

With such organisations and with the help of the Government it must be possible to provide suitable storage accomodation in the different centres in the Nilgiris so that there may be no need for dumping the market at any time. If possible, potato markets may be established at some of the centres in the Hills.

Greater attention must be paid to the grading of potatoes for the market and the marketing of immature damaged and diseased potatoes must be discouraged. Research work should be undertaken immediately on the utilisation of such potatoes, as are unfit for marketing, in the manufacture of industrial alcohol. The question of making starch may also be considered as there is said to be some demand for potato starch in the cotton mills of Coimbatore District. If these are commercially possible then there is a very bright future for Nilgiri potatoes.

Now that the question of the marketing of agricultural produce has assumed very great importance it would be worth while investigating the conditions under which the Nilgiri potatoes are marketed so that the necessary action may be taken by the Government with the co-operation of growers, dealers and others interested in putting the marketing on a sound basis thus enabling the growers, middlemen and consumers to get reasonable profit.

## SOME ECONOMIC ASPECTS OF THE MARKETING OF AGRICULTURAL PRODUCE IN INDIA.

By N. S. NARASIMHA AIYANGAR, M. A., B. L.,

*Maharajah's College of Arts, Trivandrum.*

**Introductory.** It is a matter of happy augury that the organisers of this Conference have directed our attention to such vital problems as 'Marketing' and 'Irrigation'. The Royal Commission on Agriculture in India remarked: "The Agricultural Department in India have regarded the problems connected with the marketing of the cultivator's produce as generally outside their purview." Their valuable services for improving the quality and increasing the output of his crops have therefore been rendered infructuous by his inability to dispose of his produce at a profit. But quite recently there has been a change in the attitude of the Government Departments. Thanks to the recommendation of the Royal Commission and the deplorable effects of the present economic depression, the question of marketing has now come to the forefront. A marketing officer has recently been appointed in our province and he is just now touring the country to learn the needs of the agriculturists and devise methods of improving his bargaining power. A discussion on 'Agricultural Marketing' is therefore quite opportune at the present moment.

**Transition in Indian Agriculture.** In days of yore, when the cultivator raised crops either for his own use or for sale in his own village or in the neighbouring fair he had not to face the problems of marketing. In the latter cases, selling his produce was as much a pastime as a business. But now things have altered. He is producing articles which he cannot use himself nor sell to his neighbours. He is a producer for more distant markets in or outside the country. He has to get the best price for his crop; otherwise, he will have to starve or forego his comforts. He has had to borrow money for his cultivation expenses and should repay it before he can meet his own wants. Thus economic motives come to influence his conduct. He is compelled to seek the best market for his crops and to make the best bargain in it. It is worth his while to study the art of sale either as an individual or through combination with other producers. The benevolent department of agriculture and co-operation which have been assisting him to get funds for cultivation and to produce the best crops on his land must needs teach him also the art of marketing his produce.

**Marketing both an Art and a Science.** Marketing is a difficult art not only to the Indian peasant cultivator but even to the capitalist farmer of the West, as the present world depression has shown. It is not only an Art but also a Science, though its scientific character has come to be recognised only quite recently. In its latter aspect it is a branch of Economics. The main function of the Economist is to explain how things come to be sold at the current prices, why prices vary from time to time and from place to place, and how far these changes could be regulated or at least foreseen. In the long run prices of articles are closely related to their cost of production. In computing the cost, we have to include the charges for marketing. In fact, the latter may often exceed the prime cost of producing the article, the original producer therefore gets only a portion of the price which the final consumer pays for it. This is especially the case in regard to agricultural products whose grading, packing and transport are so difficult. Consequently, the peasant who has produced the crop with the sweat of his brow gets a bare pittance out of the large sum which the final buyer might have paid for it.

**The Marketing Process.** It is our task now to examine how this comes about. Though at first sight the problem of disposal of the crop may appear to be an easy one, when carefully analysed it involves various knotty issues. Even in the case of such a single commodity as paddy, there is first the question of removing the husk. The days when it used to be done by the buyer in his own house are now gone. In the case of cotton, for example, this is a more elaborate process—the seed has to be separated from the lint in a ginning factory. Next come the tasks of sorting, grading and packing. These

processes may sometimes be performed by the cultivator himself but more often they have to be done by the trader. The next function in marketing is what is known as 'Merchandising' i. e., getting information about the whereabouts and the tastes of the consumers and establishing contact with them. Then comes the problem of transport which involves two questions, the nature of the means of communication and the mode of conveyance. The next group of functions are warehousing, financing and risk-bearing. Often the produce has to be stored up for some time and that necessitates the locking up of funds and involves risk of loss due to various causes. Last comes the actual process of sale which may be direct or indirect, for cash or credit.

**The place of the Middle man in Marketing.** From this bare enumeration of the various steps in the process of marketing, it will be evident that the cultivator is hardly in a position to perform them all, by his own unaided effort. Especially when he has produced a commercial crop and the demand for it comes from a distant place he is compelled to employ middle men—nay their assistance becomes so important that he himself becomes as it were their agent or contractor. He has to agree to hand over his produce to them irrespective of the price and accept what they finally choose to pay him. This cannot be helped. The Royal Commission has well explained this point. They say: "In the economic organisation of the modern world, the middleman fulfills essential functions and neither in India nor elsewhere is it possible to dispense with him. Collection and distribution and the accommodation of supply to demand between locality and locality are everywhere complicated processes which would be impossible of performance without the skilled services of those who spend their lives in the business. In no country are these difficulties greater than in India, where communications are often extremely bad and where production is in the hands of a large number of petty cultivators who, for the most part, lack both the financial resources and the necessary storage to attempt any regulation of their selling in accordance with the state of the market and whose produce, as marketed, leaves much to be desired both as regards purity and quality".

**Other Modes of Sale.** Though we have to recognise the leading part of the middlemen in marketing as a whole we should not exaggerate his importance. First of all, in regard to certain forms of agricultural produce the farmer is able to get into direct touch with the consumer either in his home or in the daily market or weekly fair- (*Shandy*). The turn-over of goods in the last place is sometimes very large e. g., at the weekly fair at Pollachi several thousands of rupees worth of goods are bought and sold. Secondly what the cultivator cannot do singlehanded he may attempt to accomplish by combination, by becoming a member of a Co-operative Society, organised for the purpose of selling the kind of crops he raises.



Thus, there are three methods available to the agriculturist for disposing of his produce: (1) Direct sale to the consumer; (2) By co-operative sale to societies, and (3) Through middlemen.

**Economic considerations determining the mode of Sale.** In choosing one or other of these methods, he will have to pay attention to his own economic position, the nature of his crop and the location of the market. For the most part Indian agriculturists are small farmers lacking capital, wanting in enterprise and woefully ignorant of the conditions of the world round them. Many of them cannot even read a vernacular newspaper. They are so impecunious that they cannot afford to wait even for a few weeks to dispose of their crops. Many of them are compelled to mortgage their crops actually standing in the field; hence the rise of the middleman.

To turn our attention to the character of the crop if it is a perishable article it will have to be sold as quickly as possible in the nearest market for whatever it will fetch. This is the reason why the price of fruits differs so much even in adjacent places. Again articles of food can be disposed of directly to the consumer more easily than raw materials for industry. Similar differences arise from the seasonal or perennial character of the supply, the possibility of immediate use or the necessity for previous manipulation etc.

Another group of considerations arises from the importance of the article in the farmer's economy - whether it is a main crop or a subsidiary crop, whether it is an occasional or a regular crop, whether it is suitable for his own use or fit only for sale. For example, the method of sale available for the disposal of paddy is not suitable for that of chillies or green gram.

Lastly the situation of the market where the article has to be sold also influences the mode of its disposal. If the market is adjacent the difficulties of packing, transporting and warehousing are not too great for the farmer to overcome by his own effort. If it is distant, it is otherwise. Middlemen become quite necessary and often their number is in direct ratio to the distance of the market.

The amount of profit to the farmer will be determined by the method which he adopts. Generally it will be greatest when he deals with the consumer directly and least when he goes through middlemen. Every improvement which enables him to get into close contact with the consumer is therefore wholly to his advantage.

#### **Proposals for the Improvement of Marketing Conditions.**

(1) The improvement of *communications* is the first reform that the Royal Commission recommended, and as we know, effective steps are being taken all over India to carry it out. The Central Government, the Provincial Governments and Local Bodies have been co-operating

in the fulfilment of this essential task. Easy means of communication and cheap means of transport will enable the peasant to reach the consumer directly, and where for other reasons he is not able to do so will facilitate the functioning of co-operative sale societies and reduce the number of intermediaries whom he may have to employ, as the last alternative.

(2) The establishment of a sufficient number of *well-regulated markets* is the next suggestion made by the Royal Commission. But as has been remarked by a writer, there are certain conditions to be fulfilled by the cultivator's produce before it can be the subject of dealing in an organised market. It must be sufficiently durable to enable stocks to be kept for a reasonable length of time when the market is unduly depressed. Secondly the article must be one which can be numbered, weighed or measured with accuracy obvious to all. Thirdly, its quality or grade should be capable of a ready test: it is only then that dealing by sample is possible. Lastly, the dealings in the produce must be sufficiently frequent to occupy large bodies of buyers and sellers. Of all these conditions the third is perhaps the most important for the staple crops and it is in regard to it that much leeway has to be made in our country. The methods of cultivation are such that dealing by sample and grade is rendered almost impossible. The Department of Agriculture in our own Province has done much to improve the quality of cotton and define its various grades but in regard to other crops, little or nothing has been done. Without such preliminary work the recommendation of the Royal Commission that "the system of regulated markets should be extended to products other than cotton" cannot be carried out.

(3) The organisation of *Co-operative Sale Societies or Loan and Sale Societies* as they are sometimes called is the next piece of reform. As the Royal Commission has put it: "Group marketing must be more efficient than marketing by individuals, especially in conditions such as those which exist in India, where the individual producer is such a small unit". But here also progress has been extremely slow. For, our cultivators have to be educated to understand their own interests and to feel the need for and appreciate the value of associated effort. Another requisite for the success of co-operative sale societies is the existence of a sufficient volume of business to make for efficient management. Skilled technical advice and guidance are necessary for their organisation and working as well as an honest and well-informed managing committee. Such qualities cannot be expected in small village societies functioning independently of one another. If they are members of a central or federal society, their chances of success will be increased.

(4) Finally, we have to turn to measures which, while recognising the importance of the middleman, will prevent him from dominating

the cultivator. The provision of warehouses, the publication of up-to-date information regarding prices, stock on hand, crop forecasts etc., the standardization of weights and measures and the elimination of unnecessary intermediaries are other ways of improving the bargaining power of the agriculturists. The last point requires some explanation. The normal system of sale is a three-party system—the producer, the wholesale dealer and the retailer. But in the marketing of agricultural products owing to the small scale of production the dispersion of the producers and the seasonal and other variations in the quantity and quality of the produce often lead to the growth of one or more intermediaries, one between the producer and the wholesaler and another between the latter and the retailer. These may perform one or other of the necessary marketing functions already mentioned—finishing, sorting, grading and packing or transporting or warehousing and financing etc. But often the middlemen are merely brokers who connect the wholesaler with the producer on the one hand and the retailer with the wholesaler on the other, or sometimes the producer with the retail merchant directly. They may be rendered superfluous by a more efficient system of marketing. Often, it is for want of proper market information or communications or storage facilities that the producer or the trader is compelled to have recourse to these brokers. As better facilities in these directions come to be provided they will be rendered unnecessary. But before any useful suggestions could be offered to eliminate unnecessary intermediaries *market surveys* have to be made more thoroughly and systematically than have been done so far in our province. As the Royal Commission held, this is eminently a piece of work for the Provincial Department of Agriculture in collaboration with the Economics Department of the Universities or other Academic Institutions. Thus the Union under whose auspices we are met here to-day may well participate in the work. In fact the students of the Agricultural College, both past and present, should regard the study of Marketing as a subject intimately connected with their normal pursuits. It will be a source of pleasure and in the long run of profit as well.