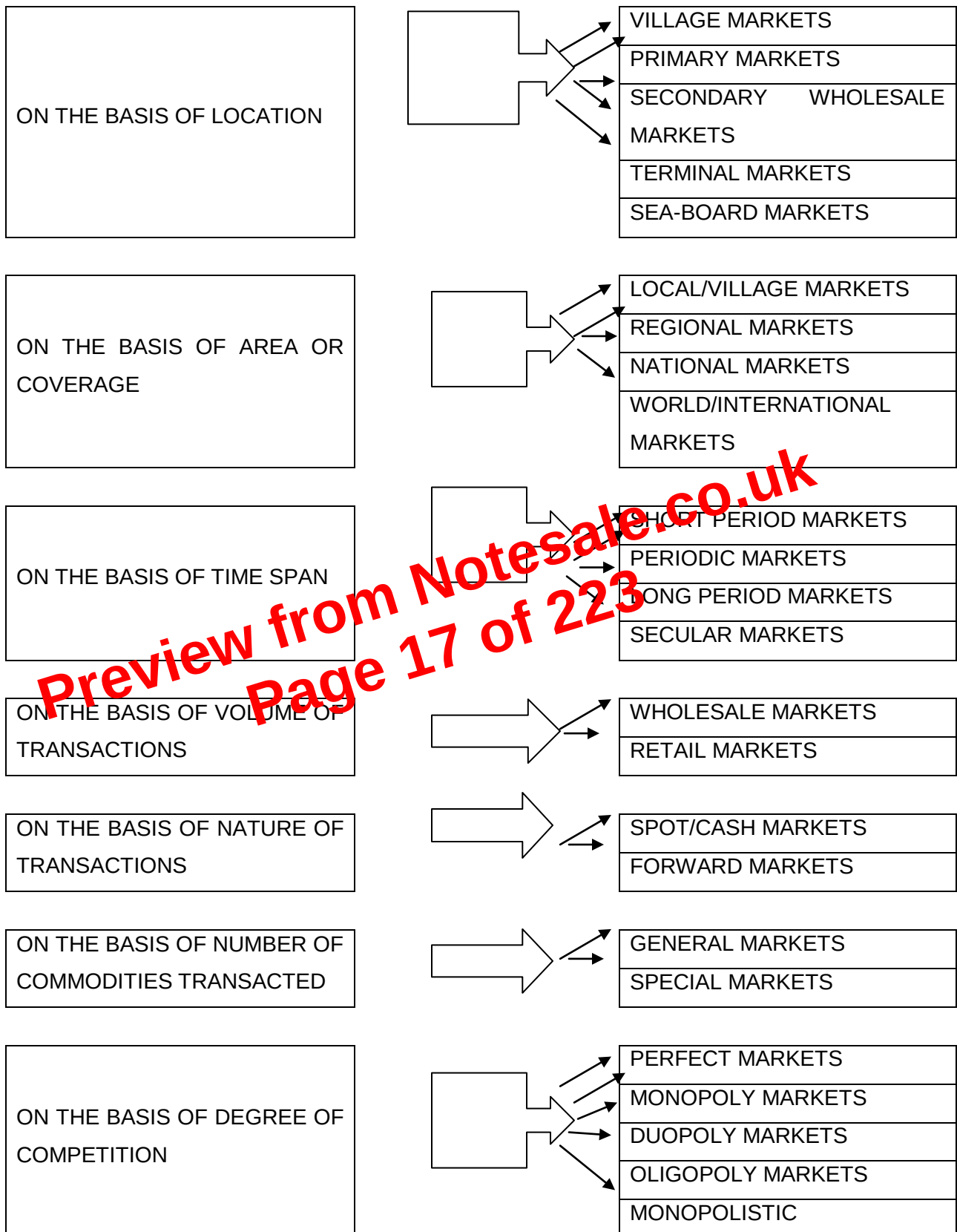
(a) Urban Market: A market which serves mainly the population residing in an urban area is called an urban market. The nature and quantum of demand for agricultural products arising from the urban population is characterized as urban market for farm products.

(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.

Rural markets generally have poor marketing facilities as compared to urban markets. According to the survey of the Directorate of Marketing and Inspection (DMI) of Government of India, only 46 per cent of rural primary markets, of the country have the facility of market yards; 6.4 per cent have office buildings, 3.2 per cent have cattle shed, 3 per cent have canteen, 4.9 per cent have storage facilities, 5.1 per cent have auction platforms, 12.9 per cent have drinking water facility and 5.2 per cent markets have electricity facility. Marketing support services such as godowns, cleaning, price information and extension services were found completely non-existent in most of these rural markets.

12. On the Basis of Market Functionaries and Accrual of Marketing Margins

Markets can also be classified on the basis of as to who are the market functionaries and 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

Chart: 1.1 12 – Dimensional Classification of Markets

The agricultural marketing system plays a dual role in economic development in countries whose resources are primarily agricultural. Increasing demands for money with which to purchase other goods leads to increasing sensitivity to relative prices on the part of the producers, and specialization in the cultivation of those crops on which the returns are the greatest, subject to socio-cultural, ecological and economic constraints. It is the marketing system that transmits the crucial price signals. On the other hand, and in order to sustain the growth of the non-agricultural sector, resources have to be extracted from the agricultural sector – physical resources to guarantee supplies of food and raw materials for the agro-industry and financial resources for investment in non-farm economy as well as for re-investment in agriculture.

On the basis of IADP experience, Kiehl has shown that the "marketing problem" begins to emerge in the process of shifting from traditional to modern agriculture because of production surpluses generated by the shift. Indeed, the term modern agriculture implies a market-oriented agriculture. The scope for moving towards modern agriculture must include market dimensions if the momentum of production transformation is to be sustained.

The importance of agricultural marketing in economic development is revealed from the following:

(i) 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.

(ii) Increase in Farm Income

An efficient marketing system ensures higher levels of income for the farmers reducing the number of middlemen or by restricting the cost of marketing services and the malpractices, 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

Model Quiz

1. Agricultural marketing is a process which starts with _____ of a saleable farm commodity.
2. The subject matter of agricultural marketing includes _____ as well as _____ marketing.
3. The word MARKET originated from the latin word _____
4. _____ markets are located in towns near the centres of production of agricultural commodities
5. Commodity exchanges exist in _____ markets.
6. _____ markets are of a permanent nature.
7. Which of the following is an imperfect market?
a. Monopoly b. oligopoly c. both a and b d. none of these Ans: c
8. In duopsony market there will be
a. One buyer b. one seller c. two buyers d. two sellers Ans : c
9. Pick out the wrong statement Ans: d
a. Heterogenous and differentiated form of a commodity is noticed in monopolistic competition.
b. Different trade marks are used in monopolistic competition.
c. Different prices prevail for the same basic product.
d. Sellers in monopolistic competition mutually agree to charge a common price.
10. Converting groundnut into oil creates
a. Place utility b. form utility c. time utility d. possession utility. Ans: b.
11. Transport function of marketing creates
a. Place utility b. form utility c. time utility d. possession utility. Ans: a.
12. Storing milk creates
a. Place utility b. form utility c. time utility d. possession utility. Ans: c.
13. ABC company buying potatoes from XYZ trader results in
a. Place utility b. form utility c. time utility d. possession utility. Ans: d.

