ACHARYA N.G.RANGA AGRICULTURAL UNIVERSITY

AGRICULTURAL MARKETING

PRACTICAL MANUAL CUM RECORD

(AECO-341)

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FOREWORD

The Agricultural education is to be improved and revitalized in the country to meet the current and future challenges in Indian Agriculture. The needs of the farming community and user agencies are changing in the light of commercialization and globalization of our agriculture. Keeping this in view and considering the recommendations of the fourth Deans' committee (2004) of ICAR, recommendations of the review committee of ANGRAU and several national workshops and seminars and also the opinion of outgoing agricultural graduates and feedback from user agencies, the B.Sc(Ag) course curriculum was revised in the year 2007-08. While revising the courses, emphasis was given to the practical component. The University heads of the departments are assigned the preparation of the practical manuals of their respective courses after consulting their colleagues. Accordingly, this manual is prepared by the Dept. of Agril. Economics for Third year B.Sc (Ag) students for course No:AECO-341- Agricultural Marketing. This manual will be very useful to students and teachers offering this course and is to be adopted by the Dept. of Agril. Economics in all the agricultural colleges of ANGRAU for students admitted from the academic year 2007-08 onwards. The efforts made by Dr. P. Raghuram, University Head of the Dept. of Agril. Economics and his colleagues, Associate Dean, S.V.Agril. College, Tirupati are commendable.

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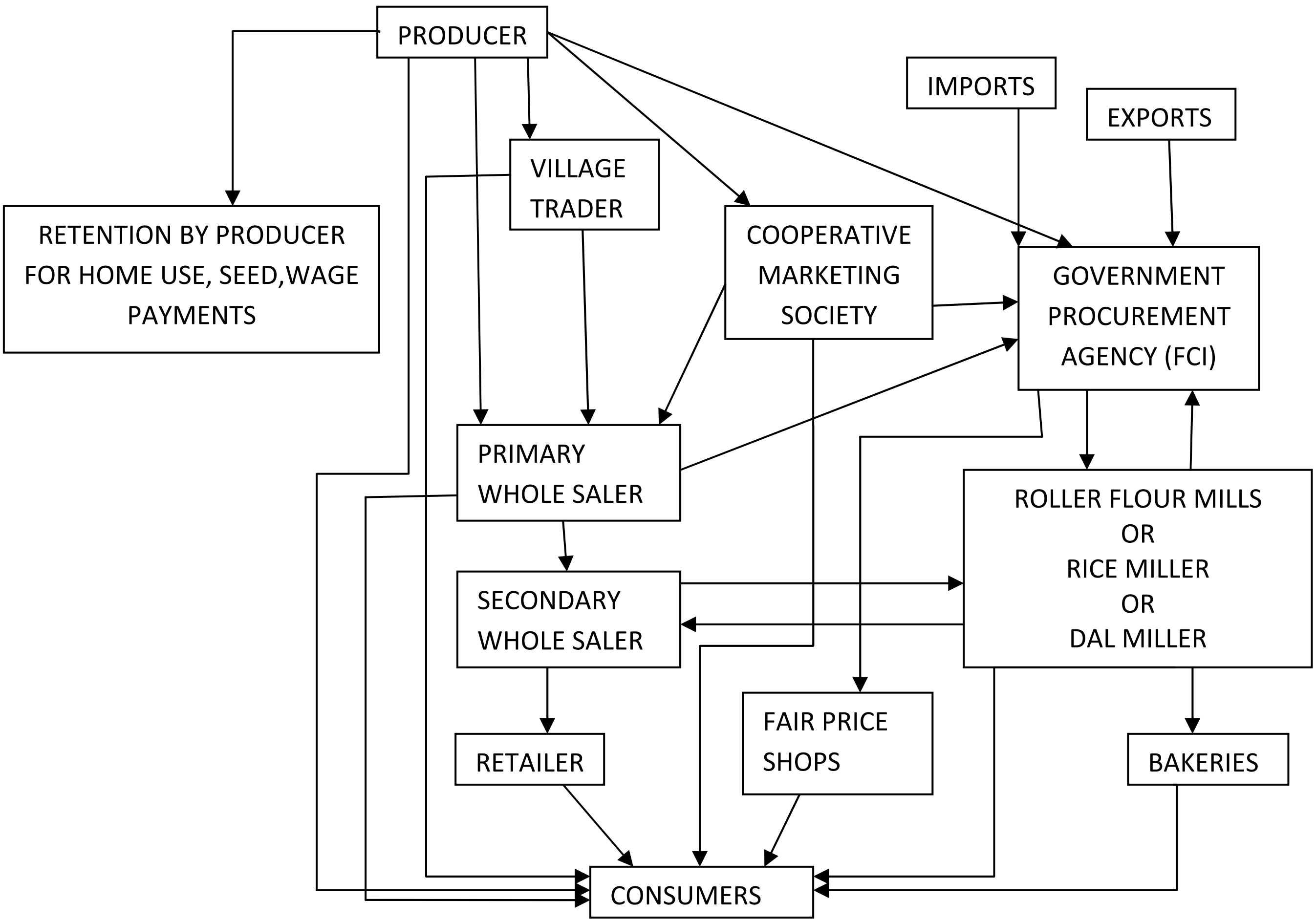
IDENTIFICATION OF MARKETING CHANNELS

Exercise No:

Marketing channels are routes through which agricultural products move from producers to consumers. The length of the channel varies from commodity to commodity, depending on the quantity to be moved, the form of consumer demand and degree of regional specialization in production.

Marketing channels for foodgrains:

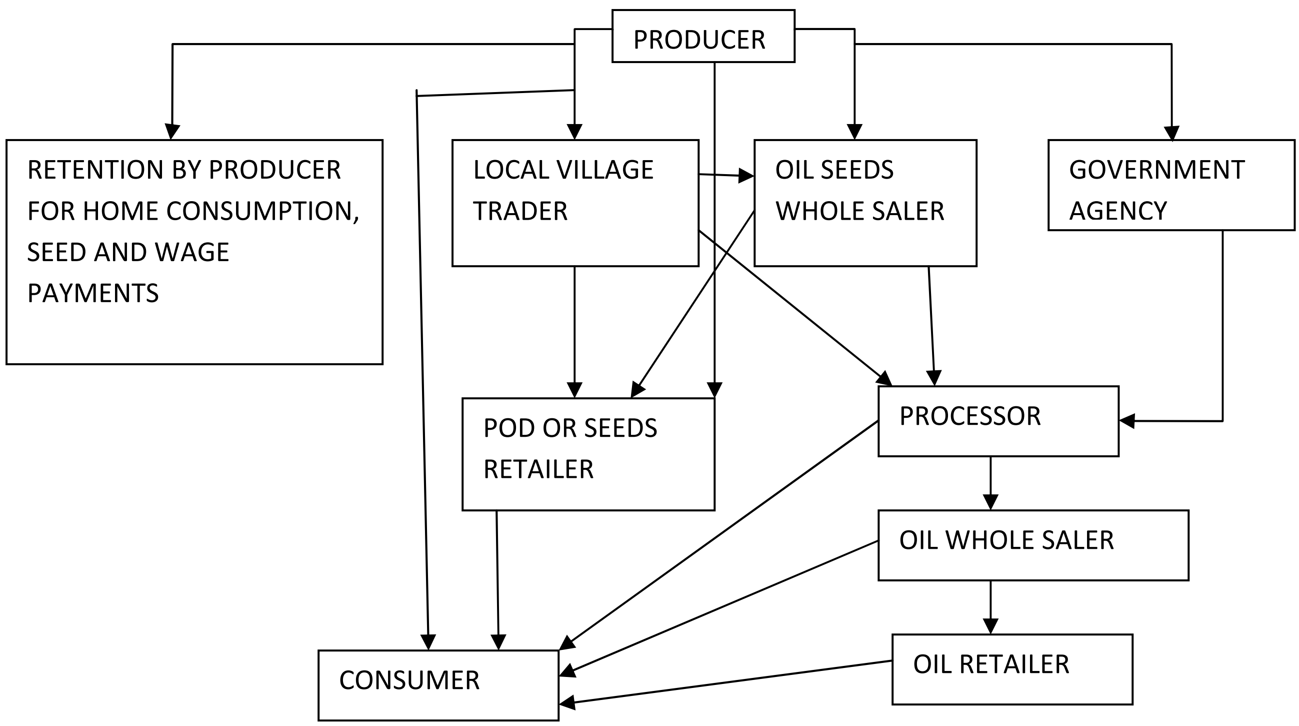
Marketing channels for various cereals in India are more or less similar, except the channel for paddy (or rice), where rice millers come into the picture. For pulse crops, dal mills appear prominently in the channel. The following flow chart enables us to know the marketing channels for general foodgrains in India.



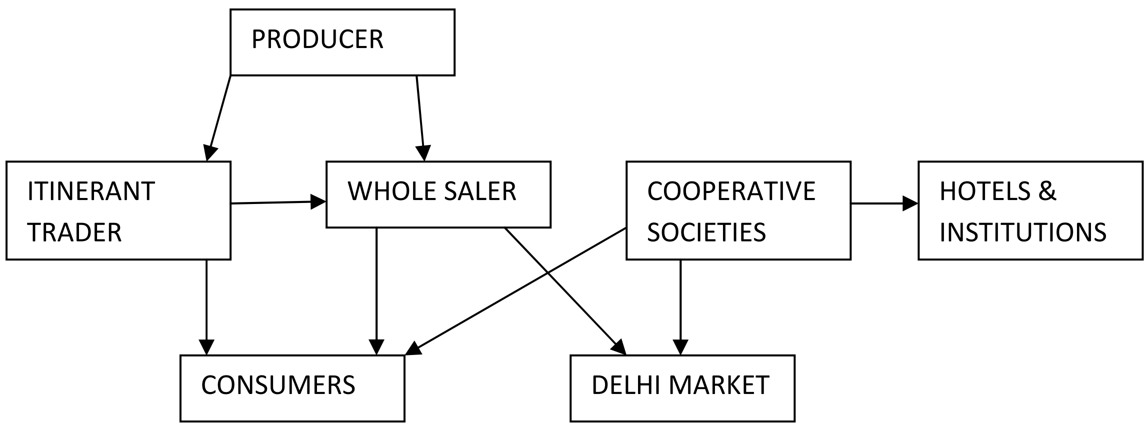
Marketing Channels for Foodgrains

Marketing channels for oilseeds:

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



Marketing Channels for Oilseeds



Marketing Channels for Live Poultry:

List out important crops grown and livestock products produced in any nearby village and identify their marketing channels.

STUDY OF RYTHU BAZAARS

Exercise No:

Apart from the regulated market yards, an innovative concept of 'Apni Mandi' has been introduced in some states.Apni Mandi is also called 'Kisan Mandi', as it is different from the traditional mandi or market yard, where the produce moves to the buyer through either a commission agent or trader. In Apni Mandi there is a direct contact between the farmer-producer and the buyer who is generally the consumer. This system does away with the middlemen. In Apni Mandi, farmers sell their produce directly to the consumers without involvement of the middlemen. The price spread in Apni Mandi is considerably low. These are working satisfactorily in the case of fruits and vegetables. These 'Apni Mandis' are similar to the Saturday markets of United Kingdom and United States of America.

The first Apni Mandi was started in Punjab by the Punjab Mandi Board at Chandigarh in February, 1987. Similarly, in Haryana, the first Apni Mandi was started at Karnal in 1988. Taking inspiration from this, the concept of "Rythu Bazaar" was developed in the late 90s and implemented in all the districts of Andhra Pradesh by the then A.P. Government. The first Rythu Bazaar was established in January, 1999 in Hyderabad.

Rythu Bazaar in Andhra Pradesh is one of the most successful models of direct agricultural marketing in the country. Rythu Bazaars have transformed the environment in which farmers in Andhra Pradesh market their produce. It protects them from the harassment that they were otherwise facing at the hands of middlemen. It gives them an organized place to sell their produce directly to consumers under government protection and at prices that are better than they used to get. Farmers are provided with infrastructural facilities and support services like transport, storage options and the like. Presently, there are 106 Rythu Bazaars operating in 23 districts of Andhra Pradesh.

Today, we visited a Rythu Bazaar and collected the following information.

1. Name of the Rythu Bazaar.
2. Location and accessibility.
3. What is the area of the market.
4. Who manage the functioning of the market.
5. Contact five farmers who have sold the vegetables in the market and elicit information on the following:

    i) To whom you have sold the vegetables.

    ii) What is the method of sale in the market.

    iii) What is the extent of quantity sold.

    iv) What is the sale price per unit.

6. Contact five consumers who visit the market and elicit information on.
    i) From whom and where you have purchased vegetables.
    ii) What is the method of purchase.
    iii) How much quantity purchased.
    iv) What is the purchase price of vegetables per unit.
7. Find out the price spread of any one vegetable.
8. Give your own observations on this market with regard to overcoming problems.

STUDY OF A FRUIT MARKET

Exercise No:

Fruits play a unique role in economic as well as social life of the people by improving their income and health. The demand for fruits is greatly increased in recent times with increase in the purchasing power and health awareness of the people. Fruits contain the much needed vitamins, minerals and other micro nutrients required for our health.

Marketing of fruits includes picking, grading, packing and transportation. All these operations are to be carried out with utmost care, as the fruits are delicate and fragile and a slight mishandling is sufficient to cause damage. If the fruits are not graded properly, they bring lower return to the producers. Hence, there is a need for standardization of grades and proper grading. Fruits are marketed through various marketing channels. The pre-harvest contractors also play an important role in fruit marketing, as they provide effective shield against the risk in production and marketing. Today, we made a visit to a fruit market and got the following information.

