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level of financial literacy and inclusion, a plan  
is being conducted by the Reserve Bank. Target-specific  
content for five target groups, viz., farmers, small  
entrepreneurs, self-help groups (SHGs), school students  
and senior citizens is also being designed for tailored financial  
literacy programmes conducted by Financial Literacy Centres  
(FLCs). As on March 2016, 1,384 FLCs were operational.

### Progress under FIPs

Progress under FIPs (Financial Inclusion Plans) upto  
September 30, 2016 is as follows:<sup>22</sup>

- (i) The number of banking outlets in rural locations went up from 67,694 in March 2010 to 5,89,849 in September 2016;
- (ii) Urban locations covered through BCs went up from 447 in March 2010 to 91,039 in September 2016;
- (iii) The total number of Basic Savings Bank Deposit Accounts (BSBDAs) increased from 73.5 million in March 2010 to 495.2 million in September 2016;
- (iv) The total number of KCCs issued went up from 24.3 million in March 2010 to 46.4 million in September 2016;
- (v) General credit cards issued went up from 1.4 million in March 2010 to 11.5 million in September 2016;
- (vi) BC-ICT transactions recorded a considerable increase during these years. From 26.5 million transactions recorded for the quarter ended March 2010, it increased to 550.6 million in the quarter ended September 2016.

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## AGRICULTURAL MARKETING IN INDIA

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For a long period of time Indian agriculture was mostly in the nature of 'subsistence farming'. The farmer sold only a small part of his produce to pay-off rents, debts and meet his other requirements. Such sale was usually done immediately after harvesting of crops since there were no storing facilities. A considerable part of the total produce was sold by the farmers to the village traders and moneylenders often at prices considerably lower than the market prices. The farmers who took their produce to the *mandies* (wholesale markets) also faced a number of problems as they were confronted with powerful and organised traders. In *mandies*, business was carried out by *arhatiyas* with the help of brokers, who were the agents of *arhatiyas*. In fact, there was a large chain of middlemen in the agricultural marketing system like village traders, *kutchas*

*arhatiyas*, *pucca arhatiyas*, brokers, wholesale, retailers, moneylenders, etc. As a result, the share of farmers in the price of agricultural produce was reduced substantially. *Arhatiyas* and brokers, taking advantage of the ignorance and illiteracy of the farmers, used unfair means to cheat them. The farmers were required to pay *arhat* to the *arhatiyas*, *tulaii* for weighing the produce, *palledari* to unload the bullock-carts and for doing other miscellaneous types of allied works, *garda* for impurities in the produce, and a number of other undefined and unspecified charges. These charges often varied from person to person. Another malpractice in the *mandies* related to the use of wrong weights and measures.

In addition to the above defects in the agricultural marketing system in India — presence of a large number of middlemen and widespread prevalence of malpractices in the *mandies* — there were a number of other problems as well. For instance, there was absence of proper warehousing facilities in the villages. As a consequence, the farmer was compelled to store his products in pits, mud-vessels, *kutchas* storehouses, etc. These unscientific methods of storing led to considerable wastage. Some part of the produce used to get rotten and unfit for human consumption while some part was eaten away by pests and rodents. At times, as much as one third of farmer's produce was lost in this way. Neither was there any provision for grading of agricultural produce. The practice usually prevalent was the one known as *dara* sales wherein heaps of all qualities of produce (good as well as bad) was sold in one common lot. Thus, there was no incentive to use better seeds and produce better varieties. Transportation facilities were also highly inadequate and only a small number of villages were joined by railways and *pucca* roads to mandies. Most of the roads were *kutchas* roads not fit for motor vehicles and the produce was carried on slow moving transport vehicles like bullock-carts. Obviously such means of transport could not be used to carry produce to far-flung places and the farmer had to dump his produce in nearby market even if the price obtaining in this market was considerably low. Most of the farmers had virtually no contact with the mandies and, in the absence of marketing information system, they had no knowledge regarding the prices ruling in different mandies. Therefore, they had no option but to accept whatever price was offered to them. Since the ordinary Indian farmer was poor and lacked staying power, he tried to sell off the produce immediately after the harvesting of crops though prices at that time are generally low (as there are excessive supplies in the market at that time). Availability of credit could have enabled the farmers to postpone such 'forced sales' and wait for better prices. But, as noted in the section on 'Agricultural Credit',

there was a total lack of institutional sources of credit and the farmers were almost totally dependent on the moneylenders whose sole objective was to exploit the farmers. In fact, the moneylenders often forced the farmers to sell produce to them at prices lower than the market prices in return for the loans granted to them.

