

UNIT V

Agricultural Price Policy in India

Introduction to Agricultural Policy:

Price policy plays a pioneer role in the economic development of a country. It is an important instrument for providing incentives to farmers for motivating them to go in for production oriented investment and technology.

In a developing country like India where majority of the population devotes 2/3 of its expenditure on food alone and where majority of the population is engaged in agricultural sector, prices affect both income and consumption of the cultivators. The Govt. of India announces each year procurement/support prices for major agricultural commodities and organizes purchase operations through public agencies.

Need of Agricultural Price Policy:

Undoubtedly, violent fluctuations in agricultural prices have harmful results. For instance, a steep decline in the price of particular crop in few years can inflict heavy losses on the growers of that crop. This will not only reduce the income but also dampen the spirit to cultivate the same crop in the coming year. If this happens to be a staple food item of the people, supply will remain below the demand.

This will force the Govt. to fill the gap by restoring imports (in case of no buffer stock). If, on the other hand, prices of a particular crop increase rapidly in the particular period, then the consumer will definitely suffer. In case, the prices continuously increase for the particular crop, this can have disastrous effect on the sector of the economy.

Objectives of Agricultural Price Policy:

The objectives of agricultural price policy vary from country to country depending upon the place of agriculture in national economy. Generally, in developed countries, the major objective of price policy is to prevent drastic fall in agricultural income while in developing economies it is to increase the agricultural production.

However, its main objectives are summarized below:

(i) To Ensure Relation between Prices of Food-grains and Agricultural Goods:

The foremost objective of agricultural price policy is to ensure the appropriate relationship between the prices of food grains and nonfood grains and between the agricultural commodities so that the terms of trade between these two sectors of the economy do not change sharply against one another.

(ii) To Watch Interests of Producers and Consumers:

To achieve the balance between the interest of producers and consumers, price policy should keep a close eye the fluctuations within maximum and minimum limits.

(iii) Relation Between Prices of Crops:

The price policy should be such which may sustain the relationship between the prices of competing crops in order to fulfill the production targets in respect of different commodities in accordance of its demand.

(iv) To Control Seasonal Fluctuations:

Another object of price policy is to control cyclical and seasonal fluctuations of price rise to the minimum extent.

(v) Integrate the Price:

The agricultural price policy should also aim at to bring the greater integration of price between the various regions in the country so that regular flow of marketable surplus could be maintained and exports of farm products stimulated regularly.

(vi) Stabilise the General Price:

To stabilize the general price level, it should aim at increasing the public outlay to boost economic development in the country.

(vii) Increase in Production:

The agricultural price should aim at to raise the production of various commodities in the country. Therefore, it must keep balance between output and input required by the cultivations.

Major Objectives:

The important objectives of the new agricultural policy are stated below:

1. Facilities for All-Round Development:

In order to accelerate the pace of development, the new agricultural policy has set an objective to augment facilities for processing, marketing, storage, irrigation, along with development of horticulture, fisheries, biomass, livestock, sericulture etc. for all round development of agricultural sector.

2. Infrastructural Development:

The new policy favoured to make the provision for infrastructural development related to agriculture and thereby to infuse new dynamism through increased volume of public investment.

3. Revising and Strengthening Co-Operatives:

The policy also aims at reviving and strengthening Co-operatives and local communities for the development of agriculture.

4. Involvement of NGOs:

The policy also aims at involving the non-government organisations on a large scale for the development of agricultural sector.

5. Encouragement:

The policy aims at providing necessary support, encouragement and thrust on farming activities so that rural people accept it as a noble and viable occupation.

Features of New Agricultural Policy:

The important measures or features of new agricultural policy are summarized as under:

(i) Raising Capital Formation:

The new policy has undertaken a strategy to raise the rate of capital formation in agricultural sector as the same is maintaining a decreasing trend from 18.7 per cent of total gross capital formation in 1978- 79 to only 9.5 per cent in 1993-94.

As the invisible resources are being diverted from agriculture to industry and sectors, the new policy, thus introduces measures to rechannelise available resources for productive investment in the sector. The policy will focus to

create a better investment climate for the farmers by introducing a favourable price and trade regime.

(ii) Enhancing Public Investment:

In order to raise the volume of public investment, new agricultural policy will take steps to create public investment for building supportive infrastructure for agriculture. Conservation of water and use of alternative and renewable sources of energy for irrigation and other agricultural works have also been encouraged. Such enhancement of infrastructural investment will reduce the regional imbalances and generates more value added exportable surpluses.

(iii) Raising the Flow of Credit:

The policy will make an attempt to enhance the flow of credit to the agricultural sector. In this connection, the Co-operative credit societies were engaged for such purpose.

(iv) Improving Agricultural Marketing:

An attempt will be made to improve the marketing arrangement of agricultural produce through agro- processing, marketing and storage.

(v) Ensuring Remunerative Prices:

The new policy has entrusted the Government to undertake responsibility for ensuring remunerative prices of agricultural produce to the farming community by adopting necessary price support policy.

(vi) Raising Agro-Exports:

The new policy has made an attempt for harnessing the comparative natural advantage in agricultural export of the country. The policy has laid special thrust on the exports of fruits, vegetables, flowers, poultry and livestock products so as to raise the share of agricultural exports.

(vii) Land Reforms:

The new policy will make efforts to take land reform measures for the interest of small and marginal farmers and raise agricultural output.

(viii) Development of Land:

The policy has made an attempt to develop land permanently for cultivation to meet the growing needs of population. In order to develop rainfed areas of the country watershed management scheme has been given much importance so as to bring integrated development of the land.

(ix) Treating Agriculture at Par with Industry:

The steps for creating a positive trade and investment climate for agriculture and also to treat agriculture at par with industry for the purpose will be taken.

(x) Crop Insurance Scheme:

Considering the problems of crop failure and high risk of instability in production, the policy stressed for redesigning the crop and livestock insurance schemes in a comprehensive manner so that the farmers can recover their losses arising out of natural disasters.

Types of Agricultural Price Policy:

The prices favourable to the producers of agricultural products may work against the interest of the non-agricultural sector vice-versa. In fact, this has been one of the major considerations underlying the agricultural price in various countries during the course of the development of their economies.

Sometimes, the prices of agricultural products as well as the agricultural inputs have been so manipulated and the ancillary fiscal and administrative policy so devised that the benefits of development of the agricultural sector were partly or wholly passed on to the industrial sector. Such a policy changed the terms of trade, against agriculture.

On some other occasions, the price policy has favoured the agricultural sector at the cost of the non-agriculture sector. The two types of price policy have been called 'Negative' and 'Positive' price policies respectively.

The following paragraph discuss these two price policies in some detail:

1. Negative Price Policy:

In the context of the policy of accelerating economic growth, a "negative" agricultural price policy has been practiced by a large number of countries in the early stages of their development.

The main objectives of such a policy was to keep the prices of food and raw materials relatively low (when compared with the prices of industrial

products) so as to facilitate the growth of the industrial and tertiary sectors and to provide surpluses in the form of savings for these sectors. In other words, the terms of trade were purposively kept unfavourable for the agricultural sector.

2. Positive Price Policy:

In contrast to the above methods, a number of countries today follow what may be termed as the “positive” price policy which consists of light taxes on the agricultural sector and also assure the farmer of a fair price for his produce.

Such a policy is considered necessary in the context of the realisation that unless the agricultural sector attains some critical minimum rate of growth, it would not be possible to attain the general targets of economic growth and development.

This is true for a number of reasons, chief among which are:

(i) In most of the developing countries, agriculture continues to be the single most important sector from the points of view of generating income, employment and exports, and

(ii) The increasing demand for food caused by increasing population and rising money incomes can be met only by a continuously growing agricultural production.

Evaluation of Agricultural Price Policy:

The draft agricultural policy envisages 3.5 per cent annual growth in agriculture as compared to 2.6 per cent growth rate registered since independence. The draft of the National Agricultural Policy circulated for comments has secured broad agreements from all the State Government, central ministries and Agricultural Universities.

But its adoption by the Government at this moment might create new problems for the Union Agriculture Ministry and the Planning Commission for its inclusion within the already launched Ninth Plan. Thus under the present circumstances, the adoption of the draft agricultural policy by the Government may take some time for making necessary adjustment with the agriculture component of the Ninth Plan.

In short the draft agricultural policy has offered a detailed framework of policy initiative required for the agricultural sector on a long term perspective. By introducing a favourable price and trade regime, the policy has created a suitable environment for the sector.

The thrust of the policy is to make the sector a viable and profitable for the nation. Thus the new policy is expected to improve the quality of life in villages and can reduce the gap in the social welfare facilities between rural and urban areas and create sufficient gainful employment opportunities on a self-sustaining basis.

Moreover, new agricultural policy proposed to accord the status of industry. The new agricultural policy resolution would bestow the same benefits to agriculture as were being enjoyed by the industry but care should be taken to ensure that agriculturists were not subjected to the regulatory and tax collection machinery of the Government.

Thus the draft agricultural policy was intended for the progress and welfare of farmers. The Agricultural Ministry has also given stress on drip irrigation projects so that agriculture did not suffer. Attention was also being paid to watershed management, soil conservation environment and other aspects which would benefit agriculture. Besides, the benefits of liberalisation and technology transfer should reach to the farmers.

Effects of Agricultural Price Policy:

It is correctly stated that agricultural price has worked remarkably well to streamline the price stability activities.