1. Name of the Fruit market.
2. Location & accessibility to the farmers.
3. What is the operational area of the market.
4. Who manages the functions of the marker.
5. Who can make transactions in the market.
6. Contact five traders / commission agents preharvest contractors in marketing of fruits and elicit the information on the following.
    i. What are the facilities available in the market.
    ii. What are the different varieties of fruits available in the market.
    iii. What is the time of arrival of fruits in the market.
    iv. From which month onward you entered into contract with the farmer.
    v. What is the stage of the crop at the time of contract.
    vi. What is the duration of the contract period.
    vii. For what amount the contract rate was finalized.
    viii. In which month the final settlement was made and the amount received.
    ix. What is the amount of advance paid.
    x. What are the terms and conditions of contract.
    xi. What are the reasons for the sale of pre-harvest contractors.
7. Contact five farmers who have sold the fruits in the market and elicit information on
    i. What is the distance from the village.

ii. What is the amount spent for personal expenses like transportation & food, etc.,
iii. To whom the produce was sold.
iv. Whether the produce was graded.
v. If yes, what is the basis for grading.
vi. Whether the grading was done at the market / field.
vii. What is the quantity sold and the rate at which it was sold.
viii. What is the commission charge paid.
ix. What are the other charges like market fee & octroi paid.
x. What is the method of packing the fruits.
xi. What is the cost of packing the material per unit.
xii. During which days the sales were more.
xiii. Did you face any transport problems, if so what are your suggestions to solve them.
xiv. Are you satisfied with present marketing channel for fruits.
xv. Are you satisfied with price received for your crop. If no, what price you wanted.
xvi. What help do you expect from Government to help the farmers in better way of marketing of fruits.

8. Contact five consumers who visit the fruit market and gather information on how the market helps them in making fruits available at reasonable prices.
9. Any other information (Specify the required action to improve the marketing of fruits highlighting the marketing plan and outlay required).

STUDY OF A VEGETABLE MARKET

Exercise No:

The marketing of farm products is a complex process. It is more so in the case of vegetables and fruits which are perishable. The problem is compounded by their fluctuating prices. In most cases, the farmers are not able to sell the vegetables grown by them at remunerative price. If fair price is not ensured, the efforts of the farmers in the adoption of yield increasing technologies would become futile. Though vegetables cultivation is on the increase, not much progress had been made in solving the farmers' problems associated with vegetable marketing. Today, we made a visit to vegetable market and collected the following information.

1. Name of the vegetable market.
2. Location and accessibility.
3. What is the area of the market.
4. Who manages the functioning of the market.
5. Who can make transaction in the market.
6. Contact five traders in marketing of vegetables and selling agents and elicit the information on the following.
    - i) What are the facilities available in the market.
    - ii) What are the different varieties of vegetables available in the market.
    - iii) What is the time of arrivals of vegetables in the market.
    - iv) Are you dealing commodities other than vegetables.
    - v) Do you make out-right purchase in the field and transport it on your own.
    - vi) What facilities do you provide to the producers who bring produce for sale.
    - vii) Do you give any credit facilities to the farmers who bring produce to your shop.
    - viii) Are you aware of the market prices, nature of commodities & arrivals in local and other markets.
    - ix) Do you sell the vegetables to the wholesaler/retailer.
    - x) What is the distance of your shop in the market.
    - xi) At present what problems you are facing in vegetable marketing.

7. Contact five consumers who visit the market and elicit information on.

    i) From whom and where you have purchased vegetables.

    ii) What is the method of purchase.

    iii) How much quantity purchased.

    iv) What is the purchase price of vegetables per unit.

8. Collect weekly prices of any one or two important vegetables transacted in the market for the previous year.

9. Give your own observations on this market with regard to overcoming problems.

STUDY OF A REGULATED MARKET / AGRIL. MARKET COMMITTEE

Exercise No:

A regulated market is one which aims at the elimination of the unhealthy and unscrupulous practices, reduction of marketing charges and providing facilities to producer – sellers in the market. Regulated markets have been established by State Govt. by enactment and rules and regulations framed for the conduct of their business. Though the establishment of regulated markets in the country was started during 1930s, the programme got momentum only after the independence.

1. Name – Location – Accessibility to the growers – Area of operation – Main commodities handled & notified.
2. The Act under which market committee is constituted. Main objectives and provisions of the Act – Total arrival of different commodities and their total value – (month wise / year wise).
3. Functions – Area and number of market yards established for each commodity – Factors that constitute the establishment of market yards at various places.
4. Source of revenue for market committee – License fee, from Traders – weigh men – Commission agents – Others – rates prevalent – Annual collections – Grants.
5. Market practices – Different types of sales – Sales by samples & grades – Open auction sales – Tender sales, etc. Grading – Processing – Weighment etc. Illegal deductions and other deductions, if any. Measure adopted to check malpractices.
6. Market charges – Detailed rates of market charges – Commission to agents – Handling charges – Customary payments – Miscellaneous expenses – Sample deductions, if any.
7. Storage facilities – Rates charged for different commodities and other details – Types of storage and other amenities for temporary stay of farmers or sellers, problems & suggestions.
8. Market prices – wholesale and retail prices – harvest prices – peak and slack seasonal prices – during the past 5 year for notified commodities – supply and demand – Assessment.
9. Provision of Market finance to different people.
10. Market intelligence – how disseminated – price bulletins and announcement of public address system – News paper, T.V. – Radio, etc. Are the cultivators aware of the market prices, What is yet to be done in this respect.

11. Number of commission agents – Commission charges – Is it necessary that commission agent should be allowed to negotiate in the market yard? How is the concept of elimination of exploitation by middlemen through regulated markets effected, indicate measures.
12. Other functions of the market committee – arbitration of disputes, settlement of disputes in payments to farmers by the traders.
13. Finances of the committee – Does the committee / yard borrow funds – If so, for what purposes – Any subsidy from the Govt. or other agencies.
14. Constitution of the committee – No. of members – Methods of selection; Tenure of the members, functions, etc.
15. Observations and specific comments – Suggestions for improvement of regulated markets. Immediate problems to be attended.
16. Policies & plans for the development of regulated markets. What needs to be done with regard to marketing functions, middlemen, farmers, etc. (Specify clearly).

STUDY OF A CATTLE / LIVESTOCK MARKET (SHANDY)

Exercise No:

Marketing of live animals is still in a primitive stage and it is yet to receive adequate attention. Rearing of cattle and buffaloes has been the mainstay of farmers by habit and also by virtue of personal necessity to have wholesome milk and to have draught animals for agricultural purposes. Sheep and goat are maintained by shepherds as a profession for livelihood. Livestock is mostly sold in common place where food grains and vegetables are also sold. These markets are mostly held weekly, called shandies. These shandies are functioning even today serving the needs of the farmers, apart from sale of agricultural & livestock products of farmers. Shandies also help the farmers to buy agril. inputs, implements, house hold consumption items & livestock. Today we visited shandy (livestock market) and collected the following information.