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### GOVERNMENT MEASURES TO IMPROVE THE SYSTEM OF AGRICULTURAL MARKETING

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After Independence, the Government of India adopted a number of measures to improve the system of agricultural marketing, the important ones being establishment of regulated markets, construction of warehouses, provision for grading and standardisation of produce, standardisation of weights and measures, daily broadcasting of market prices of agricultural crops on All-India Radio, improvement of transport facilities, etc.

#### Organisation of Regulated Markets

Regulated markets have been organised with a view to protect the farmers from the malpractices of sellers and brokers. The management of such markets is done by a Market Committee which has nominees of the State Government, local bodies, *arhatiyas*, brokers and farmers. Thus, all interests are represented on the committee. These committees are appointed by the government for a specified period of time. Important functions performed by the committees can be summarised as follows: (i) fixation of charges for weighing, brokerage, etc.; (ii) prevention of unauthorised deductions, underhand dealings and wrong practices by the *arhatiyas*; (iii) enforcing the use of standardised weights; (iv) providing up to date and reliable market information to the farmers; and (v) settling of disputes among the parties arising out of market operations.

As would be clear from the above, regulated markets remove most of the defects of the unregulated marketing system. In such markets, licences are issued to the *arhatiyas* and brokers for carrying on their operations. In the event of any unfair practices adopted by them, their licences can be cancelled. Thus, these intermediaries are not able to indulge in malpractices like using wrong weights and measures, making unauthorised deductions, etc. Thus, the farmers are expected to obtain fair prices for their produce.

On account of the above advantages of regulated markets, the government has promoted the setting up of such markets. Most of the States and Union Territory governments have enacted legislations (Agriculture Produce Marketing Committee Act) to provide for regulation of agricultural produce markets. *There are presently 7,246*

**regulated markets in the country.** The country has 21,221 rural periodical markets, about 15 per cent of which function under the ambit of regulation. Kerala, Manipur, Andaman and Nicobar Islands, Dadra and Nagar Haveli, Daman and Diu and Lakshadweep do not have APMC Act while Bihar has repealed the APMC Act with effect from September 1, 2006. Moreover, rural periodic markets in general and tribal markets in particular have remained outside the developmental ambit of the APMC Act.

### Grading and Standardisation

Improvements in agricultural marketing system cannot be expected unless specific attempts at grading and standardisation of the agricultural produce are made. The government recognised this quite early and the Agricultural Produce (Grading and Marketing) Act was passed in 1937. Initially grading was introduced for saun, hemp and tobacco. The net was later enlarged. To facilitate grading, standards for 182 agricultural commodities have so far been laid down. The government set up a Central Quality Control Laboratory at Nagpur and a number of regional subsidiary quality control laboratories. Samples of important products are obtained from the market and their physical and chemical properties are analysed in these laboratories. On these bases, grades are drawn up and authorised packers are issued AGMARK seals (*AGMARK is simply an abbreviation for Agricultural Marketing*). Important commodities graded under AGMARK for internal consumption include cotton, vegetable oils, ghee, cream, butter, eggs, rice, wheat, atta, jaggery, pulses, honey and ground spices.

### Use of Standard Weights

One of the main defects of unregulated markets was that non-standard and arbitrary weights were used by the *arhatiyas* and brokers to cheat the farmers. To stop this practice, the government undertook a number of steps. It passed the Standard Weights Act as far back as in 1939. This Act passed by the Central government served as a model for the State governments to pass their own legislations. The Central government adopted the Metric System of Measures in 1958 when an Act to this effect was passed by the Parliament. The metric system replaced all old systems of weights and measures and has introduced uniformity in this respect all over the country though one does find old measures still existing in some pockets of the country (especially in the village markets).

### Godown and Storage Facilities

It is necessary to provide a network of godown facilities all over the country so that the farmers are not compelled to sell their produce immediately after the harvesting of crops. This will enhance the bargaining power

of farmers and save them from distress sales (which have to be resorted to when the produce gets damaged or rotten lying in open fields). On the basis of godown receipts issued against the produce stored in the godowns, the farmers can also obtain credit from commercial banks and cooperative credit societies. This increases their staying power and enables them to wait till fair prices are promised for their produce.

Keeping such considerations in view, the Rural Credit Survey Committee (1954) recommended a three-tier storage system at: (i) the National level, (ii) State and district level, and (iii) Village and rural level. In accordance with these recommendations, Central Warehousing Corporation (CWC) was set up in 1957 and this was followed by establishment of State Warehousing Corporations (SWCs) in a number of States. Food Corporation of India was also set up at the national level. FCI has a storage capacity of 362.5 lakh tonnes (owned and hired) while the State Agencies/(SWCs) have a storage capacity of 449.5 lakh tonnes stock of foodgrains. Thus, the total storage capacity for central pool stock is 812 lakh tonnes.<sup>23</sup> At the village and rural level, a centrally sponsored scheme for rural godowns was initiated in the Sixth Plan to prevent distress sales by the farmers, particularly the small and marginal farmers, after harvest at the prevailing low price. Since March 2001, the government is implementing a Central sector scheme for the construction of rural godowns.