However, its effect are shortly mentioned below:

1. Incentive to Increase Production:

Agricultural price policy has been providing necessary incentive to the farmers for raising their agricultural output through modernisation of the sector. The minimum support price is determined effectively by the government which will safeguard the interest of the farmers.

2. Increase in the level of income of Farmers:

The agricultural price policy has provided necessary benefit to the farmers by providing necessary encouragement and incentives to raise their output and

also by supporting its prices. All these have resulted in an increase in the level of farmers as well as its living standards.

3. Price Stability:

The agricultural price policy has stabilized the price of agricultural products to a greater extent. It has successfully checked the undue fluctuation of price of agricultural products. This has created a favourable impact on both the consumers and producers of the country.

4. Change in Cropping Pattern:

As a result of agricultural price policy, considerable change in cropping pattern of Indian agriculture is needed. The production of wheat and rice has increased considerably through the adoption of modern techniques by getting necessary support from the Government. But the production of pulses and oilseeds could not achieve any considerable change in the absence of such price support.

5. Benefit to Consumers:

The policy has also resulted in considerable benefit to the consumers by supplying the essential agricultural commodities at reasonable price regularly.

6. Benefit to Industrials:

The agricultural price policy has also benefited the agro industries, like sugar, cotton textile, vegetable oil etc. By stabilizing the prices of agricultural commodities, the policy has made provision for adequate quantity of raw material for the agro industries of the country at reasonable price.

Shortcomings of Agricultural Price Policy:

The major shortcomings of the agricultural price are as under:

1. Inadequate Coverage:

Inadequate coverage of procurement facility has rendered the price ineffective. The facility of official procurement reaches only a handful of farmers—of the total food grains production, procurement covers hardly 15 per cent.

2. Remunerative Price:

The remunerative price and/or subsidized inputs have failed to keep pace with the rate of increase in costs. It has had two consequences. The farmer is discouraged from producing the maximum level of output; he tries to balance his output against the level of costs, and settles for a lower level of output.

3. Ineffective Public Distribution System:

The public distribution has not been very effective. A large section of the poor people are outside the purview of the system. Even those who are covered under the system do not necessarily get the benefit of issue prices. The system has absolutely failed to serve the objective. Besides, the burden on the national exchequer is increasing enormously.

4. Difference in Prices:

There is an important issue of wide difference between prices received by the producers and prices paid by the consumers. In this context, issues relating to the network of regulations and costs associated with it, incidence of octroi, increase in transportation costs, over fragmentation of the distribution network etc. require careful study.

5. Unaccompanied by Effective Policy:

The efficacy of the price policy depends on a number of other factors inherent in the system of agricultural operations like land holding patterns, income distribution, general disparities and cropping pattern. But, it is pity to say that the price policy has not been accompanied by any effective policy for a total development of agriculture.

A continuous increase in procurement prices may have even an adverse impact on agricultural productivity. Price increases which over-compensate cost increases can discourage measures to raise agricultural productivity since such prices automatically lead to higher profits for the farmers.

Suggestions for Reorientation of Agricultural Price Policy:

The adequacy of the present agricultural price policy calls for reorientation in relation to the priority objectives which are likely to shape the development strategy. Considering the present critical situation in the national economy, concern with and about broad-based and sustained growth is bound to be a dominant objective. Such crucial issues relating to the strategy needed to achieve such growth are yet to be settled and focused.

Given the recent thinking in India and outside on the relative roles of government, markets, private enterprise and non-government organizations, a careful look would have to be given to the issues regarding spheres appropriate for direct government intervention.

While it is important to explore opportunities to transfer certain tasks from the government to others, it would be equally important to demarcate areas, where the government must act. It would be wishful to assume that wherever the government performs badly, others would readily take-over and do better.

This means that top priority should be given to national issues rather than ideological issues of different political parties of the country. There is ample reflection of these broader objective in the recent and continuing discussion on the yet to be finalized Agricultural Policy Resolution.

Some obvious indications are:

- (i) Systematic attempts to orient agricultural planning towards effective use of resource endowments
- (ii) A much-expanded employment-cum-investment programme for conservation and upgradation of land and water resources;
- (iii) Greater priority for dry land agriculture,
- (iv) A substantial set-up in the proportion of total planned resources earmarked for agriculture/rural sectors; and
- (v) Time-bound targets for provision of rural infrastructures, etc.
- (vi) Comparative advantages of grow climatic areas of the country,
- (vii) Policy regarding growth of inputs and extension services and marketing etc.

Sincere and determined efforts for development of agriculture/rural sectors would have three main implications for the agricultural price policy.

1. Agricultural growth in the areas, crops and farms which have remained stagnant so far would have the effect of expanding the boundaries of that part of Indian agriculture which is responsive to agricultural price changes.
2. Improvements in what CACP considers as important 'non-price' factors—technology, inputs, marketing etc. —would add to the effectiveness of price

policy as an instrument to promote growth along with efficiency and cost effectiveness.

3. The most important, if income and welfare support for the poor and the problems of non-viable small and marginal farmers get priority attention in the overall development strategy, the price policy would be able to focus itself more pointedly on its primary economic functions.

In view of the above considerations, following suggestions can be made in regard to reorientation of the agricultural price policy:

1. Minimum Support Prices:

Two economic criteria should govern the operations based on minimum support price. First, it should give protection only to the efficient producer so that minimum support price promotes growth and efficiency and merely subsidizes all sections of farmers.

Specifically, it is urgent to realize that non-viable farmers cannot be helped simply by fixing a high enough minimum support price; the solution of their problems lies in other areas than in policy. Secondly, the protection should be given only to prevent losses being made by the efficient producer and not to ensure him profits.

2. Maximum Price:

The criteria for fixing a maximum for the prices of a commodity are not equally easy or strength forward to stipulate.

The primary responsibility of the government in relation to price level is:

(a) To keep in check the inflationary forces bringing about increases—sustained and cumulative—in the overall price level, and

(b) Elimination of collusive and manipulative practices leading to artificial scarcity and high prices for particular commodities.

If these two sources of price rise are effectively neutralized, it is difficult to think of any need to match every minimum support price with corresponding ceiling price. When the stability of the general price level is maintained; the efficacy of the price mechanism would depend on the extent to which the relative prices are left free to vary in response to changes in the underlying supply and demand conditions.

3. Balanced and Integrated Price Structure:

A balanced and integrated price structure criteria should be evolved. This type of price structure would help not so much in price fixation as in monitoring the changes in factors which affect prices. The extent to which an agricultural price policy would help development strategy and planning for agriculture would depend on its capacity to extrapolate, forecast and work out the implications of alternative actions.

In a market-based economy, such analytical exercises would need models of interconnected markets based on the concept of equilibrium and capable of showing the manner in which the markets adjust to policy interventions, disturbances etc.

Summary of Agricultural Price Policy in India:

The summary of agricultural price policy followed by the Government of India since independence is stated below:

(i) Setting Institutions:

The Government of India has set up some institutions for the implementation of agricultural price policy in the country accordingly; the Agricultural Price Commission was set up in 1965 which announced the minimum support prices and procurement prices for the agricultural products. In 1985, the name of this institution was changed into Agricultural cost and Price Commission. Moreover, the Food grains policy.

Committee was, appointed by the Government in 1966 which also recommended various measures of price support. The Food Corporation of India was also set up in 1965 for making necessary procurement, storage and distribution of food grains.

In 1989-90, total capital employed in FCI was to the Extent of Rs. 5138 crore with its total storage capacity at 18 million tones. The corporation organises the price of food grains at government determined price and sale these food stocks through the network distribution system. In the year 2009-10 and 16.28 million tonnes of wheat and 4.94 million tonnes rice were distributed to FCI.

(ii) Minimum Support Price:

The government fixes the minimum support prices of agricultural products like wheat, rice, maize, cotton, sugarcane, pulses etc. regularly to safeguard the interest of farmers. The FCI also make their purchase of food grains at the procurement prices so as to maintain a rational price of food grains in the interest of farmers.

(iii) Protecting the Consumers:

To safeguard the interest of the consumers, the agricultural price policy has made provision for buffer stock of food grains for its distribution among the consumers through public distribution system.

(iv) Fixation of Maximum Price:

In order to have a control over the prices of essential commodities the government usually determines the maximum price of agricultural products so as to protect the general people from exorbitant rise in prices.

OBJECTIVES OF AGRICULTURAL PRICE POLICY:

Agricultural Marketing: Definition, Characteristics, Types, Functions and Measures

According to Thomsen – the study of agricultural marketing comprises all the operations, and the agencies conducting them, involved in the movement of farm produced foods, raw materials and their derivatives, such as textiles, from the farms to the final consumers, and the effects of such operations on farmers, middlemen and consumers.

According to the National Commission on Agriculture – Agricultural Marketing is a process which starts with a decision to produce a saleable farm commodity, and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations, and include pre- and post-harvest operations viz., assembling, grading, storage, transportation and distribution.

Marketing of agricultural goods in India is of no mean significance. Agricultural marketing is one of the manifold problems, which has direct bearing upon the prosperity of the cultivator. Agricultural marketing, in its wide sense, comprises all the operations involved in the movement of goods and raw materials from the field to the final consumer.

It includes handling of product at the farm, initial processing, grading and packing in order to maintain and enhance quality and avoid wastage. Unfortunately, the present system of marketing of agricultural goods in India is extremely defective and needs a thorough overhauling.