1. Name of the shandy & place.
2. Day on which it is held weekly.
3. Since which year this shandy is functioning.
4. What is the area of the shandy.
5. Who manages the functioning of shandy.
6. What are the facilities provided in the shandy to facilitate marketing of livestock.
7. What are the different kinds of livestock marketed in the shandy.
8. What are the sources of finance to the shandy.
9. Who can make transaction in the shandy (Give a list of buyers – sellers)
10. Contact the shandy managing committee chairman and get information as to how he organizes the shandy for proper functioning.
11. Contact five traders in marketing of livestock (cattle) and selling agents agent to gather information on how the shandy helps them to carry out the transactions and make a living.
12. Whether the livestock / cattle markets are controlled by local bodies / fair committees / regulated market.
13. If so, what is the market fee collected.
14. What is the mode of transport of livestock from surrounding villages to shandy & its cost.
15. What is the extent of role of market functionaries existing in the shandy.
16. What is the percentage of animals sold on the market day.

17. What is the method of sales adopted for livestock.
18. How the price is settled between buyers & sellers.
19. Contact five farmers who have sold their livestock in the market and gather information on how the shandy helped them to sell the livestock.
20. What are the problems they encountered in selling the livestock.
21. What facilities they expect from the Govt. to sell the livestock and get a better price.
22. Any other pertinent information for improvement of such markets in the region.

COMPUTATION OF MARKETING COSTS, MARGINS AND PRICE SPREAD

Exercise No:

Market functionaries or institutions move the commodities from the producers to consumers. Every function or service involves cost. The intermediaries or middlemen make some profit to remain in the trade after meeting the cost of the function performed.

Price Spread: In the marketing of agricultural commodities, the difference between the price paid by consumer and the price received by the producer for an equivalent quantity of farm produce is often known as farm-retail spread or price spread. Sometimes, this is termed as marketing margin.

Marketing Costs: The cost involved in moving the product from the point of production to the point of consumption, i.e., the cost of performing the various marketing functions and of operating various agencies.

Marketing Margins: Profits of the various market functionaries involved in moving the produce from the initial point of production till it reaches the ultimate consumer. The absolute value of the marketing margin varies from channel to channel, market to market and time to time.

Various measures of the price spread and for the computation of marketing costs and margins.

Producer's Price:

This is the net price received by the farmer at the time of first sale. This is equal to the wholesale price at the primary assembling centre, minus the charges borne by the farmer in selling his produce. If P_A is the wholesale price in the primary assembling market and C_F is the marketing cost incurred by the farmer, the producer's price (P_F) may by worked out as follows:

$$P_F = P_A - C_F$$

Producer's Share in the Consumer's Rupee:

It is the price received by the farmer expressed as a percentage of the retail price (i.e., the price paid by the consumer). If Pr is the retail price, the producer's share in the consumer's rupee (Ps) may be expressed as follows:

$$P_s = (P_F \div P_r)100$$

Marketing Margin of a Middleman

This is the difference between the total payments (cost + purchase price) and receipts (sale price) of the middleman (i^{th} agency). Three alternative measures may be used.

(a) Absolute margin of i^{th} middleman (A_{mi})

$$A_{mi} = P_{Ri} - (P_{Pi} + C_{mi})$$

(b) Percentage margin of ith middleman (P_{mi})

$$P_{mi} = \frac{P_{Ri} - (P_{Pi} + C_{mi})}{P_{Ri}} \times 100$$

(c) Percentage mark-up of ith middleman (M_i)

$$M_i = \frac{P_{Ri} - (P_{Pi} + C_{mi})}{P_{Pi}} \times 100$$

Where

P_{Ri} = Total value of receipts per unit (sale price)

P_{Pi} = Purchase value of goods per unit (Purchase price)

C_{mi} = Cost incurred on marketing per unit

The margin thus calculated include the profit of the middleman and the returns which accrue to him for storage, the interest on capital and overhead, and establishment expenditure.

TOTAL COST OF MARKETING:

The total cost, incurred on marketing either in cash or in kind by the producer-seller and by the various intermediaries involved in the sale and purchase of the commodity till the commodity reaches the ultimate consumer, may be computed as follows:

$$C = C_F + C_{mi} + C_{m2} + C_{m3} + \ldots + C_{mn}$$

Where

C = Total cost of marketing of the commodity,

C_F = Cost paid by the producer from the time the produce leaves the farm till he sells it, and

C_{mi} = Cost incurred by the i^{th} middleman in the process of buying and selling the product.

Relationship of Farmer's Price, Marketing Costs and Consumer's Price:

The farmer receives what the consumer pays after the various costs of marketing have been deducted. This residual, expressed as a percentage of the price paid by the consumer (retail price), is the farmer's share. The farmer's share may be calculated as follows:

$$FS = \frac{(RP - MC)100}{RP} \qquad OR \qquad FS = \frac{PF}{RP} X\ 100$$

Where

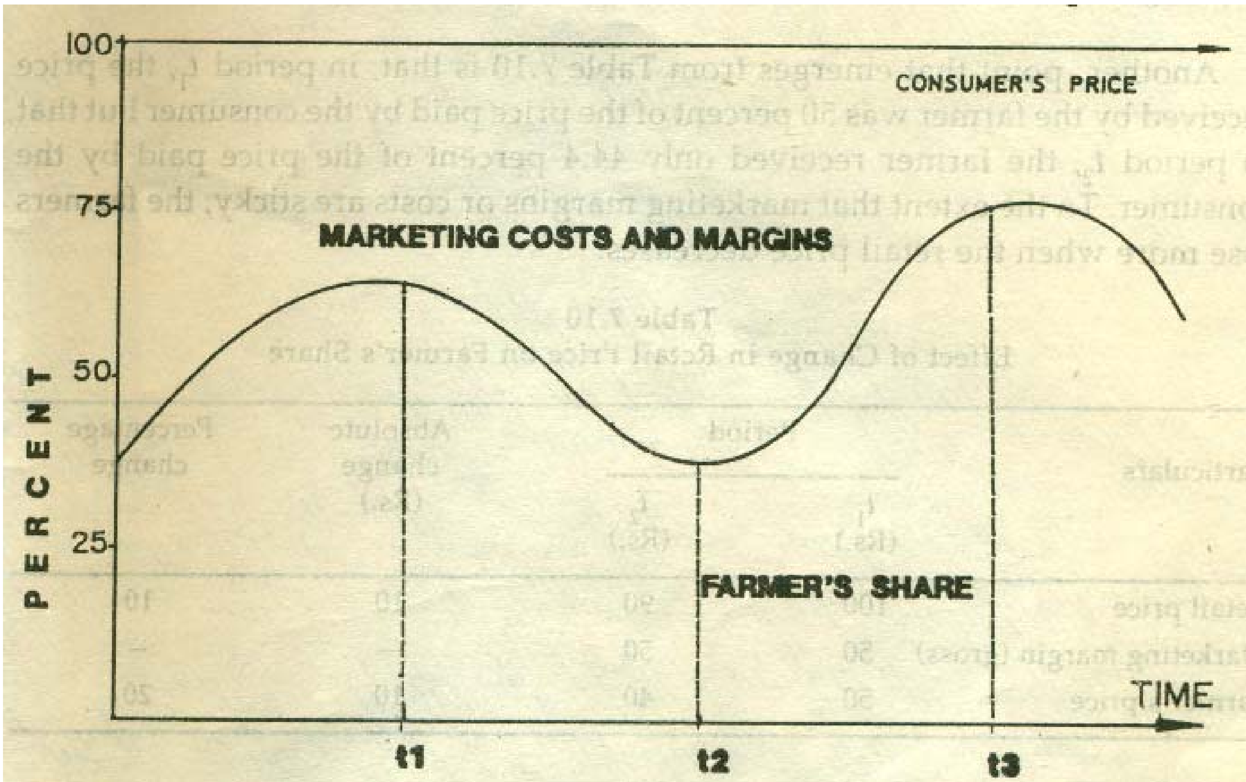
FS = Farmer's share in the consumer price expressed as a percentage