TRUE or FALSE

1. Commodities traded in secular markets are not durable in nature. (False)
2. Retail markets are very near to consumers. (True)
3. In forward markets, exchange of commodity takes place in future time. (True)

the sale and purchase prices. They may, moreover, suffer loss with a fall in the price of the product. Merchant middlemen are of following 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 financiers 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.

Mashakhores: This is a local term used for big retailers or small wholesalers dealing in fruits and vegetables. Earlier, the mashakhores used to deal only in one or

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 proportion 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 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:

$$M = f(x_1, x_2, x_3, x_4)$$

where

M	=	Total marketed surplus of a crop in quintals
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- (iv) Farmer → village trader → wholesaler → retailer → consumer;
- (v) Farmer → co-operative marketing society → retailer → consumer;
- (vi) Farmer → Govt. agency (FCI, etc.) → fair price shop → consumer;
- (vii) Farmer → wholesaler → flour miller → retailer → consumer.

The channels for paddy-rice and pulses are broadly the same, except that the rice millers or *dal* millers come into the picture before the produce reaches retailers or consumers.

Marketing Channels for Oilseeds

Marketing channels for oilseeds are different from those for foodgrains, mainly because the extraction of oil from oilseeds is an important marketing function of oilseeds. The flow chart in Fig.5.2 reveals the movement of oilseeds from producers to consumers in India.

The most common marketing channels for oilseeds in India are:

- (i) Producer to consumer (who either directly consumes the oilseeds or gets it processed on custom basis);
- (ii) Producer to village trader to processor to oil retailer to consumer;
- (iii) Producer to oilseed wholesaler to processor to oil wholesaler to oil retailer to oil consumer;
- (iv) Producer to village trader to processor to oil consumer;
- (v) Producer to government agency to processor to oil wholesaler to oil retailer to oil consumer.

Marketing Channels for Fruits and Vegetables

Marketing channels for fruits and vegetables vary from commodity to commodity and from producer to producer. In rural areas and small towns, many producers perform the function of retail sellers. Large producers directly sell their produce to the wholesalers or processing firms. Some of the common marketing channels for vegetables and fruits are:

- (i) Producer → consumer;
- (ii) Producer → primary wholesalers → retailers or hawkers → consumer;
- (iii) Producer → processors (for conversion into juices, preserves, etc.);
- (iv) Producers → primary wholesalers → processors;
- (v) Producers → primary wholesalers → secondary wholesalers → retailers or hawkers → consumers;
- (vi) Producers → local assemblers → primary wholesalers →

retailers or hawkers → consumers.

An important feature of marketing channels for fruits and vegetables is that these commodities just move to some selected large cities/centres and subsequently are distributed to urban population and other medium size urban market centres. The wholesale markets of these urban centres work as transit points and thus play an important role in the entire marketing channel for fruits and vegetables. Large wholesale markets for fruits and vegetables are concentrated in 10 major cities viz., Delhi, Kolkata, Bangalore, Chennai, Mumbai, Jaipur, Nagpur, Vijayavada, Lucknow and Varanasi. These cities account for 75 per cent of vegetables marketed in major urban areas in India. Further, the transit trade takes place through the cities with more than 20 lakh population which account for 68 per cent of the fruits and vegetables grown in the respective regions. There are 65 urban wholesale markets for fruits and 81 for vegetables. Each market, on an average, serves a population of about 7 lakhs.

Marketing Channels for Eggs

The prevalent marketing channels for eggs are:

- (i) Producer → consumer;
- (ii) Producer → retailer → consumer;
- (iii) Producer → wholesaler → retailer → consumer;
- (iv) Producer → co-operative marketing society → wholesalers → Retailers → consumers;
- (v) Producers → egg powder factory.

Sometimes, the wholesaling and retailing functions are performed by a single firm in the channel.

Marketing Channels for Pulses

Most of the studies on the identification of marketing channels for agricultural commodities have concentrated on a concept of marketing channel which defines the flow of the produce from the producer (farmer) to the consumer. But as the commercialization (market orientation) of agriculture is increasing and as the farmers and consumers are located in different states or different countries, the marketing channels that are emerging go across state or even national boundaries. This apart, unless quantities flowing into various channels are estimated, the relative importance of alternative channels cannot be assessed. Such an analysis was done by Acharya for gram grains in Rajasthan. According to this study, there are three points of entry of gram grain in the marketing channel, viz., farmer level, wholesaler level (from outside the

compete effectively in the open market to get a remunerative price for his produce and to ensure products at affordable prices to the consumers.

The government provides following incentives for opening of the Krushak Bazars in the state:

- (a) Provides 1 to 2 acres of land at suitable place, free of cost, for establishing the bazaar.
- (b) A cluster/group of villages within the proximity of market area and farmers growing vegetable are identified having the surplus produce for sale.
- (c) The identified farmers are allowed to use marketing facilities so that there is no intervention of middlemen and farmers get better prices for their produce.
- (d) Public utility facilities viz., drinking water, electricity, toilet, canteen and rest house are provided to farmers by the Krushak Bazars.
- (e) Identified farmers are provided inputs like seeds and fertilizer at the reasonable prices in the Krushak Bazars, and
- (f) Storage facilities in the market area are also provided to the farmers in Krushak Bazars.

(vii) Mother Dairy Booths

Mother Dairy, basically handling milk in Delhi, was asked to try its hand in retail vegetable marketing by direct purchasing vegetables from the farmers, moving them in specially built vehicles, storing them in air conditioned godowns and distribute them to the consumers through its retail outlets in 1989 after the notorious onion and potato price crisis. Mother Dairy management has opened retail outlets in almost all important colonies of Delhi for providing vegetables to the consumers at reasonable prices.

Market Integration, Efficiency, Costs, Margins and Price Spread

Market Integration

Meaning

Integration shows the relationship of the firms in a market. The extent of integration influences the conduct of the firms and consequently their marketing efficiency. The behaviour of a highly integrated market is different from that of a disintegrated market. Markets differ in the extent of integration and, therefore, there is a variation in their degree of efficiency.

Kohls and Uhl have defined market integration as a process which refers to the expansion of firms by consolidating additional marketing functions and activities under a single management. Examples of market integration are the establishment of

wholesaling facilities by food retailers and the setting up of another plant by a milk processor. In each case, there is a concentration of decision making in the hands of a single management.

Types of Market Integration

There are three basic kinds of market integration.

(i) Horizontal Integration

This occurs when a firm or agency gains control of other firms or agencies performing similar marketing functions at the same level in the marketing sequence. In this type of integration, some marketing agencies (say, sellers) combine to form a union with a view to reducing their effective number and the extent of actual competition in the market. In most markets, there is a large number of agencies which do not effectively compete with each other. This is indicative of some element of horizontal integration. Horizontal integration is advantageous for the members who join the group. Similarly, if farmers join hands and form co-operatives, they are able to sell their produce in bulk and reduce their cost of marketing. Horizontal integration of selling firms is generally not in the interest of the consumers of buyers.

The schematic arrangement of a horizontally integrated firm is shown in Figure 9.1. In this arrangement, there are four firms engaged in buying and selling of foodgrains under the direction of the parent agri-business firm. All the four business firms perform the same type of marketing function but their locations and areas of operations are different. Cases of such an integration are very commonly found. Frequently a firm will have a central headquarter with a large number of local branches that carry on operations at the local level. Such a network enables the organization to achieve the economies associated with size of the firm. It also helps the firm to organize some complex types of operations and services which are needed by the local units but individually, they may not be able to perform with ease and/or efficiency.

