

# A STUDY ON DEVELOPMENT POLICIES AND AGRICULTURAL MARKETS IN INDIA

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## **Abstract**

*Agricultural promoting in India suffers from unskillfulness, a disconnect between costs the costs} received by producers and therefore the prices paid by shoppers, fragmented promoting channels, poor infrastructure and policy distortions. Pressing reforms square measure required to deal with these inadequacies and check the excesses of middlemen. Whereas encouraging new models that improve the negotiation power of producers and scaling up undefeated experiments, turn ours' corporations and cooperative promoting societies can be promoted to produce various avenues available of produce. Meanwhile, worth policy should be reoriented to bring it in tune with the rising demand and provide of varied crops. Though' the non-public sector is important to up potency, the general public sector is equally essential to serve the larger social goal of maintaining worth stability through market operations.*

**Key Words:** *Agricultural markets, Mercantilism, Corporations, Market infrastructure*

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## **Introduction**

In a very slim sense, the role of agricultural markets is delivering merchandise from sources to shoppers. But, in a very broad sense, their role extends to sending economic science signals to producer companies, providing incentives to producers to achieve the required growth in agro-food output, up the welfare of producers and shoppers, leveling demand and provide, and promoting the economical use of resources within the production and distribution systems. These roles need competitive surroundings, robust physical and institutional infra-structure, and a favourable regulative system. These conditions cannot come back au fait their own, notably in a very developing country like India. Therefore, agricultural market policies square measure treated as associate integral a part of development policies and their functioning has remained a

very important part of public policy in India. This paper discusses numerous policies associated with agricultural markets since the first Nineteen Sixties, a time once major steps were taken for his or her transformation. It analyses however these policies have performed and their connation, given ever-changing production and consumption patterns, and technological and industrial developments.

### **Policy Interventions in Agricultural Markets**

Policy interventions in agricultural markets in India have a protracted history. Until the mid-1960s, it absolutely was primarily meant to facilitate the sleek functioning of markets and to stay a check on activities that were thought of unfriendly to producers and shoppers. Afterwards, the country opted for a package of direct and indirect interventions in agricultural markets and costs, at the start targeted at procuring and distributing wheat and paddy. This bit by bit enlarged to hide many different crops products and aspects of domestic trade agriculture. the current policy framework for intervention in agricultural markets {and worth's and costs} will be loosely sorted below three classes (a) regulative measures; (b) market infrastructure and institutions; and (c) agricultural price policy.

### **Regulatory Measures**

The regulative framework for agricultural markets consists of two sets of measures. One, measures for the event and regulation of wholesale markets and two a series of legal instruments for control the functioning of markets and trade activities.

### **Agricultural Produce Market Regulation Act**

All wholesale markets for agricultural turn out in states that have adopted the Agricultural turn out Market Regulation Act (APMRA) square measure termed “regulated markets”. Aside from Kerala, Jammu and geographical region, and state, all different states in Asian nation have enacted selling legislations, referred to as Agricultural turn out selling Committee (APMC) Acts. The Act is enforced and implemented by APMCs established there under. It man-dates that the sale/purchase of agricultural commodities notified there under square measure to be administered in given market areas, yards or sub-yards. These markets square measure needed to own the right infrastructure purchasable of farmers’ turn out. Costs in them

square measure to be determined by open auction, conducted in a very clear manner within the presence of a political candidate of the market committee. Market charges for numerous agencies, like com-missions for commission agents (arhtiyas); statutory charges, like market fees and taxes; and produce-handling charges, like for cleansing of turn out, and loading and unloading, square measure clearly outlined, and no different deduction is made up of the sale yield of farmers. Market charges, costs, and taxes vary across states and commodities.

On the complete, the APMC Acts have served some vital functions. They got eliminate many malpractices and imperfections in agricultural markets, created orderly and clear selling conditions, one and ensured a fairer deal to farmers mercantilism their turn out (Acharya 2004). it had been a pressing want at the time and it reworked agricultural markets in most states of the country. Besides up the manner markets functioned, the Acts created associate surroundings that freed producers-sellers from exploitation by traders and mercantile capital.