RP = Retail Price of foodgrains

MC = Marketing costs, including margins

PF = Price received by the farmer.

The farmer's share in the amount of the consumer's outlay at the retail level is not static and undergoes change with the change in market conditions. An increase in the share is taken as an evidence of increase in the efficiency of the marketing system in favour of the farmer, while a decrease in the farmer's share is taken as evidence of the fact that middlemen retain a larger share. The effect of change in marketing charges or costs on the farmer's share are shown in Figure below.



Farmers' Share in Consumer's Rupee and Marketing Costs and Margins

In the period t_3 (compared to period t_2), the farmer's share in the consumer's rupee has increased because of the reduction in marketing costs and margins. It is evident that all the factors which bring about changes in marketing costs affect the farmer's share as well.

Several items of the marketing cost are almost sticky, i.e., they do not move up and down with the movement in prices. The basic reason for sticky marketing costs is that many of the items in them are related to the physical volume handled rather than to the value of the product. For example, transport cost, labour cost, weighing cost, storage cost and octroi are charged on the basis of weight.

With any given level of sticky marketing margin or cost, the farmer's share (price received) moves directly with the retail price; that is, if the retail price increases, the farmer's share also increases. But the proportionate change in the farmer's share is more than the proportionate change in the retail price. To illustrate: let the retail price, the marketing costs/margin and the farmer's price be Rs.100, Rs.50 and Rs.50 per unit respectively in period t_1. Suppose, in period t_2, the retail price decreases to Rs.90 per unit, i.e., a fall of 10 percent. If the absolute gross marketing margin remains the same, i.e., Rs.50 per unit, the farmer's price falls to Rs.40 per unit, i.e., a fall of 20 percent. In other words, 10 percent fall in the retail price results in a 20 percent fall in the farmer's price. This has been shown in the following Table.

Effect of Change in Retail Price on Farmer's Share

Particulars	Period		Absolute Change (Rs.)	Percentage Change
	t_1 (Rs.)	t_2 (Rs.)		
Retail Price	100	90	10	10
Marketing margin (gross)	50	50	-	-
Farmer's price	50	40	10	20

Another point that emerges from the above Table is that, in period t_1, the price received by the farmer was 50 percent of the price paid by the consumer but that in period t_2, the farmer received only 44.4 percent of the price paid by the consumer. To the extent that marketing margins or costs are sticky, the farmers lose more when the retail price decreases.

Computation of Price Spread-Illustration

A producer farmer sold 100 bags of maize, each weighing 100kg net in the market. The produce reached the consumer through the wholesaler and retailer. The marketing agencies incurred the following costs.

Cost incurred by producer:

Transportation Charges	Rs. 0.50 per bag.
Octroi	Rs. 0.25 per bag.
Labour for unloading	Rs. 0.25 per bag.

Cost incurred by Wholesaler:

Cost of gunny bags	Rs. 5.00 per bag
Weighing	Rs. 0.20 per bag
Labour Charges	Rs. 0.50 per bag
Commission	1% of the value of the produce
Market Fee	1% of the value of the produce
Transportation charges	Rs. 1.50 per bag

Wholesalers purchase price Rs.460 per quintal.
Wholesalers sale price Rs.485 per quintal.

Cost incurred by Retailer:

Commission	1% of the value of the produce
Market fee	0.75% of the value of the produce
Weighing	0.4% of the value of the produce
Labour Charges	Rs. 0.50 per bag

Retailer purchased the empty gunny bags from the wholesalers @ Rs.4/- per bag. He sold maize to the consumer @ Rs.515/- per quintal together with gunny bag for which he charged an extra amount of Rs.3/- per bag.

Given this information, work out the marketing costs, the marketing margins and the price spread in the marketing of maize for the marketing channel mentioned.

ESTIMATION OF MARKETABLE SURPLUS AND MARKETED SURPLUS

Exercise No:

Marketable Surplus: The marketable surplus is that quantity of the produce which can be made available to the non-farm population of a country. It is the residual left with the producer-farmer after meeting his requirements for family consumption, farm needs for seeds and feed for cattle, payment to labour in kind, payment to artisans-carpenter, black smith, potter and mechanic, payment to land lord as rent and socio-religions payments in kind.

$$MS = P - C$$

MS = Marketable Surplus

P = Total Production

C = Total requirements (family consumption, farm needs, payment to labour, artisans, land lord and socio-religious payments)

Marketed Surplus: Marketed surplus is that quantity of the produce which the producer farmer actually sells in the market irrespective of his requirements for family consumption, farm needs and other payments in kind.

ESTIMATION OF MARKETABLE AND MARKETED SURPLUS

In such countries as India where the production activity is carried out by millions of farmers which are spatially scattered throughout the length and breadth of the vast country, the estimation of the marketable/marketed surplus of agricultural products is not easy specially of the foodgrains and other food items such as milk which are consumed by the producing families also.

Estimation of marketed and marketable surplus at the level of individual farmer is easy. There has been a large number of studies which provide the estimates of marketed and marketable surplus at micro level. Apart from the use of such estimates for ascertaining the marketed surplus at the national level, such micro studies have been used to bring out the nature and extents of distress sale of foodgrains by small and marginal farmers.

Example:

Consider the following data of a case farm of Mr.Ramesh for the year 2010-2011.

Crop	Area Under Crop (Ha)	Productivity (Qt1/Ha)	Seed requirement (Qt1)	Consumption requirement per adult Unit (Qt1)	Requirement for live stock and artisans (Qt1)
Wheat	8	20	6.0	2.00	2.00 for artisans
Barley	2	12	1.0	0.50	-
Mustard	5	4	0.4	0.10	-
Gram	5	10	2.5	0.25	1.00 for artisans
Bajra	15	6	3.0	1.00	-
Guar	5	8	2.0	-	2.50 per milk cow

There are six adult units in the family of Mr. Ramesh. He also maintains two milch animals. Mr. Jagdish sold 120 quintals of wheat, 15 quintals of barley, 18 qtls. of mustard, 50 qtls. of gram, 60 qtls. of bajra and 35 qtls. of guar at different times between July 2010 and June 2011. Given this information, estimate the marketable and marketed surplus of the different crops and state whether there is any distress sale on the farm.

Solution:

Total production and requirements of the farm and family

Crop	Total production / (Area x productivity) (Qtls)	Seed requirement (Qtls)	Consumption requirement / No. of units x requirement per unit (Qtls)	Other requirements (Qtls)	Total requirement (Qtls)
Wheat	8 x 20 = 160	6.0	6 x 2.0 =12.0	2.0	20.0
Barley	2 x 12 = 24	1.0	6 x 0.5 = 3.0	-	4.0
Mustard	5 x 4 = 20	0.4	6 x 0.1 = 0.6	-	1.0
Gram	5 x 10 = 50	2.5	6 x 0.25 = 1.5	1.0	5.0
Bajra	15 x 6 = 90	3.0	6 x 1.00 = 6.0	-	9.0
Guar	5 x 8 = 40	2.0	-	5.0	7.0

The marketable and marketed surplus of different products on the farm

Crop	Total Production (Qt1s)	Total requirement (Qt1s)	Marketable Surplus (Qt1s)	Marketed Surplus (Qt1s)	As percentage of production	
					Marketable Surplus	Marketed Surplus
Wheat	160	20	140	120	87.50	75.00
Barley	24	4	20	15	83.33	62.50
Mustard	20	1	19	18	95.00	90.00
Gram	50	5	45	50	90.00	100.00
Bajra	90	9	81	60	90.00	66.67
Guar	40	7	33	35	82.50	87.50

Conclusion: The results indicated that there is distress sale in gram and guar as the marketed surplus is more than marketable surplus.

Visit a farmer in a nearby village and estimate the marketable surplus and marketed surplus of the crops grown on the farm.

EMPERICAL ASSESSMENT OF MARKETING EFFICIENCY

Exercise No:

DEFINITION

The concept of marketing efficiency is so broad and dynamic that no single definition encompasses all of its theoretical and practical implications. Some of the definitions are given below:

Kohls and Uhl: Marketing efficiency is the ratio of market output (satisfaction) to marketing input (cost of resources). An increase in this ratio represents improved efficiency and a decrease denotes reduced efficiency. A reduction in the cost for the same level of satisfaction or an increase in the satisfaction at a given cost results in the improvement in efficiency.

Empirical Assessment of Marketing Efficiency:

Some simple measures to assess the efficiency of the marketing system for agricultural commodities are:

Conventional Method: Conceptually, efficiency of any activity or process is defined as the ratio of output to input. If ‘O’ and ‘I’ are respectively output and input of the marketing system and ‘E’ is the index of marketing efficiency; then

$$E = \frac{O}{I} * 100$$

A higher value of E denotes higher level of efficiency and vice versa. When applied in the area of marketing, output is the ‘value added’ by the marketing system and ‘input is the real cost of marketing (including some fair margins of intermediaries)’.

Shepherd’s Method: Shepherd has suggested that the ratio of the total value of goods marketed to the marketing cost may be used as a measure of efficiency. The higher the ratio, the higher efficiency and vice versa.

An ideal measure of marketing efficiency, particularly for comparing the efficiency of alternate markets / channels, should be such which takes into account all of the following:

a) Total marketing costs (MC)
b) Net marketing margins (MM)
c) Prices received by the farmer (FP)
d) Prices paid by the consumer (RP)

Further, the measure should reflect the following relationship between each of these variables and the marketing efficiency (the assumption of “other things remaining the same” is implicit):

i) Higher the (a), lower the efficiency
ii) Higher the (b), lower the efficiency

iii) Higher the (c), higher the efficiency
iv) Higher the (d), lower the efficiency

As there is an exact relationship among four variables, i.e., a + b + c = d, any three of these could be used to arrive at a measure for comparing the marketing efficiency.

Acharya's method: Acharya suggested modified measure of marketing efficiency (MME) as follows:

$$MME = FP \div (MC + MM)$$

Where MME is the modified measure of marketing efficiency, MC and MM are marketing costs and marketing margins respectively.

Illustration:

Particulars	Unit	Market A or Channel A	Market B or Channel B	Market C or Channel C
1.Retailer's sale price or Consumer's purchase price (RP)	Rs. Per quintal	1000	1000	1000
2.Total marketing costs (MC)	Rs. Per quintal	300	500	300
3.Total net margins of intermediaries (MM)	Rs. Per quintal	200	100	400

Consider the above data and work out marketing efficiency for the three markets market A, market B and market C using the alternative approaches and say which approach is superior and why?

Solution:

Particulars	Unit	Market A or Channel A	Market B or Channel B	Market C or Channel C
1.Retailer's sale price or Consumer's purchase price (RP)	Rs. Per quintal	1000	1000	1000
2.Total marketing costs (MC)	Rs. Per quintal	300	500	300
3.Total net margins of intermediaries (MM)	Rs. Per quintal	200	100	400

4.Net price received by farmers (FP)	Rs. Per quintal	500	400	300
5.Value added (1-4)	Rs. Per quintal	500	600	700
Index of marketing efficiency				
a.Conventional method (E) 5÷2	Ratio	1.67	1.20	2.33
b.Shepherd's method (ME) 1÷2	Ratio	3.33	2.00	3.33
c.Acharya's method (MME) 4÷(2+3)	Ratio	1.00	0.67	0.43

The conventional method (E) suggests that market C is more efficient than market A which, in turn, is more efficient than market B. Note that the price received by the farmer in market C is the lowest. Hence, this method is not suitable under Indian conditions.

If marketing margins are not included as a part of marketing cost, the Shepherd's method (ME) suggests that market A and market C are equally efficient. Further, these two markets are more efficient than market B. The limitation of this method, as mentioned earlier, is that it does not take into consideration the price received by the farmer.

The limitations of both these methods are taken care by the modified method suggested by Acharya. According to Acharya's method (MME), market A is more efficient than market B which, in turn, is more efficient than market C.

STUDY OF MARKFED

Exercise No:

The Andhra Pradesh State Co-operative Marketing Federation Limited (herein called MARKFED) was registered by the Registrar of Co-operative Societies, Hyderabad on 19th September, 1957. Its Head office was situated at Hyderabad and branch offices were established in 23 districts of Andhra Pradesh to undertake various activities related to agricultural marketing. The Managing Director is the Chief Executive Officer of the Markfed. The main objective of MARKFED is to undertake procurement and marketing of agricultural and other products to enable the growers to get remunerative prices. The MARKFED is acting as an agent to Stage Govt. to conduct marketing activities on the direction of State Govt. and on its own way. It is having good infrastructure to deal any kind of activities through PACS at village level and its district level offices. Today we have visited MARKFED office at ________________________________ to get the related information.

1. Name of the marketing federation.
2. Year of establishment, and its need.
3. Area of operation.
4. Objectives and functions of the federation.
5. Who can become members of the federation, what are their rights.
6. What is the share capital they have to pay to become members.
7. Present membership strength.
8. Source of finance, grants and subsidy available to federation.
9. How the bylaws and rules are enacted for the federation (Please mention the relevant Act here)
10. What commodities are covered by the marketing federation.
11. What business activities are undertaken other than agricultural produce marketing.
12. Does the federation provide godown facilities, if so, what is the price charged for sorting.
13. What is the period of storage allowed for different commodities.
14. Does the federation provide processing facilities to its members.
15. Is the election of the federation held regularly, if not, when it was last held.
16. How do you rate your performance in terms of your objectives laid down.
17. What are the problems encountered in serving the farmer – members.
18. What help do you expect form the Government to help farmers in a better way.
19. Any other relevant information to improve the performance of MARKFED.

STUDY OF CENTRAL / STATE WAREHOUSING CORPORATION

Exercise No:

Warehouses are scientific storage structures especially constructed for the protection of the quantity and quality of stored products. Warehousing may be defined as the assumption of responsibility for the storage for goods. The warehousing scheme in India is an integrated scheme of scientific storage, rural credit, price stabilization and market intelligence and is intended to supplement the efforts of co-operative institutions.

Today, we visited the warehouse along with Course-in-charge & collected data on the following items.

1. Name of the Warehouse. Central / State – its location and accessibility.
2. Act under which the present institution came to operation.
3. Distinction between Central and State warehouses in respect of function – Constitution and transactions.
4. Objectives of the corporation and functions of the Warehouse – Working of the warehouse in respect of finance, construction of godowns and provision of market finance.
5. Twin objectives of market finance – Role of warehouse and financial institutions – Liasion between them – Scale of finance and rate of interest.
6. Storage charges – Storage space available – Categories – Charges per unit quantity of different commodities – Variations in periods and charges – Normal steps taken for preservation of commodities – Storage risks and management of risk – Methods of stocking – Protection measures followed during storage.
7. Did the objectives of corporation fulfil – If not, reasons there of – Scope for expanding its branches in rural areas in the area of co-operation and its market centres.
8. How for stabilization of price is achieved – Steps to attract small producers – Utilization of warehouse facilities.
9. How the disputes are settled between the authorities and the cultivator / merchants. Does the institute get any problem – Cases pending, if any.
10. Facilities for storing perishable – Cold storage facilities – Any proposals to start – Procedure for storing the produce and obtaining the loan – Extent of loan offered for different commodities – Rate of interest – Mode of repayment – Maximum period allowed for storage – Any modifications needed.

11. How far the warehouse is able to meet the demand from the producer? Which class of people is utilizing the warehouse facilities & why.
12. Suggestions for improvement of warehouse.

STUDY OF FOOD CORPORATION OF INDIA (FCI)

Exercise No:

The Food Corporation of India (FCI) was setup in January, 1965 with an authorized capital of Rs. 100 crore to undertake purchase, storage, transport and distribution and sale of food grains and other food stuffs, to serve the interests of both the producers and consumers. The FCI is the largest single food grain agency of Govt. of India in the country and undertakes procurement, buffer stock and massive price support operations on the behalf of central and state Govts. Initially, the FCI was serving only four States in Southern part of India. Now the Corporation has five zonal offices, 19 regional offices, 173 district offices and thousands of operating points throughout the country for its purchase and distribution operations. Today we have visited FCI godown to get the information on functions and role of FCI in public distribution.

1. Name and address of the FCI godown
2. Year of establishment
3. Objectives.
4. Functions.
5. Organizational setup
6. Share capital – authorized share capital – paid up capital.
7. Storage capacity
8. No.of staff employed, permanent, casual and wage / day.
9. Annual wage bill.
10. What commodities are stored, give details.
11. Period of storage.
12. Operational area served by the godown
13. Scientific measures followed to store the food grains without quality deterioration.
14. Source of supply of food grains to FCI.
15. On what basis FCI allots food grains in the operational area.
16. How FCI procures food grains in its operational area.
17. What are the different storage methods followed.
18. What is the storage loss for different commodities.
19. How to serve the consumer by supplying food grains regularly in time.
20. Any other functions of FCI (Price stabilization methods).
21. Problems and suggestions for better performance.

GLOSSARY

Market: It is a place where persons assemble for the sale or purchase of commodities intended for satisfying human wants.

Marketing: Marketing is the actual process of transaction of commodities between buyers and sellers. It is the performance of various marketing activities involved in the flow of goods and services from the point of production to the point of consumption.

Market Structure: Market structure refers to those organizational characteristics of a market which influence the nature of competition and pricing, and affect the conduct of business firms.

Market Conduct: It refers to the patterns of behavior of firms, specially in relation to pricing and their practices in adapting and adjusting to the market in which they function.

Market performance: It refers to the economic results that flow from the industry as each firm pursues its particular line of conduct.

Agril.Marketing: Agril. marketing is the study of all the activities, agencies and policies involved in the procurement of farm inputs by the farmers and the movement of agril. products from the farmers to the consumers.

Marketable Surplus: The marketable surplus is that quantity of the produce which can be made available to the non-farm population of a country.

Marketed Surplus: Marketed surplus is that quantity of the produce which the producer farmer actually sells in the market irrespective of his requirements for family consumption, farm needs and other payments in kind.

Marketing Function: Any single activity performed in carrying a product from the point of its production to the ultimate consumer may be termed as a marketing function.

Packing: Packing means the wrapping and crating of goods before they are transported.

Packaging: Packaging is a part of packing which means placing the goods in small packages like bags, boxes, bottles or parcels for sale to the ultimate consumers.

Transportation: Transportation is the movement of products between places.

Standardization: It means making the quality specifications of the grades uniform among buyers and sellers over place and time.

Grading: Grading is the sorting of the unlike lots of the produce into different lots according to the quality specifications laid down.

Storage: It refers to holding and preserving goods from the time they are produced until they are needed for consumption.

Warehousing: Warehousing may be defined as the assumption of responsibility for the storage of goods.

Processing: Processing is a deliberate activity which changes the form of a commodity.

Buying: It involves the purchase of the right goods at the right place, at the right time, in the right quantities and at the right price.

Selling: It involves personal or impersonal assistance to or persuation of, a prospective buyer to buy a commodity.

Price Determination: It is the process by which the prices are determined by the forces of demand and supply in the total market.

Price Discovery: It is the mechanism through which the retailers and consumers discover prices in an individual market.