(ii) Vertical Integration

Vertical integration occurs when a firm performs more than one activity in the sequence of the marketing process. It is a linking together of two or more functions in the marketing process within a single firm or under a single ownership. For example, if a firm assumes the functions of the commission agent as well as retailing, it is vertical integration. Another example of vertical integration is a flour mill which engages in retailing activity as well.

manufacturer of vanaspati. Such a conglomeration of activities serves as a means of spreading the risk and helps in expanding the activities to additional markets.

Most of the business firms have some degree of vertical integration, horizontal integration and conglomerate character. The main objective of such an arrangement is to undertake closely related activities that will permit them to effectively meet the requirements of their customers. The most common type of integration which exists in our rural markets is that a firm which buys and sells the grains is also engaged in selling of fertilizers, insecticides and pesticides, feed and such other items with the main objective of meeting the multiple needs of their customers, most of whom are farmers.

Degree of Integration

There are two types of integration.

(i) Ownership Integration

This occurs when all the decisions and assets of a firm are completely assumed by another firm. The example of this type of integration is a processing firm which buys a wholesaling firm.

(ii) Contract Integration

This involves an agreement between two firms on certain decisions, while each firm retains its separate identity. When dal mills of an area jointly agree on the pricing of the dals and processed product, it is a case of contract integration. Another example of contract integration is tie up of a dal mill with pulse traders for supply of pulse grains.

Effects of Integration

Integration is an attempt at organizing or co-ordinating the marketing processes to increase operational efficiency and acquire greater power over the selling and/or buying process. Like decentralization, integration in the marketing process may have both advantageous and disadvantageous effects. Whether a particular case of integration is advantageous to society or the individual can be judged by the motive with which it has been undertaken.

The vertical integration of firms may be actuated by the following motives:

- (i) More profits by taking up additional functions;
- (ii) Risk reduction through improved market co-ordination;
- (iii) Improvement in bargaining power and the prospects of influencing prices; and
- (iv) Lowering costs through achieving operational efficiency.

Horizontal integration may be actuated by the following motives:

product and the value of the output at the farm level has been used to estimate gross marketing margin. Based on an aggregate accounting, the gross marketing margin (GMM) as percentage of consumer's price is 19.2 in cereals, 7.2 in oilseeds, 32.9 in fruits and vegetables, 6.7 in milk and milk products, and 37.2 in sugarcane with an overall average of 19.3 per cent for all agricultural commodities. The estimates are shown in Table 3.3.

Table 3.3
Gross Marketing Margins for Major Agricultural Commodities in India Using
Aggregate Accounting Approach Based on data for 1986-87

(Percentages)

Crop Groups/Crops	Gross Marketing Margin
Cereals	19.2
Oilseeds	7.2
Fruits & Vegetables	32.9
Milk and Milk Products	6.7
Sugarcane/Sugar/Gur	37.2
Overall	19.3

Source: Acharya, S.S. Agricultural Marketing in India: Some Facts and Emerging Issues, Indian Journal of Agricultural Economics, 53(3), July-September 1998, pp.311-32.

Factors Affecting the Cost of Marketing

Studies on the cost of marketing reveal that there is a large variation in the cost per quintal or per Rs.100 worth of the produce. The factors which affect marketing costs are:

(i) Perishability of the Product: The cost of marketing is directly related to the degree of perishability. The higher the perishability, the greater the cost of marketing, and vice versa.

(ii) Extent of Loss in storage and Transportation: If the loss in the quality and quantity of produce, arising out of wastage or spoilage or shrinkage during the period of storage or in the course of transportation is substantial, the marketing cost will go up.

(iii) Volume of the Product Handled: The larger the volume of business or turnover of a product, the less will be the per unit cost of marketing.

(iv) Regularity in the Supply of the Product: If the supply of the product is regular throughout the year, the cost of marketing on per unit basis will be less than in a situation of irregular supply or supply restricted to a few months of the year.

(v) Extent of Packaging: The cost of marketing is higher for the commodities requiring packaging.

(vi) Extent of Adoption of Grading: The cost of marketing of ungraded product is higher than that of the products in which grading can be easily adopted.

(vii) Necessity of Demand Creation: If substantial advertisement is needed to create the demand of prospective buyers, the total cost of marketing will be high.

(viii) Bulkiness of the Product: The marketing cost of bulky products is higher than that of which are not bulky.

(ix) Need for Retailing: The greater the need for the retailing of a product, the higher the total cost of marketing;

(x) Necessity of Storage: The cost of the storage of a product adds to the cost of marketing, whereas the commodities which are produced and sold immediately without any storage attract lower marketing cost.

(xi) Extent of Risk: The greater the risk involved in the business for a product (due to either the failure of the business, price fluctuations, monopsony of the buyer or the prevalence of unfair practices), the higher is the cost of marketing.

(xii) Facilities Extended by the Dealers to the Consumers: The greater the facilities extended by the dealer to the consumer (such as return facility for the product, home delivery facility, the facility of supply of goods on credit, the facility of offspring entertainment to buyers, etc.), the higher the cost of marketing.

Reasons for Higher Marketing Costs of Agricultural Commodities

Generally, the cost of marketing of agricultural commodities is higher than that of manufactured products. The factors responsible for this phenomenon are:

(i) Widely Dispersed Farms and Small Output per Farm: There are innumerable producers of agricultural products, each producing a small quantity. Producers are widely dispersed. Hence the cost of assembling is high.

(ii) Bulkiness of Agricultural Products: Most farm products are bulky in relation to their value. This results in a higher cost of transportation.

(iii) Difficult Grading: Grading is relatively difficult for agricultural products. Each lot has to be personally inspected during purchase and sale – a fact which increases

accounted for 7.3 per cent of total exports of AAP in 1990-91 which further increased to 10.8 per cent in 2001-02. Similarly the share of fish and fish preparations increased from 15 to 20 per cent during this period. The relative importance of various commodities in total agricultural and allied products exports has substantially changed during the last four decades.

Table 4.2
Exports of Agricultural and Allied Products from India

(Value in Rs. crores)

Commodity	1960-61	1970-71	1980-81	1990-91	1995-96	2001-02
Tea and Coffee	131	173	640	1332	2674	2814
Oil cakes/meals	145	55	125	709	2349	2263
Tobacco	16	33	141	263	447	808
Cashew kernels	19	57	140	447	1237	1652
Spices	17	39	11	239	794	1497
Sugar and Molasses	30	29	40	38	506	1712
Raw Cotton	12	14	165	85	204	43
Rice	-	5	224	462	4568	3174
Fish & Fish Preparations	5	31	217	960	3381	5897
Meat & meat preparations	1	3	56	140	627	1193
Preparations Fruits, Vegetables & Pulses	6	12	80	216	802	1560
Processed Foods	1	4	36	213	745	1236
Others	32	31	182	952	2804	5393
Total Agricultural and Allied products	284	487	2057	6317	21138	29312

Source: Economic Survey 2002-03, Ministry of Finance and Company Affairs, Economic Division, Government of India, New Delhi, pp.S-84-86.