In recent years, pressure has mounted to vary this market regulation and take away its numerous restrictions. It's argued that the Act was relevant once non-public trade was underdeveloped, exploitive, and controlled by mercantile power. The selling monopoly provided to the state by the Act is seen as pre-venting non-public investments in agricultural markets. The restrictive legal provisions of the Act, like "all agricultural turn out brought into or processed among a market space shall taste the principal yard or sub-yard and shall not be bought or sold at the other place within the market space<sup>2</sup> or no such person shall keep it up business and trade agriculture turn out into market area except one World Health Organization holds the licence issued by the market committee", have prevented new entrants from coming back in, therefore reducing competition. as a result of all this, the Inter-Ministerial Task Force on Agricultural selling Reforms (2002) suggested that the APMC Acts be amended to permit for marketing and also the institution of agricultural markets within the non-public and cooperative sectors. The principle behind marketing is that farmers ought to have the choice to sell their turn out on to business companies, like processors or bulk patrons, at a lower dealing value and within the quality/form needed by the patrons.

In response to the present, the union ministry of agriculture pre-pared a Model Act in 2003 that state governments may adopt to change their Acts (agricultural selling could be a state subject). Beneath the Model Act, the non-public sector and cooperatives is licensed to line up

markets. It additionally permits for con-tract farming and marketing by non-public traders. Exclusion some, all states and union territories (UTs) have either totally or partially adopted the Model Act. As a result, direct purchases by the non-public sector from farmers and contract farming have big in some elements of the country. However, non-public investments in agricultural selling haven't been corresponding with the commercialization and diversification that have taken place within the agriculture sector. The Model Act, so far, has not succeeded in persuading the non-public sector or cooperatives to line up agricultural selling infrastructure as another to the state-owned mandi system.

### **Deficiencies within the Existing System and want for group action provide Chain**

As mentioned, the APMC Acts improved agricultural markets in many respects and significantly diluted mercantile power in them. However, over time, the balance of power in transactions has touched back in favor of middlemen and therefore the commerce category. it's fascinating to ascertain however these sections have entrenched themselves in mandis. Once the APMRA was enacted by numerous states within the mid-1960s, the country was facing a significant food shortage and urgently seeking to attain a break-through in food production. it had been powerfully felt that it might not be potential to achieve and sustain food security while not incentivizing farmers to adopt new technology and create investments in fashionable inputs. Therefore, high priority was connected to sanctioning farmers to grasp an affordable worth for his or her turn out by eradicating malpractices from markets, protective them from exploitation by middlemen, and making a competitive rating setting. at the same time, the hold traders and commission agents had over them by providing credit was diluted by increasing the availability of institutional credit. This, at the side of technology-led output growth, resulted in accumulated farm incomes, creating farmers less addicted to the commerce category for credit and money needs. It conjointly gave farmers the liberty to settle on markets and patrons for his or her turn out.

The unfold and success of the revolution throughout the Seventies and Eighties diode to a rise within the political power of the farming category and their clout in policymaking. This was ref-elected within the creation and strengthening of farmer-friendly I establishments and a policy setting favorable to farmers. Promoting establishments like market committees, state-level agricultural promoting boards and lots of others within the public and cooperative sectors served

the interests of the farming community. Over time, because the country touched getting ready to food autonomy, public policy began losing its focus. The promoting system and promoting establishments were littered with inefficiencies, officialdom management, and politicization. the expansion in market facilities failed to keep step with the expansion in market arrivals, forcing producers to hunt the assistance of middle men within the market, which, in turn, diode to dependence on them. There was conjointly a reversal within the credit scenario once 1991, creating farmers additional addicted to commission agents and traders for loans.<sup>3</sup> the commerce category quickly regained its promoting power over farmers by meeting their credit requirements with interlocked transactions, robbing producers of the liberty to make a decision wherever they'd sell and whom they'd sell to.

Taking advantage of the lax perspective of state governments towards promoting, the commerce category consolidated their power in mandis. The questionable unorganized traders, separately tiny however numerically massive, no inheritable power by organising themselves, that tried to be a potent think about electoral politics. The ascent of the Bharatiya Janata Party (BJP) pro-vided sizable clout and power to the commerce category to influence public policy. And with advocator politics, no authorities wished to undertake any market reforms that were opposed by the commerce category for worry of losing its support. As a result traders, commission agents, and different function-arise organized themselves into associations that don't permit the entry of latest players, stifling the competitive functioning of markets (Acharya 2004: 106). Middlemen success-fully turned promoting policies to their profit, dictating terms to producers and thwarting fashionable capital from coming into agricultural promoting.

**Some examples of this are:**

- (i) increasing the commission rates of arhtiyas without any justify action.
- (ii) rejecting direct payment to producers, which would bypass commission agents.
- (iii) Determining prices through non-transparent methods.

These developments speak of the political clout and influence that middlemen have acquired in agricultural markets. There are also reports of collusive behaviour by wholesale buyers in markets (Banerji and Meenakshi 2001). Commission agents sometimes charge exorbitant fees for carrying out auctions. According to Gulati (2009), farmers at the Azadpur fruits and vegetable market in New Delhi have to pay commission agents a fee ranging from 6%

to 10% for an auction that lasts for about five minutes. Similarly, in Vashi market in Mumbai, the commission agent's fee is 8% and even goes up to 15%. The various problems facing the agricultural marketing system were summarized by the Twelfth Plan Working Group on Agricultural Marketing (Planning Commission 2011). Too many intermediaries, resulting in high cost of goods and services;

- Inadequate infrastructure for storage, sorting, grading, and post-harvest management;
- Private sector unwilling to invest in logistics or infrastructure- true under prevailing conditions;
- Price-setting mechanism not transparent; Ill-equipped and untrained mandi staff;
- Market information not easily accessible; an Essential Commodities Act (ECA) impedes free movement, storage and transport of produce.

Thus, the APMC Act, which was enacted to protect farmers' interests and increase market efficiency and transparency, is now being used to deny them opportunities to get better prices, to prevent competition, and to guard the interests of middle-men. Various researchers have reported findings on these lines.<sup>6</sup> A serious consequence of selling at a designated place, the yard of a mandi, is that once agricultural produce has been brought to it, it is seldom taken back in the event of any unfair deal. The costs already incurred in bringing the produce to the market and in cleaning and unloading it prevent this. This robs the producer of whatever little bargaining power she/he has in price determination. The direct sale of produce leaves this option with farmers. The system of having to go through regulated mandis also places small producers with less to sell in a disadvantageous position.

### **Small Traders Dominant**

Agricultural markets in the country are crowded with small traders who operate on a small scale in a limited market segment. In agriculturally advanced Punjab, there are as many as 22,000 commission agents; one for every 50 farmers. Then there are a host of other middlemen such as wholesalers, transporters, labour contractors, and brokers in each market. As the size of their business is small, they seek large margins on small volumes of business. Thus, the channels for marketing of agricultural produce remain long and fragmented and lack economies of scale.

On an average, four to six transactions take place before the produce reaches consumers

from the point of sale by producers. As each transaction involves cost and some margin for intermediaries, the price spread between consumers and producers becomes quite large, without any real value addition. Some of the middlemen are found to render no real service – they simply earn rent. Even the Model Act has failed to change the status quo. So, producers feel that they do not get value for their produce and consumers feel that they have to pay an unjustifiably higher price. The only way to address this is to integrate the supply chain, reduce the number of intermediaries, and allow economies of scale in market operations. This is not possible if there are no alternative marketing options to government mandis.

### **Marketing Infrastructure**

Marketing infrastructure has two broad dimensions – quantity and quality. A simple indicator of market infrastructure is the number of agriculture markets. Progress on this vis-à-vis and increase in agriculture production, as seen in the index of crop production and volume of production, is presented in Table 2. Between 1976 and 1991, the total number of regulated markets in the country increased from 3,528 to 6,217, a 76% increase over 15 years. In the same period, agriculture production in the country increased by 74%. This shows that marketing infrastructure in terms of availability of space kept pace with the growth in output. After 1991, the number of regulated markets grew only 22% in 17 years, till 2008. In the same period, the volume of production increased 70%. There has been no increase in the number of markets after 2006. Further, due to rising commercialization of agriculture, market arrivals have increased at a much higher rate than the growth in production, indicating a widening gap between the increase in marketed surplus and the number of markets. As a consequence, markets are crowded, putting sellers in a disadvantageous position and providing advantages to buyers.

### **Institutions and Alternative Marketing Models**

A large number of public-sector institutions and cooperative marketing organisations were set up after Independence to improve the market structure, its conduct and performance, and to help growers realize better returns for their produce. Private trade in India at the time was underdeveloped and not equipped to meet the needs of a growing economy. Some of these institutions, such as the Food Corporation of India (FCI), the Cotton Corporation of India (CCI), the National Dairy Development Board (NDDB), and the National Agricultural Cooperative

Marketing Federation of India (NAFED), and some commodity boards have a strong presence in the market whereas others have become dormant or defunct. The decline has been quite serious in the case of state-level and cooperative institutions. The country needs to revive these institutions and build them on business lines as they Act as a balance to the private sector and serve the purpose of attaining social objectives.

### **Alternative to Mandi System**

The Model Act was to feature alternatives for the sale of manufacture and to supply competition to government mandis. The subsequent are its salient selling options.

- ❖ Establishment of latest markets for agricultural manufacture in any space by legal persons, growers and native authority.
- ❖ Contract farming with a provision for direct sale of manufacture from farmers' fields, while not requiring it to submit to a noticed committee.
- ❖ Purchase of agricultural manufacture through personal yards or directly from agriculturists.
- ❖ Establishment of consumer farmers' markets to facilitate direct sale of agricultural manufacture to shoppers.

There has been some progress in contract farming, however growth within the alternative aspects has been terribly slow, significantly the fixing of different mantid by cooperatives and therefore the personal sector. it's pertinent to say 2 ventures that have had tremendous success Safal Fruits and Vegetables Auction Market, a cooperative set by Mother Dairy Food Procuring restricted (MDFPL), AN NDDB subsidiary, in urban center, for pro-curing and selling farming produce; and therefore the ITC echo pal, a personal platform for purchase of farmers' manufacture.

### **Agricultural worth Policy**

The agricultural worth policy is aimed toward intervening in agri-cultural manufacture markets to influence the amount of Everglade State actuations in costs and therefore the price-spread from farm gate to the retail level (GOI 2010). The most instruments of agricultural worth policy are



- Assured costs to producers through the system of MSPs enforced through obligatory acquisition
- Entomb and intra-year worth stability through open market operations, maintaining buffer stocks
- Distributing food grains at affordable costs through the PDS.

This policy has been useful in many ways in which. From a state of affairs of large shortages, Republic of India has emerged as a web businessperson of food, and food security has been earned at the national level. Costs of basic food things have remained comparatively stable, and Republic of India didn't face the sharp worth spikes tough by several countries throughout the worldwide food crisis (Chand 2008). The policy has had a positive result on farm financial gain and LED to economic transformation in well-endowed, primarily irrigated, regions.

### **Conclusions**

Agricultural promoting suffers from un skillfulness, a disconnect between costs the costs} received by producers and therefore the prices paid by customers, fragmented and long promoting channels, poor infrastructure, and policy distortions. Agricultural markets aren't vertically integrated . Within the total price additional in production and promoting, the share additional within the post-harvest section is rising which in production is falling. In some cases, price addition in promoting is larger than price addition in production. With farm sizes obtaining smaller, financial gain from agriculture turn out may be improved by sanctionative the farmers to induce a share of the worth additional in promoting by developing and strengthening promoting mechanisms that features them as partners. Imperative reforms are required in agricultural promoting to realize such goals and address the inadequacies currently prevailing in markets. The most effective promoting model for producers and customers is wherever producers sell on to customers, either as people or as some type of organization. Such models are developed in some states and farmers are allowed to sell their turn out as retail to customers in cities on bound day's with-out intermediaries. The size of operation of those arrangements is kind of little and solely farmers close to massive cities will profit t from them. Such innovative promoting ought to be promoted on an oversized scale.

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