### Dissemination of Market Information

To inform the farmers about the prices prevailing in different markets, the government has initiated a number of steps. For example, prices in important markets are broadcast daily by the All-India Radio. Trends on market prices are reviewed weekly in special programmes and talks organised by the A.I.R. and Doordarshan. Market intelligence reports are displayed in a number of markets all over the country. These intelligence reports collect vital information on stocks, market arrivals, sales, prices, etc., and are published periodically. The newspapers also publish agricultural prices either daily or weekly accompanied by a short review of trends. For speedy collection and dissemination of price and market-related information to farmers, electronic connectivity is being provided to all important agricultural markets in the country under a Central scheme, *Market Research and Information Network*. Presently, wholesale prices of 300 commodities and about 2,000 varieties are being reported on the Agricultural Marketing Information Network (AGMARKNET) portal from more than 1,800 markets covering all major agricultural and horticultural produce.

### Directorate of Marketing and Inspection

This Directorate was set up by the Government of India to coordinate the agricultural marketing activities of various agencies and to advise the Central and State governments on the problems of agricultural marketing. Activities of this Directorate include: (i) promotion of grading and standardisation of agricultural and allied commodities; (ii) statutory regulation of markets and market practices; (iii) training of personnel; (iv) market extension; (v) market research, survey, and planning; and (vi) administration of Meat Food Products Order, 1973. The Directorate also used to implement the Cold Storage order, 1980, notified under the Essential Commodities Act, 1955, which was applicable to the whole of the country except the States of Bihar, Haryana, Punjab, Uttar Pradesh and West Bengal. It aimed at developing cold storage industry in a planned manner, ensuring hygienic and proper refrigeration conditions in cold stores, rendering technical guidance for scientific preservation of foodstuffs and protecting the farmers' interest. With a view to attracting more private investment in cold storage industry, this order was repealed by the government on May 27, 1997.

*The Directorate has so far notified grade standards for 212 agricultural and allied commodities.* It enforces compulsory quality control before export on many agricultural commodities. It is extending financial assistance to selected regulated markets for providing grading facilities for important commodities like tobacco, jute, cotton, groundnut and cashewnut at the producer's level. It is also implementing a scheme for providing Central assistance for the development of infrastructural facilities in selected regulated markets.

### Government Purchases and Fixation of Support Prices

In addition to the measures mentioned above, the government also announces minimum support prices and procurement prices for various agricultural commodities from time to time in a bid to ensure fair returns to the farmers. These prices are fixed in accordance with the recommendations of the Commission for Agricultural Costs and Prices (CACP). Government agencies, like the Food Corporation of India, purchase agricultural commodities from the farmers at these fairly remunerative prices and these purchases, in turn, are sold off by the government at reasonable prices through the public distribution system. Public distribution, therefore, serves two purposes — (i) purchasing commodities at prices which ensure a reasonable profit to the producers, thus shielding them from the danger of selling their output at depressed prices; and (ii) supplying these commodities at low prices to the ultimate consumers.

### Ch. Charan Singh National Institute of Agricultural Marketing

Ch. Charan Singh National Institute of Agricultural Marketing (NIAM) earlier known as the Centre for Agricultural Marketing (CAM) was established in 1988. The main aims and objectives of the Institute are: (i) to augment the agricultural marketing infrastructure of the country through programmes of teaching, research and consultancy services; (ii) to design and conduct training courses appropriate to the specific identified needs of the personnel and enterprises and institutions that they serve; (iii) to undertake research to demonstrate and replicate better management techniques in the field of agricultural marketing; (iv) to provide consultancy services for formulating investment projects and for problem solving advice; and (v) to offer educational programmes in agricultural marketing for supplementing the existing facilities.

### Promoting the Development of a National Agriculture Market (NAM)

In order to promote the development of a common market for agricultural commodities through e-platforms, the Department of Agriculture (DAC) has approved ₹ 200 crore for a Central-sector scheme for Promotion of National Agriculture Market (NAM) through Agri-Tech Infrastructure Fund (ATIF) to be implemented during 2014-15 to 2016-17. Under the scheme, it is proposed to utilise the ATIF for migrating towards a national market through implementation of a common e-platform for agri-marketing across all States. In his Budget Speech 2016-17, the Finance Minister announced that a common e-market platform will be deployed in selected 585 regulated wholesale markets. The Unified Agricultural Marketing e-platform was dedicated to the nation on the birthday of Dr. Babasaheb Ambedkar on April 14, 2016.