86.SILK CARPET	95.05	21.48	118.28	26.05
87.FRUIT / VEGETABLE SEEDS	75.67	17.10	97.65	21.51
88. MICA	69.07	15.61	69.07	15.21
89.NIGER SEEDS	53.70	12.13	56.61	12.47
90.MOLLASES	26.93	6.09	119.37	26.29
Total	404,719.56	91,452.54	510,488.44	112,437.68

Recent Policies on Trade

Export-Import Policy, 1992-97

The Government of India announced a new five year export-import policy effective from April 1, 1992 which gave further push to liberalization of imports and intended to give significant boost to exports. Under this policy, the international trade was made free subject to a negative list of imports and exports. But as far as farm products and related goods are concerned, most of them remained a part of the negative list, as per the following details:

Negative List of Exports

(i) Permitted Subject to Licensing -

Coconut, copra, seeds and planting materials, cotton seed, vegetable oils, groundnut cakes, rice bran, milk, cattle, camels, chemical fertilizers.

(ii) Permitted through Canalising Agency -

Onion (NAFED), Niger Seed (NAFED/ RIFED), Powdered Milk (NDDB), Ghee (NDDB).

(iii) Permitted without a licence but subject to terms and conditions -

Basmati rice, non-basmati rice, wheat, barley, maize, bajra, jowar, ragi, HPS groundnut, raw cotton (Bengal desi, Assam comilla, staple cotton, yellow picking), sesame seed, sugar, gram and gram flour, wheat flour, deoiled groundnut cake, deoiled rice bran, VFC tobacco, soyabean extractions, cotton yarn, black pepper etc.

Negative List of Imports

(i) Canalised Items -

All fertilizers (MMTC), edible oils (STC, HVOC), seeds of oilseed crops (STC, HVOC), Cereals (FCI).

(ii) Restricted Items -

Livestock, plants, seeds and other materials (licence from the department of Agriculture).

The import of pulses, raw cashewnut, seeds of vegetables and flowers, plants, tubers and bulbs of flowers etc., were placed in the negative list.

The philosophy underlying these massive trade policy reforms include the following:

(i) Trade – both exports and imports can flourish in a free regime.

5. Rice is an important non traditional good exported from India. (True)
6. Code of conduct established by GATT does not permit the member countries to consult each other to overcome trade problems. (False)
7. GATT was a bilateral treaty to liberalise the world trade. (False)
8. As per WTO provisions, countries will have the freedom to increase the import duty if dumping is proved. (True)
9. Reduction commitment is more for developed countries than for developing countries in the case of AMS. (True)
10. Reduction commitment is less for developed countries than for developing countries in the case of export subsidies. (False)

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CHAPTER.5

COOPERATIVE AGRICULTURAL MARKETING INSTITUTIONS

Co-operative Marketing

The establishment of co-operative marketing societies was another step which has been taken to overcome the problems arising out of the present system of marketing agricultural produce. The objectives of economic development and social justice can be furthered by channelising agricultural produce through cooperative institutions.

Private agencies dominate the Indian food grains trade. Farmers complain of the marketing system because they get lower prices, due mainly to high marketing charges and the prevalence of malpractices. The efforts of the government to improve the marketing system of agricultural commodities have been only partially successful in creating healthy conditions for scientific and efficient marketing. Moreover, the progress of regulated markets is not uniform in all areas. The need for strengthening co-operative organization has, therefore, been recognized for the marketing of the produce of farmers and for making inputs available for them at the right price and time. The co-operative institutions are expected to function as competitors of private traders in the market. These organizations pool the produce of the small farmers having a small surplus to market and improve their bargaining power. They have also helped government agencies in the execution of the policy decisions bearing on the procurement and distribution of food grains and other essential commodities.

Meaning

A co-operative sales association is a voluntary business organization established by its member patrons to market farm products collectively for their direct benefit. It is governed by democratic principles, and savings are apportioned to the members on the basis of their patronage. The members are the owners, operators and contributors of the commodities and are the direct beneficiaries of the savings that accrue to the society. No intermediary stands to profit or loss at the expense of the other members.

Co-operative marketing organizations are associations 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 of 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 of 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 the facilities of grading and market information which may help them to get a good price for their produce;
- (vi) To introduce the system of pooling stocks 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 foodgrains 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 cost of transportation; and
- (x) To arrange for the supply of the inputs required by the farmers, such as improved seeds, fertilizers, insecticides and pesticides.

History

The history of co-operative marketing in India dates back to 1912, when the Co-operative Marketing Societies Act, 1912 was passed. The first Co-operative Society was formed in Hubli in 1915 to encourage cultivation of improved cotton and to sell it collectively. In 1918, The South Canara Planters Co-operative Sale Society was formed in the then Composite Madras Province for joint sale of arecanut. The Royal

An integrated programme of co-operative development embracing credit, marketing, processing, warehousing and storage has been formulated. The important features of the integrated system are linking up of credit with marketing, development of agro-processing on co-operative lines and promotion of storage and warehousing.

Cooperative Processing

Co-operative processing is also making good progress in addition to co-operative marketing. The structure of processing units established in the co-operative sector is of two distinct patterns, i.e., those which are set up by independent processing societies, such as co-operative sugar factories and spinning mills and those which are established as adjuncts of co-operative marketing societies, e.g., small and medium co-operative processing units, such as rice mills, jute baling mills and cotton spinning and processing units.

Progress

Information on the progress of co-operative marketing societies in India is given in Table 5.1.

Table 5.1
Progress of Co-operative Marketing and Processing Societies in India

Particulars	1960-61	1970-71	1980-81	1991-92
1. Primary Agricultural Co-operative Marketing Societies				
(a) Number of societies	3108	3222	3789	7871
(b) Membership (Lakhs)	13.93	26.71	34.51	48.27
2. Value of agricultural produce marketed by Co-operatives (Rs. Crores)	179	649	1950	7100
3. Value of agricultural inputs distributed by Co-operatives (Rs. Crores)	36	317	1114	2475
4. Number of co-operative Sugar factories (licensed)	56	123	179	231
5. Number of Cotton Co-operative Ginning & Processing Societies	155	234	327	327
6. Total Agro processing units in the	300	-	-	2300

co-operative sector				
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The value of agricultural produce marketed through the co-operative marketing societies increased from Rs.53 crores in 1955-56 to Rs.7871 crores in 1991-92. The produce marketed through these societies account for 8 to 10 per cent of the marketed surplus. The important commodities marketed by these societies are foodgrains, sugarcane, cotton, oilseeds, fruits, vegetables and plantation crops. The progress of co-operative marketing societies has varied from State to State and within each State from commodity to commodity. Maharashtra, Uttar Pradesh, Gujarat, Punjab, Karnataka, Tamil Nadu and Haryana together account for more than 80 per cent of the total agricultural produce marketed through co-operatives in the country.

The other important function performed by these societies is the marketing of agricultural inputs viz., fertilizers, improved seeds, insecticides, pesticides, agricultural implements and machinery. Over 70,000 retail outlets of these societies deal in these inputs. The value of agricultural inputs marketed by co-operative marketing societies has increased from Rs.36 crores in 1960-61 to more than Rs.2475 crores in 1991-92.