Market Information: Market information may be broadly defined as a communication or reception of knowledge or intelligence. It includes all the facts, estimates, opinions and other information which affect the marketing of goods and services.

Market Intelligence: It includes information relating to such facts as the prices that prevailed in the past and market arrivals over time. Market intelligence is, therefore, of historical nature.

Market News: It refers to current information about prices, arrivals and changes in market conditions.

Market Finance: Market finance is the finance or capital required by the agencies engaged in various marketing activities to meet their financial requirements.

Market Risk: Market risk is the risk of the destruction of the produce by the fire, rodents or other elements, quality deterioration, price fall, change in tastes, habits or fashion, and the risk of placing the commodity in the wrong hands or area.

Speculation: The fundamental idea under lying speculation is the purchase or sale of a commodity at the present price with the object of sale or purchase at some future date at a favorable price.

Hedging: Hedging is executing opposite sales or purchases in the futures market to offset the purchases or sales of physical products made in the cash market(Shepherd).

Future Market / Forward Market: A market in which the purchase or sale of commodity takes place at time 't' but the exchange of the commodity takes place on some specified date in future i.e time t+1. Sometimes even on the specified date in the future(t+1), there may not be any exchange of the commodity. Instead, the differences in the purchase and sale prices are paid or received.

Market Integration: It is a process which refers to the expansion of firms by consolidating additional marketing functions and activities under a single management.

Conglomeration: A combination of agencies or activities not directly related to each other may, when it operates under a unified management, be termed as a clomeration. It is one type of market integration. Ex: Hindusthan Lever Ltd.

Marketing Efficiency: Marketing efficiency is the ratio of market output (Satisfaction) to marketing input (cost of resources).

Marketing Costs: Costs incurred by market functionaries in moving the commodities from producers to consumers.

Marketing Margins: Profits held by the intermediaries to remain in the trade after meeting the cost of the function performed.

Producer's price: It is the net price received by the farmer at the time of the first sale.

Producer's share in consumer's rupee: It is the price received by the farmer expressed as a percentage of the retail price (i.e. the price paid by the consumer).

Price Spread: It refers to the difference between the price paid by the consumer and the price received by the producer for an equivalent quantity of farm produce.

Market Functionaries / Market Middlemen: They are the individuals who specialize in performing the various marketing functions and rendering such services as are involved in the marketing of goods.

Marketing Channels: Marketing channels are the routes through which agril. products move from producers to consumers.

Co-operative Marketing: It refers to the collective marketing of the produce by an association of producers for securing to its members the advantages that result from large-scale business which an individual cultivator cannot secure because of his small marketable surplus.

Regulated Market: A regulated market is one which is established by the state Govt. and rules and regulations are framed for the conduct of its business with a view to eliminating the unhealthy and unscrupulous practices, reducing marketing charges and providing facilities to producer-sellers in the market.

State Trading: It refers to the direct intervention by the Govt. on its part in trading of agril. commodities to ensure the supply of essential commodities to the people.

Agricultural Price Stabilization: It means reduction in price fluctuations and regulation of price movements within a certain range.

Minimum support price: It is the price fixed by the Govt. to protect the producer farmer against excessive fall in prices in the event of bumper production.

Procurement Price: The procurement price of a commodity refers to the price at which the Govt. Procures it from producers/ manufacturers to maintain buffer stock and feed the public distribution system.

Issue Price: It is the price at which the commodity is made available to consumers at fair price shops.

Agricultural Price Policy: Agricultural Price policy is the one whose basic aim is the intervention of Government in the agricultural Produce markets to influence the price levels and their fluctuations, particularly from farm gate to retail level.

Administered Price: The administered price of a commodity is the price fixed by the Government with the objectives of protecting farmers against a decline in prices during years of bumper production, protecting consumers from excessive price increase during lean production years and ensuring procurement for the maintenance of the buffer stock or operation of the PDS.

List of Abbreviations

AGMARK	**:**	**Agricultural Produce (Grading and Marking) Act**
AIRCRC	**:**	**All India Rural Credit Review Committee**
AIRCSC	**:**	**All India Rural Credit Survey Committee**
AMS	**:**	**Aggregate Measure of Support**
AOA	**:**	**Agreement on Agriculture**
APC	**:**	**Agricultural Prices Commission**
APEDA	**:**	**Agricultural Processed Products and Export Development Agency**
ARIMA	**:**	**Auto Regressive Integrated Moving Average**
ATC	**:**	**Agreement on Textiles and Clothing**
BIS	**:**	**Bureau of Indian Standards**
CAC	**:**	**Codex Alimentarious commission**
CACP	**:**	**Commission on Agricultural Costs and Prices**
CCI	**:**	**Cotton Corporation of India**
CWC	**:**	**Central Warehousing Corporation**
DMI	**:**	**Directorate of Marketing and Inspection.**
DSB	**:**	**Dispute Settlement Body**
EXIM Bank	**:**	**Export Import Bank of India**
FAO	**:**	**Food and Agricultural Organization**
FCI	**:**	**Food Corporation of India**
GATS	**:**	**General Agreement on Trade in Services**
GATT	**:**	**General Agreement on Tariffs and Trade**
HACCP	**:**	**Hazard Analysis and critical control point**
IGSI	**:**	**Indian Grain Storage Institute**
ISI	**:**	**Indian Standards Institute**
ISO	**:**	**International Organization for Standardization**

ITO	**:**	**International Trade Organization**
JCI	**:**	**Jute Corporation of India**
MFNS	**:**	**Most Favored Nations**
MPEDA	**:**	**Marine Products Export Development Agency**
MTNS	**:**	**Multilateral Trade Negotiations**
NABARD	**:**	**National Bank for Agriculture and Rural Development**
NAFED	**:**	**National Agricultural Co-operative Marketing Federation**
NCA	**:**	**National Commission on Agriculture**
NCDC	**:**	**National Co-operative Development Corporation**
NCDWB	**:**	**National Co-operative Development and Warehousing Board**
NDDB	**:**	**National Dairy Development Board**
NGRG	**:**	**National Grid of Rural Godowns**
NOVOD	**:**	**National Oil Seeds and Vegetable Oils Development Board**
NTB	**:**	**Non-Tariff Barriers**
PDS	**:**	**Public Distribution System**
QRs	**:**	**Quantitative Restrictions**
RBI	**:**	**Reserve Bank of India**
RPDS	**:**	**Revamped Public Distribution System**
SPS	**:**	**Sanitary and Phytosanitary Measures**
STC	**:**	**State Trading Corporation**
SWC	**:**	**State Warehousing Corporation**
TB	**:**	**Tariff Barriers**
TPRM	**:**	**Trade Policy Review Mechanism**
TRIFED	**:**	**Tribal Co-operative Marketing Development Federation**
TRIMS	**:**	**Trade Related Investment Measures**
TRIPS	**:**	**Trade Related Intellectual Property Rights**

UPOV	**:**	**Union for the Protection of New Varieties**
WTO	**:**	**World Trade Organization**