### Weaknesses in Agricultural Marketing

As stated earlier, there are 7,246 regulated markets. There is huge variation in the density of regulated markets in different parts of the country, which varies from 119 square km in Punjab to 11,215 square km in Meghalaya, while the all-India average area served by a regulated market is 449 square km.<sup>24</sup> As is clear from this discussion, regulated markets are inaccessible to many farmers with surplus produce across the country. Moreover, the functioning of these markets leaves a lot to be desired. *Often auctions are rigged, shortages are created and there is no transparency in the way traders extract commission.* There is no electronic auction and no effective system of communicating wholesale rates to consumers on a daily

basis. A study conducted by Gokul Patnaik for IGIDR (Indira Gandhi Institute of Development Research) in 2011 on the fruit and vegetable supply markets in Delhi, Mumbai, Bangalore and Kolkata found that "on an average, there are five-six intermediaries between the primary producer and the consumer. *The total mark-up in the chain added up to 60-75 per cent. The primary producers receive only 20-25 per cent of the retail price.*"<sup>25</sup> This shows that due to the opaque auction system followed in the regulated markets, and the large number of middlemen, the actual farmer gets a pittance for his produce.

Moreover, as pointed out by the Eleventh Five Year Plan, the regulated markets lack even basic infrastructure at many places. When the Agriculture Produce Marketing (Regulation) Acts were first initiated, there were significant gains in market infrastructure development. However, this infrastructure is now out of date, especially given the needs of a diversified agriculture. At present, only one-fourth of the markets have common drying yards; trader modules, viz., shop, godown and platforms in front of shop exist in only 63 per cent of the markets. Cold storage units are needed in the markets where perishable commodities are brought for sale. However, they exist only in 9 per cent of the markets at present and grading facilities exist in less than one-third of the markets. The basic facilities, viz., internal roads, boundary walls, electric lights, loading and unloading facilities, and weighing equipment are available in more than 80 per cent of the markets. Farmers' rest houses exist in more than half of the regulated markets. Covered or open-auction platforms exist in only two-thirds of regulated markets. All this shows that major modernisation of market infrastructure is required.

Eleventh Five Year Plan addressed the following issues related to agricultural marketing — marketing system improvement and conducive policy environment; strengthening of marketing infrastructure and investment needs; improving market information system with the use of Information and Communication Technology (ICT); human resource development for agricultural marketing; and promoting exports/external trade.<sup>26</sup> The Twelfth Plan emphasizes the need to fast-track modernisation of *mandi* infrastructure with adequate provision of communication and transportation, and also empower small producers through their organisations and marketing extension.<sup>27</sup>

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## COOPERATIVE MARKETING

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Though the above measures have improved the system of agricultural marketing to some extent, a major part of the benefits has been derived by large farmers who have adequate 'marketable surplus'. However, the small and marginal

farmers continue to sell a major part of their produce to moneylenders to meet their credit needs and these moneylenders offer them very low prices. Therefore, it is essential to form cooperatives of the small and marginal farmers to enable them to obtain fair price for their produce. The advantages that cooperative marketing can confer on the farmer are multifarious, some of which are listed below:

**1. Increases bargaining strength of the farmers.** Many of the defects of the present agricultural marketing system arise because often one ignorant and illiterate farmer (as an individual) has to face well-organised mass of clever intermediaries. If the farmers join hands and form a Cooperative, naturally they will be less prone to exploitation and malpractices. Instead of marketing their produce separately, they will market it together through one agency. This will increase their bargaining strength *vis-à-vis* merchants and intermediaries.

**2. Direct dealings with final buyers.** In certain cases, the cooperatives can altogether skip the intermediaries and enter into direct relations with the final buyers. This practice will eliminate exploiters and ensure fair prices to both the producers and the consumers.

**3. Provision of credit.** The marketing cooperative societies provide credit to the farmers to save them from the necessity of selling their produce immediately after harvesting. This ensures better returns to the farmers.

**4. Easier and cheaper transport.** Bulk transport of agricultural produce by the societies is often easier and cheaper. Sometimes the societies have their own means of transport. This further reduces cost and botheration of transporting produce to the market.

**5. Storage facilities.** The cooperative marketing societies generally have storage facilities. Thus, the farmers can wait for better prices, also there is no danger to their crop from rains, rodents and thefts.

**6. Grading and standardisation.** This task can be done more easily for a cooperative agency than for an individual farmer. For this purpose they can seek assistance from the government or can even evolve their own grading arrangements.

**7. Market intelligence.** The cooperatives can arrange to obtain data on market prices, demand and supply and other related information from the markets on a regular basis and can plan their activities accordingly.

**8. Influencing market prices.** While previously the market prices were determined by the intermediaries and merchants and the helpless farmers were mere spectators forced to accept whatever was offered to them, the cooperative societies have changed the entire complexion of the game. Wherever strong marketing cooperatives are