During the last forty years, the number of Primary Agricultural Cooperative Marketing Societies increased from 3108 in 1960-61 to 7871 in 1991-92. By the end of March, 1992, there were 2733 general purpose primary co-operative marketing societies, 4938 special commodity primary co-operative marketing societies, 191 district/regional marketing societies and 19 state co-operative marketing federations. These apart, there are 16 commodity-marketing federations, National Agricultural Cooperative Marketing Federation (NAFED) and National Cooperative Development Corporation (NCDC) at the national level. The value of produce handled by the cooperatives multiplied manifold from Rs.179 crores in 1960-61 to over Rs.7100 crores in 1991-92. In addition, these institutions had supplied inputs to their members for agricultural activities valued at Rs.2475 crores in 1991-92 compared to Rs.36 crores in 1960-61. The cooperatives have continued to maintain their share at around 30 per cent in the total fertilizers distributed to the farmers in India.

The cooperatives have constructed warehouses with a total storage capacity of 13.55 million tones by the end of March, 2000 compared to 8.0 lakh tones by the end of March, 1961. For specific commodities viz., cotton and oilseeds, growers societies in cooperative sector also exist at regional level with state level federations at state level to deal with the specific problems in marketing of these crops produced in specific areas. For the benefit of sugarcane growers, there are 231 cooperative sugar factories in the

- (ii) Farmers are indebted to local traders and enter into advance contracts with them for the sale of the crop;
- (iii) Farmers are in immediate need of cash after the harvest to meet their personal obligations. They, therefore, sell their produce to local traders; they cannot wait for the time required to move the produce to the mandi;
- (iv) There is lack of loyalty among members to co-operative marketing societies because of their poor education and absence of the co-operative feeling;
- (v) In some cases rivalries among farmer-members result in indecision, which hampers the progress of the societies;
- (vi) Members lack confidence in co-operative organizations, for most of the co-operative sector enterprises run at a loss;
- (vii) The societies do not act as banks for the farmers;
- (viii) Managers of societies do not offer business advice to members;
- (ix) Societies do not provide facilities of food and shelter to farmers when they visit the market for the sale of the produce;
- (x) The managers of the societies are often linked with local traders and become impersonal to the needs of a majority of small and marginal farmers;
- (xi) There is lack of sufficient funds with the societies to meet the credit needs of the farmers against pledging of the produce brought for sale. Nor do they make an advance payment on the value of the produce purchased or sold through them;
- (xii) Co-operative marketing societies are not capable of carrying on their business in competition with traders and commission agents, because of the absence of adequate business expertise among their employees; and
- (xiii) There is a lack of sufficient storage facilities with the societies. They, therefore, try to dispose of the produce soon after their arrival; a fact which results in lower prices for the farmers.

Suggestions for Strengthening of Cooperative Marketing Societies

- (i) The area of the operations of the societies should be large enough so that they may have sufficient business and become viable. Most of the societies at present are not viable because of the small volume of their business.
- (ii) Co-operative marketing societies should develop sufficient storage facilities in the mandi as well as in the villages.
- (iii) The societies should give adequate representation to the small and marginal farmers in their organizational set-up.

Exports – Exports of agricultural commodities through the co-operative marketing system developed on a large scale after the establishment of NAFED. The NAFED exports agricultural commodities, particularly onions (canalized), potatoes, ginger, garlic, nigerseed, sesameseed, gum, deoiled cake of groundnut, soyabean and cottonseed, fresh and processed fruits and vegetables; spices – black pepper, cardamom, turmeric, cuminseed, coriander seed; cereals – rice, barley, bajra, jowar, and ragi and jute bags to various countries including Sri Lanka, England, Mauritius, Australia, Belgium, Canada, Fiji, Hong Kong, Japan, Malaysia, the USA and number of African, West Asian and Gulf countries.

The market intervention undertaken by NAFED has many times helped the growers of such crops as onion, potato, copra, chillies and other's in realizing reasonable prices even in those years when market prices crashed. Export turn over of NAFED in lakhs of Rs. over five years from 2004-05 is presented in Fig. 5.2.

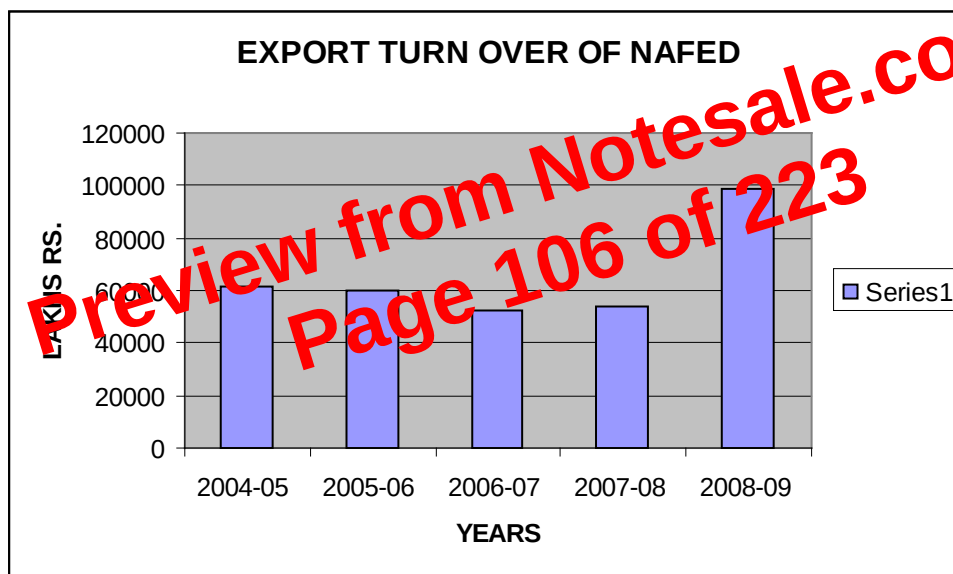


Fig. 5.2 Export Turn Over Of NAFED Over years

Imports – The NAFED also arranges for the imports of pulses, fresh fruits, dry fruits, nutmeg (Jaiphal), mace (Javitri), wetdates and chicory seeds and inputs particularly fertilizers and machinery as and when asked to do so by the Government.

(c) Price Support Operations

NAFED is being appointed as the agency of the government to undertake support price purchases of commodities like groundnut since 1976-77, soyabean and mustard seed since 1977-78, gram, tur, moong and urad since 1978-79 and bajra, jowar, maize, barley, toria and sunflower seed since 1985-86. Government of India has

procure only half of the targeted quantity of 8.5 million tones of wheat. The reasons of the failure of the scheme were:

- (i) Very low procurement prices, i.e., Rs.76 per quintal;
- (ii) Coaxing farmers by disgruntled traders. Traders were the main sufferers when this scheme was introduced; and they undermined the arrivals of wheat in the market;
- (iii) Over-estimation of the marketable surplus in various States;
- (iv) Inconvenient public purchase system resulting in a long wait by farmers for many hours, and sometimes for more than one day for their turn to hand over the produce and get payment for it. Farmers had to travel long distances to sell their produce at official depots;
- (v) Skewed distribution of marketed surplus in favour of big farmers, who have retention power;
- (vi) Slackness on the part of State Governments in implementing the policy because of lack of sufficient and experienced staff capable of handling the work; and
- (vii) Lack of storage facilities with the government for storing the procured foodgrains.

The government realized that taking over rice trade would be much more difficult than wheat trade due to its location on a wide area in the country and also due to the existence of surplus regions within deficit states. Hence government gave away the complete wholesale trade to co-ops. However, partial state trading has continued mainly through Food Corporation of India and National Agricultural Cooperative Marketing Federation.