The close inter-relationship between agricultural production (farming), agricultural finance (credit), and agricultural marketing (sale of farm products) has been recognised by the Government as well as by the experts on agricultural problems.

Farm products cover not only the products arising out of cultivation, but also products arising from dairy farming, poultry farming, fruit cultivation, vegetable farming, etc. In this wider sense, milk and milk products, eggs, fruits, vegetables, honey are also agricultural goods.

In spite of developed agricultural marketing with respect to highly sophisticated means of transport facilities, improved form of standardization and grading, advanced communication system, scientific method of storage and warehousing, the Indian agriculture is still far behind.

Therefore, it is required that wide and effective distribution channels should be used for different types of marketing, which exercise different functions in the marketing of agricultural goods. The small-scale production of farm products further leads to concentration, equalization and dispersion. As a result, these agricultural goods necessarily move through some important wholesale markets such as – jobbing market and secondary market.

Agricultural Marketing – Characteristics: Bulkiness, Perishability, Wide Varietal Difference, Seasonality, Dispersed Production and Processing Needs for Consumption

The peculiar characteristics of agricultural produce, result in a very complicated marketing system.

The peculiar characteristics of agricultural produce are:

- (a) Bulkiness
- (b) Perishability
- (c) Wide varietal differences
- (d) Seasonality

(e) Dispersed production

(f) Processing needs for consumption.

These characteristics make the agricultural marketing a complicated system. Generally, the farmers sell their agricultural produce immediately after harvest in raw form without any processing. Since, only raw produce is marketed there arises a need for many intermediaries to operate between the producer and consumer.

The path that goods take from producer to final consumer is called the marketing channel. The type and complexity of the marketing channel varies with different commodities. The roadside market is a very simple marketing channel, from producer/farmer directly to consumer (Vegetables). However, most products undergo further processing at different levels of the marketing channel and pass through many firms before they reach the ultimate consumer.

Agricultural Marketing – Classification on the Basis of Location: Local Market/Village Market, Primary Markets, Secondary Markets and Terminal Markets

Agricultural marketing comprises marketing of food grain, commercial crops, plantation crops, horticultural produce and semi-processed products.

Economists have divided market in different manners based on the frequency with which they are held, the type of products traded, the scale of transaction and the kind of marketing functions performed.

(a) On the basis of frequency with which they are held, markets can be classified into daily markets, weekly markets, biweekly markets and monthly markets.

(b) Based on the types of products traded, we may classify as grain markets, cotton markets, fish market, fruit and vegetable markets etc.

(c) Based on the types of transactions held, we may classify into spot markets and forward markets.

(d) Based on the marketing functions performs, agricultural markets may be classified as Assembling, Wholesale and Distribution Markets.

On the basis of location we may classify agricultural markets into:

I. Local market/village market

II. Primary markets

III. Secondary market

IV. Terminal markets.

I. Local Markets:

This market is confined to a particular village, where producers and intermediaries or consumers meet for the purchase and sale of farm products. The products produced in that village are brought for sale in these markets.

The local market is also known as growers' market and is available in the vicinity of rural areas. They are generally located in small towns and at their convenient places, where rural producers bring their produce and sell to the buyers.

Functions of Local Markets:

1. Assembling of Products – The primary function of local market is to assemble the farm produce at a single place.
2. Availability of convenient place – As the producers and buyers meet at a nearby place, this type of market act as a convenient place for producers as well as buyers. This helps the producers and relieves them from the headaches of transportation and save other costs of carrying it to the towns.
3. Immediate Cash Payment – In these types of markets the village producers get immediate payment after the sale of their produce.

II. Primary Markets:

Primary markets are periodical markets locally called as “Shandies or Haats”. They are generally held once a week on a particular day. They are generally held in the open place or in roadside groves in centrally situated areas. Generally these markets are situated in the producing areas, commodities produced in the nearby surrounding areas are brought here and sold in these markets.

The agricultural produce is purchased by intermediaries, which later they sell it into wholesale markets. Besides agricultural produce, a number of other articles required by rural folks such as locally made agricultural inputs such as

threshers, hannovers, winnovers are available and consumables such as pulses, salt, jaggery, oil, fruits and vegetables, spices, cloth, hosiery products and ornaments of cheap metal are also sold in these markets.

Functions of Primary Markets:

The main function of these markets is to serve as assembling centres for the local produce, but they also function as distributive centres for local consumption.

III. Secondary Markets:

These markets are situated at district headquarters and other towns. They are also known as 'Mandis' or 'Gunjs'. These are regular wholesale markets and provide a permanent place for daily transaction. The quantum of commodities transacted is in bulk. Large quantities of commodities arrive from other markets into these markets.

Therefore, there are middlemen, market agents, weighmen and commission agents are involved in the marketing system. These markets also have grading, packing, warehousing, loading, transportation, telephone and banking facilities. These facilities available in 'Central Markets' make it possible to handle business at large scale. There are about 2,500 secondary markets in India.

IV. Terminal Markets:

A terminal market is a market where the produce is either finally disposed of to the consumer or to the processor or assembled for export. In these markets, merchants are well organized and use modern methods of marketing. In this market the price locating activities operate and buyers and sellers represent the different regions or nations sometimes meet to adjust the supply and demand.

It is the combination of three processes of marketing such as concentration, dispersion and equalization. These markets handles large scale business with large number of buyers and sellers and the facilities such as grading, transportation, information, packing, weighing, loading, etc., are available in these markets, which are required to boost the volume of trading. The terminal markets are located in highly populated cities like Mumbai, Chennai, Delhi, Kolkata, Bangalore etc.

Agricultural Marketing – Top 7 Types: Primary Market, Secondary Market, Terminal Market, Fairs, Regulated Markets, Co-Operative Markets and State Trading

The important types of agricultural markets in India are as follows:

Type # 1. Primary or Local Markets:

Primary markets, known as Hatts or Shandies are held once or twice a week in the neighbourhood of a group of villages. There are more than 22,000 such markets in India. Most of the agriculturists sell their farm products in these markets. More than 50% of the total marketed surplus is sold in these markets. These markets are organized by village Panchayats who charge some rent from shopkeepers for the space occupied. Haggling and bargaining is a common feature of these markets. The village bania acts as a middleman in these markets.

Type # 2. Secondary Markets:

These are also known as ‘wholesale’ or ‘assembling’ markets and are called ‘mandis’ or ‘gungs’. There are about 4145 such markets. These markets are permanent in nature; business in the markets is transacted regularly throughout the year.

The produce is handled in large quantities and specialized operators become necessary for the performance of different services. The markets provide facilities of storage, handling and banking services and are well-served by roads and railways. A number of middlemen operate in these markets.

Type # 3. Terminal Markets:

These markets perform the function of carrying goods to consumers, final buyers or to places of processing. Such markets are to be found in big cities or at ports. The area of their operation extends over a state.

Type # 4. Fairs:

Fairs held on religious occasions at pilgrim centres are important sources of marketing of agricultural produce in India. Such fairs are held annually and are organized by district officers, local bodies or private agencies. These fairs

are very popular in Bihar, W. Bengal, UP, Orissa, Maharashtra, Gujarat and Rajasthan.

Type # 5. Regulated Markets:

These have been set up by the Government with the purpose of checking fraudulent practices which are generally practiced by traders in the primary and secondary markets. In these markets, the rules and regulations are prescribed by the Government marketing practices.

Type # 6. Co-Operative Marketing:

These markets function on the basis of principles of cooperation. A cooperative marketing society carry the agricultural produce direct to the consumers thus eliminating a large army of middlemen and intermediaries.

Type # 7. State Trading

State trading in agricultural produce has become an important element of agricultural marketing in India. State agencies like, Food Corporation of India, set up their exclusive centres in and around villages and mandis at harvest time to procure produce from peasants to Government at fixed prices.

Agricultural Marketing – Functions Performed by Intermediaries: Collection, Assembling, Grading, Standardization, Storage, Transportation, Processing and a Few Others

A marketing function may be called as an act, operation or service performed in carrying a product from the point of its production to the ultimate consumer. The marketing functions involved in the movement of goods from the producer to its ultimate consumer may vary from commodity to commodity, market to market.

For example, marketing of rice may involve first bagging of paddy, loading, and transporting, it to the rice mill. Then processing it to make rice, again packing and transporting it to the market to sell to wholesaler from there the wholesaler sell it to retailer and then finally it reaches to the consumer.

The marketing functions may be classified in various ways. For example, Thomsen has classified the marketing functions into three broad groups.

There are many ways by which the farmer may dispose of his surplus agricultural produce. The first and the most common method is to sell away

his surplus agricultural produce to village trader, who may buy it either on his own or as an agent of a bigger merchant of the neighbouring 'Mandi' town. It is estimated that in Punjab, 60 percent of wheat, 70 percent of oils and 35 percent of cotton are sold in the village itself.

The second method adopted by the Indian farmer is to dispose of his produce in the weekly village markets, (shandies/haats). In haats and fairs, the farmers bring their produce as well as livestock and sell them.

The third method of agricultural marketing is through the 'Mandis' in small and large towns. To sell in the Mandi, the farmer has to make special effort and arrangements to carry his produce and transport his produce till the nearby Mandi.