EXPORTS FROM INDIA

STC exports a diverse range of items to a number of destinations throughout the world. Exports by STC vary from traditional agricultural commodities to sophisticated manufactured products. Besides negotiating, contracting and shipping, STC seeks to introduce new products, explore new markets and undertake wide ranging ancillary functions such as Product Development, Financing, Quality Control and Import of machinery and raw materials for export production. STC makes purposeful use of its world-wide connections, abundant experience, up-to-date information about the market trends and long term perspective on various commodities to ensure competitive prices, right quality and adherence to delivery schedules to the buyers abroad.

assessment, testing and development of test methods have assumed statutory status. The ISI was a registered society and statutory powers were confined to it only in respect of the operation of the certification marks activity.

Over the past five decades, it has built up over 17,000 Indian Standards covering products in different sectors like food and agriculture, chemicals, civil, mechanical and electrical engineering, electronics, textiles and many other products. The standards are constantly reviewed and updated to keep pace with technological innovations and the new social needs. The production of small-scale items based on Indian standards provides competitive capability with large-scale sector.

The Bureau has also made special efforts in the sphere of rural development by formulating over 2,000 standards relevant to the rural sector in areas of agricultural inputs like fertilizers, pesticides, agricultural machinery and farm implements, pumping sets, gobar gas plants and also in the sphere of post-harvest technology. The BIS has also formulated three standards for water.

The Bureau is one of the largest certification agencies with over 11,000 licences in operation for a wide range of products. It has become an institution of quality assurance for the consumers.

Standards certification is mandatory for items of mass consumption particularly those affecting health and safety of the consumers. Provision of voluntary certification for items such as colour television control switches, sodium vapour lamps, jute and canvas products, bus and truck tyres and greases also exists.

Some of the latest highlights of BIS activities are:

- (i) BIS has adopted IS/ISO 9000 series of standards. Now BIS quality certification is on the lines of international norms and is accredited by RVA Netherlands.
- (ii) With growing concern for environmental friendly industrial activity, BIS has started ISO 14001 EMS Certification.
- (iii) BIS is also undertaking HACCP certification. HACCP Certification is a process control system designed to prevent microbial and other hazards in food production. It is based on Quality Management System and IS 15000 which is equivalent to CODEX ALI NORM 97/13A.
- (iv) BIS also works as central enquiry point for WTO.
- (v) BIS has so far formulated more than 17000 standards.
- (vi) BIS has also formulated three Indian standards for water.

(d) Mark of FPO

The products carrying a mark of FPO in an oval with two hanging strips (making inverted – V shape) is mandatory on packed containers of fruits and vegetables processed products. This indicates the quality of the product and conveys that the production of processed fruit products has been carried out under clean and sanitary conditions. This mark is issued by the Ministry of Food Processing Industries of Government of India, New Delhi.

Currently, there are 27 laws relating to food in the country. The Government of India has constituted a group of Ministers to prepare a modern food law by integrating all of the multifarious laws and regulations.

Consumer Education and Research Centre (CREC)

The Consumer Education and Research Centre (CREC) is a political, non-profit organization situated at Ahmedabad. It is a public charitable trust registered under the Bombay Public Trust Act, 1950. The CREC is recognized as consumer organization by the Government of Gujarat. This is the only consumer organization recognized as Research Institute by the Central Government on the recommendation of the Department of Science and Technology.

The main objectives and functions of this centre are:

- (i) To create an enlightened consumer consciousness and public opinion through the mass media;
- (ii) To study analytically and do research on the working of the public utility services;
- (iii) To carry academic programmes for training the workers and leaders for consumer protection;
- (iv) To approach the legislators for lobbying with them for taking up consumer protection issues on the floor of parliament/assemblies.
- (v) To mobilize and motivate people and other voluntary organizations for protection of consumers from various ills in the society.
- (vi) To take recourse to court for redressal of grievances of the consumers.
- (vii) To establish a two-way dialogue with the consumer organizations in the country and those of abroad for mutual benefit and support;
- (viii) To set up consumer product testing laboratory for testing and evaluation of the product such as food, pharmaceutical and domestic electric appliances; and
- (ix) To set up consumer library with facilities for increasing the consumers' knowledge.

While foodgrains, sugar and fertilizers occupy 78 per cent of the total utilized storage capacity, in the remaining 22 per cent are stored cement, chemicals and other commodities. Warehouses of the corporation are fairly full all through the year.

Besides the conventional storage godowns, the Central Warehousing Corporation is running air-conditioned godowns at Kolkatta, Mumbai and Delhi, and provides cold storage facilities at Hyderabad. Special storage facilities have been provided by the Central Warehousing Corporation for the preservation of hygroscopic and fragile commodities. The Corporation has been able to evolve a technique for a proper and scientific preservation of jaggery during the hot and rainy seasons by selective aeration and controlled conditions. It has set up special warehouses at some centres for the storage of jaggery. The jaggery stored in warehouses fetches a premium price in the market. The Corporation has also evolved techniques for the storage of spices, coffee, seeds and other commodities.

The Corporation is operating a number of customs bonded warehouses at important centres in Delhi, Amritsar, Ludhiana, Kolkata, Kandla, Ahmedabad, Baroda, Surat, Bhopal, Cochin, Ernakulam and Mumbai to enable exporters/importers to keep their commodities in a good condition pending their shipment. It has also undertaken the storage and handling of export and import cargo at the International air-port at Palam, New Delhi. At this complex, all the facilities, including inspection and clearance by customs, the payment of duty into the bank, and space for clearing agents, have been provided by the corporation. It has put up a similar air cargo complex at Amritsar for the export/import of goods. It has been expanding its capacity at the port towns to serve the industry and co-operative bodies. It has already established a sizeable capacity at Mumbai, Kolkata, Cochin, Chennai, Mangalore, Paradeep, Kandla, Haldia and Vizag.

The Corporation has introduced a scheme, called the Farmers Extension Service at selected centres to educate farmers about the benefits of a scientific storage and use of public warehouses. The Central Warehousing Corporation also provides a package of services, such as handling and transport, safety and security of goods; insurance, standardization, documentation, and other connected services and facilities.

Administrative Setup

The Corporate Office is located at "WAREHOUSING BHAWAN" 4/1 Siri Institutional Area, August Kranti Marg, New Delhi - 110016. CWC has 17 Regional Offices located in major state capitals of the country. The details of the Senior Executives is as under:

Our Services offered by CWC

Scientific storage and handling services for more than 400 commodities include Agricultural produce, Industrial raw-materials, finished goods and variety of hygroscopic and perishable items. Scientific Storage Facilities for more than 200 commodities including hygroscopic and perishable items through network of 487 warehouses in India with its 5,765 trained personnel. Import and Export Warehousing facilities at its 36 Container Freight Stations in ports and inland stations. Bonded Warehousing facilities, Disinfestation services Handling, Transportation & Storage of ISO Containers.

CWC'S FORAYS INTO DEVELOPMENT OF RAILSIDE COMPLEXES

Railways has vast network for not only operating passenger trains but also for freight movement, an imminent need was assessed to augment the utilization level of Railway transportation system so as to reduce the pressure on road traffic by making it cost effective and efficient operation for the trade. As such, concept of Rail Side Warehousing facilities was evolved by the Corporation as value addition to the rail transport system which extends benefits to the users in avoiding multiple handling of their stocks and resultant escapable losses on this account, curtailing handling cost and having a hassle free efficient operation. For transforming the concept into tangible shape, CWC successfully developed a pilot project of Rail Side Warehousing facility at Whitefield, Bangalore in association with South Western Railway in February 2002 and on the strength of fruitful effect of this project on the front of increase in traffic/freight revenue and the kind of satisfaction that trade enjoyed out of it on availing this value added services in the arena of rail transportation, CWC and Ministry of Railway joined their hand in the avenue of developing Rail Side Warehousing facilities at 22 strategic locations of Railway Terminal to provide better services through total logistic solution to Rail users for, not only to attract additional traffic, but also to provide a cost beneficial and efficient transport cum storage service to the trade under single window concept.

Under the purview of MoU entered between MoR and CWC, the Corporation has commenced the expansion of RWC facilities at Whitefield, Bangalore to meet even growing demand of users. The Corporation has started construction of RWC facilities at Nishatpura (Bhopal) - West Central Railway; Shakurbasti (Delhi); Alamnagar (Lucknow); Roza (Shahjahanpur) - all under Northern Railway and Sanathnagar (Hyderabad) - South Central Railway after the agreements entered with respective Divisional Railway Managers. A subsidiary in the name of "Central Railside Warehouse Company Ltd." was

District Offices(as on 01.10.2008) and 1470 depots (as on 01.01.2007). Most of the Revenue Districts in the country are covered by FCI. It has a manpower of 33,473 officers and staff /employees as on 31.03.2010 and about 53,646 regular food handling workers besides approximately one lakh food handling contract labourers being engaged by the Handling & Transport Contractors, as on 31.03.2010. The general superintendence, direction and management of the affairs and business of the Corporation shall vest in a board of directors which exercise all such powers as may be exercised or done by the Corporation under this Act. The board of directors, in discharging its functions, act on business principles having regard to the interest of the producer and consumer and shall guided by such instructions on questions of policy as may be given to it by the Central Government.

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

Functions

The main functions of the Food Corporation of India are:

- (a) To procure a sizeable portion of the marketable surplus of foodgrains and other agricultural commodities at incentive prices from the farmers on behalf of the Central and State Governments;
- (b) To make timely releases of the stocks through the public distribution system (fair price shops and controlled items shops) so that consumer prices may not rise unduly and unnecessarily;
- (c) To minimize seasonal price fluctuations and inter-regional price variations in agricultural commodities by establishing a purchasing and distribution network; and
- (d) To build up a sizeable buffer stock of foodgrains to meet the situations that may arise as a result of shortfalls in internal procurement and imports.

Growth and Structure

The Corporation discharges its responsibility to the nation through a country wide network of offices and points of contact, it is divided into five zones, each region

Agricultural Marketing Trade and Prices

Assam	2.71	0.65	2.50	5.86
Bihar	6.71	1.24	2.65	10.60
Chhatisgarh	8.28	2.79	8.33	19.40
Delhi	3.67	1.51	0.00	5.18
Goa	0.15	0.41	0.00	0.56
Gujrat	6.62	7.95	1.52	16.09
Haryana	23.44	5.07	16.81	45.32
Himachal Pradesh	0.25	0.07	0.00	0.32
Jammu & Kashmir	1.29	0.00	0.00	1.29
Jharkhand	1.20	0.35	0.00	1.55
Karnatka	8.44	6.70	9.18	24.32
Kerala	5.37	1.23	2.02	8.62
Madhya Pradesh	10.56	5.36	18.86	34.75
Maharashtra	19.18	16.98	12.65	49.82
Manipur	0.20	0.00	0.00	0.20
Meghalaya	0.26	0.00	0.11	0.37
Mizoram	0.23	0.00	0.00	0.23
Nagaland	0.23	0.13	0.00	0.41
Orissa	6.60	3.16	4.09	13.85
Punjab	69.76	6.69	52.07	128.52
Rajasthan	15.53	3.99	7.67	27.19
Sikkim	0.11	0.00	0.00	0.11
Tamilnadu	9.70	6.32	6.37	22.39
Tripura	0.51	0.24	0.00	0.75
Union Territories	3.51	0.22	0.00	3.73
Uttar Pradesh	26.55	11.65	32.60	70.80
Uttara Khand	2.38	0.71	0.00	3.09
West Bengal	11.10	6.38	2.50	19.98
Grand Total	282.68	105.67	205.24	588.62

Internal Resources

The Corporation has been generating internal resources which have grown significantly over the years and are sufficient for funding its own storage construction programmed as well as contributing to the State Warehousing Corporation equity.

The Central Warehousing Corporation has 17 associates in the State Warehousing Corporations offers with operated capacity 315.25 Lakh MTs at 1993 locations . The Total investment of the Central Warehousing Corporation, is Rs. 60.12 crores shareholder in the equity of State Warehousing Corporation as on 31.03.09. The State Warehousing Corporation paid a total dividend of Rs. 268.88 crores to the Central Warehousing Corporation during 2008-09 .

The cover storage capacity available with the State Warehousing Corporation is given in following table. (in Lakh Tonnes)

As on	Owned	Hired	Total
31.03.2000	82.20	41.54	123.74
31.03.2001	105.80	41.33	147.13
31.03.2002	104.28	58.50	182.78
31.03.2003	151.55	47.76	199.31
31.03.2004	138.05	48.76	206.81
31.03.2005	128.84	66.36	195.20
31.03.2006	111.64	69.41	197.05
31.03.2007	119.55	72.65	192.20
31.03.2008	124.27	63.05	187.32
31.03.2009	126.30	70.52	196.82
01.02.2010	133.08	72.16	205.24

Utilization of Warehousing Capacity

The utilization of warehousing capacity of the Central Warehousing Corporation was only 42 per cent in 1959-60, which increased over time to 96 per cent in 1970-71. The utilization of the capacity of State Warehousing Corporations increased from 64 per cent in 1960-61 to 75 per cent in 1968-69. At present, about 85 per cent of their storage capacity is being utilized. Of the total storage capacity with CWC, 57 per cent is utilized for foodgrains, seven per cent for fertilizers and 36 per cent for other purposes. But the available storage capacity, is mostly utilized by traders or public agencies. A study has indicated that only 29 per cent of the warehousing capacity of the Central Warehousing

Considering the fact that an average farmer may not need and have access to mechanical refrigerated cold stores; ventilated storages like direct evaporation cooled structures; energy cool chambers; cool homes and forced evaporation cool stores have been developed. These structures provide relatively lower temperature and high humidity as compared to ambient conditions because of natural/forced evaporative cooling. These can be constructed with locally available materials. The zero energy cool home, AADF CIP design cool home and two-tier structures can be afforded by the farmers on their farms. However, other improved structures can be constructed by growers co-operatives or owners of large size farms.

The Associated Chamber of Commerce and Industry (Assocham), highest body of the Chambers of Commerce of India (CCI), providing a forum for dialogue between business and government said in its report "Food Processing and Agri Business" that the country is short by 10 million tonnes of cold storage capacity due to which about 30-40% of agricultural produce goes waste every year. The report is jointly prepared by Assocham and international advisory company – KPMG.

According to Assocham's latest study report, against a requirement of over 31 million tonnes of cold storage, India has a capacity of nearly 21.7 million tonnes, leading to a loss of about 40% of the agri produce post harvest. About the new study on cold storages S. Jindal, president – Assocham, said, "Cold storage facilities now available are mostly for single commodity like potato, orange, apple, grapes, pomegranate and flowers, resulting in poor capacity utilisation. Long and fragmented supply chain in India along with inefficiencies lead to huge losses due to wastage or shrinkage of perishable commodities." The industry body has also asked the government to build new cold chain infrastructure to increase its storage capacity.