In the Mandis, there are brokers or dalals who help the farmers to dispose of their produce to the wholesalers known as 'arhatiyas'. The wholesalers may take the agricultural produce which they have purchased from the farmers to rice mills, flour mills and processing units, after processing the produce, now it may be ready for consumption. Since, the agricultural produce as marketed by the farmers are in raw form, it needs further processing to bring it to the consumable form. From there again, retailers will buy it and sell them to the ultimate consumer.

For example, the farmers market paddy, wheat or sugarcane as is produced by them. The paddy has to be processed into rice and wheat into atta, sooji, maida and sugarcane into sugar or jaggery. Thus these functions are being performed by the intermediaries to make the produce in a consumable form.

There is no mystery about the way agricultural produce gain utility and move from the producer to consumer. Several specific activities or functions form steps in the successful execution of the marketing process. Marketing functions are not necessarily carried out in a fixed order, but they must be accomplished. In some cases for example in fruit and vegetables, on the roadside market, all the marketing functions take place in a very short time and in a very direct manner, where only the producer and the final consumer are involved.

In other cases such as "Captain Cook" atta or "Kellogg's" cornflakes/breakfast cereal or Fruit Juices or Tomato Ketchup, the functions are very complex, involves dozens of different firms and people, and require months to complete. But in both cases, the same marketing functions are required. The

manner in which marketing functions are carried out varies from product to product, but is usually an orderly process that evolves over time as conditions change.

The major functions performed by the intermediaries are:

1. Collection and assembling
2. Grading and standardization
3. Storage
4. Transportation
5. Processing
6. Wholesaling and Retailing.

These functions are performed by itinerant village merchants, commission agents, wholesalers, transport operators, storage operators, weighmen, processors, wholesalers and retailers. The intermediaries performing these functions also seek returns commensurate with their investments.

Agricultural Marketing – Foreign Trade of Agricultural Products: Export and Import

Liberalisation of world trade in agriculture has opened up new vistas of growth. India has a competitive advantage in several commodities for agricultural exports, because of near self-sufficiency of inputs, relatively low labour costs and diverse agro-climatic conditions.

These factors have enabled, export of several agricultural commodities over the years such as marine products, cereals, cashew, tea, coffee, spices, fruits and vegetables, castor and tobacco. For certain commodities like basmati rice, India has a niche market access in spite of competition. Agricultural export has a sizeable share of about 18 percent in total exports of the country.

Agricultural imports are about 5 to 6 percent of total imports in the country. Only a few commodities like edible oil, cotton and pulses are imported.

The country has witnessed, over the years, substantial improvement, in the domestic supply of agri-products besides generating export surpluses in commodities such as rice, wheat, sugar, coffee, tea, milk products, fruits, vegetables, tobacco, spices, cashew, marine products, oil meals etc. The

country is currently sitting on huge stocks of rice, wheat and sugar, much above the domestic requirements.

Exports:

Agri-exports account for about 18 per cent of total annual exports of the country. In 2000-01, agri-products valued at more than US \$6 billion were exported from the country, 23 per cent of which was contributed by the marine products alone. Marine products, in recent years, have emerged as the single largest contributor to the total agri-exports from the country. Cereals (mostly basmati and non-basmati rice), oil meals, tea, coffee, cashew and spices are the other prominent products, each of which accounts for nearly 5 to 10 per cent of the country's total agri-exports.

The stagnating agri-exports from India in recent years can be traced partly to distorted domestic prices for products like rice, wheat, oil meals, tea, coffee etc. Weakness in export infrastructure specific to agri-products, such as storage, port handling facilities, lack of large scale processing technology, and export quota restrictions makes Indian supply sources unreliable, and hinder the exploitation of full potential of Indian agri-exports.

A major difficulty faced by India in the international market is the high level of domestic support and export subsidies given by developed countries for their agri-exports.

Hence, it is imperative to evolve concrete strategies to make Indian agriculture competitive and enhance its efficiency. For this purpose, on the one hand we should be seeking substantial reduction in the support given to agriculture by developed countries, on the other hand. Indian agriculture would also require to be supported to maintain and improve its competitiveness.

Imports:

In 2000-01, the country's agri-imports were only US \$1.8 billion. In recent years, edible oil, accounting for nearly 60 to 70 percent of the value of total agri-imports, has become the single largest item of agri-imports. Raw cashewnut, nuts (almonds from USA) and pulses are among the other dominant agri imports, each of which also accounted for 5 to 10 percent of total agri- imports in recent years.

Sugar and cereals (each of which also accounted for 5 to 10 percent of country's agri-imports in recent years) have registered substantial decline both in terms of value and share in 2000-01. Agri-imports in 2000-01 constituted only a small proportion of country's total imports i.e., 3.7 per cent. In recent years, the share of agri-imports in total imports of the country has hovered around 5 to 6 percent.

Contrary to concerns in some circles that liberalization of imports resulting from the lifting of quantitative restrictions on agri-products would lead to surge of agri-imports affecting adversely the Indian farmers, the value of agri-imports in aggregate terms has come down to about US \$1.8 billion in 2000-01 from US \$2.9 billion in 1998-99 and US \$2.8 billion in 1999-2000.

India has considerable flexibility to counter flooding of the Indian market by cheap agri-imports by imposing tariffs (bound rate) under WTO for agri-products, which provide a fair level of protection. The Government, in fact, raised the import tariff for many agri-products such as tea, coffee, pulses and edible oils in 2001-02 Budget.

Countervailing duties can also be imposed to counter actionable subsidies given to agri-products by the other exporting countries, apart from having the option of acting under safeguard provisions to counter surge of imports.

Agricultural growth has been unsteady during the last few years. Large accumulation of rice and wheat stocks, along with a distinct shift in the consumption pattern away from cereals to non-cereals is a stark reminder that the policy focus needs to be re-oriented towards the growth of non-cereal crops viz., oilseeds, pulses, fruits, vegetables and dairying.

Diversification of agricultural production requires development of rural infrastructure – transportation, rural roads, improved and reliable power supply, watershed management, cold storage facilities, and agri-food processing facilities,, quality testing labs and institutional support by way of new market facilities, removal of restrictions on stock limits and agri-product movement.

Emphasis on minimum price support which has benefited only rice and wheat crops at the expense of other crops, and agri-products requires a fresh policy focus so that crop diversification gains momentum.

It is estimated by some economists that every one percent switch in terms of trade in favour of agriculture will result in diversion of about Rs. 8,500 crore

annually in favour of agriculture from the non-agriculture sector. This additional rural purchasing power will create a phenomenal effective demand. Promotion of agricultural exports is important, for creating conditions for providing remunerative prices to farm products.

Agricultural Marketing – Basic Facilities for Farmers

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

(i) The farmer should have proper information about the future demand of a particular commodity in the market, so that he can plan earlier to sow the seeds of those crops which can get him a fair return.

(ii) Most of the villages are not linked with the mandi or business centres, which are the only means of transport for a farmer. Hence, a proper rural network with all-weather roads are necessary to develop the farmers/rural areas.

(iii) Remote/small village farmers are dependent on other small towns/cities for sale and purchase of outputs or inputs. An efficient road transport system is necessary for all types of rural people/farmers

(iv) The farmer should have proper storage facilities for storing his agricultural produce.

(v) He should have holding capacity, in the sense, that he should be able to wait for times, when he could get better prices for his produce and not dispose of his stocks immediately after the harvest when the prices are very low.

(vi) He should have clear information regarding the market conditions as well as about the ruling prices; otherwise, he may get cheated.

(vii) There should be more organized and regulated markets, where the farmers will not be cheated by the middlemen or intermediaries.

(viii) The number of intermediaries should be less so that the middlemen's profits are reduced. Which as a result, will increase profits to the farmer.

(ix) The farmer can easily get institutional credit facilities for agriculture and allied activities.

(x) In the event of failure of crops, due to drought or other natural calamities, he should get financial security and crop insurance for his crops.

Agricultural Marketing – Pre-Requisites for Effective Agricultural Marketing: Storage, Finance, Information, Co-Operatives and Transport

1. Storage:

Farmer should have adequate storage facilities. Development of warehousing is essential.

2. Finance:

Farmer should have sufficient holding power, i.e., he should be able to await for favourable prices and he should not be forced to sell his stocks immediately in the village to the trader-cum-money lender even at low prices. Co-operative credit can solve this problem.

3. Information:

Farmer should have up to date market information regarding supply, demand and prices. Only regulated markets and co-operative marketing society can supply market intelligence services.

4. Co-Operatives:

There should be reasonable number of middlemen between the farmer and the consumer. Here again marketing co-operatives can reduce the number of middlemen and assure better prices for agricultural goods.

5. Transport:

Marketing depends upon transport. We must have efficient and economical network of road-rail transport for home trade. Adequate and cheaper transport can widen agricultural markets and offer remunerative prices also.

Agricultural Marketing – Need for Trained Personnel (With List of Courses and Training Programmes)

The term “agricultural marketing” encompasses a wide range of functions, viz., assembling, transportation, storage, processing, grading, sales etc., as needed to offer produce from the farm to the consumer in the required form at the right time and place and at an acceptable price. It also includes arrangements for supplying inputs for production. While discussing training

in marketing of agricultural produce, it is important to see the agriculture and food marketing system as an integral whole and not limit the analysis to the first stage of agricultural marketing, i.e., assembling of the produce.

In India, there are 6,983 wholesale agricultural produce markets and about 22,000 primary rural markets. Out of these, 6,738 are operative under Market Regulation Acts. For supervision, Market Committee is constituted for a regulated market having representatives of producers, market functionaries, co-operatives, local bodies, government officials etc., Market Secretary is the Chief Executive Officer and supported by a host of other officials.

The need for trained personnel to manage the entire marketing system including manning of markets is huge. It has been estimated that about 60,000 marketing personnel belonging to senior, middle and junior levels would be required. The demand of trained personnel if the entire gamut of agricultural marketing is taken into consideration would be much higher.

The personnel managing agricultural marketing both in government and private at different levels have varied educational background. Some are from agricultural faculty while others are from science, commerce and even arts. It is, therefore, important that these personnel are trained so that they have at least the basic knowledge of agricultural marketing.

Education (At University Level) of Agricultural Marketing:

Formal training in India, by and large, is being imparted by various universities, particularly the Agricultural Universities and by a network of co-operative training colleges spread all over the country. At present, there are 27 Agricultural Universities conducting on a regular basis the Under-graduate, Post-graduate and doctoral level academic courses in agriculture.

At university level, education in agricultural marketing constitutes a very small component in total course content. Agricultural marketing is treated under agricultural economics. However, the Mysore University is running two-year Post-graduate Masters' Degree Course in Agricultural Marketing. Likewise, the University of Agriculture Science, Bangalore offers a degree course in Agricultural Marketing & Co-operatives.

Agricultural Universities, however, perform a very useful role in marketing research and in training the farmers through extension activities. There is an imperative need to expose students of agricultural economics to the basic marketing policies, management of food marketing system, logistics relating

to agricultural marketing and markets, project formulation and its evaluation, market planning and design, marketing extension service, market intelligence, marketing research, post-harvest technology, etc. in order to widen their horizon of knowledge and to understand basic concepts in agricultural marketing.

Training (In-Service Training Programme):

The Directorate of Marketing and Inspection (DMI) is conducting a number of training programmes to cater to the requirements of middle and junior level marketing personnel.

The objectives of these in-service training programmes are to:

- (i) Prepare marketing executives with sound theoretical-cum-practical knowledge for formulation of marketing development projects and evaluation thereof;
- (ii) Provide trained and specialized manpower for effective management of the regulated markets;
- (iii) Promote standardization and grading of agricultural commodities at producers' level and expansion of grading of various agricultural/horticultural commodities and livestock products on voluntary basis for internal consumption as well as export;
- (iv) Improve the market intelligence and market information service;
- (v) Provide trained marketing manpower to the State Agricultural Marketing Departments/Boards for conducting market/marketing surveys and to enable them to carry out problem-oriented researches;
- (vi) Spread the benefits of marketing development programmes to the producers through training in market extension;
- (vii) Prepare adequate number of trainers for training junior officials of the State Agricultural Marketing Departments/Boards/Co-operatives, etc.; and
- (viii) Provide practical-oriented training to the junior level officers of the DMI in pre-shipment inspection and compulsory quality control of agricultural commodities.

Diploma Course in Agricultural Marketing:

Introduced in the year 1956, this is the first complete and comprehensive course started in the country for the middle level personnel of the marketing organizations in the different States. It is a post-graduate course of eleven months duration. The course content of the syllabus includes emphasis on different marketing functions in addition to the theory of economics, prices and commodity studies, with due stress on practicals which also include market surveys, seminars, group discussions and visit to different institutions for the field study. In general, the programme seeks to mould the trainees into general-purpose marketing men who could efficiently put through the various development programmes.

Training for Marketing Secretaries:

This course was started in the year 1957 for the managers including supervisors of the regulated markets. It is oriented to equip the market committee personnel to administer the regulated markets more efficiently. The duration of the course, initially of five months, is now of four months.

The training is simultaneously given at two Centres, viz., Hyderabad and Lucknow. The syllabus includes in-depth study of the provisions of the Agricultural Produce Markets Act, Rules and bye-laws in different States, manner of their enforcement etc., in addition to the basic knowledge of marketing.

Training of Grading Supervisors:

This programme aims at imparting necessary training to the supervisory staff at lower level, in charge of commercial grading centres run by market committees, co-operative societies, etc. The course includes principles and functions of marketing, sampling techniques, quality evaluation and grading etc., practicals include analysis of different agricultural commodities and field visits. The course is of three months duration.

Diploma Course in Marketing of Livestock and Livestock Products:

The course was started in 1955. It is a specialized course in marketing of livestock and livestock products for middle level executives. Officers from the Animal Husbandry/Veterinary Departments of the States are sponsored for this programme. The duration of the course is of six months.

Training Course for Graders:

Started in the year 1962, this was originally a combined course for graders and assessors and supervisors at lower level, the duration being three months. The candidates are sponsored by the state authorities from Market Committees, Co-operative Societies, etc., the programme has been decentralized from 1970 and now the course is organized in the state of Maharashtra, Tamil Nadu and Karnataka in the regional languages.

Special Course in Grading of Commodities:

These include training programmes in grading of cotton, grading of tobacco, grading of jute, ad hoc and short-term courses in grading of 'Kapas', cleaning and processing of animal casings, etc.

Senior Level Training Programme in Agricultural Marketing:

This is a specialized course now condensed to two weeks duration for the senior level marketing executives from the marketing organizations at the state and central levels and enables the participants to exchange ideas with the experts in the field of agricultural marketing. The participants are also given an opportunity to exchange ideas through paper presentations and group discussions.

In-Service Training Course for Junior Officers of DMI:

This course is tailored to benefit the junior level executives of the DMI in their field assignments. It is an intensive course of three months duration.

Market Intelligence and News Services:

The primary objective of the training course is to improve and strengthen market intelligence and news services in India. The duration of the course is three weeks and is being organized since 1986 at Nagpur.

Market Extension Service Course:

A short-term training programme of three weeks duration was introduced in 1986 at Nagpur. The training course aims at improving techniques in assimilation of market information and to imbibe consciousness amongst the consumers about graded and certified products.

Training in Analytical Technology:

The DMI provides training facilities to chemists in the analysis of ghee, vegetable oils, butter, groundnut, spices honey, etc., in its laboratories. This facility is available to the chemists of the private entrepreneurs approved by the DMI under the statute for grading as well as to the chemists of the State Governments, Commercial Laboratories, Co-operative Label – stores, etc. Besides, the chemists of the DMI are also provided in-service training.

Training in Pre-Shipment Inspection and Quality Control:

The DMI is enforcing pre-shipment inspection and quality control in respect of a number of agricultural commodities. Junior level officers of the Directorate are given a short-term training in grading of important commodities like whole spices, walnuts, tobacco, etc.

Training Programmes Conducted by the State Marketing Boards:

Some of the State Marketing Boards are conducting courses for training of marketing personnel working in the organizations as well as in regulated markets. These programmes are generally in the nature of orientation/refresher course. While a few courses are conducted regularly, others are ad hoc in nature and include training in the areas of general agricultural marketing, grading, market intelligence, etc.

Training Programmes Conducted by the Co-Operative Training Colleges:

In India, a three-tier co-operative training structure is functioning under the administrative control of the National Council of Co-operative Training (NCCT). At the national level, there is the Vaikunthlal Mehta National Institute of Co-operative Management, Pune, for training senior and key personnel of co-operative institutions and co-operative departments.

Seventeen Co-operative Training Colleges are functioning at the State level to cater to the training requirements of middle level personnel. At the district level, there are 87 Junior Training Centres to provide training to the junior level personnel of co-operative institutions.

Government of India provides financial assistance to the NCCT, Vaikunthlal Mehta Institute and the 17 training colleges, while the state governments and the State Co-operative Unions share expenditure of the junior training centres. Since 1985-86, the National Co-operative Development Corporation is also

implementing a training programme TOPIC (Training of Personnel in Co-operatives) for the training of co-operative personnel.

Training Programmes Conducted by the Other Organisations and Institutions:

The Food Corporation of India (FCI) organizes a four-week course in procurement, storage management, quality control and food grains marketing for its own personnel at its Central Training Institute, New Delhi.

The Central Warehousing Corporation (CWC) provides in-service training to its own staff, posted in various warehouses. The programme includes technical and managerial aspects relating to grading, storage, preservation and management of warehouses. The duration of the programme ranges from four to six weeks. In addition, refresher courses of one week duration are also organized, as and when needed.

The Indian Grain Storage Institute (IGSI), Hapur, with its two field stations, also organizes training course of eight weeks duration in storage and inspection of food grains for the departmental nominees of various organizations engaged in handling and marketing of food grains. Besides, a short-term training course of two to four weeks duration is also organized for the nominees from the concerned departments in the area of handling, storage and grading of food grains.

The Central Food Technological Research Institute (CFTRI) Mysore, is a pioneering institute in India which provides training in various aspects on food science and technology including post-harvest technology of various agricultural products. The programmes are mainly arranged in response to the requests received from the concerned organizations.

The Indian Institute of Packaging (IIP), Bombay, an autonomous organization organizes a Post-graduate/Diploma programme in packaging of two years duration. Besides, it also conducts a certificate programme for three months duration on packaging, and an Executive Development Programme of one or two day duration on specific packaging system.

The National Institute of Rural Development (NIRD), Hyderabad also organizes two short-term training programmes of six days duration, viz., 'Rural Marketing' and 'Planning and Management of Agribusiness Co-operatives'.

The Centre for Agricultural Marketing (CAM) has also been established in 1988 by the Government of India in order to supplement the training needs in the field of agricultural marketing.

In addition to the above training programmes, the Bureau of Indian Standards also organizes national and international level training programmes in standardization and certification of quality of manufactured goods.

The Directorate of Extension, Government of India regularly arranges training programmes covering different aspects of agriculture. Some of these courses are relevant to agricultural marketing. The training programmes are usually arranged in collaboration with Research Institutes or Agricultural Universities. Indian Institute of Foreign Trade, New Delhi, conducts regular courses for the benefit of public as well as for the organized sector.

The Reserve Bank of India has established a college of Agriculture Banking to impart training in financial matters pertaining to agriculture and related fields. Likewise other financial institutions have their own training facilities. National Productivity Council organizes training courses from time to time for senior personnel.

National Informatics Centre, New Delhi is responsible at the central level to arrange training courses in application of computers and allied subjects. The Spices Board in collaboration with the States and DMI arranges training courses for farmers covering post-harvest operations. A few trade organizations like the Federation of Indian Chamber of Commerce and Industry (FICCI) also organize training courses for its members.

In-Service Training Overseas:

As a part of on-going training programmes in agricultural marketing, officials are deputed to foreign countries to acquire skill and knowledge in specialized fields. For many of these courses, expenses for the participants are borne by the host country as a policy matter of that government or as a part of bilateral agreement. Occasionally, scholarships are also available to candidates for such courses.

On return, trained officials are entrusted with special assignments. They are also expected to train other personnel locally. At times experts from other countries including FAO are invited. Exchange of experts help in gaining first-hand experience in critical areas as well as about developmental programmes of other countries.

Agricultural Marketing – Agricultural Research

Agricultural research is a vital input for planned growth and sustainable development of agriculture in the country. India had for the first time a record production of 202.5 million tonnes during 1998-99; the production of rice and wheat was 84.7 and 71.0 million tonnes respectively.

With these production levels, India has emerged as the second largest producer of wheat and rice in the world. Production of pulses, oilseeds, potato, milk, egg and fish has also been very high, placing India amongst the front-runners in their production. Generation, testing and adoption of improved technologies have played a major role in enhancing the production and productivity of agricultural goods.

The Indian Council of Agricultural Research (ICAR) is the apex organization at the national level for promoting science and technology programmes in the agricultural research and education. The ICAR was set up on 16 July 1929 as a registered society under the Societies Registration Act 1860, on the recommendations of the Royal Commission on Agriculture. It was reorganized twice, in 1965 and 1973. The headquarters of the ICAR is located at Krishi Bhavan, New Delhi.

The Indian Council of Agricultural Research (ICAR), being an apex scientific organization in agriculture at national level, plays a crucial role in promoting and augmenting agricultural research, education and demonstration of new technologies as frontline extension activities.

Its objectives are to enhance productivity, profitability, stability and sustainability of the agricultural system.

Agricultural Marketing – Steps Taken for Improvisation

1. Creation of planned network of warehouses at all markets.
2. Linking co-operative credit with farming, marketing and processing.
3. Development of rural transport.
4. Adequate publicity to market information.

5. Stabilisation of food grain prices.
6. Government organisations, such as Food Corporation of India, Cotton Corporation of India, etc., for marketing agricultural produce in a big way.
7. Marketing Surveys of various agricultural products were undertaken and these were duly published. These surveys revealed the various problems encountered in agricultural marketing and pointed out remedies to solve those problems.
8. The government took great interest in standardisation and grading of agricultural produce. Agmark goods have a wider market and can command better prices also. There is a Central Quality Control Laboratory and eight regional laboratories to test the quality and purity of produce.
9. By 1985-86 there were over 5,600 regulated markets in India.
10. Warehousing facilities have been provided by the government and co-operative marketing societies.

Agricultural Finance:

Rural Credit Survey Report strongly recommended the accelerated growth of institutional credit mainly in the form of co-operative credit with active state participation. Till 1950, co-operatives and government played an extremely poor role. In 1950-51, co-operatives were providing hardly 3 per cent of rural credit.

By 1970-71, their share went up to over 23 per cent. Institutional credit (credit by co-operatives, commercial banks and regional rural banks) was increased from Rs.2, 550 crores in 1979-80 to Rs.5, 810 crores in 1984-85. By 1989-90, it would grow to the level of Rs.12.570 crores as per the 7th Plan.

The integrated scheme of rural credit advocated by the Rural Credit Survey Report was based on three basic principles:

1. Active participation by the Government in the co-operatives at all levels.
2. Perfect co-ordination between credit and other economic activities, e.g., farming, marketing, processing, and so on. Production, finance, marketing, and processing must be integrated and co-ordinated so that we can ensure package deal to cover all credit needs of farmers easily.

3. Management of co-operatives must be in the hands of trained and efficient salaried personnel who will provide professional management of co-operatives at all levels Co-operatives like any other private enterprise must have able and competent managers.

The State was called upon to participate in the co-operative movement not only in finance but also in the provision of professional management. The State was called upon to participate in the promotion, organisation, finance and management of marketing and processing co-operatives.

The multi-purpose co-operatives were advocated to look after all inter-related activities of Indian agriculture in an integrated manner.

Agricultural Marketing – Defects: Lack of Organisation, Forced Sales, Existence of Large Number of Middlemen, Multiplicity of Market Charges and a Few More

1. Lack of Organization:

There is lack of organization among producers. Producers are small and scattered. They have no collective organization of their own to protect their interests.

2. Forced Sales:

The farmers are forced to sell their products due to:

- i. poverty and prior indebtedness.
- ii. Lack of storage facilities.
- iii. Time factor, particularly with regard to perishable goods.

3. Existence of Large Number of Middlemen:

There are a large number of intermediaries or middlemen between the producers and the consumers. These middlemen sell the produce to the consumers at a higher price and give lower returns to the producers.

Approximately 50% of the price paid by the consumer goes to middlemen.

4. Multiplicity of Market Charges:

The producers pay numerous and various marketing charges. They are more than 20% of the income of the produce. They pay market charges at different levels such as – commission to the dalal, weigh men charges, brokerage, charges of labourers who help in unloading the cart, etc., apart from the deduction for impurities in the produce by the wholesaler.

5. Multiplicity of Weights and Measures:

There is lack of standard weights and measures. Weights made of sticks, stones, bits of old iron are commonly used in the villages and markets.

The multiplicity of weights and measures employed has many defects:

- i. It makes supervision very difficult.
- ii. It gives opportunity to cheat the producers.

6. Adulteration:

Due to adulteration, the quality of the produce is reduced. Even the good produces are subjected to customary inclusion of impurities. The adulterants, such as – papaya seeds, are mixed with pepper; chilly powder is mixed with red brick powder supari with sawdust; ghee with vanaspathi; and tea dust with sawdust. Medicines are also adulterated.

7. Inadequate Storage Facility:

Storage facility is far below the requirements in rural and urban areas. The loss due to inadequate storage has been estimated to be 5-15% in weight and quality. Grains lose weights due to the change of weather. Crops like jowar, pulses and maize are found to be infested with insects even before harvest.

8. Lack of Transport Facility:

There are bad roads which lead to loss during transportation and cause strain to the animals. The freight policy followed by railways in India is also not satisfactory. Railways do not have the facility for quick and safe transport of perishable products.

9. Absence of Grading and Standardization:

There is no standard grade for important commodities like rice and wheat in the whole country. The ungraded mixed qualities are sold at low prices.

10. Lack of Market Information:

Most of the farmers are illiterates and they are ignorant of the accurate prices ruling in the market. They depend upon inaccurate information.

11. Lack of Financial Facility:

Most of the financial needs of the farmers in India are met by village moneylenders; the moneylenders come forward, purchase the produce by paying low prices under the loan agreement, and again issue loans for further cultivation or for their family needs. The loan is advanced on the condition that the produce will be sold to them or through them.

What is Minimum Support Price?

Minimum Support Price is the price set by the government to purchase crops from the farmers, whatever may be the market price for the crops. Minimum Support Price is an important part of India's agricultural price policy as its declaration before the sowing time assures farmers agricultural income besides providing a clear price signal.

The MSP helps to incentivize the framers and thus ensures adequate food grains production in the country. I gives sufficient remuneration to the farmers, provides food grains supply to buffer stocks and supports the food security programme through PDS and other programmes.

Procurement Price

Sometimes, the government procures at a higher price than the MSP. Here, the price will be referred as procurement price. The procurement price will be announced soon after the harvest. Normally, the procurement price will be higher than the MSP, but lower than the market price. The price at which the procured and buffer stocke food grains are provided through the PDS is called as issue price.

When the MSP is announced?

The minimum support prices are announced by the Government of India at the beginning of the sowing season for certain crops on the

basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP). Support prices generally affect farmers' decisions indirectly, regarding land allocation to crops, quantity of the crops to be produced etc. It is in this angle that the MSP becomes a big incentive for the farmers to produce more quantity.

What are the Objectives of MSP?

Government's agricultural policy has three important components- the MSP, Buffer Stocks and issue of food grains through the PDS. The interconnectivity between the three is very clear. MSP helps to procure adequate food grains through FCI, state agencies and cooperatives. The PDS network through the policy of *issue price* delivers it to the weaker sections.

MSP is price fixed by Government of India to protect the farmers against excessive fall in price during bumper production years. The minimum support prices are a guarantee price for their produce from the Government.

The objective of the MSP is thus to ensure remunerative prices to the growers for by encouraging higher investment and production. It also aims to bring a balanced realization of sufficient food production and consumption needs at the same ensuring adequate and affordable food grains to all the people.

Thus the minimum support price is aimed to:

- (i) Assure remunerative and relatively stable price environment for the farmers by inducing them to increase production and thereby augment the availability of food grains.
- (ii) Improve economic access of food to people.
- (iii) Evolve a production pattern which is in line with overall needs of the economy.

History and trend

The MSP was declared used first time in 1965 as a tool for agricultural price policy to meet the various objectives. Since then, the MSP

performs an important function in realizing the various objectives related to agricultural price policy.

Who declares and who prepares it?

The Cabinet Committee on Economic Affairs (CCEA), Government of India, determines the Minimum Support Prices (MSP) of various agricultural commodities in India based on the recommendations of the Commission for Agricultural Cost and Prices (CACP).

What is open ended MSP?

Government considers that some types of crops are vital for food security. To ensure and encourage the production of such crops the government follows a much liberal procurement policy known as open ended MSP.

In this case, there is no procurement target. The government allows the procurement agencies like the FCI to buy whatever is offered by the farmers for sale at MSP. The major staple food items – rice and wheat are the two principal commodities where government's role is pronounced.

How MSP is calculated for each crop?

The MSP is calculated and recommended by the CACP. For the calculation of the MSP, the CACP takes into account a comprehensive view of the entire structure of the economy of a particular commodity or group of commodities. Other Factors include cost of production, changes in input prices, input-output price parity, trends in market prices, demand and supply, inter-crop price parity, effect on industrial cost structure, effect on cost of living, effect on general price level, international price situation, parity between prices paid and prices received by the farmers and effect on issue prices and implications for subsidy.

Commission makes use of both micro-level data and aggregates at the level of district, state and the country.

There are various supply related information that are needed to estimate the MSP. These are – area, yield and production, imports, exports and domestic availability and stocks with the

Government/public agencies or industry, cost of processing of agricultural products, cost of marketing – storage, transportation, processing, marketing services, taxes/fees and margins retained by market functionaries; etc. are also considered.

Different Ministries and Departments help the Commission to arrive at the MSP. The estimates of Cost of Cultivation/Cost of Production, an important input for forming the recommendation of MSP, are made available to the Commission through the Comprehensive Scheme for Studying the Cost of Cultivation of Principal Crops, operated by the Directorate of Economics and Statistics, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India.

These estimates take into account real factors of production and include all actual expenses in cash and kind incurred by the farmer in production, rent paid for leased in land, imputed value of family labour, interest value of owned capital assets (excluding land), rental value of owned land (net of land revenue), depreciation of farm implements and buildings and other miscellaneous expenses.

How many commodities are covered under the MSP?

At present, the MSP covers 24 crops that includes seven cereals (paddy, wheat, barley, jowar, bajra, maize and ragi); five pulses (gram, arhar/tur, moong, urad and lentil); eight oilseeds (groundnut, rapeseed/mustard, toria, soyabean, sunflower seed, sesamum, safflower seed and nigerseed); copra, raw cotton, raw jute and virginia flu cured (VFC) tobacco.

Procurement of agricultural crops is made by the FCI, state agencies and cooperatives.

A counterpart of the MSP is the Market Intervention Scheme (MIS), under which the state government procures perishable commodities like vegetable items.

AGRICULTURAL SUBSIDY:

(1) Input Subsidies:

Subsidies can be granted through distribution of inputs at prices that are less than the standard market price for these inputs. The magnitude of subsidies will therefore be equal to the difference between the two prices for per unit of input distributed. Naturally several varieties of subsidies can be named in this category.

(a) Fertiliser Subsidy:

Distribution of cheap chemical or non-chemical fertilisers among the farmers. It amounts to the difference between price paid to manufacturer of fertiliser (domestic or foreign) and price, received from farmers.

This subsidy ensures:

- (i) Cheap inputs to farmers,
- (ii) reasonable returns to manufacturer,
- (iii) stability in fertiliser prices, and
- (iv) availability of fertilisers to farmers.

In some cases this kind of subsidies are granted through lifting the tariff on the import of fertilisers, which otherwise would have been imposed.

(b) Irrigation Subsidy:

Subsidies to the farmers which the government bears on account of providing proper irrigation facilities. Irrigation subsidy is the difference between operating and maintenance cost of irrigation infrastructure in the state and irrigation charges recovered from farmers. This may work through provisions of public goods such as canals, dams which the government constructs and charges low prices or no prices at all for their use from the farmers. It may also be through cheap private irrigation equipment such as pump sets.

(c) Power Subsidy:

The electricity subsidies imply that the government charges low rates for the electricity supplied to the farmers. Power is primarily used by the farmers for irrigation purposes. It is the difference between the cost of generating and distributing electricity to farmers and price received from farmers.

The State Electricity Boards (SEBs) either generate the power themselves or purchase it from other producers such as NTPC and other SEBs. Power subsidy “acts as an incentive to farmers to invest in pump sets, bore-wells, etc.

(d) Seed Subsidies:

High yielding seeds can be provided by the government at low prices. The research and development activities needed to produce such productive seeds are also undertaken by the government, the expenditure on these is a sort of subsidy granted to the farmers.

(e) Credit Subsidy:

It is the difference between interest charged from farmers, and actual cost of providing credit, plus other costs such as write-offs bad loans. Availability of credit is a major problem for poor farmers. They are cash strapped and cannot approach the credit market because they do not have the collateral needed for loans. To carry out production activities they approach the local money lenders.

Taking advantage of the helplessness of the poor farmers the lenders charge exorbitantly high rates of interest. Many times even the farmers who have some collateral cannot avail loans because banking institutions are largely urban based and many a times they do not indulge in agricultural credit operations, which is considered to be risky.

To tackle these problems the government can provide:

(1) more banking operations in rural areas-which will advance agricultural loans, and

(2) the interest rates can be maintained low through subsidisation schemes, and

(3) the terms of credit (such as collateral requirements) can be relaxed for the poor.

(2) Price Subsidy:

It is the difference between the price of food-grains at which FCI procures food-grains from farmers, and the price at which PCI sells either to traders or to the PDS. The market price may be so low that the farmers will have to bear losses instead of making profits. In such a case the government may promise to buy the crop from the farmers at a price which is higher than the market price.

The difference between the two prices is the per unit subsidy granted to the farmers by the government. The price at which the government buys crops from the farmers is called the procurement price. Such procurement by the government also has a long run impact. It encourages the farmers to grow crops which are regularly procured.

(3) Infrastructural Subsidy:

Private efforts in many areas do not prove to be sufficient to improve agricultural production. Good roads, storage facilities, power, information about the market, transportation to the ports, etc. are vital for carrying out production and sale operations. These facilities are in the domain of public goods, the costs of which are huge and whose benefits accrue to all the cultivators in an area.

No individual farmer will come forward to provide these facilities because of their bulkiness and inherent problems related to revenue collections (no one can be excluded from its benefit on the ground of non-payment). Therefore the government takes the responsibility of providing these and given the condition of Indian farmers a lower price can be charged from the poorer farmers.

(4) Export Subsidies:

This type of subsidy is not different from others. But its purpose is special. When a farmer or exporter sells agricultural products in foreign market, he earns money for himself, as well as foreign exchange for the country. Therefore, agricultural exports are generally encouraged as long as these do

not harm the domestic economy. Subsidies provided to encourage exports are referred as export subsidies.

Food Security In India

Food Security in India – Important Statistics

Food security has been a major concern in India.

According to UN-India, there are nearly 195 million undernourished people in India, which is a quarter of the world's hunger burden.

Roughly 43% of children in India are chronically undernourished.

People Below Poverty Line in India decreased to around 22% in 2011-12. The Poverty percentage was calculated using the Tendulkar methodology.

India ranked 76th in 113 countries assessed by The Global Food Security Index (GFSI) in the year 2018, based on four parameters—affordability, availability and quality, and safety.

As per the Global Hunger Index, 2018, India was ranked 103rd out of 119 qualifying countries.

According to FAO estimates in “The State of Food Security and Nutrition in the World, 2018” report, about 14.8% of the population is undernourished in India.

What is Food Security?

The Food and Agricultural Organization (FAO) states that food security emerges when all people at all times have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. Food security has three important and closely related components, which are listed below

Availability of food

Access to food

Absorption of food.

Laws on Food Security – India

In order to provide the Right to food to every citizen of the country, the Parliament of India, enacted legislation in 2013 known as the National Food Security Act, 2013. Also called the Right to Food Act, this Act seeks to provide subsidized food grains to approximately two-thirds of India's 1.33 billion population. Food Subsidy is the foundation on which the National Food Security Act 2013 is implemented in India.

National Food Security Bill, 2013

This Bill was introduced in Lok Sabha on 7th August 2013

It was passed in Lok Sabha on 26th August 2013.

The National Food Security Bill was passed in Rajya Sabha on September 02, 2013.

Civil Service Exam aspirants can learn more about the National Food Security Act, 2013 in the given link.

Food Security Programmes of India

Public Distribution System. – A major chunk of Government Expenditure on Food Security is spent on Food Subsidies which are implemented through the Targeted Public Distribution System.

Mid Day Meal Scheme

Integrated Child Development Services Scheme.

The food management system and food price policy, to ensure food security in India thus consists of three major instruments,

Procurement at minimum support prices,

The maintenance of buffer stocks, and the

Public Distribution System.

Food Subsidy in India – Implementation

Food Security of beneficiaries is ensured by distributing food grains at subsidized prices through the Targeted Public Distribution System (TPDS). It protects them from price volatility due to inflation. Over the years, while the spending on food subsidy has increased, the ratio of people below the poverty line has decreased.

The Ministry of Consumer Affairs, Food, and Public Distribution is the nodal ministry for the implementation of food subsidy. This Ministry has 2 Departments which are given below

Department of Food and Public Distribution

Department of Consumer Affairs

98% of this Ministry's budget is allocated to the Department of Food and Public Distribution.

Candidates can go through the following links relevant for the upcoming UPSC exam preparation-

Food Security Challenges in India Food Safety and Standards Authority of India (FSSAI) Food and Agriculture Organisation (FAO)

Poverty and Hunger Issues Nutrition and India Mega Food Parks

Ready-to-use therapeutic food (RUTF) PM Formalization of Micro Food Processing Schemes Zero Hunger Programme

Department of Food and Public Distribution

For the Financial Year (FY) 2020-21, the department was allocated a budget of more than 1.2 Lakh crore. Compared to 2019 - 20, revised estimate, the current budget is higher by 6% i.e approximately Rs 7000 crores.

The objectives of this department are to ensure Food security through the following actions which are listed below.

Food procurement

Food storage

Distribution of Food Grains

Regulating the sugar sector.

Department of Consumer Affairs

In FY 2020 – 21, this department was allocated a budget of Rs 2,300 crores. Compared to the previous FY 2019 – 20, revised estimate, the current budget allocation is 12 % higher.

The objectives of the Department of Consumer Affairs are listed below.

Spreading awareness among the consumers about their rights

Prevention of black marketing

Protecting the interests of the consumers.

Implementing standards

Food Subsidy – Largest Component of the Department of Food and Public Distribution.

Food subsidy is calculated as the difference between the economic cost of procuring food grains (including procurement, stocking, distribution), and their Central Issue Price (CIP). Central Issue Price (Rs/kg) is the price at which the Government sells the food grains to households belonging to Antyodaya Anna Yojana (AAY), Below Poverty Line (BPL), and Above Poverty Line (APL).

Food subsidy is the largest component of the Department of Food and Public Distribution.

Food Subsidy accounts for 95% of the total budget allocated to the Department of Food and Public Distribution.

Currently, Food Subsidy covers 81 crore people.

As per the National Food Security Act of 2013, food subsidies should cover 50% of the population in urban areas and must cover 75% of the population in rural areas.

Department of Food and Public Distribution gives the food subsidy to the Food Corporation of India (FCI) and states. These entities in turn procure food grains from the farmers at the Government notified Minimum Support Prices (MSP).

Once the food grains are procured from farmers, the Food Corporation of India (FCI) sells the food grains at lower subsidized prices also known as Central Issue Prices (CIP). It is sold to people from economically weaker sections of the society through fair price shops under the public distribution system.

Foodgrains are also given to intended beneficiaries through mid-day meal schemes.

The budget allocated for food subsidy also covers the costs incurred for storing food grains by the Food Corporation of India.

Aspirants can learn more about Minimum Support Price (MSP) in the given link.

Food Subsidy – 3 Main Components

The 3 ways of spending food subsidy by the Department of Food and Public Distribution are listed below

The subsidy is given to the Food Corporation of India

The subsidy given to the states.

Sugar subsidy

Nutritional Requirements of Poor People – Implementation

Currently, the food items provided by the central government for distribution under PDS are rice, wheat, and sugar.

5 kg of food grains will be given to per person, per month at subsidized prices. This rule is based on the National Food Security Act, 2013.

As per Antyodaya Anna Yojana, each of the households belonging to the poorest of the poor section will be provided 35 kg of food grains per month at subsidized prices.

The National Food Security Act, 2013 requires the central and state governments to undertake steps to diversify commodities distributed under PDS.

Food Subsidy Delivery – Challenges

There are many challenges related to Food Subsidy and its implementation using PDS. The challenges associated are shared below.

Public Distribution System (PDS) – Leakages

As per the 2011 data, the leakages in Public Distribution System (PDS) were estimated to be around 47%. The leakages in the Public Distribution System (PDS) is due to the following reasons which are listed below

Damage of food grains during transportation

Pilferage of food grains

Diversion of food grains to non-beneficiaries at fair price shops through the issue of forged cards.

Exclusion of people entitled to food grains but who are not on the beneficiary list

Targeted Public Distribution System – Other Issues

Situations, where entitled beneficiaries do not get food grains, are called Exclusion errors. It refers to the percentage of poor households that are entitled to but do not have PDS cards. This exclusion error had decreased to 41 % in 2011-12 from the figures of 2004-05.

Inclusion errors occur when those that are ineligible for subsidized food grains get undue benefits. This inclusion error had increased to 37% in 2011-12 from the figures of 2004-05.

Increase in Inclusion Errors and & Decrease in Exclusion Errors – 2 Main Reasons

Despite a decline in the poverty rate, non-poor are still identified as poor by the government thus allowing them to continue using their PDS cards.

An increase in the coverage of the Targeted Public Distribution System (TPDS) has reduced the proportion of poor who do not have access to PDS cards.

Aspirants can learn more about the differences between PDS and TPDS in the given link.

Challenges to Food Security in India

Beneficiaries have complained of receiving poor quality food grains.

Farmers receive Minimum Support Price (MSP) from the Government for crops such as wheat, paddy, and sugarcane. The MSP is higher than the market price. There is very minimum procurement of other crops by the Government at MSP. Due to this factor farmers do not have the incentive to produce other crops such as pulses. This puts immense pressure on the water table as the above crops are highly water-intensive.

Due to the possibility of increasing nutritional imbalance in food grains, the Government must expand subsidies and include other protein-rich food items.

Under the National Food Security Act, the identification of beneficiaries is to be completed by State Governments. As per the findings of the Comptroller and Auditor General in 2016, a massive 49 % of the beneficiaries were yet to be identified by the State Governments.

The available storage capacity in states was inadequate for the allocated quantity of food grains as per the report of the Comptroller and Auditor General (CAG).

Solutions to Problems in Food Subsidy Delivery

The following solutions will help in addressing problems associated with PDS.

Replacing the Targeted Public Distribution System (TPDS) with Direct Benefit Transfer (DBT) of food subsidy. National Food Security Act (NFSA) states that the centre and states should introduce schemes for cash transfers to beneficiaries. Cash transfers seek to increase the choices available with a beneficiary and provide financial assistance. It has been argued that the costs of DBT may be lesser than TPDS, owing to lesser costs incurred on transport and storage. These transfers may also be undertaken electronically. As per a report given by a high-level committee of Food Corporation of India (FCI), DBT would reduce Government subsidy bills by more than Rs 30,000 crores.

Automation at the Fair Price Shops is another important step taken to address the problem in PDS. Currently, more than 4.3 lakh (82%) Fair Price Shops have been automated across the country. Automation involves the installation of Point of Sale (PoS) devices, for authentication of beneficiaries and electronic capturing of transactions.

Aadhar and the introduction of Biometrics were recommended to plug leakages in PDS. Such transfers could be linked to Jan Dhan accounts, and be indexed to inflation. It facilitates the removal of bogus ration cards, checks leakages, and ensure better delivery of food grains. In February 2017, the Ministry made it mandatory for beneficiaries under NFSA to use Aadhaar as proof of identification for receiving food grains.

100% of ration cards had been digitized.

Between 2016 and 2018, the seeding of Aadhaar helped in the detection of 1.5 crores fake, duplicate, and bogus ration cards, and these cards were deleted.

Increase the procurement undertaken by states known as Decentralised Procurement (DCP), and reduce the expenditure on centralized procurement by the Food Corporation of India (FCI). This would drastically reduce the transportation cost borne by the government as states would distribute the food grains to the targeted population within their respective states. As of December 2019, 17 states have adopted decentralized procurement.

The Fair Price shops operate at very low margins as per the findings of the Government. Hence the fair price shops should be allowed to sell even non-PDS items and make it economically viable. This will motivate them not to

resort to unfair practices in the distribution of Government-subsidized food grains meant for beneficiaries of Government schemes.

Greater and more active involvement of the panchayats in the PDS can significantly improve access at the village level.

There is also an urgent need to set up a proper and effective grievances redressal system for both the fair price shops as well as beneficiaries

International Organisations Ensuring Food Security

Food and Agricultural Organisation (FAO) – It was established in 1945. It is headquartered in Rome, Italy. It is a specialized agency of the United Nations that leads international efforts to defeat hunger and improve nutrition and food security. It is the oldest existing agency of the United Nations.

World Food Programme (WFP)– It is the world's largest humanitarian organization addressing hunger and promoting food security. It was established in 1961. It is headquartered in Rome, Italy. It is a food assistance branch of the United Nations.

International Fund for Agricultural Development (IFAD) – It is an international financial institution and a specialized agency of the United Nations that works to address poverty and hunger in rural areas of developing countries. It is headquartered in Rome, Italy.

World Bank – It was established in 1944, it is headquartered in Washington.