At present, the Indian cold chain market is worth \$2.6 billion. This market is expected to grow to \$12.4 billion by 2015. Uttar Pradesh and West Bengal have 65% of the total installed capacity of cold storage in the country. Cold chains are used primarily for fruits and vegetables, meat and marine products, floriculture, dairy products, ice creams and confectionery. Further, the report said that entire supply chain in the country is dominated by unorganised players with several intermediaries adding to wastage from farm to consumer via retailer, processor or exporter. In a long supply chain, one level is unaware of requirements of next level, leading to disconnection between farmer and processor. Secondly, absence of any structured market hampers discovery of correct price and availability of consistent quality of produce.

3. Warehouses do not provide market intelligence to persons who hold their produce there. (False)
4. A farmer cannot store the commodity in a public warehouse. (False)
5. Bonded warehouses are meant for use by exporters and importers only. (True)
6. State warehousing corporation cannot get loan from the National Cooperative Development and Warehousing Board (False)
7. Only notified commodities could be stored in the central warehousing corporation godowns. (True)
8. Central government is providing up to 50 per cent of the capital cost for constructing rural godowns as back ended subsidy (False)

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CHAPTER 8

AGRICULTURAL PRICES AND RISK MANAGEMENT

Administered Prices

Commission for Agricultural Costs and Prices (CACP)

Another method of intervention in the market mechanism has been the announcement of different administered prices viz., minimum support prices, statutory minimum prices, procurement prices and issue prices. These prices are announced for different agricultural crops by the Government of India on the recommendations of Commission for Agricultural Costs and Prices (CACP). This Commission was originally set up in January, 1965 in the name of the Agricultural Prices Commission (APC).

- (i) The Agricultural Prices Commission was set up on the recommendations of the Foodgrains Prices Committee headed by Shri L.K.Jha with the aim of advising the Government on price policy of agricultural commodities with due regard to the interests of both producers and consumers. The price policy of the country aims at evolving a balanced and integrated price structure taking into account the overall needs of the economy and with due regard to the interests of both the groups of the economy.

Price Policy

The government has formulated a price policy for agricultural produce that aims at securing remunerative prices to farmers to encourage them to invest more in agricultural production. Keeping this in mind, the government announces minimum support prices for major agricultural products every year. These prices are fixed after taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP). The Commission of Agricultural Costs and Prices while recommending prices takes into account important factors, such as:

Cost of production

Changes in input prices

Input/Output Price Parity

Trends in market prices

Inter-crop Price Parity

Demand and supply situation

Effect on Industrial Cost Structure

Effect on general price level

Effect on cost of living

(ii) The highly competitive character of the market smoothen out price fluctuations and ensures an even flow of goods from the purchaser to the consumer, avoiding gluts in the peak season and shortages in the slack seasons;

(iii) It brings about an integration of the price structure of commodities at different points of time in the same way as transportation and communications bring about an integration of prices in different parts of the market;

(iv) It facilitates large purchases and sales of the commodity at short notice in advance of delivery and in the absence of production; and

(v) It brings about a co-ordination of the current and future expectations by a continual revaluation of stocks of goods in the light of the changing supply and demand conditions.

Dangers of Forward Market

The dangers arising out of the forward market are:

(i) The 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.

(ii) It enables 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.

Forward Market Commission

The Forward Market Commission (FMC) was established Under Section 3 of the Forward Contracts (Regulation) Act, 1952 and has executive as well as advisory functions. The functions assigned to the commission are:

(i) To advise the government in respect of recognition or withdrawal of recognition of associations conducting forward trading.

(ii) To keep forward markets under observation.

(iii) To draw the attention of the government to the various developments that are taking place in the different forward markets with suitable recommendations.

(iv) To collect and publish information as regards trading conditions in respect of markets falling under its jurisdiction.

(v) To submit periodical reports to government on the operation of the Act and on the working of the forward markets, and

(vi) To inspect accounts of recognized associations generally with a view to improving the organization and working of forward markets.

Contract Farming/Contract Marketing

(Farmer – Processor Linkages)

Meaning

Contract farming or marketing essentially is an arrangement between the farmer-producers and the agri-business firms to produce certain pre-agreed quantity and quality of the produce at a particular price and time. It can only be a pure procurement transaction or can extend to the supply of inputs or even beyond.

Contract farming is emerging as an important mode of procurement of raw materials by agri-business firms in India due to the development in the field of agricultural marketing, changes in food habits and in agricultural technology in the new economic environment. This is an important initiative for reducing transaction costs by establishing farmer-processor linkages in addition to the already existing methods of linking the farmers to the consumers.

The distinction between 'sales' and 'contract to sell' needs to be understood clearly. In the case of sale, the title or ownership of goods is transferred at once whereas in the 'contract to sell', the goods are transferred at a later date. A contract to sell is not in the true sense of the word a sale, rather it is merely an arrangement to sell. A contract is an agreement but an agreement is not necessarily a contract.

In contract farming, companies or organizations engaged in processing and marketing of agricultural products are entering into contracts with the farmers. They provide inputs to the farmers and buy back the product at a rate specified in advance. Following type of inputs and services are normally provided by the company to the farmers:

- Seeds of the variety they need for processing/marketing
- Guide lines to grow the crops
- Pesticides which do not result in residual toxicity
- Extension services
- Fertilizers/hormones required for the crop
- Other material if not locally available.

The contract may be entered into by parties anytime from the start of the sowing or planting to the harvesting, processing, packaging and marketing stage of the crop.

(i) Contract farming is involved mostly in cash crops which may lead to shift in area from food crops which, beyond a limit may endanger food security, biodiversity and agricultural crops cycle of the country.

(ii) Contract farming may create the danger of imposition of undesirable seeds.

(iii) The temptation of getting commercial profits from cultivation of a variety of the crop may cause permanent damage to the land.

(iv) Market making outside the country may cause market breaking inside the country.

However, contract farming is a welcome development. But the contract should be made under high scrutiny possibly because of exploitation of the farmers. The terms of the contract should be spelt out in advance and a consent letter is obtained both from the farmer and the company. The government should establish a monitoring mechanism and a dispute settlement body to ensure that both parties adhere to the terms of contract.

Experience in Contract Farming

The following companies are presently under the tie-ups in India for contract farming for the products specified:

Poultry	- Contract farming of broilers between the Coimbatore hatchery with farmers
Pulpwood	- ITC WIMCO/JK Papers and farmers in Andhra Pradesh, Orissa, Punjab and Uttar Pradesh.
Organic dyes	- Marigold farmers and extraction units in Coimbatore.
Dairy Processing	- Chitale of Pune and small farmers in Maharashtra and Gujarat.
Tomato Pulp	- Pepsi Company and farmers of Punjab and Rajasthan for tomato growing
Exotic vegetables	- Trikaya Foods/VST and small farmers of Maharashtra and Andhra Pradesh
Mushrooms	- NAFED and Sonapat (Haryana) farmers
Gherkins	- Exporters with farmers of Bangalore
Edible oils	- ITO Agro-Tech and sunflower cultivators in Andhra Pradesh and Karnataka

Other areas where farmer processor linkage (contract farming) are being practiced in India are: