



BSc Horticulture Notes **(6th Dean Committee Syllabus)**

Course No.: MDC-233 (New)
Course Title: Agricultural Marketing and Trade

-
- All the notes provided in this file are based on the new 6th Dean Committee Syllabus.
 - Students are required to take a print of this file to study for Semester End Examination.
 - Join our Telegram Channel: [@AgroMind](#) (Click the Blue link to join the Channel.)
-

Lecture No. 1-2.

Introduction to Agricultural Marketing

Agricultural Marketing

Meaning – The term Agricultural Marketing composed of two words Agriculture and marketing. Agriculture includes all the primary activities of production, generally it is used to mean growing & or raising crops and livestock. Marketing denotes a series of activities involved in moving the goods from point of production to point of consumption.

Definition – Agricultural marketing defined as comprising all activities involved in supply of farm inputs to the farmers and movement of agricultural products from the farms to the consumers.

[CLICK HERE to Join AgroMind Telegram Channel](#)

Need for understanding the agricultural marketing system:

The expectations from marketing system vary from group to group. The objectives are in conflict. The efficiency & success of the system depends on how best these conflicting objectives are reconciled.

1. **Producers** – Producer–farmers want the marketing system to purchase their produce without loss of time and provide the maximum share in the consumer’s rupee. They want the maximum possible price for their surplus produce from the system similarly, they want the system to supply them the inputs at the lowest possible price.
2. **Consumers** – The consumers of agricultural products are interested in a marketing system that can provide food and other items in the quantity and of the quality required by them at the lowest possible price.
3. **Market Middlemen and Traders** – Market middlemen & traders are interested in a marketing system which provides them a steady and increasing income from the purchase and sale of agricultural commodities. This objective may be achieved by purchasing the Agril. Products from the farmers at low prices and selling them to consumers at high prices.
4. **Government** – The government has to act as a watch-dog to safeguard the interests of all the groups associated in marketing. It tries to provide the maximum share to the producer in the consumer’s rupee’s, food & other farm products of the required quantity to consumers at the lowest possible price, & enough margin to market middlemen.

The overall objective of Agril. Marketing system of developing country like India should be to help the farmers in getting remunerative prices for their products & to right type of goods at the right place, in the right quantity & quality at right time & at right prices to the processors & or ultimate consumers.

New Role of Agricultural Marketing scenario in the country has undergone a sea-change over the last six decades owing to the increases in the supply of agricultural commodities and consequently in their marketed surpluses; increase in urbanization and income levels and thereby changes in the pattern of demand for farm products and their

derivatives; slow and steady increase in the linkages with the overseas markets; and changes in the form and degree of government intervention in agricultural markets. Therefore, the framework under which agricultural produce markets function and the factors which influence the prices received by the farmers now need to be understood in a different perspective compared to that in the past.

The role of marketing now starts right from the time of decision relating to what to produce, which variety to produce and how to prepare the product for marketing rather than limiting it to when, where and to whom to sell.

Distinguishing characteristics between agricultural and manufactured/industrial goods. (Difference in Marketing of Agricultural and Manufactured Goods):

The marketing of agricultural commodities is different from the marketing of manufactured commodities because of the special characteristics. The special characteristics which the agricultural sector possesses, and which are different from those of the manufactured sector, are:

1. Perishability of the Product: Most farm products are perishable in nature; but the period of their perishability varies from a few hours to a few months.

2. Seasonality of Production: Farm products are produced in a particular season; they cannot be produced throughout the year. In the harvest season, prices fall. But the supply of manufactured products can be adjusted or made uniform throughout the year. Their prices therefore remain almost the same throughout the year.

3. Bulkiness of Products: The characteristic of bulkiness of most farm products makes their transportation and storage difficult and expensive. This fact also restricts the location of production to somewhere near the place of consumption or processing. The price spread in bulky products is higher because of the higher costs of transportation and storage.

4. Variation in Quality of Products: There is a large variation in the quality of agricultural products, which makes their grading and standardization somewhat difficult. There is no such problem in manufactured goods, for they are products of uniform quality.

5. Irregular Supply of Agricultural Products: The supply of agricultural products is uncertain and irregular because of the dependence of agricultural production on natural conditions. With the varying supply, the demand remaining almost constant, the prices of agricultural products fluctuate substantially.

6. Small Size of Holdings and Scattered Production: Farm products are produced throughout the length and breadth of the country and most of the producers are of small size. This makes the estimation of supply difficult and creates problems in marketing.

7. Processing: Most of the farm products have to be processed before their consumption by the ultimate consumers. This processing function increases the price spread of agricultural commodities.

IMPORTANCE OF AGRICULTURAL MARKETING

Agricultural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development. Its dynamic functions are of primary importance in promoting economic development. For this reason, it has been described as the most important multiplier of agricultural development.

Optimization of Resource use and Output Management:

An efficient agricultural marketing system leads to the optimization of resource use and output management. An efficient marketing system can also contribute to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation. A well-designed system of marketing can effectively distribute the available stock of modern inputs, and thereby sustain a faster rate of growth in the agricultural sector.

Increase in Farm Income

An efficient marketing system ensures higher levels of income for the farmers by reducing the number of middlemen or by restricting the commission on marketing services and the malpractices adopted by them in the marketing of farm products. An efficient system guarantees the farmers better prices for farm products and induces them to invest their surpluses in the purchase of modern inputs so that

productivity and production may increase. This again results in an increase in the marketed surplus and income of the farmers. If the producer does not have an easily accessible market-outlet where he can sell his surplus produce, he has little incentive to produce more. The need for providing adequate incentives for increased production is, therefore, very important, and this can be made possible only by streamlining the marketing system.

Widening of Markets:

A well-knit marketing system widens the market for the products by taking them to remote corners both within and outside the country, i.e., to areas far away from the production points. The widening of the market helps in increasing the demand on a continuous basis, and thereby guarantees a higher income to the producer.

Growth of Agro-based Industries:

An improved and efficient system of agricultural marketing helps in the growth of agro- based industries and stimulates the overall development process of the economy. Many industries depend on agriculture for the supply of raw materials.

Price Signals:

An efficient marketing system helps the farmers in planning their production in accordance with the needs of the economy. This work is carried out through price signals.

Adoption and Spread of New Technology

The marketing system helps the farmers in the adoption of new scientific and technical knowledge. New technology requires higher investment and farmers would invest only if they are assured of market clearance.

Employment:

The marketing system provides employment to millions of persons engaged in various activities, such as packaging, transportation, storage and processing. Persons like commission agents, brokers, traders, retailers, weigh men, hamals, packagers and regulating staff are directly employed in the marketing system. This apart, several others find employment in supplying goods and services required by the marketing system.

Addition to National Income:

Marketing activities add value to the product thereby increasing the nation's gross national product and net national product.

[CLICK HERE to Join AgroMind Telegram Channel](#)

Better Living:

The marketing system is essential for the success of the development programs which are designed to uplift the population as a whole. Any plan of economic development that aims at diminishing the poverty of the agricultural population, reducing consumer food prices, earning more foreign exchange or eliminating economic waste has, therefore, to pay special attention to the development of an efficient marketing for food and agricultural products.

Creation of Utility:

Marketing is productive, and is as necessary as the farm production. It is, in fact, a part of production itself, for production is complete only when the product reaches a place in the form and at the time required by the consumers. Marketing adds cost to the product; but, at the same time, it adds utilities to the product. The following four types of utilities of the product are created by marketing:

- (a) Form Utility:** The processing function adds form utility to the product by changing the raw material into a finished form. With this change, the product becomes more useful than it is in the form in which it is produced by the farmer. For example, through processing, oilseeds are converted into oil, sugarcane into sugar, cotton into cloth and wheat into flour and bread. The processed forms are more useful than the original raw materials.
- (b) Place Utility:** The transportation function adds place utility to products by shifting them to a place of need from the place of plenty. Products command higher prices at the place of need than at the place of production because of the increased utility of the product.
- (c) Time Utility:** The storage function adds time utility to the products by making them available at the time when they are needed.
- (d) Possession Utility:** The marketing function of buying and selling helps in the transfer of ownership from one person to another. Products are transferred through marketing to persons having a higher utility from persons having a low utility.

Lecture No. 3-4.

Introduction to Market and Market Structure

Market & Marketing –

Market – Meaning – The word market comes from the Latin word *marcatus* which means merchandise or trade or a place where business is conducted.

Other terms used for describing markets in India are Hats, Painths, Shandies and Bazar.

Word ‘market’ has been widely used to mean

- a. Place / a building where commodities are brought and sold e.g super market.
- b. Potential buyers & sellers of a products – wheat / cotton market
- c. Potential buyer & sellers of a country / region – India market Asian market.
- d. An organization which provides facilities for exchange of commodities – Bombay stock exchange.

Definition –

1. A market is the sphere within which price determining force operate.
2. A market is the area within which the force of demand and supply converge to establish a single price.
3. Markets are people with money to spend & the desire to spend it.

Marketing – 1. Marketing refers to the process involved in the distribution & exchange of goods & services.

2. The performance of business activities that direct the flow of goods & services from producer to consumer.

Major components of marketing in the definition of marketing are exchange, beneficial intent, seller & activities.

Component of Market –

1. The existence of a goods or commodities for transactions.
2. The existence of buyers & sellers.
3. Intercourse between buyers & sellers.
4. Demarcation of area such as place, region country or the whole world.

Dimension of a market –

1. Location or place of operation

2. Area or Coverage.
3. Time Span.
4. Volume of transactions.
5. Nature of transactions.
6. Number of commodities.
7. Degree of competition.
8. Nature of commodities.
9. Stage of marketing.
10. Extent of public intervention.
11. Type of Population served.
12. Accrual of marketing margins.

Any individual market may be classified in a twelve – dimensional space. **Twelve dimensional Classification of markets** – markets may be classified on the basis of the 12 dimensions as below.

1. On the basis of location – On the basis of the place of location or place of operation.

a. Village markets – A market which is located in small village where major transactions take place among the buyers & sellers.

b. Primary markets - These markets are located in towns near, the centers of production of agricultural commodities. A major part of the produce is brought for sale by the producer – farmers themselves. Transactions in these markets usually take place between the farmers and primary traders.

c. Secondary wholesale markets – These markets are located generally at district headquarters or important trade centers or near railway junctions. The major transactions of commodities in these markets takes place between village traders and wholesalers. The produce in these markets handled in large quantities.

d. Terminal markets – A terminal market is one where the produce is either finally disposed of to the consumers or processors or assembled for export. Exchanges exist in these markets which provide facilities for forward trading in specific commodities such markets are located either in metropolitan cities or in sea-port. Delhi, Mumbai, Chennai, Kolkata and Cochin are terminal markets for many commodities.

e. Seaboard Markets – Markets which are located near the seashore and are meant mainly for the import and or export of goods are known as seaboard markets. These are generally seaport towns. Examples, Mumbai, Chennai, Kolkata, Cochin

2. On the basis of area Coverage – on the basis of the area from which buyers and sellers usually come for transaction.

a. Local or village markets – A market in which the buying & selling activities are confined among the buyers & sellers drawn from same village or nearby village. The village markets exist mostly for perishable commodities in small lots, e.g. local milk market or vegetable market.

b. Regional markets - A market in which buyers and sellers for a commodity are drawn from larger area than the local markets. Regional markets in India usually exist for food grains.

c. National markets – A market in which buyers and sellers spread at the national level. National markets existed for durable goods like jute and tea.

d. World markets – A market in which the buyers and sellers are drawn from whole world. These are the biggest markets from the area point of view. e.g coffee, machinery, gold, silver, raw cotton, sugar, rice and wheat.

3. On the basis of time span –

a. Short period markets – The markets which are held only for a day or few hours. The products deal within market are of a highly perishable nature, such as fish, fresh vegetables & liquid milk. In these markets, the prices of commodities are governed mainly by the extent of demand for, rather than by the supply of the commodity.

b. Long-Period markets – The markets are held for a longer period than short – period markets. The commodities traded in these markets are less perishable and can be stored for some time likes food grains and oilseeds, prices are governed both by supply and demand forces.

c. Periodic markets – The periodic markets are held weekly, biweekly or monthly according to location of transaction. Major commodities traded in these markets is the form produce grown in the hinterlands.

d. Secular markets – These are markets of permanent nature. The commodities traded in these markets are durable in nature and can be stored for many years e.g. machinery, manufactured goods.

4. On the basis of volumes of transaction –

A. Wholesale market – A wholesale market is one in which the commodities are brought and sold in large lots or in bulk. These markets are generally located in either towns or cities. These markets and market functionaries in them serve as a link between production system and consumption system. The wholesale markets for farm products in India can be classified as Primary, Secondary and terminal wholesale markets.

- a. Primary wholesale market – Transactions takes place a between farmers and traders.
- b. Secondary wholesale market – Transaction takes place between primary wholesaler and trader of terminal market.
- c. Terminal market – Located in large metropolitan cities or export centers.

B. Retail markets - A retail market is one in which commodities are brought by and sold to the consumers as per their requirement. Transactions in these markets takes place between retailers and consumers. The retailers purchase the goods from wholesale market and sell in small lots to the consumers in retail markets. These markets are very near to the consumers.

5. On the basis of nature of transactions – The markets which are based on the types of transactions in which peoples are engaged.

a. spot or cash markets – A market in which goods are exchanged for money immediately after the sale is called as spot or cash markets.

b. Forward markets – A market in which the purchase and sale of commodity takes place at time, but the exchange of the commodity takes place on some specified date in future.

6. On the basis of number of commodities in which transaction takes place.

a. General markets – A market in which all types of commodities are brought and sold. e.g. food grains. Oilseeds, fiber crops, gur etc. These markets deal in a large number of commodities.

b. **Specialized markets** – A market in which transactions take place only one or two commodities. For every group of commodity, separate markets exist. The examples are food grain markets, vegetable markets, wool markets & cotton markets.

7. On the basis of degree of competition –

a. **Perfect markets** – A perfect market is one in which the following conditions hold good.

- i. There is a large number of buyers and sellers.
- ii. All the buyers and sellers in the market have perfect knowledge of demand, supply and prices.
- iii. Prices at any one time are uniform over a geographical area plus or minus the cost of getting supplies from surplus to deficit area.
- iv. The prices are uniform at any one place over periods of time plus or minus the cost of storage from one period to another.
- v. The prices of different forms of a product are uniform, plus or minus the cost of converting the product from one to another form.

b. **Imperfect Markets** – The markets in which the conditions of perfect market are lacking are characterized as imperfect market

i. **Monopoly market** – Monopoly is a market situation in which there is only one seller of a commodity. He exercises sole control over the quantity or price of the commodity. In this market the price of commodity is generally higher than in other markets. Indian farmers operate in monopoly market when purchasing electricity for irrigation. When there is only one buyer of a product the market is termed as a monopsony market.

ii. **Duopoly market** – A Duopoly market is one which has only two sellers of a commodity. They may mutually agree to charge a common price which is higher than the hypothetical price in a common market. The market situation in which there are only two buyers of a commodity is known as duopsony market.

iii. **Oligopoly market** – A market in which there are more than two but still a few sellers of a commodity is termed as an oligopoly market. A market with few buyers is known as oligopsony market

iv. **Monopolistic Competition** – When a large number of sellers deal in heterogeneous and differentiated forms of a commodity, the situation is called monopolistic

competition. Different prices prevail for the same product different trademarks are provided for same product. e.g. choice between various insecticides, pumpsets, fertilizers and equipments.

8. On the basis of nature of commodities – On the basis of types of goods deals in market.

a. Commodity markets – A market deals with goods and raw materials such as wheat, barley, cotton, fertilizer, seed etc. are termed as commodity markets.

b. Capital markets - The market in which bonds, shares and securities are brought and sold are called capital markets for example money market and share market.

9. On the basis of stage of marketing –

a. Producing markets – Those markets which mainly assemble the commodity for further distribution to other markets are termed as producing markets such markets are located in producing areas.

b. Consuming markets – Market which collect the produce for final disposal to the consuming population are called consumer market.

10. On the basis of Extent of public intervention –

a. Regulated markets – These are those markets in which business is done in accordance with the rules and regulations framed by the statutory market organization representing different sections involved in markets. The marketing costs in such markets are standardized and practices are regulated.

b. Unregulated markets – These are the markets in which business conducted without any set of rules and regulations. Traders frame the rules for the conduct of the business and run the market. These markets suffer from many ills, ranging from unstandardized charges for marketing functions to imperfections in the determination of price.

11. On the basis of type of population served –

a. Urban market – A market which serves mainly the population residing in an urban area is called an urban market.

b. Rural market - The word rural market usually refers to the demand originating from rural population. Rural markets generally have poor marketing facilities as compared to urban markets.

- 12. On the basis of market functionalities and accrual of marketing margin.**
- a. farmer markets
 - b. co-operative markets.
 - c. general markets.

Market Structure

Meaning – The term structure refers to something that has organization and dimension – shape, size and design; which is evolved for the purpose of performing a function.

Market structure refers to the size and design of the market. It also includes the manner of the operation of the market.

Definitions – 1. Market structure refers to those characteristics of the market which affect the trader's behavior and their performances.

2. Market structure is the formal organization of the functional activity of a marketing institution.

Components of market structure –

The components of the market structure, which together determine the conduct and performance of the market.

- 1. Concentration of market power** – It is an important element determining the nature of competition. This is measured by the number and size of firms existing in the market. The extent of concentration represents the control of an individual firm or a group of firms over the buying & selling of the products. A high degree of market concentration restricts the movement of goods between buyers and sellers at fair and competitive prices and creates an oligopoly or oligopsony situation in the market.
- 2. Degree of Product Differentiation** – Whether or not the products are homogeneous affects the market structure. If products are homogeneous, the price variations in the market will not be wide. When products are heterogeneous, firms have the tendency

to charge different prices for their products. Everyone tries to prove that his product is superior to the products of others.

3. **Conditions for entry of firms in the market** – Another dimension of the market structure is the restriction, if any, on the entry of firms in the market. Sometimes, a few big firms do not allow new firms to enter the market or make their entry difficult by their dominance in the market. There may also be some govt. restrictions on the entry of firms.
4. **Flow of market Information** – A well – organized market intelligence information system helps all the buyers and sellers to freely interact with one another in arriving at price & striking deals.
5. **Degree of Integration** – The behavior of an integrated market will be different from that of a market where there is no or less integration either among the firms or of their activities.

The structural characteristics of the market govern the behavior of the firms in planning strategies for their selling and buying operations.

Lecture No. 5.

Marketing Mix and Market Segmentation

Definition: Marketing Mix is a group of marketing variables that the firm combines and controls, to produce the desired response in the target market. It is an important marketing tool that comprises of all the elements which influence the demand for the products offered by the firm.

The different marketing activities are categorized by McCarthy into marketing mix tools, of four types, which are commonly known as four p's of market.

- **Product:** Product refers to the goods and services, that are offered to the customers for sale and are capable of satisfying their wants. A firm makes strategies to introduce products which are high in demand and drop the ones which cause loss to the company. Strategic decisions regarding the product variety, quality, design, features, brand name, packaging, size, returns, after-sales services, etc., are to be made.

- Products offered by the firm should be such that which creates an impact in the minds of the customers that the products offered by them are different than those offered by the competitors. So, differentiation is the key, that helps in creating brand value.
- **Price:** Price is described as the amount which a customer pays to get the desired product or service. The pricing of the product should be done keeping in mind the list price, competitor's price, terms of sale, customer location, discounts and so forth. While deciding the prices, the value and utility of the product to its customers are to be considered.
- **Place:** Place refers to the easy availability of the product in the target market. It implies that a suitable marketing channel is to be chosen, to reach the customers, because the better the chain of distribution, the higher would be the coverage.
- **Promotion:** Promotion implies marketing communication, as in publicizing the product to convey product features. It aims at grabbing the attention of customers and instigating them to buy it. Promotion mix implies the promotional tools used by the marketers to reach the target audience. It could be Advertising, Direct marketing, Sales Promotion, Personal Selling, etc.

What is Market Segmentation

Marketing segmentation is a process of grouping the customers into number of different divisions on the basis of similar characteristics. It is a customer oriented philosophy. A market segment consists of a large identifiable groups within a market. Every product is not required by everybody. Therefore, marketer must group the customers on the basis of similar characteristics or uniform response to a marketing stimuli.

Definitions: -

1. Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several sub- markets or segments, each of which tends to be homogeneous in all significant aspects.
2. Market segments are grouping of two or more consumers for a product or service so that their needs are better served.

The Basis of Segmentation

1. GEOGRAPHIC SEGMENTATION: -

Market is divided on the basis of geographical area where customers reside. Such as village market, local, zonal, national market etc. this denotes territorial coverage of the market.

Further, market segmentation could also be made on the basis of climatic conditions of the area where customer resides. For examples, hot, rainy, desert etc. therefore, marketer must select a market to restrict his operations to a specific segment/ area say a city, district, state or a country

2. DEMOGRAPHIC SEGMENTATION: -

Demographic segmentation is one of the simplest and most commonly used forms of segmentation because the products and services we buy, how we use those products, and how much we are willing to spend on them is most often based on demographic factors. Demography is the study of population. It is dividing a market into groups on the basis of demographic variables, such as age, gender, marital status, education, income, occupation, religion, family size, family life cycle, race, nationality etc.

3. PSYCHOGRAPHIC SEGMENTATION: -

Psychographic segmentation means dividing the buyers into different groups on the basis of their social class, compulsiveness, lifestyle and personality of customers. Psychographic segmentation means dividing the buyers into different groups on

4. BEHAVIORAL SEGMENTATION: -

Behavioral segmentation means dividing the customers into different groups based on their behaviour, knowledge, attitudes, action and response to a product. Consumer behaviour is the best factor to build market segments. Such as purchase timing, rate of purchase, method of purchase, occasion, benefit sought, cost, quality, quantity, durability, service facilities, brand loyalty brand image, usage rare, attitude, awareness etc.

5. MULTIPLE SEGMENTATION: -

Marketer also adopts multiple segmentation in order to identify smaller or a better defined target group. Multiple segmentation is selecting more than one bases for market segmentation. It is a combination of geographic, demographic, psychographic and behavioral factor

The Importance of Market Segmentation

- 1. Enhanced Targeting:** Market segmentation allows companies to identify and focus on specific customer groups rather than adopting a one-size-fits-all approach. This targeted marketing leads to higher engagement rates and better conversion outcomes.
- 2. Improved Customer Experience:** Understanding the unique needs and preferences of different segments enables businesses to tailor their products and services accordingly. This responsiveness enhances customer satisfaction and loyalty.
- 3. Resource Optimization:** By concentrating efforts on high-potential segments, businesses can allocate resources more efficiently. This strategic resource allocation minimizes waste and maximizes the impact of marketing campaigns.
- 4. Informed Product Development:** Market segmentation provides insights into consumer preferences that can guide product development. Companies can innovate and refine their offerings to better meet the demands of their target audience.

[CLICK HERE to Join AgroMind Telegram Channel](#)

5. **Competitive Advantage:** In an increasingly competitive landscape, effective market segmentation can differentiate a brand from its competitors. By understanding and catering to specific consumer needs, businesses can establish a unique value proposition.



AgroMind

[CLICK HERE to Join AgroMind Telegram Channel](#)

LECTURE NO. 6-7. Demand and Supply of Agricultural Commodities.

Meaning of demand: When a person desiring is willing and able to pay for what he desires, the desire is changed in to demand.

Demand is always at a price." The demand for anything at a given price is the amount of it which will be bought per unit of time at that price."

To speak of demand without reference of price is meaningless.

Also, the demand is always per unit of time, per day, per week, per month, per year.

"By demand we mean the various quantities of a given commodity or service which consumers would buy in one market in a given period of time at various prices, or at various incomes, or at various price of related goods" (Bober).

Types of demand: Three kinds of demands may be distinguished.

- (a) Price Demand;
- (b) Income Demand; and
- (c) Cross Demand

Price demand: refers to the various quantities of a commodity or service that a consumer would purchase at a given time in a market at various hypothetical prices. It is assumed that other things, such as consumer's income, his tastes and the price of interrelated goods, remain unchanged.

Income demand: refers to the various quantities of goods and services which would be purchased by the consumers at various levels of income. Here we assume that the prices of commodity or service as well as the prices of inter-related goods and the tastes and preference and desires of consumers do not change.

Cross demand: means the quantities of good or service which will be purchased with reference to change in price not of this good but of other inter-related goods. These goods are either substitutes or complementary goods. Of these types of demands, price demand is the most commonly spoken one.

Determinants or factor affecting on Demand: The demand is influenced by the following factors:

- i) **Change in real income:** In times of technical progress, there is a large output of cheap goods. The purchasing power of money increases or, real income increases. The demand schedule has to be recast, because less money will be needed to

purchase the same quantity of goods, and the savings so made will find outlet in the purchase of other commodities. Some goods may be eliminated from consumption and instead entirely new goods purchased; demand for some goods will decrease and that for other increase.

- ii) **Change in the level and distribution of income:** Through the instrument of public finance, e.g. by taxing the rich and spending the funds so obtained on the poor, wealth is redistributed. There is a transfer of spending power. This is bound to affect demand. Demand for those goods will increase which are purchased by a class whose spending power has increased, and vice-versa.
- iii) **Change in tastes preferences and fashion:** We see that increasing habit of taking tea has decreased the demand for milk. Change in the mode of dress means a change in the demand for dress materials. When some goods go out of fashion, they will be less in demand, even though they may become cheap.
- iv) **Climate or weather changes:** It is obvious that demand for a commodity must change with the change in season.
- v) **Changes in the size and composition of population:** If for instance, the common wealth countries and America allow a free entry to India. We can expect emigration from India. If India is stick to their own mode of living in food and dress in their new homes, demand for such things will be crated there.
- vi) **Changes in money supply:** When there is inflation, the additional money will add to the purchasing power of the community, the price will rise. People will have to readjust their expenditure, demand for certain things will be reduced and for other stimulated.
- vii) **Changes in the price of the commodity:** Obviously, demand is decisively affected by the change in the price of commodity concerned. There is inverse relation between price and the quantity demanded.
- viii) **Change in savings:** Demand for goods is affected by a change in consumer's propensity to save. Large saving means less money available for purchase of goods.
- ix) **Change in asset preferences:** It is quite obvious that if a consumer develops marked liquidity preference, his demand for goods will decrease, because he prefers to keep with him ready cash instead of buying things.
- x) **Conditions of trade:** Demand for everything is grater in a boom even though the prices are rising. On the other hand, in times of depression, there is a general slackening of the demand.

xi) Expectations or anticipation: If prices are expected to rise in future, the demand for goods will increase now in the present. Similarly, expectations of rising incomes will restrain current purchase and postpone purchases to a future favourable situation.

xii) Price of related goods:

Substitutes: When a decline in price of one good results in a decline in the demand for another, they are substitute. e.g. tea and coffee, increase in the consumption of one will lead to a decrease in the demand for the other.

Complements: Two goods are complements if the price of one and the demand for other are inversely related. Increased demand for one will augment that for other e.g. Horse and carriage, if the price of carriage will fall, the demand for horses rises.

Joint demand: The increase in the demand for the ultimate object, e.g. the house will increase the demand for everything needed in building a house.

Composite supply: e.g. light obtained from electricity, gas or kerosene, choosing of any one of them will reduce the demand for the others.

Composite demand: e.g. water required for drinking, washing, bathing. Any extension or contraction of its used will correspondingly change the demand.

Thus, the demand for a commodity does not depend only on its own price but the prices of other goods too

SUPPLY

It is the amount of a commodity that sellers are able and willing to offer for sale at different prices per unit of time. In the words of Meyer “Supply is a schedule of the amount of a good that would be offered for sale at all possible prices at any period of time; e.g., a day, a week, and so on”. **i) Determinants of Supply**

a) The cost of factors of production: costs of inputs increase, the cost of production will raise and the producers may have to fix higher price to cover the increased costs. A fall in input price will reduce the costs and permit supply at a lower price.

b) State of Technology: Improvement in technology reduces the cost of production and increases the supply.

c) Factors outside the economic sphere like flood, drought etc. will decrease the supply.

d) Taxation and subsidy: Higher taxation will increase the price and as a result supply will come down. E.g. If additional tax is imposed on television, its supply will come

down. Granting subsidies will increase supply. For instance, if more subsidies are given for bio gas plants, fertilizer etc. more will be their supplies.

- e) **Price of the commodity:** When the price of one commodity increases, its supply also increases.
- f) **Price of related goods:** If the market price for soybean increases, all other conditions remaining the same, then the farmer would allot more land meant for other crops to soybean, and therefore, the supply of soybean would be increased. g) Number of producers in the market: This is a very important factor or determinant of supply. If there is large number of producers or sellers in the market willing to sell goods, then the supply of good will increase and vice versa

LCETURE NO. 8. Producer's Surplus of Agricultural Commodities

Producer's surplus – Producer's surplus is that quantity of produce, which is, or can be made available by the farmers to the non-farm population

There are two types of produce's surplus.

1. Marketable surplus.
2. Marketed surplus.

1. Marketable surplus – The marketable surplus of Agril. Commodities which can be made available to the non-farm population of the country.

The marketable surplus is the residual left with producer – farmer after meeting his requirements for family consumption, farm needs for seeds & feed for cattle, payment to labour in kind, payment to artisans, payment to landlords as rent, & social & religions payment in kind. This may be expressed as followed.

$$Ms = P - C.$$

Where MS = Marketable surplus.

P = Total production &

C = Total requirements (family consumption, farm needs, payment to labour, artisans, landlord & payment for social & religious work)

Marketed surplus – Marketed surplus is that quantity of produce which the producerfarmer actually sells in the market, irrespective of his requirements for family consumption, farm needs & other payments. Thus marketed surplus maybe more, less or equal to marketable surplus.

Marketed surplus $>$, $<$, $=$ marketable surplus.

Relationship between marketed surplus & marketable surplus.

The marketed surplus may be more, less or equal to the marketable surplus, depending upon the condition of the farmer and type of the crop.

Marketed surplus $>$, $<$, $=$ Marketable surplus.

1. The marketed surplus is more than the marketable surplus when the farmer retains a smaller quantity of the crop than his actual requirements. This is true especially for small & marginal farmers, whose needs for cash is more pressing and immediate. This situation of selling more than the marketable surplus is termed as distress or forced sale. The quantity of distress sale increases with the fall in price of the produce. Such farmer buys the produce from the market in later stage for meeting their requirements.
2. The marketed surplus is less than the marketable surplus when the farmer retains some of the surplus produce. This situation holds true under the following conditions.
 - a. Large farmers generally sell less than the marketable surplus because of their better retention capacity. They retain extra produce in the hope that they would get a higher price in the later period. Sometimes, farmers retain the produce even up to the next production season.
 - b. Farmers may substitute one crop for another crop either for family consumption purpose or for feeding their livestock because of the variation in prices. With the fall in the price of the crop relative to a competing crop, the farmers may consume more of the first and less of the second crop.
3. The marketed surplus may be equal to the marketable surplus when the farmer neither retains more nor less than his requirement. This holds true for perishable commodities and of the average farmer.

Factor Affecting Marketable surplus –

1. **Size of holding** – There is positive relationship between the size of the holding & the marketable surplus.
2. **Production** – The higher the production on a farm, the larger will be the marketable surplus & vice versa.

- 3. Price of Commodity** – The price of the commodity & the marketable surplus have a positive as well as negative relationship depending upon whether one considers the short & long run or micro & macro levels.
- 4. Size of family** – The larger the number of members in a family, the smaller the surplus on the farm.
- 5. Requirement of seeds & feed** – The higher the requirement for these uses. The smaller the marketable surplus of the crop.
- 6. Nature of commodity** – The marketable surplus of non-food crops is generally higher than that for food crops e.g. cotton, jute, rubber,
- 7. Consumption Habits** – The quantity of output retained by the farm family depends on the consumption habits.

Importance of marketed surplus & marketable surplus.

1. For forming sound price policies. Developing proper procurement and purchase strategies.
2. Checking undue price fluctuation.
3. Developing transport & storages systems.
4. Advanced estimates of the surplus of such commodities which have the potential of external trade are useful in decisions related to the export & import of the commodity.

LECTURE NO. 9. Market Pricing and Promotion Strategies

Pricing consideration and approaches

Price goes by various names-freight, fare, license fee, tuition fee, professional charge, rent, interest, etc. But price in an enterprise/business system is seldom so simple. By definition, price is the money that customers must pay for a product or service. In other words, price is an offer to sell for a certain amount of currency.

Here, the word, offer indicates that price is subject to change if there are found insufficient number of customers at the original price of the product. That is why prices are always on trial. If they are found to be wrong, either they must be immediately changed or the product itself must be withdrawn from the market. Pricing of the product is something different from its price. In simple words, pricing is the art of translating into quantitative terms the value of a product to customers at a point of time. Someone has opined that, “The key to pricing is to build value into the product and price it accordingly.” Pricing is one of the key elements of marketing mix.

The salient ingredients of pricing are:

- (i) Pricing covers all marketing aspects like the item-goods or services-mode of payment, methods of distribution, currency used, etc.
- (ii) Pricing may carry with it certain benefits to the customers like guarantee, free delivery, installation, free after-sale servicing and so on.
- (iii) Pricing refers to different prices of a product for different customers and different prices for the same customer at different times.

Factors Affecting Prices:

The prices that a firm can charge for its products are subject to many influences. The various factors -economic and non-economic – impinge upon the prices of the products.

Following are the important factors that may apply to all type of products:

- (i) Product characteristics
 - (ii) Product cost
 - (iii) Objectives of the firm
 - (iv) Competitive situations
 - (v) Demand for the product
 - (vi) Customer' behaviour
 - (vii) Government regulations
- Pricing Considerations:**

Unquestionably, the major objectives of pricing are the earning of maximum profits. This may be done by a pricing policy that will attempt to achieve a high return. Whatever pricing policy is to be decided on, for maximum effectiveness certain considerations must be taken into account before prices can be set. C.L. Bansal has listed the following important considerations generally weighed in the pricing of the product:

- (i) Impact of price and output respectively on revenue and cost.
- (ii) The level of output that can yield the maximum consideration towards overheads and profits.
- (iii) Scope for price adjustment in accordance with changes in cost and demand conditions of the product.

- (iv) Investigating into future implications, if any, of price change.
- (v) Recognitions of rivals' pricing strategies as well as quick reactions.
- (vi) Element of elasticity of demand and revenue.
- (vii) Effects of changes in prices of the product on the entry of the new enterprises. cognitions of rivals' pricing strategies as well as quick reactions.

Types of Pricing Methods

An organization has various options for selecting a pricing method. Prices are based on three dimensions that are cost, demand, and competition. The organization can use any of the dimensions or combination of dimensions to set the price of a product.

1. Cost-based Pricing:

Cost-based pricing refers to a pricing method in which some percentage of desired profit margins is added to the cost of the product to obtain the final price. In other words, cost-based pricing can be defined as a pricing method in which a certain percentage of the total cost of production is added to the cost of the product to determine its selling price. Cost-based pricing can be of two types, namely, cost-plus pricing and mark up pricing.

These two types of cost-based pricing are as follows: **I.**

Cost-plus Pricing:

Refers to the simplest method of determining the price of a product. In cost-plus pricing method, a fixed percentage, also called mark-up percentage, of the total cost (as a profit) is added to the total cost to set the price. For example, XYZ organization bears the total cost of Rs. 100 per unit for producing a product. It adds Rs. 50 per unit to the price of product as' profit. In such a case, the final price of a product of the organization would be Rs. 150. Cost-plus pricing is also known as average cost pricing. This is the most commonly used method in manufacturing organizations. In economics, the general formula given for setting price in case of cost-plus pricing is as follows:

$$P = AVC + AVC (M)$$

AVC= Average Variable Cost

M = Mark-up percentage

AVC (m) = Gross profit margin

Mark-up percentage (M) is fixed in which AFC and net profit margin (NPM) are covered.

$$AVC (m) = AFC + NPM$$

For determining average variable cost, the first step is to fix prices. This is done by estimating the volume of the output for a given period of time. The planned output or normal level of production is taken into account to estimate the output.

The second step is to calculate Total Variable Cost (TVC) of the output. TVC includes direct costs, such as cost incurred in labour, electricity, and transportation. Once TVC is calculated, AVC is obtained by dividing TVC by output, Q. $[AVC = TVC/Q]$. The price is then fixed by adding the mark-up of some percentage of AVC to the profit $[P = AVC + AVC (m)]$.

The **advantages** of cost-plus pricing method are as follows:

- a. Requires minimum information
 - b. Involves simplicity of calculation
 - c. Insures sellers against the unexpected changes in costs
- The **disadvantages** of cost-plus pricing method are as follows:
- a. Ignores price strategies of competitors
 - b. Ignores the role of customers

II. Mark up Pricing:

Refers to a pricing method in which the fixed amount or the percentage of cost of the product is added to product's price to get the selling price of the product. mark up pricing is more common in retailing in which a retailer sells the product to earn profit. For example, if a retailer has taken a product from the wholesaler for Rs. 100, then he/she might add up a mark ups of Rs. 20 to gain profit. It is mostly expressed by the following formulae:

- a. mark up as the percentage of cost = $(\text{mark up}/\text{Cost}) * 100$
- b. mark up as the percentage of selling price = $(\text{mark up}/\text{Selling Price}) * 100$
- c. For example, the product is sold for Rs. 500 whose cost was Rs. 400. The mark up as a percentage to cost is equal to $(100/400) * 100 = 25$. The mark up as a percentage of the selling price equals $(100/500) * 100 = 20$.

2. Demand-based Pricing:

Demand-based pricing refers to a pricing method in which the price of a product is finalized according to its demand. If the demand of a product is more, an organization prefers to set high prices for products to gain profit; whereas, if the demand of a product is less, the low prices are charged to attract the customers. The success of demand-based pricing depends on the ability of marketers to analyse the demand. This type of pricing can be seen in the hospitality and travel industries. For instance, airlines during the period of low demand charge less rates as compared to the period of high demand. Demand-based pricing helps the organization to earn more profit if the customers accept the product at the price more than its cost.

3.Competition-based Pricing:

Competition-based pricing refers to a method in which an organization considers the prices of competitors' products to set the prices of its own products. The organization may charge higher, lower, or equal prices as compared to the prices of its competitors. The aviation industry is the best example of competition-based pricing where airlines charge the same or fewer prices for same routes as charged by their competitors. In addition, the introductory prices charged by publishing organizations for textbooks are determined according to the competitors' prices.

Market Promotion

Market promotion is an integral part of marketing strategy. It is a powerful weapon used excessively by today's marketers to achieve marketing goals in a competitive environment. Market promotion is essentially a way to communicate with the target market. Since the modern market is characterized by over-informed consumers, over-flooded products, cut-throat competition, and rapid changes, the market promotion has a crucial role to play

Market Promotion may be defined as “the co-ordination of all seller initiated efforts to setup channels of information and persuasion to facilitate the sale of a good or

service.” Promotion is most often intended to be a supporting component in a marketing mix. Promotional marketing objectives so that you can achieve your goals. There are various objectives to bring into focus:

Types of Promotional Marketing

- Advertising
- Personal selling
- Sales promotions
- Publicity

Advertising

Advertising is defined as the paid, non-personal form of communication about products or ideas by an identified sponsor through the mass media so as to inform, persuade or influence the behaviour of the target audience. Advertising is directed to a large number of people and not to one individual. That is why we call it non-personal. Advertising is communication about products or ideas. It may inform us about the features of iPod or new smart phone or spell out the need to have a cancer check-up. Advertising is the dissemination of information by non-personal means through paid media here the source is the sponsoring organization.

Advantage or merits of advertising

1. Advertising assists customers to make the decision to choose from various similar products available in the market. They come to know about the various features of products offered by the company to learn about their various usages.
2. Customers come to know about the good quality of products as usually big established brands can only afford to advertise on expensive platforms.
3. The vast audience can be attracted to buy the new product by using innovative techniques of advertising.
4. Advertising helps in building the image of the brand in the market.

5. It helps product differentiation as it focuses on the features of the products which are different from other similar products.
6. Advertising helps the company to reach a huge target audience irrespective of their geographical location.
7. It boosts the sales volume by encouraging more and more customers to buy the product.
8. Advertising is an effective way to convert potential customers into buyers.
1. Advertising is very expensive. It requires a lot of expenses to promote products on different platforms. Hence, small businesses with low budgets find it difficult to promote their products through advertising.
2. Customers get confused from choosing between different similar products.
3. Most of the times, companies mislead their audience by providing them false information about the product.
4. There are no product selection criteria for the quality of the product when it comes to advertising. By spending money, even inferior products presented in such a way that they fool the audience.
5. It does not ensure your customer's retention as its only purpose is to get the attention of customers.

Personal Selling

In contrast to advertising and publicity, which use impersonal methods of communication, personal selling makes use of direct personal communications to influence the target customers. Personal selling is a highly distinctive method of promotion, and makes use of oral presentation in conversation with existing and potential customers, for the purpose of making a sale.

Personal selling may be defined as the personal presentation by the firm's sales force for the purpose of making sales and building customer relationships.

Advantages (Merits) of Personal Selling

[CLICK HERE to Join AgroMind Telegram Channel](#)

- It is a two-way communication. So the selling agent can get instant feedback from the prospective buyer. If it is not according to plan he can even adjust his approach accordingly.
- Since it is an interactive form of selling, it helps build trust with the customer. When you are selling high-value products like cars, it is important that the customer trusts not only the product but the seller also. This is possible in personal selling.
- It also is a more persuasive form of marketing. Since the customer is face to face with the salesperson it is not easy to dismiss them. The customer at least makes an effort to listen.
- Finally, direct selling helps reach the audience that we cannot reach in any other form. There are sometimes customers that cannot be reached by any other method.

Disadvantages (Demerits) of Personal Selling

- It is a relatively expensive method of selling. High capital costs are required.
- Also, it is an extremely labour intensive method. A large sales force is required to carry out personal selling successfully.
- The training of the salesperson is also a very time consuming and costly.
- And the method can only reach a limited number of people. Unlike TV or Radio ads it does not cover s huge demographic.

Sales Promotion

Philip Kotler: “Those marketing activities other than personal selling, advertising, and publicity that stimulate consumer purchasing and dealer effectiveness, such as display, shows, demonstrations, expositions, and various other non-current selling efforts, not in ordinary routine.”

Robert C. and Scott A.: “Sales promotion consists of a diverse collection of incentive tools, mostly short-term, designed to stimulate quicker and/or greater purchase of particular products/services by consumers or traders.”

3. Thus, it can be defined as: Sales promotion involves non-routine promotional devices to stimulate and re-stimulate demand of the products.

4. Finally, we can say: Sales promotion includes non-routine selling efforts (incentives) for temporary period of time to maintain or increase sales during particular time interval.

Merits of Sales Promotion:

1. Cheaper option: Sales promotion is a cheaper option. Cost per unit tends to be low.

2. Effective Selling Efforts: It extends an effective sales supports. It can improve effectiveness of selling efforts.

3. Rapid Product Acceptance: It helps in rapid product acceptance

4. Reduction in Sales Fluctuation: It can reduce sales fluctuation. It helps regulate the demand of the product.

5. Immediate Response: It solicits an immediate response. Offers are normally for short duration. People rush to the market to take the benefits of schemes or incentives.

6. Controllable: It is permits better control.

7. Flexible Promotional Tool: It is a high flexibility tools. Necessary changes in incentives, times, place, and/or products can be easily incorporated. Depending on type of consumers and dealers, most effective incentives can be selected.

8. Three-tier Promotion: It can encourage three participants– consumers, dealers and salesmen can be encouraged at a time.

9. Complementary to other Tools: It is complementary to advertising and personal selling.

10. Wide Applicability: It is a high suitability or wide applicability promotional tool. It can be used for any type of products.

11. Multipurpose Tool: It is a multipurpose tool. It is aimed at several objectives, like rapid, stock clearance, fight the competition, reduce sales fluctuations, lure some customers, support other promotional tools, etc.

Demerits of Sales Promotion

Major demerits (or relative disadvantages) of sales promotion includes the followings:

1. **Less Credibility:** Sales promotion is not as creditable as advertising and personal selling.
2. **A dependent Tool:** It cannot be carried out without advertising and personal selling. It is not an independent promotional tool.
3. **Uncertain Response:** It is not always effective. Effectiveness depends on active interest of dealers, middlemen, and salesmen.
4. **Misperception:** Consumers' do not hold positive perception about firm's sales promotion efforts. Consumers believe that sales promotion is associated with defective or inferior products.
5. **Highly Imitative:** Sales promotion incentives are imitative. The competitors can easily imitate them. Due to easy imitateness, benefits of sales promotion efforts may be diluted. Due to wide and excessive use of same type of sales promotion incentives by competing firms, positive impact of the firm's sales promotion efforts are always doubtful.
6. **A Deceptive Device:** From society point of view, it is a deceptive device to increase sales volume. Price discounts and allowances are not real but illusory. Such incentives are offered only after the price-hike. From consumers' point of view, it contains deceptive incentives. It is more beneficial to the seller than the consumers.
7. **Short Life:** Sales promotional techniques have short life. They are offered during specific time period or festivals. People more likely to forget the company and its incentives.
8. **Expensive to Company and Customers:** It is expensive to a company.
9. **Poor Quality Articles:** Sometimes, articles and things offered to consumers are useless and of poor quality. It spoils company image and affects sales volume adversely.
10. **Misuse of Sales Promotion Articles:** Misuse of articles and things is very common.

Dealers and salesmen sell them and earn money.

11. Problem of Measurability: This market promotion tool does not permit measurement of an accurate feedback. It is difficult to measure the net impacts of sales promotion efforts.

Publicity

(i) Publicity is the disseminating of information by personal or non-personal means and is not directly paid by the organization and the organization is not the source.

(ii) Publicity is an unpaid promotion with the help of third parties such as media which shows the complete information about the product or brand by creating news or buzz.

Advantages of Publicity

1. Publicity is cost-efficient activity as it is almost a free practice.
2. Publicity is easily trusted by customers.
3. Publicity provides detailed information about the brand and products to customers.
4. As information is published in the form of news, it is viewed by a huge audience.
5. It is the fastest mean of promotion, as it also involves a huge number of genuine audiences.
6. The company can become popular over-night by going viral.
7. Publicity helps in building strong public relations.

Disadvantages of Publicity

1. The publicity can either be positive as well as negative because publicity also talks about the negative features of the product. Hence, it can ruin the image of the brand of the company.
2. The sales volume can also decrease drastically because of negative publicity.
3. Loyal customers can lose trust in the company because of bad publicity.

[CLICK HERE to Join AgroMind Telegram Channel](#)

4. There are chances that the company might lose its business partners and associates because of the bad reputation created by bad publicity.



AgroMind

[CLICK HERE to Join AgroMind Telegram Channel](#)

LECTURE NO. 10-12 Marketing Process and Functions

Marketing Process: Concentration, Dispersion and Equalization

Marketing is a process by means of which goods and services are exchanged. The goal of marketing is to move the products from the producer to the consumer. The flow of goods from the place of origin to the place of destination, involves a number of activities which is not a simple task. These activities of transfer are functions which are known as marketing process. The marketing process involves three major activities viz.,

1. Concentration;
2. Dispersion; and
3. Equalization.

1. Concentration:

The first process of marketing is concentration. Concentration aims at the collection of products at a central place. It is because of:

(a) Small Lot of Output:

Agricultural produce, eggs, fruits, vegetables, dairy products, such as milk, butter, ghee etc., are collected at a central place from innumerable farmers, scattered here and there. These are marketed in natural form. To make other marketing services such as grading and standardization, for the benefit of consumers, all produces- rice, wheat, cotton, tea, etc., are brought to a central place.

(b) Assembly of Parts:

Some types of manufactured products need assembly work; for example, spare parts of products. These parts are manufactured at different firms and at different places. To make the final products, assembly or concentration is essential.

(c) To Facilitate Regular Supply:

To ensure the continuous supply of products to the consumers, concentration is essential. Generally, the jobs are undertaken by wholesalers, exporters, agents, etc.

2. Dispersion:

Concentration takes place because of dispersion. Otherwise concentration has no meaning. The goods or products, assembled at a central place, have to be distributed to

the consumers. Some of the products are dispersed to manufacturers or processors and the remaining goods are dispersed to the final consumers through a chain of wholesalers, retailers, agents, middlemen etc. The products meant for ultimate users are subdivided into small lots required to meet the final consumption. Dispersion is essential, because the buyers are scattered or located not near the firm or in a concentrated place. In the absence of consumption, production has no meaning. The purpose of reduction and its concentration aims at finding consumers at profitable and accepted price.

3. Equalization:

Between the two activities i.e., concentration and dispersion, there is the equalization process. It implies the reconciliation between demand and supply through storage and transportation, in needed quantity and quality at the required time and place. Adjustments of supply to demand are effected. Equalization aims at regular supply of goods which are produced in particular season, but consumed throughout the year, e.g., paddy, wheat, jawar, fruits, vegetables etc. Similarly, some types of goods have only seasonable demand: but production takes place continuously. For example, rain coats, umbrellas, sweaters, woollen socks, mufflers etc. This equalization facilitates regular supply. Then transport bring equalization of supply, place-wise; and warehousing enables equalization of supplies, time-wise. Concentration, dispersion and equalization constitute the soul of marketing.

All the functions are performed by middlemen. Each process is not independent, but mutually interdependent and equally important. Middlemen assist in the transfer of ownership to consumers, but do not take title. Such middlemen are called functional middlemen. The middlemen, who buy goods under an outright sale, are called merchant middlemen, who sell to consumers.

Marketing Functions

Marketing functions – It is an act, operation or service by which the original producer and the final consumer are linked together.

Classification of marketing functions. 1.

According to Thomsen

i. Primary functions –

a) Assembling / Procurement. b) Processing c) Dispersion.

ii. Secondary Functions –

a) Packing / Packaging b) Transportation c) Grading d) Standardization & quality control e) Storage & warehousing f) Determination or discovery of prices g) Risk

taking h) Financing i) Buying & selling j) Demand Creation k) Dissemination of market information.

iii. Tertiary functions –

a) Banking b) Insurance c) Communication

2. According Kohl's & Uhl

i. Physical functions –

a) Storage & warehousing b) Grading c) Processing d) Transportation.

ii. Exchange functions – a)

Buying b) Selling **iii.**

Facilitative Functions –

a) Standardization of Grades b) financing c) Risk Taking d) Dissemination of market information

3. According to Huegy & Mitchell –

1. Physical movement functions –

a) Storage b) Packing c) Transportation d) Grading e) Distribution.

2. Ownership movement functions –

a) Determining need b) Creating Demand c) finding Buyers & sellers d) Negotiation of Price e) Rendering Advice f) Transferring the Title to the goods.

3. Market management functions –

a) formulation policies b) financing c) Providing organization d) supervision
e) Accounting d) securing Information.

1. Packaging –

Packaging is the first function performed in marketing of agricultural commodities. It is required for nearly all the farm products at every stage of the marketing process. Packaging means, the wrapping & crating of goods before they are transported. Goods have to be packed either to preserve them or for delivery to buyers.

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. In other words, it means putting goods on the market in the size & pack which are convenient for the buyer.

The type of the containers used in the packing of commodities varies with the type of commodity as well as with the stage of marketing for example, gunny bags are used for cereals, pulses & oilseeds, for packing of milk products plastic polythene, aluminum tin or glass containers are used wooden boxes or straw / bamboo baskets are used for packing fruits & vegetables.

Advantages of packing and packaging –

- i) It Protect the goods against breakage, spoilage, leakage during the movement from the production to the consumption point.
- ii) To reduce the bulk. e.g. cotton, jute, wool.
- iii) It helps quality identification, product differentiation, branding & advertisement of products, e.g. Amul ghee, & Amul butter
- iv) It facilitates the handling of the commodity, specially such fruits as, apples, mangoes etc. during storage & transportation
- v) Packaging helps in reducing the marketing costs by reducing handling & retailing cost.
- vi) It helps in checking adulteration.
- vii) Packaging ensures cleanliness of the products.
- viii) Packaging with labelling facilitates the conveying of instructions to the buyers as how to use or preserve the commodity
- ix) Packaging prolongs the storages quality of the products by providing protection from the ill effects of weather, specially for fruits, vegetables & other Perishable goods.

2. Transportation –

Transportation or movement of the products between places is one of the most important marketing functions at every stage i.e. right from threshing floor to the point of consumption. Most of the goods are not consumed where they are produced. All the agricultural commodities have to be bought from the farm to the local market and from there to primary wholesale markets, secondary wholesale markets, retail markets and ultimately to the consumers, the inputs from the factories must be taken to the warehouses & from the warehouses to the wholesalers, retailers, and finally to the consumers. Transportation adds the place utility to goods.

Advantages of Transport Function:

The main advantages of the transport function are:

[CLICK HERE to Join AgroMind Telegram Channel](#)

1. **Widening of the Market:** Transport helps in the development or widening of markets by bridging the gap between the producers and consumers located in different areas. Without transport, the markets would have mainly been local markets. The exchange of goods between different districts, regions or countries would be impossible in the absence of this function. The example is the market for Himachal or Kashmir apples. The producers are located mainly in Himachal Pradesh and Jammu & Kashmir; but apples are consumed throughout the country.
2. **Narrowing Price Difference Over Space:** The transportation of goods from surplus areas to the places of scarcity helps in checking price rises in the scarcity areas and price falls in surplus areas thus reduces the spatial differences in prices.
3. **Creation of Employment:** The transport function provides employment to a large number of persons through the construction of roads, loading and unloading, plying of the means of transportation, etc.
4. **Facilitation of Specialized Farming:** Different areas of the country are suitable for different crops, depending on their soil and agro climatic conditions. Farmers can go in for specialization in the commodity most suitable to their area, and exchange the goods required by them from other areas at a cheaper price than their own production cost.
5. **Transformation of the Economy:** Transportation helps in the transformation of the economy from the subsistence stage to the developed commercial stage. Industrial growth is stimulated by being fed with the raw material produced in rural areas. Manufactured goods from industries to village or rural areas, too, can be moved.
6. **Mobility of the Factors of Production:** Transport helps in increasing the mobility of capital and labour from one area to another. Entrepreneurs get opportunities for the investment of their capital in newly opened areas of the

Transportation cost –

[CLICK HERE to Join AgroMind Telegram Channel](#)

The transportation cost accounts for about 50 per cent of the total cost of marketing. It is higher when the produce is transported by bullock carts than when it is carried by other means. In surplus producing areas tractors and trucks have to be used for carrying the produce to the primary assembling markets. The truck industry is not well developed in rural area for transportation because of the absence of proper roads connecting the villages.

Grading & Standardization

3. Standardization and Grading –

Standardization means the determination of the standards to be established for different commodities.

Pyle has defined Standardization as the determination of the basic limit on grades.

The establishment of model processes & methods of producing, handling & selling goods and services.

Standards are established on the basis of certain characteristics such as weight, size, colour, appearance, texture, moisture content, staple length, amount of foreign matter, ripeness, sweetness, taste, chemical content, etc., thus, standardization means making the quality specifications of the grades uniform among buyers and sellers over space and over time.

Grading means the sorting of the unlike lots of the produce into different lots according to the quality specifications laid down. Each lot has substantially the same characteristics in so far as quality is concerned. It is method of dividing products into certain groups of lots in accordance with predetermined standard. Grading follows standardization. It is a sub-function of standardization.

Types of grading –

1. Fixed grading / Mandatory grading – This means sorting out of goods according to the size, quality & other characteristics which are of fixed standards. These do not vary over time and space for a number of Agril. commodities, grade standards have been fixed by the agriculture marketing advisor, government of India, and it is compulsory to grade the produce according to these standards. The use of

mandatory standards is compulsory for the export of Agril. Commodities to various countries such grading is usually done in case of cotton, wheat and dairy products.

2. Permissive / variable grading – The goods are graded under this method according to standards, which vary over time. The grade specification in this case are fixed over time & space but changed every year according to quality of produce in that year. Under this method individual choice for grading is permitted. In India, grading by this method is not permissible. Grading of fruits and vegetables falls under this type.

3. Centralized / Decentralized grading – Based on the degree of supervision exercised by the govt. agencies on grading of various farm products, the program can be categorized into centralized and decentralized grading.

Under the **centralized** grading system, an authorized packer either sets up his own laboratory manned by qualified chemists or seeks access to an approved grading laboratory. In this system, the directorate of marketing & Inspection exercises close supervision of grading work of approved chemist through periodical Inspection of the grading stations & the quality of the graded product. Grading in respect of commodities such as ghee, butter & vegetable oils placed under centralized grading system.

The **decentralized** grading system is implemented by state marketing authorities under overall supervision and guidance of the directorate of marketing and inspection. This is followed in those commodities which do not requires lab orate testing arrangement for quality assessments. The examples are fruits, vegetables, eggs, cereals & pulses for these commodities, the grade of the produce is determined on the basis of physical characteristics.

4. Grading at producer's level – Under this program free grading services are provided to the farmers for sorting the produce before offering for sale. Grading units manned with grading personnel have been set up in several regulated markets and warehouses with central assistance. State marketing authorities implement a grading program for benefit of the producer seller.

Criteria for grade standards –

1. Standards should be built on the characteristics which the users consider important. More weight age should be given to the user's opinion.
2. Grade standards should be built on those factors which can be accurately and uniformly measured & interpreted.
3. The grade standards terminology should be uniform at all levels of the marketing channel.
4. Cost of operating the grading system must be reasonable.

Inspection and quality control –

To ensure the confidence of consumers, it is essential that grading is done in accordance with the standards that have been set for this purpose, the inspection of the goods at regular intervals by a third party is essential.

Inspection involves the testing of the graded product with a view to determining whether they conform to the prescribed standards. It ensures quality control for purposes of inspection; samples of the product are drawn at various stages from the manufacturers, the market middleman or the consumer at his doorstep and are tested in the laboratory. These inspections are carried out by inspectors appointed by the government. After laboratory tests, if the graded produce is found to be below standards, the license of the grader is cancelled and legal action is initiated against him.

There is a central agmark laboratory at **Nagpur** & Regional laboratories & commodity – specific laboratories working under this apex laboratory. There are about 700 laboratories in 1991-92 in the country.

Labeling –

The graded products, according to the standards fixed by the agricultural marketing advisor, govt. of India bear the label of AGMARK.

AGMARK -

AGMARK is the abbreviation of Agricultural marketing. It is a quality certification mark under the central Agricultural produce (Grading and marking) Act, 1937. This label indicates the purity and quality of the product on the basis of the standards that have been laid down. If any AGMARK product purchased by the consumer is found defective, the consumer gets the product replaced or gets the money

back as per procedure laid out. There are about 14,000 licenses manufacturing and marketing their produces under AGMARK quality certification marks.

Advantages of Grading –

1. Grading before sale enables farmers to get a higher price for their produce.
2. It increases trader's knowledge about the products, market value & thus it tends to reduce the buyers risk of accepting too little or the sellers risk of offering too much in particular transaction.
3. It reduces adulteration.
4. helps to maintain high level of quality to benefit of consumer.
5. Grading facilitates marketing. There is no need on the part of seller to give any assurance about quality of the product.
6. Grading widens market for the product.
7. Grading reduces the cost of marketing.
8. Grading makes it possible for the farmers.
 - i. To improve the keeping quality of the stored products by removing inferior goods from the goods lots.
 - ii. To facilitate future trading in a commodity.
9. Grading helps consumers to get standard quality of products at fair prices.
10. Grading contributes to market competition and pricing efficiency.

4) Storage & Warehousing

i) Storage - It is process of holding and preserving goods from the time they are produced until they are needed for consumption or use. Most of goods produced are seasonal & are not consumed immediately but at some future time & hence require to be kept safely. Storage is a broader term & warehousing forms a part of it.

Need for storage –

1. Agril. Products are seasonally produced, but required for consumption throughout the year.
2. Storage protects the quality of perishable & semi perishable products from deterioration.

3. Some of the goods e.g. – woollen garments, have a seasonal demand. To cope with this demand, production is required on a continuous basis & storage become necessary.
4. It helps in the stabilization of prices by adjusting demand & supply.
5. Storage of some farm commodities is necessary either for their ripening (e.g. Banana, Mango etc.) or for improvement in their quality (e.g. rice, pickles, cheese etc.)
6. Storage is necessary for some period for the performance of other marketing functions.
7. Storage provides, employment & income.

5. Processing –

a. Meaning – The processing activity involves a change in the form of the commodity. This function includes all of those essentially manufacturing activities which change the basic form of the product. Processing converts the raw material & brings the products nearer to human consumption. It is concerned with the addition of value to the product by changing its form.

Advantages of Processing –

1. It changes raw food and other farm products into edible, usable and palatable forms.
2. The processing function makes it possible to store perishable and semi-perishable agricultural commodities which otherwise would be wasted & facilitates the use of the surplus produce of one season in another season.
3. The processing activity generates employment.
4. Processing satisfies the needs of consumers at a lower cost.
5. Processing widen the market. Processed products can be taken to distant and overseas markets at a lower cost.

6. Buying and selling –

Buying and selling is the most important activity in the marketing process. At every stage, buyers and sellers come together, goods are transferred from seller to buyer, & possession utility is added to the commodities.

The buying involves the purchase of the right goods at the right place, at the right time, in the right quantity and at the right price.

Selling is business which means the transfer of ownership of goods or services to buyer in exchange of money.

Methods of buying and selling –

i. Under cover of a cloth (Hatha System) - By this method, the prices of the produce and settled by the buyer and the commission agents of the seller by pressing / twisting the fingers of each other under cover of a piece of cloth. Code symbols are associated with the twisting of the fingers, and traders are familiar with these. The negotiation in this manner continues till a final price is settled.

ii. Private Negotiations – Under this method, the individual buyer come to the shop of commission agents at a time convenient to the latter and offer prices for the produce which they think appropriate after the inspection of the sample. If the price is accepted, the commission agent conveys the decision to the seller, and the produce is given, after it has been weighted, to the buyer.

iii. Quotations on samples taken by commission Agent – By this method the commission agent takes the sample of the produce to the shop of buyer instead of the buyer going to the shop of commission agent. The price is offered, based on the sample, by the prospective buyers.

iv. Dara sale method – By this method, the produce in different lots is mixed & then sold as one lot. The advantage of this method is that, within a short time, a large number of lots are sold off. It is common method for zeera (cumin) crop in many markets of India.

v. Moghum sale method – The sale of produce is effected on the basis of a verbal understanding between buyers and sellers without any pre-settlement of price, but on the distinct understanding that the price of the produce to be paid by the buyer to the seller will be one as prevailing in the market on that day.

vi. Open Auction Method – By this method, the respective buyers gather at the shop of the commission agent around the heap of the produce, examine it and offer bids loudly. The produce is given to the highest bidder after taking the consent of the sellerfarmer. In most regulated markets, the sale of the produce is permissible only by the open auction method.

vii. Close Tender System – This method is similar to the open auction method, except that bids are invited in the form of a close tender rather than by open announcement. The produce displayed at the shop of the commission agent is allotted lot numbers. The prospective buyers visit the shops, inspect the lots, offer a price for the lot which they want to purchase on a slip of paper and deposit the slip in a sealed box lying at the commission agent's shop. When the auction time is over, the slips are arranged according to the lot number, and the highest bidder is informed by the commission agent that his bid has been accepted & that he should take delivery of the produce. This method is also adopted in some & regulated markets.

7. Price Discovery & price determination –

Under the marketing system, there is the responsibility of realizing the value of the goods delivered to the final consumers & distributing it to various marketing agencies & farmers. This process is accomplished by a system of pricing the products at each stage as they move through marketing channel.

Characteristics of price discovered –

- i. The price discovered should clear the available supply from the market & help in the distribution of the product among the persons who need it.
- ii. It should act as an incentive for the producer & iii. It should be such as to ensure the continuance of the marketing agencies in the business i.e. it should provide a reasonable profit for the market functionaries.

8. Market Information –

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

Importance –

- a. Farmer-Producers – Market information helps in improving the decision – making power of the farmer.
- b. Market middlemen – Market middlemen need market information to plan the purchase, storage & sale of goods.

c. General Economy – Market information is also beneficial for the economy as a whole. In developed economy, there is need for competitive market process for a commodity, which regulates the prices of the product.

d. Government – Market information is essential for the government in framing its agricultural policy relating to regulation of markets, buffer stocking, import-export & administered prices.

Types of market information –

i. Market intelligence – This includes information relating to such facts as the prices that prevailed in the past and market arrivals over time. These are essentially a record of what has happened in the past.

ii. Market news – current information about prices, arrivals and changes in the market conditions. It helps the farmers in taking decisions about when & where to sell his produce. **9. Financing –**

There is a long interval between the time of production & consumption. Between these two points, the ownership of commodities shifts many times a fact which necessitates financial arrangements.

Factors affecting Capital Requirements of an Agricultural Marketing Firm:

The capital requirements of a marketing agency for its marketing business varies with the following factors:

- (i) Nature and Volume of Business
- (ii) Necessity of Carrying Large Stocks
- (iii) Continuity of Business during Various Seasons
- (iv) Time Required between Production and Sale
- (v) Terms of Payment for Purchase and Sale
- (vi) Fluctuations in Prices
- (vii) Risk-taking Capacity
- (viii) General Conditions in the Economy

Lecture No.13-15 Market Functionaries and Marketing Channels

Agricultural Marketing Functionaries/agencies and their roles:-

The peculiar characteristics of agri. produce such as small & scattered production. Seasonality & perishability of products, state transportation & communication etc. requires a large no. of intermediates between producer & ultimate user or consumer. All the agencies more or less participate in assembling & distribution of Agril products.

Definition:-

Those who undertake the work of collecting farm produce and distribute to the consumers are known as middlemen & services, thus performed by them are technically known as marketing functions.

Marketing functionaries and their role:-

1. Producer:- i) Sell their produce
ii) Assemble the produce of small Farmers.

2. Middlemen :- Middlemen are those individuals which specialize in forming the various marketing functions and rendering such services as are involved in the marketing of goods.

They are classified as.

A) Merchant middlemen :- i) wholesaler ii) Retailers.

B) Agent middlemen :- I) Commission agents/Arhaties.

ii) Brokers.

C) Speculative middlemen.

D) Facilitative middlemen.

A) Merchant middlemen :-

Merchant middlemen are those individuals who take title to the goods that they handled. They buy and sell on their own. Gain or loss, depending on the difference in the sale and purchase prices. They are of two types.

a) Wholesalers: -

Wholesalers are those merchant middlemen who buy and sell food grains in large quantities directly from farmers or other wholesalers. They sell either in the same market or in other markets. They sell to retailers, other wholesalers & processors, they do not sell significant quantities to ultimate consumers. They have own godowns the storage of the produce.

They perform following functions: -

- i) They assemble goods
- ii) Sort-out goods in different lots according to quality.
- iii) Equalize the flow goods by storing them in peak arrival season and releasing them in the off season.
- iv) Regulate the flow of goods
- v) Finance to farmers.
- vi) Assess the demand of buyers and processors.

b) Retailers: - Retailers buys goods from wholesalers & sell them to the consumers in small quantities. They are Producers personal representatives to consumers. They are closest to consumers in the marketing channel.

c) Itinerant traders and village merchants

They are petty merchants who move from village to village & directly purchase the produce from cultivators. They transport it to the nearby primary or secondary market & sell there.

Their functions are: -

- i) Finance to the farmers
- ii) Supply of essential consumption goods to the farmers.
- iii) Sale or store the produce.

d) Mashakhore: - This is a local term used for big retailer or small wholesalers dealing in fruits and vegetables.

B) Agent middlemen: -

Acts as representatives to their clients. They do not take title to the purchase & or sale therefore do not own it. They merely negotiate the purchase & or sale. They sale services and not the goods or commodities.

They are of two type. i) Commission Agents ii) Brokers

i) Commission Agents or Arhatias: - A Commission agent is a person operating in wholesale market who acts as the representative of seller or buyer.

Their Functions are

- 1) Take over physical handing.
- 2) Arrange for its sale.
- 3) Collect the price from the buyer deduct his expenses of commission & remit the balance to the sellers.

Commission Agent in unregulated market are of two types kaccha arhatias & pucca arhatias.

a) Kaccha arhatias: -

Primarily act for the sellers including farmers. They sometimes provide advance money to farmers and itinerant traders on the condition that the produce will be disposed off through them. Kaccha arhatias charges arhat or commission in addition to the normal rate of interest on the advance.

b) Pucca Arhatias: -

A pucca arhatias acts on behalf of the traders in the consuming market. The processors & big wholesalers in the consuming markets employ pucca arhatias as their agents for purchase of a specified quantity of goods within a given price range.

In regulated market there is only one category of commission agent exist under the name of A Class trader. The commission agent keeps an establishment a shop a godown & a rest house to his client he provides facilities to such as.

Facilities: -

- 1) Advance 40 to 50% value of crop as loan to farmer for production expanses.
- 2) They act as bankers of the farmers.
- 3) Offer advice
- 4) Provide empty bags
- 5) Provide storage facility
- 6) Arrange transport if necessary
- 7) Provide food & accommodation to the farmers & their animals
- 8) Help the farmers in time of his personal difficulties

2) Brokers: -

Brokers render personal services to their clients in the market, but unlike the commission agents they do not have physical control of the product.

The main function of a broker is to bring together buyers & sellers on the same platform for negotiations. Their charge is called brokage. They may claim brokage from the both buyers & sellers. They provide valuable services to the prospective

buyers & sellers. They have complete knowledge of the quantity available & the prevailing prices. They have no establishment in the market.

C) Speculative Middlemen: -

Those middlemen who take to the product with a view to making profit on it. They are regular buyers or sellers of produce. They specialize in risk taking. They buy at low prices and sell in the off-season when prices are high- They do minimum handling of goods. They profit from short as well as long run price fluctuation.

d) Facilitative Middlemen: -

Some middlemen do not buy & sell directly but assist in the marketing process. Marketing can be take place even if they are not active, but the efficiency of the system increases when they engage in business. They receive their income in the form of fees from those who use their service. The important facilitative middle means me.

- a) Hamals b) Weigh men c) Graders d) Transport Agencies
- e) Communication Agency d) Advertising Agency f) Auctioneers.

Agricultural Marketing institutions in India: -

Marketing institutions are business organization which come up to operate the marketing are.

- (i) a) State Trading corporation (STC)
- b) Food Corporation of India (FCI)
- c) National Agricultural Co-operative Marketing Federation (NAFED)
- d) Cotton Corporation of India (CCI)
- e) Jute Corporation of India (JCI)

- f) National Dairy Development Board (NDDB)
- g) National Oilseed & Vegetable oil development board (NOVODB)
- h) Agricultural Processed Products & Export Development Agency
(APEDA)
- i) Tobacco Board
- (ii) The Directorate of Marketing and Inspection Government of India, State level Agril. Marketing Department Maharashtra state Agril. Marketing Board
- iii) State & lower level cooperative marketing societies, fair price shops, consumer's cooperative stores milk unions.

II Marketing channels

Definition – Marketing channels as alternative routes through which agricultural products moves from producers to consumers. Kohls and Uhl have defined marketing channels as alternative routes of product flows from producers to consumers.

Factors affecting length of marketing channels:

The length of the channels varies from commodity to commodity, depending on the quantity to be moved, the form of consumer's demand and degree of regional specialization in production. **Channels to different products.**

a. Marketing channels for food grain –

Marketing channels for various cereals in India are more or less similar except the channel for paddy (or rice) where rice miller come into the picture for pulse crops, dal mills appear prominently in the channel. Marketing channels for wheat are as under

1. Farmer to consumers. (Direct channel)
2. Farmer to retailer / village trader to consumer.
3. Farmer to wholesaler to retailer to consumer.
4. Farmer to village trader to wholesaler to retailer to consumer.

[CLICK HERE to Join AgroMind Telegram Channel](#)

5. Farmer to co-operative marketing society to retailer to consumer.
6. Farmer to a govt. agency (FCI) to fair price shop to consumer.
7. Farmer to wholesaler to flour miller to retailer to consumer.

b. Marketing channels for oilseeds –

Marketing channels for oilseed are different from those for food grains mainly because the extraction of oils from oilseed is an important marketing function of oilseeds.

The most common marketing channels for oilseed in India

1. Producer – consumer. (Direct channel)
2. Producer – village trader – Processor – oil retailer – consumer
3. Producer – oilseed wholesaler – processor – oil wholesaler – oil retailer – consumer.
4. Producer – village trader – processor – consumer.
5. Producer – govt. agency – processor – oil wholesaler – oil retailer – oil consumer.

c. Marketing channels for vegetables and fruits. –

Marketing channels for fruits and vegetables vary from commodity to commodity and from producers to producers. In rural area & small towns, many producers perform the function of retail sellers. Large producers directly sell their produce to the wholesalers or processing firms some of the common marketing channels for vegetables and fruits are.

1. Producer – consumer.
2. Producer – Primary wholesaler – retailers / hawkers – consumer.
3. Producer – Processor.
4. Producer – Primary wholesaler – Processor.
5. Producer – Primary wholesaler – secondary wholesaler – retailer / hawkers – consumer.
6. Producer – local assemblers – primary wholesaler – retailer / hawkers – consumer.

d. Marketing channels for pulses –

Marketing channels for various pulses are as under

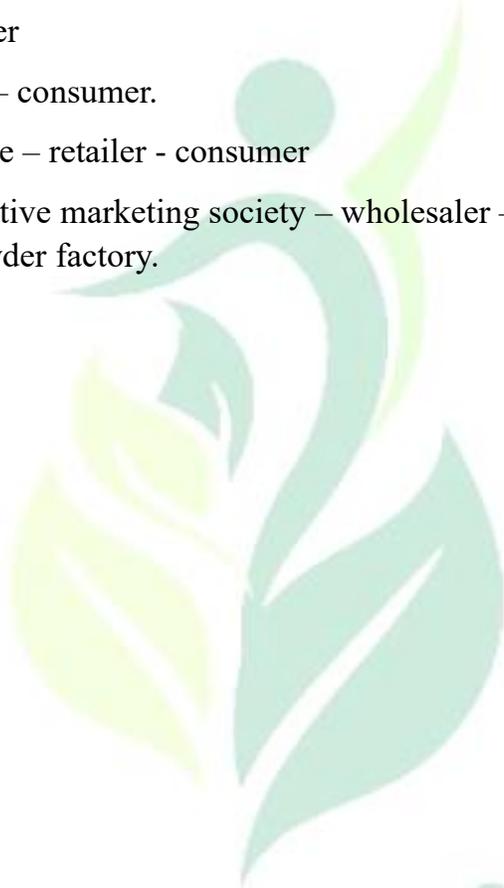
1. Farmer – consumer.
2. Farmer – retailer / village trader – consumer.
3. Farmer – Wholesaler – retailer – consumer.

4. Farmer – village trader – wholesaler – retailer – consumer
5. Farmer – co-operative marketing society – retailer- consumer
6. Farmer – govt. agency (FCI) – fair price shop owner – consumer.
7. Farmer – wholesaler – flour miller / dal miller – retailer – consumer

e. Marketing channels for Eggs –

The prevalent marketing channels for eggs are

1. Producer – consumer
2. Producer – retailer – consumer.
3. Producer– wholesale – retailer - consumer
4. Producer - co-operative marketing society – wholesaler – retailer – consumer.
5. Producer – egg powder factory.



AgroMind

[CLICK HERE to Join AgroMind Telegram Channel](#)

Lecture No. 16-17. Market Integration and Marketing Efficiency

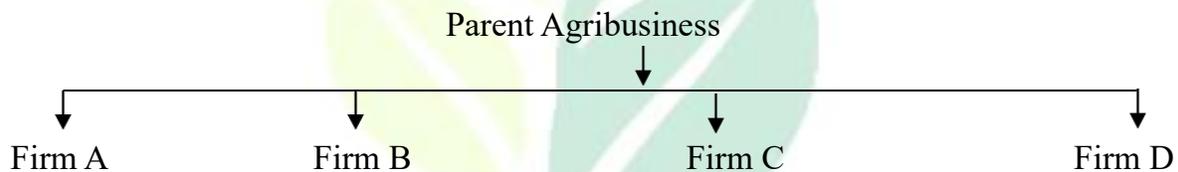
MARKET INTEGRATION: -

Integration shows the relationship of the firms in a market. The extent of Integration influences the conduct of the firms & consequently their marketing efficiency. The behaviour of a highly integrated market is different from that of disintegrated market.

Kohls and **uhl** defined, market integration as a process which refers to the expansion of firms by consolidating additional marketing functions & activities under a single management.

1 Types of market integration: -

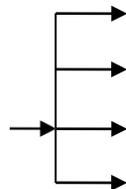
i) **Horizontal Integration:** - This occurs when a firm or agency gains control on the other firms/agencies performing similar marketing functions at the same level in the marketing sequence. e.g. – some marketing agencies combine to form a union with a view to reducing their effective number & the extent of actual competition in the market.



ii) **Vertical Integration:-** Vertical Integration occurs when a firm performs more than one activity in the sequence of the marketing process. It is a linking together of two or more functions in the marketing process under a single ownership.

Wholesaling of feed

Parent Agri Business Firm



Feed mill

Transport Agency

Food grain trade

Vertical integration has two types

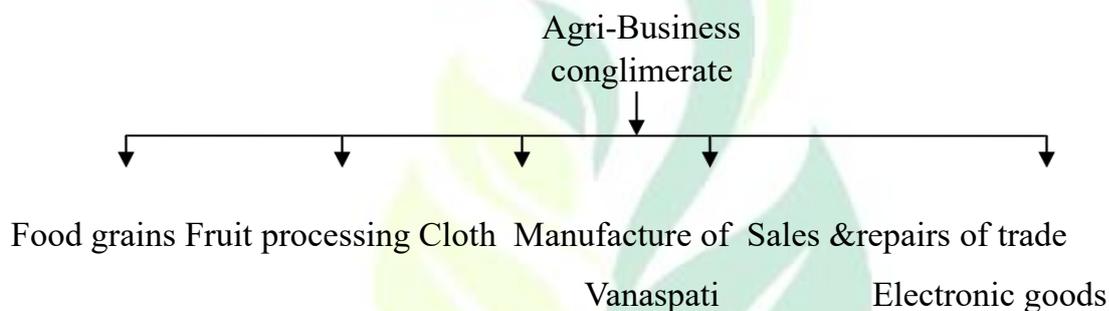
a) **Forward integration:** - If a firm assumes another function of market which is close to consumption function.

e.g:- A wholesaler assuming the function of retailing.

b) **Backward integration:** - This involves ownership or a combination of source of supply:

e.g :- when a processing firm assumes the function of assembling / purchasing the produce from village.

iii) **Conglomeration:** -A combination of agencies or activities not directly related to each other may, when it operates under a unified management. Example Hindustan lever ltd. (processed vegetables & soaps) Delhi cloths and general mills (cloth and vanaspati), Birla group, Tatas, J K.Group .



II) Marketing efficiency

Marketing efficiency is essentially the degree of market performance. **Kohls** and **uhl** Defined marketing efficiency is the ratio of market output to marketing input.

An increase in this ratio represent improved efficiency of a decrease denotes reduced efficiency.

Components of marketing efficiency:

1. Effectiveness with which a marketing service is performed
2. The cost at which the service is provided.
3. The effect of this cost and the method of performing the service as production and consumption. i.e. effect of (1) & (2), last two are more important.

Assessment of marketing efficiency:

1. Technical or Physical or Operational efficiency: It pertains to the cost of performing a function; Efficiency is increased when the cost of performing a function per unit of output is reduced. E.g.: - Storage processing, handling etc.
2. Pricing / Allocative efficiency: System is able to allocate farm products either over time, across the space or among the traders, processors and consumers at a point of time in such a way that no other allocation would make producers and consumers better off. This is achieved via pricing the product at different stages, places, times among different users. Pricing efficiency refers to the structural characteristics of the marketing system, when the sellers are able to get the true value of their produce and the consumers receive true worth of their money.

The above two types are mutually reinforcing in the long run. **Emperical Assessment of Marketing 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. (Khol and Uhl.) O

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

I

E = level of efficiency

O = value added to the marketing system. I = real cost of marketing

Shepherd's formula of marketing efficiency:

$$ME = \left(\frac{V}{I} - 1 \right) \times 100$$

ME = Index of marketing efficiency

V = Value of the goods sold or price paid by the consumer (Retail price) I = Total marketing cost or input of marketing.

This method eliminates the problem of measurement of value added.

Lecture No. 18-20. Marketing cost, Marketing Margin & Price Spread;

Marketing cost: - These are the actual expenses incurred in marketing process.

Factors affecting the cost of Marketing: -

1. **Perishability of the product:** - Higher the perishability the greater the cost of marketing & vice versa.
2. **Extent of loss in storage & Transportation:** - If losses in the quality & quantity of product arising out, the marketing cost will go up.
3. **Volume of product Handled:** - The larger the volume of product, the less will be the per unit cost of marketing.
4. **Regularity in the supply of the product:** - If the supply of the product is regular throughout the year, the cost of marketing on per unit basis is less than in irregular situation.
5. **Extent of packaging:** -The cost of marketing is higher for the commodities required packaging.
6. **Extent of Adoption of Grading:** - The cost of marketing of ungraded product is higher than that of the product in which grading can be easily adopted.
7. **Necessity of Demand creation:** - If substantial advertisement is needed to create the demand of prospective buyers, the cost of marketing will be high.
8. **Bulkiness of product:** - The marketing cost of bulky product is higher than that of which are not bulky.
9. **Need of Retailing:** -The greater the need for the retailing of the product, the higher cost of Marketing.
10. **Necessity of Storage:** - The cost of the storage of the product adds to the cost of marketing.
11. **Extent of Risk:** - The greater the risk involved in the business for the product, higher is the marketing cost.
12. **Facilities Extended by the Dealers to consumers:** - Greater the facilities extended by the dealers to the consumers, the higher the cost of marketing.

Reasons for Higher Marketing cost of Agriculture Commodities: -

1. Widely dispersed farms & small output per farm.
2. Bulkiness of Agril. products, increases transportation cost.
3. Grading is relatively difficult for Agril. Products.

4. Irregular supply
5. Need for storage and processing.
6. Risk of price fluctuation. higher risk leads to high risk premium, which adds to the marketing cost.
7. Large no. of middlemen.

Ways of Reducing marketing cost: - I)

Increase the efficiency:

- a) Increasing the volume of Business (quantity).
- b) Improved Handling methods (pre-packaging of perishable product, fast transportation, development of cold storage.)
- c) Managerial Control.
- d) Change in marketing practices & technology.

II) Reduce profit in Marketing: -

Profits in the marketing are often the largest because of the inherent risk at various stage of marketing. The risk may be reduced by.

- a) Adoption of hedging operations, improvement in market news service, grading & standardization.
- b) Increasing competition in the marketing of farm product, Decline in marketing margins & costs generally benefits both of the producer's & the consumer's.

Market Margin: - Marketing margins are the actual amount (Profit) received by the marketing agencies in the marketing process.

Margin refers to the difference between the price paid and received by a specific marketing agency, such as a single retailer, or by any type of marketing agency such as retailers or assemblers or by any combination of marketing agencies such as the marketing system as a whole.

Absolute margin is expressed in rupees. A percentage margin is the absolute difference in price (absolute margin) divided by the selling price. Mark-up is the absolute margin divided by the buying price or price paid.

- **Marketing margin of a Middleman:** There alternative measures may be used. The three alternative measures which may be used in estimating market margins are. (a) Absolute margin of ith middlemen (A_{mi})

$$= P_{ri} - P_{pi} + C_{mi}$$
 (b) Percentage margin of ith middlemen

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

P_{Ri}

(c) Mark-up of i th middleman

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

P_{pi}

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 includes profit to the middlemen and returns to storage, interest on capital, overheads and establishment expenditure.

Sum of Average Gross margins method:

The average gross margins of all the intermediaries are added to obtain the total marketing margin as well as the breakup of the consumer's rupee:

$$MT = \sum_{i=1}^n \frac{S_i - P_i}{O_i}$$

MT = Total marketing margin.

S_i = Sale value of a product for

i th firm P_i = value paid by the

i th firm

Q_i = Quantity of the product handled by its firm $i = 1, 2, \dots, n$

(No. of firms involved in the marketing channel).

Concepts of Marketing Margins:

- Complex because it is difficult to follow the path of the channel for a given quantity of the channel for a given quantity of the commodity.
- It is still difficult to estimate in respect of commodities subjected to processing. Two methods are identified:

Concepts of Marketing Margin: -

- **Concurrent Margins:** - These refers to the difference between the price prevailing at successive stages of marketing at a given point of time. For example, the difference between the farmers selling price & retail price on the specific date is the total concurrent margin.
- **Lagged Margin:** - It is the difference between the price received by the seller at a particular stage of marketing & the price paid by him at the preceding stage of marketing during an earlier period.

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.

$$P_F = P_A - C_F$$

P_F - Producers Price,

P_A - wholesale price at the primary assembling market,

C_F – marketing cost incurred by farmer.

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).

$$P_S = \frac{P_F}{P_R} \times 100$$

P_S - Producer's Share in Consumer's Rupee

P_F - Price received by the farmer

P_R – Retail price (i.e., the price paid by the consumer).

Price Spread: -

Difference between consumer's & producer's price is known as price spread.

[CLICK HERE to Join AgroMind Telegram Channel](#)

LECTURE NO.21-22 Role of Government/Public Sector Institutions in Agricultural Marketing

Warehousing:

Warehousing is scientific facilities constructed for the protection of the quantity & quality of stored products. It is generally combined with the elements of trade & profit.

Warehousing is called as protector of national wealth.

Important functions of warehousing

1) Scientific Storage: -

The product is protected against quantitative & Qualitative losses.

2) Financing: -

Nationalized banks advance credit on the security of the warehouse receipt up to 75 to 80% of the value.

3) Price Stabilization: -

Farmers /traders can store their products during the post-harvest season, when price are low because of the glut in market.

4) Market intelligence: -

Warehouse also offers the facilities of market information to person who hold their produce in them.

Types of warehouses –

A. On the Basis of ownership – i. Private warehouse. ii. Public

Warehouse. iii. Bonded warehouse. B. On the Basis of type of commodities to be stored.

i. General warehouse.

ii. Special commodity warehouse.

iii. Refrigerated warehouse.

A) On the basis of ownership: -

1. **Private warehouse:** - These are owned by individual's large business mans or wholesalers for the storage of their own stocks. They also store the products of others. 2.

Public Warehouse: - These are owned by government & are meant for the storages of goods of any members of the public against a prescribed storage charge.

3. Bonded Warehouse: - These are specially constructed at seaport or an airport & accept imported goods for storage till the payment of customs by the importer of goods.

B) On the basis of Type Commodities Stored: -

1. General Warehouse: - These are ordinary Warehouse used for storage of most of food grains, fertilizers etc.

2) Special Commodity Warehouse: -

These are warehouses which are specially constructed for the storage of specific commodities like cotton, tobacco, wool and petroleum products.

3) Refrigerated warehouses: -

These are warehouses in which temperature is maintained as per requirements & are meant for perishable commodities as vegetables, fruits, fish, eggs & meat.

Warehousing in India –

In 1928, the Royal commission on Agriculture underscored the need for a warehousing system in India. The central banking enquiry committee, 1931, too drew attention to this need. The Reserve bank of India emphasized the need for warehouses as early as in 1944, & proposed that every state govt. should enact legislation to regulate the functioning of warehouses. The all-India Rural credit survey committee of the RBI also made comprehensive recommendations for the development of warehousing as an integrated scheme of rural credit & marketing. As a result of the recommendations of the committee. The govt. of India enacted the Agricultural produce corporation act. 1956. The act provided for.

- a. National co-operative Development & warehousing Board. (1st sept 1956)
- b. Central warehousing corporation (2nd march 1957)
- c. State warehousing corporation (In between July 1957 & Aug 1958)

Warehousing In India: -

A) Central warehousing corporation (CWC)

This corporation was established as a statutory body in new Delhi on 2nd march 1957. Under the new Act, the CWC was formally re-established on 18th march 1963. the CWC provide safe & reliable storage facilities for about 120 agricultural & industrial commodities, area of operations is including centres of all India & interstate

Functions of CWC: -

- 1) To acquire & build godowns & warehouses at suitable place in India.
- 2) To run warehouses for the storage of agricultural produce, seeds, fertilizers & notified commodities for individuals.
- 3) Act as agent of govt. for the purchase, sale, storage & distribution of the above commodities.
- 4) To arrange facilities for transport of above commodities.
- 5) To subscribe to the share capital of state warehouse corporation
- 6) To carry out such other functions as may be prescribed under the Act.

2) State Warehousing Corporations (SWCS): -

These were also set up in different states of the Indian union. The 1st state warehouse was set up in Bihar in 1956. At the end of 2001 there were 1440 SWCS with total capacity of over 131.38 lakh tones were operating. The area of operation are centers of district importance. Total share of capital is contributed equally by the concerned state govt. & CWC, the SWCs are under the dual control of the state govt. & the CWC.

Working of warehouses –

1. **Acts** – The warehouses (CWC & SWC) work under the respective warehousing Acts passed by the central and state Govts. They are licensed under the provision of the Act.
2. **Eligibility** – Any person may store notified commodities in a warehouse on agreement to pay the specified charges. The person is required to bring his produce to the warehouse for storage.
3. **Warehouse Receipt (warrant)** – receipt / warrant issued by the warehouse manager / owner to the person storing his produce with them. This receipt mentions the name & location of the warehouse, the date of issue, a description of the commodities, including the grade, weight & approximate value of the produce based on the present price.
4. **Use of chemicals** – The produce accepted at the warehouse is preserved scientifically & protected against rodents, insects, & pests & other infestations. Periodical dusting & fumigation are done at the cost of the warehouse in order to preserve the goods.
5. **Financing** – The warehouse receipt serves as a collateral security for the purpose of getting of credit. Commercial banks advance up to 75 % of the value of the produce stored in the warehouse.

6. Delivery of the produce – The warehouse receipt has to be surrendered to the warehouse owner before the withdrawal of the goods. The holder may take delivery of a part of the total produce stored after paying the storage charges.

License for running warehouse –

The main provision of the Act governing the grant of a license to run warehouses was.

- a. Any person, including a company, association or corporate body may apply to the state Govt. for the grant of a license to carry on the business of warehousing.
- b. The govt. grants the license after examining the warehouse building and the financial soundness of the party, and after the realization of the prescribed fees.
- c. The license has to be renewed periodically on payment of prescribed fees.
- d. The warehouse owner is authorized to receive only notified commodities for storage in his warehouse and issue receipts in a prescribed form.
- e. It is the responsibility of the warehouse owner to keep the premises clean, keep different lots of goods separately in the warehouse, and carry on such operations as are necessary to protect the goods against losses from damage.

Causes for low utilization of warehouses by farmers.

1. Lack of knowledge about the facility of warehousing available for the farmers.
2. Locational disadvantages for warehouses to most of the cultivators located in villages.
3. Complicated and time-consuming procedure of depositing and withdrawing the produce from the warehouses.
4. Non-existence of nationalized banks in villages and the problem of arranging finance at the time of taking delivery of the receipt from the bank; and
5. Small quantity of surplus produce available with most farmers, and the pressing need for finance.

Suggestions –

- i. A network of rural storage centres should be built on a priority basis in order to prevent distress sales, wastage and loss arising out of inadequate & defective storage facilities.
- ii. These storage centres may be constructed & managed by panchayats, co- operatives & other suitable agencies selected by the state govt.
- iii. Each rural storage centre should have a manager preferably from the area served by the centre.

- iv. Farmers should be provided with receipts for the commodities stored by them. Each receipt should be a negotiable instrument to enable them to obtain credit from bank.
- v. The Scheme of rural storage centres should be linked with the procurement machinery for food grains & also with the public distribution system.

Food Corporation of India (FCI)

FCI was born in Jan1,1965. It ensures a prompt &uninterrupted supply of food grains to the vulnerable sections of the society all over the country. The FCI reaches remotes corners of the country through its vast network of offices and storage centres. It is one of the largest public sector under takings, with an annual turnover of over Rs.25400 corers.

*** Functions of FCI:-**

- 1) To procure a sizable portion of the marketable surplus of food grains and other agricultural commodities in incentive price from the farmer on behalf of the central and state government.
- 2) To make timely release of stocks through the public distribution system (fair price shops) so that consumers price may not rise unduly & unnecessarily.
- 3) To minimize seasonal price fluctuations and inter-regional price variation in agriculture commodities by establishing a purchasing and distribution network.
- 4) To build up a sizable buffer stock of food grains to meet the situations that may arise as a result of shortfalls in internal procurement and imports.

***Progress of FCI: -**

- 1) **Procurement:** -FCI purchases food grains from the producers during both the seasons directly or through the agency of co-operatives or purchasing agent and from millers under the various arrangement of procurement determined by different state governments. The quantity procured by FCI was 40,31000 tonnes in 1965 increased to 4,19,10,000 tonnes in 2002 commercial purchases of some commodities, viz. cereals and pulses are also made by the corporation at market price with view of supplying them to the defence services.
- 2) **Storage:** -The activities undertaken by FCI for this purpose are .
 - (a)It has constructed 28.30 million tonnes storage capacity well-built godowns, silos and CAP located at strategic points, near the production and consumption centres and major ports.
 - (b)It uses air strips, army barracks for the storage of food grains during the massive procurement season.

(c) It has a chain of 138 quality control laboratories which develop quality control measures to ensure the safe storage of food-grains.

3) Transportation: -

The FCI organizes massive movement of food-grains by rail and road to ensure timely arrival in the areas of consumption and of the storage. It is one of the largest users of railways.

4) Imports: -

It handles the entire quantity of imported food-grains at all major ports. The imported food-grains are speedily dispatched to augment supplies to the PDS.

5) Distribution: -

Another important function of FCI is the distribution of procured / imported food-grains through nearly 4.91 lakh fair price shops all over India.

6) Processing: - It has made notable strides in the field of food processing. It has set up 24 modern rice mills in different states to increase the availability of the rice and extract oil from rice barns. FCI has set up a paddy processing research centre at Tiruverur in T.N. a maize dryer at Khanna (Punjab) a solvent extraction plant at Ujjain (M.P) .groundnut & maize processing mill at Faridabad (Haryana) Dal mill at Lucknow (U.P). It also produces about 40000 tonnes per annum a protein rice food (Balahar) a mid-day meal for school children. **7)**

Consultancy: -

It has taken up a new function of consultancy service and provide technical and scientific assistance also, it offers assistance in modernization of rice and dal mills and other agro-processing units.

8) The co-operation also collects and manages levy sugar on the behalf of govt. of India.

History of Agricultural price policy :

Agricultural Price policy 1947 – 1965 i.e before setting up of APC Food grains prices committee, was set up in 1964 to determine producer prices of rice & wheat on all India basis for 1964 season subsequently. Food grain policy committee, 1966 was established. The important aspects pertaining to foodgrains are : (i).Controls on the movement, (ii).Compulsory levy procurement (iii). Fixation of maximum statutory prices of food grains, (iv). Rationing, either statutory or informal. Other crops covered are sugarcane, cotton, jute and oil seeds.

CACP: Commission for Agricultural Costs and Prices,

[CLICK HERE to Join AgroMind Telegram Channel](#)

Agricultural Price Commission, APC was established in 1965 on the recommendations of Food grains Policy committee under the chairmanship of L.K. Jha. The APC has been renamed as CACP on similar lines as has been done to the industry in 1985.

Directorate of Marketing and Inspection:

It is an attached office of the Ministry and is headed by the Agricultural Marketing Adviser to the Government of India. The organization setup of the DMI is as under: - Head Office: Faridabad Branch Head Office: Nagpur Regional Office: Chennai, Delhi, Guntur, and Mumbai. Central Agmark Laboratory is located at Nagpur. Besides, there are 57 sub-offices and 22 Regional Agmark Laboratories spread all over the country.

The main functions of the Directorate of Marketing and Inspection are Rendering Advice on Statutory Regulation, Development and management of agricultural produce markets to the States/Union Territories; Promotion of grading and standardization of agricultural and allied products under the Agricultural Produce (Grading & Marketing) Act, 1937; Market Research, survey and Planning; Training of personnel in agricultural marketing; and Administration of Cold Storage Order, 1980 (except regulatory functions) and Meat Food Products Order, 1973.

LECTURE NO.23 Co-operative Marketing in India

Co-operative Marketing: -

Co-operative marketing organization are associations of producers for the collective marketing of their produce and for securing the members advantages that results from large scale business which an individual cultivator cannot secure because of his small marketable surplus. In a co-operative marketing society, the control of the organization is in the hands of the farmers and each member has one vote irrespective of the number of shares purchased by him.

1 Function of co-operative marketing society: - 2

To market the produce at the fair prices.

- 3 To reduce marketing cost.
- 4 To make available credit facilities.
- 5 To provide storage facilities.
- 6 To provide grading and market information facility.

- 7 Act as agent of Govt. for the procurement of food grains.
- 8 To arrange export of produce.
- 9 To make arrangement for transport
- 10 To supply inputs like fertilizers, seeds, insecticides and pesticides to the members.

Advantages that co-operative marketing

1. *Increases bargaining strength of the farmers*

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

2. *Direct dealing with final buyers*

The co-operatives can altogether skip the intermediaries and enter into direct relations with the final buyers. This practice will eliminate exploiters and ensure fair prices to both the producers and the consumers.

3. *Provision of credit*

The marketing co-operative societies provide credit to the farmers to save them from the necessity of selling their produce immediately after harvesting. This ensures better returns to the farmers.

4. *Easier and cheaper transport*

Bulk transport of agricultural produce by the societies is often easier and cheaper. Sometimes the societies have their own means of transport.

5. *Storage facilities*

The co-operative marketing societies generally have storage facilities. Thus the farmers can wait for better prices.

6. *Grading and standardization*

This task can be done more easily for a co-operative agency than for an individual farmer. For this purpose, they can seek assistance from the government or can even evolve their own grading arrangements.

7. *Market intelligence*

The co-operatives can arrange to obtain data on market prices, demand and supply and other related information from the markets on a regular basis and can plan their activities accordingly.

8. . *Influencing marketing prices*

Wherever strong marketing co-operative are operative, they have bargained for and have achieved, better prices for their agricultural produce.

9. *Provision of inputs and consumer goods*

The co-operative marketing societies can easily arrange for bulk purchase of agricultural inputs, like seeds, manures fertilizers etc. and consumer goods at relatively lower price and can then distribute them to the members.

10. *Processing of agricultural produce*

The co-operative societies can undertake processing activities like crushing seeds, ginning 'and pressing of cotton, etc. In addition to all these advantages, the co-operative marketing system can arouse the spirit of self-confidence and collective action in the farmers without which the programme of agricultural development, howsoever well-conceived and implemented, holds no promise to success.

Types of co-operative marketing societies.

1. Single commodity co-operative marketing societies

These societies deal in marketing of one commodity eg. Sugar cane co-operative marketing society, cotton co-operative marketing society.

2. Multicommodity co-operative marketing societies.

These deals in marketing of many commodities produced by the cultivators such as food grains, oilseeds, cotton etc. most of the co-operative marketing societies in India are of this type.

3. Multipurpose multi commodity co-operative marketing societies.

These societies market a large number of commodities and perform other function as providing credit to members arranging for the supply of inputs and meeting their requirement of essential domestic consumption goods.

Structure of co-operative marketing society: -

The co-operative marketing societies have both two tier and three tier structure. In Assam, Bihar, Kerala, M.P. Karnataka, Orissa, Rajasthan and west Bengal there is two tier pattern with primary marketing societies at Taluka level and state marketing federation as an apex body at state level. At the National level NAFED serves as apex institution. The pattern of three tier structure is as follows.

1. **Base level:** - At base level primary co-operative marketing societies. These societies market the product of the farmer member in that area. These are located in primary wholesale market at one or two taluka level. Also at village levels eg. Nandani – Shirhol, Dist- Kolhapur and sonai- Nevasa of dist A. Nagar
2. **Central / district level:-** Central co-operative marketing federation are located in the secondary wholesale market and generally offer better price for the produce. Their main job is to market the produce brought for sale by the primary co-operative marketing societies of the area.
3. **State level:** - At the state level, there are apex (state) co-operative marketing federations. These serve the state as whole. The basic functions are to conduct activities such as interstate trade, export and import procurement, distribution of inputs and essential consumers, goods.

There are 27 state level marketing federations 199 district / regional and 4398 primary co- operative marketing societies besides NAFED at the national level.

LECTURE NO. 24-25 Risk in Marketing

Risk in Marketing

Hardy has defined risk as uncertainty about cost, loss or damage in marketing of Agril. Produce.

Importance: -

Risk is inherent in all marketing transactions. There is risk on the destruction of the produce by fire, rodent or other elements quality deterioration, price fall change in tastes habits or fashion and the risk of placing the commodity on the wrong hands or area.

Types of Risk in marketing: -

1. **Physical Risk:** -This includes a loss in the quality and quantity of the produce during the marketing process. It may be due to flood, fire, earthquake, rodents, insects, pests, fungus, excessive moisture or temperature, careless handling and unscientific storage improper

packing, looting or arson these together account for a large part of loss of the produce as the individual as well as macro level.

2. Price Risk: -

The prices of Agril. Commodities fluctuate not only from year to year, but during the year from month to month, day to day and even on the same day. The changes in prices may be upward or down ward. A price fall may cause a loss to the trader or farmer who stocks the produce. Sometimes the risks are so great that may result in total failure of the business, and the person who owns it may become bankrupt.

3. Institutional Risks: -

These risk include the risk arising out of a change in the government policy, in tariffs and tax laws, in the movement restrictions, statutory price controls and imposition of levies.

Measures to minimize risks in Marketing Speculation and hedging.

A) Speculation: -Purchase or sale of a commodity at the present price with the object of sale or purchase at some future date at a favourable price.

The speculator is normally concerned with profit making from price movements. He purchases when prices are low. He is, therefore, not a regular trader. The difference in the prices prevailing at two times constitutes his profit.

Types of speculation: -

1) Speculation proper: -

It refers to speculation on the part of person who makes it his profession. Such professional speculators devote their whole time and energy to the collection of information about future course of price movements. The decisions of the speculator are not hunch decisions. There are intelligent forecasts based on predicted trends. This type of speculation is beneficial for the economy as a whole and it is usually accepted by society.

2. illegitimate speculation: -This speculator adopt such manipulative practices as create artificial scarcity conditions in the market and lead to a rise in prices. The main aim of speculator is to earn a big profit. This type of speculation is not based on any rationale, though it influences the prices of products such speculations is prohibited by the government.

Ec ono mi c benefits of speculation

1) Speculation dampens price fluctuations: -

[CLICK HERE to Join AgroMind Telegram Channel](#)

Speculators buy at current prices in anticipation of a rise in prices in the future which results in pushing up the current prices. This encourages production and discourages consumption. Other speculators, who sell in the present period in the expectation of fall in future prices, bring about a fall in the current prices, which encourages consumption and discourages production. The sum total of the effects of these speculative activities results in dampening price and fluctuations.

- 2) The price differentials in different markets are bridged to some extent.
- 3) Speculation helps in the adjustment of the supply of, and demand for, commodities at normal prices.

C. Hedging: -Hedging refers the purchase or sale of a commodity in a futures market accompanied by a sale or a purchase in the cash market. In this approach, each sale is entered into with an equivalent, purchase of the commodity. It is assumed that prices in the two markets move exactly parallel, and that the losses arising in one market are offset by profit in another market.

Benefits of hedging

- 1) It protects the hedger from sustaining loss and enables him to earn his normal trade profit.
- 2) Hedging enables him to keep the trade margins at a lower level because there is no risk.
- 3) Hedging facilitates the financing of inventories of stored commodities to the maximum possible extent.

Illustration of hedging

Cash transactions	Future transactions
December 12 buys 100 bags of wheat @ Rs. 550/ qtl. Dec.19th sell 100 bags of wheat @ Rs. 540/ qtl.	Dec. 12th sell 100 bags of wheat of may future @ Rs. 555/ qtl. Dec.19th buys 100 bags of wheat for may future @ 545/ qtl.
Loss in cash Rs. 10/ qtl.	Gain in future Rs. 10/ atl.

This example shows that the gain or loss in the spot cash market is compensated by a loss or gain in the futures market transactions. The assumption is that cash and future prices move up and down together, i.e. by the same amount. However, in practice, the price spread between

cash and future prices may be more or less-by one or two rupees or sometimes even more. This is the margin earned by trader.

6 D i f f e r e n c e between speculation and hedging

Speculation	Hedging
1) Purchases and sales in the cash as well as in futures markets are made with the objective of making profit.	1) The purchase and sales in the cash and futures markets are made to protect oneself against excessive price and fluctuations.
2) The activities of buying and selling are not necessarily opposed to each other.	2) The activities of buyers and sellers are always opposed to each other.
3) It is not necessary that the two types of transactions should be of equal quantity.	3) It is obligatory to buy and sell the goods in equal quantities in the two markets. 4) The commodities are not stored by traders. Only the difference in the price is given or taken on the due date.
4) Under speculation, the speculator purchases goods and sells them when prices rise as per his expectations.	

LECTURE NO. 26. Future Trading

Meaning :-

Future markets are the one where products, shares and bonds are bought and sold for delivery at some future date. Future trading is a device for protection against the price fluctuations which normally arise in the course of the marketing of commodities. Stockiest, processors or manufacturers utilize the future contracts to transfer the price risk faced by them.

Future trading includes both hedging and speculation. But since hedging is its raison detre, it is also known as hedge trading. Future markets are therefore, known as “hedge” markets.

Commodities for future trading.

The commodities permissible under futures trading must satisfy the following conditions.

- 1) Commodities should be in plentiful supply. If a commodity is in short supply, a few traders may corner the whole supply and charge any price they like to the buyer.
- 2) The commodity must have a minimum degree of perishability. i.e. it must be storable for future delivery.
- 3) The commodity should be homogeneous and capable of being graded so that its future deliveries may be made without problems regarding quality.
- 4) The commodity should have a large demand from a number of independent consumers so that a single buyer may not be in a position to impose his terms for the purchase.
- 5) The supply of the commodity should not be controlled by a few large firms. It should be available with a large number of suppliers.
- 6) The price of the commodity should be liable to fluctuations over a wide range.
- 7) There should be free flow of the commodity to and from the market without any outside interference control.

Services rendered by a Forward Market.

1. Reduce price fluctuations so that the margin of profit may be small.
2. Ensures an even flow of goods, avoiding gluts in the peak season, and shortages in the slack seasons.
3. It brings an integration of the price structure of commodities at different points of time.
4. Facilitates large purchases and sales at a short notice.
5. Brings coordination of the current and future expectations by rotating in the light of changing supply-demand situation.

Dangers of Forward Market

1. Forward market opens out the way for a large number of persons with insufficient means, inadequate experience and information to enter into commitments which may be beyond their means. In such conditions market gets demoralized.
2. It enables unscrupulous, with little interest in the actual supply of and demand for, a particular commodity, to corner the supplies and organize bear raids and bull raids on the market in the hope of making easy money for themselves. This results in violent fluctuations in prices.

Functions of Forward market commission:

[CLICK HERE to Join AgroMind Telegram Channel](#)

- a. To advise the Central Government in respect of the recognition or withdrawal of recognition from any association. It also advises government about any other matter arising out of the administration of this act.
- b. Second function of the act includes the task of keeping forward markets under observation and take necessary actions. The actions taken should be according to powers given to the commission by the “Forward Contract Regulation Act”.
- c. To collect information regarding the trading conditions in respect of goods (to which any of the provisions of this Act is made applicable) including information regarding supply, demand and prices. And publish information whenever the Commission thinks it necessary, it also performs the task of submitting to the Central Government periodical reports on the operation of this Act and on the working of forward markets relating to such goods.
- d. To make recommendations generally with a view to improving the organization and working of forward markets
- e. To undertake the inspection of the accounts and other documents of [any recognized association or registered association or any member of such association] whenever it considers it necessary.
- f. To perform such specified duties and exercise assigned powers by the “Forward Contract Regulation Act”.

Lecture no. 27. Agricultural Prices and Policy

Characteristics of Agricultural product prices

In agricultural based economies like India, prices of farm products undergo wide variations than in industrial goods. They have profound effect on the economy. The characteristics of agricultural product prices are presented below to design appropriate price policy.

- i. Production and supply of agricultural products cannot be adjusted quickly to changes in prices or demand.

- ii. Variability in cost of production from region to region. iii. Wide variation in quality of products and hence prices.
- iv. The prices of farm products in general exhibit co-movement at least within a group.
- v. The prices of farm products vary across space. vi. The prices of farm products in general remain low in the post- harvest period.
- vii. There are multiple prices in the same market at a point of time.

Agricultural Price Stabilization

Price instability does great harm to agriculture. Government takes the responsibility to stabilize agricultural prices. The objectives of price stabilization assure reasonable level of living, keeping parity with other sectors, adjustment of production to demand as well as stabilization of general price level in relation to world prices. Concerned by the spiraling prices of agriculture and food articles, the government is likely to set up a price stabilization fund along with a market intervention plan for key agricultural products. A proposal to this effect is currently under the consideration of the Ministry of Agriculture. This move by the government comes at a time, when inflation has been on a ten month high at 5.92%, mainly on account of rising food and agricultural products. With the proposed market intervention plan, the government would be able to step in when prices of a particular product rises beyond a threshold limit or fall below a floor price. Various state governments have similar plans for farm products.

Need for Agricultural Price Policy

Agricultural Price Policy has special significance when there is a maladjustment in demand and supply and jump up and down the equilibrium price level. Several government interventions were initiated to protect farmers and consumers. Government undertakes the following measures.

1. Procurement operations.
2. Public distribution at fixed issue prices, rationing, restrictions on movement of food grains from one place to another place i.e. state to state.
3. Maximum controlled prices, assured minimum prices, statutory minimum prices, ban on exports, stepping up of imports, regulation of futures trading.

4. Minimum price for sugarcane to sugar factories.
5. Floor and ceiling prices, controls on futures trading and imports have been the major policy measures taken for regulation of prices of raw cotton and jute.

History of Agricultural price policy:

Agricultural Price policy 1947 – 1965 i.e. before setting up of APC

Food grains prices committee, was set up in 1964 to determine producer prices of rice & wheat on all India basis for 1964 season subsequently. Food grain policy committee, 1966 was established. The important aspects pertaining to food grains are : (i).Controls on the movement, (ii).Compulsory levy procurement (iii). Fixation of maximum statutory prices of food grains, (iv). Rationing, either statutory or informal. Other crops covered are sugarcane, cotton, jute and oil seeds.

CACP: Commission for Agricultural Costs and Prices,

Agricultural Price Commission, APC was established in 1965 on the recommendations of Food Grains Policy committee under the chairmanship of L.K. Jha. The APC has been renamed as CACP on similar lines as has been done to the industry in 1985.

The significant contributions during 1965-77 were

1.MSP: Chief function is to set a floor to the downward fluctuations in the market prices. It is an insurance against price uncertainty.

2.Maximum Ceiling Prices: APC has not favoured maximum or ceiling prices for agricultural commodities. In the case of food grains, the states were unable to enforce legally fixed maximum prices. Private stocks tended to go underground. **Cotton:** Price of several varieties ruled well above the ceiling prices in all the years.

3.Procurement Prices: Always higher than MSP. Government procures for deficit states and vulnerable sections of population. APC takes into account market prices, minimum

prices announced in the season, marketing and processing costs, the likely impact of levels of procurement prices on farmer's own cost of living, cost of production of the agricultural based industries, and the external competitiveness of the commodities concerned.

4. Issue Prices: These are below open market prices and always higher than procurement prices. Food grains prices supplied through fair price shops and rationing at subsidized rates are issue prices. The practice led to several malpractices and uneconomic use of imported grains (wheat) shifted towards coarse grains. APC favoured levy on producers on acreage basis for procurement.

Administered Prices: Prices fixed by the government with the objective of protecting farmers against a decline in prices during the year of bumper production, protecting consumers from excessive price increases and ensuring procurement for buffer stocks or operation of PDS.

These are three types :

1. **Minimum Support Price, (MSP) :** Price fixed by the government to protect farmers against excessive fall in prices.
2. **Procurement Price :** Refers to the price at which government procures from producers to maintain buffer stocks and feed Public Distribution System.
3. **Issue Price :** Price at which the commodity is made available to consumers at fair price shops. It is always higher than procurement price.

Determination of Administered Prices :

Demand and supply forces determine market prices. Administered prices are the prices fixed by the government under varied circumstances. Government makes a commitment to purchase all the produce offered for sale through MSP. Government buys at its discretion without any compulsion to meet its obligation procurement price. When procurement is done under compulsion from the millers, the procurement price is called levy price. Government considers various issues suggested by CACP on fixation of prices.

LECTURE NO. 28 Trade in Agriculture

1. Domestic Trade -

It is trade between the nationals of the same country. i.e. exchange of goods between citizens of same country.

2. Free Trade: - It refers to the trade i.e. free from artificial barriers like tariff, quantitative restrictions and exchange control etc.

It does not impose any barrier on exchange of goods and services between countries. According to Adam Smith, It is policy that does not distinguish between domestic and

international trade. It neither imposes any restriction on import nor give any concessions for export of domestic goods.

3. International Trade: -- The exchange of goods between citizens of different country. It is trade between the nationals of the two countries.

Difference Between Domestic and International Trade

Sr. No.	Basis	Domestic Trade	International Trade
1.	Nationality of Buyers and Sellers	Under this person of one nation work in their respective domestic market.	Under this person from different nations works in the international market.
2.	Nationality of Other Stakeholders	Stakeholders like suppliers, producers, employees, Middleman, etc. are of the same nation.	Stakeholders like suppliers, producers, employees, Middleman, etc., are of different nations
3.	Mobility of Factors of Production	Factors of production like capital and labour are mobile across one nation.	Factors of production like capital and labour are mobile across the different nation.
4.	Heterogeneous Customers	Usually, customers are homogeneous in the domestic market	Customers are not homogeneous in the international market due to a different religion, caste, language, etc.
5.	Risks	Under this one nation is subject to the political risk of its respective nation.	This may be a barrier to international trade as different nations have different political risks.
6.	Policies	These are subject to different policies and regulations, laws of a single nation.	These are subject to different policies and regulations, laws of multiple nations.
7.	Currency	Only one currency is involved.	There is involvement of more than one currency

Advantages and Disadvantages of International Trade Advantages

of International Trade:

- 1. Optimal use of natural resources:** International trade helps each country to make optimum use of its natural resources. Each country can concentrate on production of those goods for which its resources are best suited. Wastage of resources is avoided.
- 2. Availability of all types of goods:** It enables a country to obtain goods which it cannot produce or which it is not producing due to higher costs, by importing from other countries at lower costs.

3. **Specialization:** Foreign trade leads to specialization and encourages production of different goods in different countries. Goods can be produced at a comparatively low cost due to advantages of division of labour.
4. **Advantages of large-scale production:** Due to international trade, goods are produced not only for home consumption but for export to other countries also. Nations of the world can dispose of goods which they have in surplus in the international markets. This leads to production at large scale and the advantages of large scale production can be obtained by all the countries of the world.
5. **Stability in prices:** International trade iron out wild fluctuations in prices. It equalizes the prices of goods throughout the world (ignoring cost of transportation, etc.)
6. **Exchange of technical know-how and establishment of new industries:** Underdeveloped countries can establish and develop new industries with the machinery, equipment and technical know-how imported from developed countries. This helps in the development of these countries and the economy of the world at large.
7. **Increase in efficiency:** Due to international competition, the producers in a country attempt to produce better quality goods and at the minimum possible cost. This increases the efficiency and benefits to the consumers all over the world.
8. **Development of the means of transport and communication:** International trade requires the best means of transport and communication. For the advantages of international trade, development in the means of transport and communication is also made possible.
9. **International co-operation and understanding:** The people of different countries come in contact with each other. Commercial intercourse amongst nations of the world encourages exchange of ideas and culture. It creates cooperation, understanding, cordial relations amongst various nations.
10. **Ability to face natural calamities:** Natural calamities such as drought, floods, famine, earthquake etc., affect the production of a country adversely. Deficiency in the supply of goods at the time of such natural calamities can be met by imports from other countries.
11. International trade helps in many other ways such as benefits to consumers, international peace and better standard of living.

Disadvantages of International Trade:

Though foreign trade has many advantages, its dangers or disadvantages should not be ignored.

1. **Impediment in the Development of Home Industries:** International trade has an adverse effect on the development of home industries. It poses a threat

to the survival of infant industries at home. Due to foreign competition and unrestricted imports, the upcoming industries in the country may collapse.

2. **Economic Dependence:** The underdeveloped countries have to depend upon the developed ones for their economic development. Such reliance often leads to economic exploitation. For instance, most of the underdeveloped countries in Africa and Asia have been exploited by European countries.
3. **Political Dependence:** International trade often encourages subjugation and slavery. It impairs economic independence which endangers political dependence. For example, the Britishers came to India as traders and ultimately ruled over India for a very long time.
4. **Mis-utilisation of Natural Resources:** Excessive exports may exhaust the natural resources of a country in a shorter span of time than it would have been otherwise. This will cause economic downfall of the country in the long run.
5. **Import of Harmful Goods:** Import of spurious drugs, luxury articles, etc. adversely affects the economy and well-being of the people.
6. **Storage of Goods:** Sometimes the essential commodities required in a country and in short supply are also exported to earn foreign exchange. This results in shortage of these goods at home and causes inflation. For example, India has been exporting sugar to earn foreign trade exchange; hence the exalting prices of sugar in the country.
7. **Danger to International Peace:** International trade gives an opportunity to foreign agents to settle down in the country which ultimately endangers its internal peace.
8. **World Wars:** International trade breeds rivalries amongst nations due to competition in the foreign markets. This may eventually lead to wars and disturb world peace.
9. **Hardships in times of War:** International trade promotes lopsided development of a country as only those goods which have comparative cost advantage are produced in a country. During wars or when good relations do not prevail between nations, many hardships may follow.

Trade balance: -

Exports: - Goods sold from one country to other countries are called as exports.

Imports: - Goods purchased from other countries are called as imports.

When the amount purchased by a nation from other nations equal the amount sold those nations the trade between nations is said to be in balance. Therefore, when export equals import we say that there is a trade balance between the nations.

Factors governing the trade: -

1) Mobility of factors of production

2) Natural Endowments

[CLICK HERE to Join AgroMind Telegram Channel](#)

3) Human Capabilities

4) Stock capital

5) Political sovereignty

6) Currency system

7) Separate markets

8) Economic Nationalism

9) Trade and exchange controls

Theories of International Trade

Nations of the world differs in their resource endowments. It is therefore, no country can claim self-sufficiency in its resource requirements on perfectly balanced supply of resources. For e.g. India is rich in respect of supply of human power but lacks in capital availability. Japan is having technology. But lacking in minerals. Arab countries are rich in oil but poor in respect of technology and technical man power. Thus, this uneven distribution of resources is the basis of international trade. Secondly, the gains from foreign trade is also important. How the gains from foreign trade can be accrued by the participating countries has been explained by put-for-thing different theories by the economics some classical theories are

1. Theory of absolute advantage (Adam Smith)

2. Theory of Comparative advantage (Ricardo)

1 Theory of absolute advantage: -

This has been put forth by the Economist Adam smith. According to his explanations international trade based up on in absolute advantage. It is possible for all countries to produce all the commodities they need. But the cost of production of goods for which a country is deficient in its resource endowments would be too high. Hence it would be advantages for every country to specialize in the production of commodities which they can produce most efficiently. Therefore, most countries tend to specialize in the production of commodities which they can produce more efficiently. Therefore, most countries tend to specialize in production of commodities in which they have absolute advantage in cost of production suppose, the labour cost of production of rice and jute in India and in Bangladesh are as under.

Per quintal labour cost (Man hour)	Rice	Jute
In India	30	60
In Bangladesh	50	20

The above figures reveals that India has an absolute advantage in Rice production whereas Bangladesh has absolute advantage in jute production. India would therefore specialize in rice production and import jute. Bangladesh would specialize in jute. production and import rice. Thus according to this theory, the trade between both countries will prove advantageous to both since both of them can available. Larger quantity of both the commodity at lower cost.

However, this theory gives the impression that trade between two countries can be possible only if both the countries have absolute advantage in the production of at least one commodity and absolute disadvantage in the other.

2 Theory of comparative Advantages (or cost): -

The absolute advantage theory of course, suggests that if a country has an absolute advantage in the production of all the commodities and other country has an absolute, disadvantage in the production of each commodity, there is no ground for trade between them and trade if any. would be disadvantageous to former

David Ricardo has however put forth the Theory of comparative advantages which is also known as theory of Comparative cost. If and when above discussed situation (limitation of absolute theory) is existed the theory of comparative advantage provides a powerful evidence that so long as countries have comparative advantages in the production of commodities, specialization and trade between them would always be possible and advantageous to all of them.

For example,

Per quintal labour cost (Man hour)	Rice	Jute
In India	30	60
In Bangladesh	50	80

The above data reveals that

- 1) India can produce both of the goods more efficiently as compared to Bangladesh.
- 2) India's own relative efficiency is greater in rice production because, cost of productions of rice is just half the cost of jute production ($30/60 = 0.50$)

- 3) India has also comparative advantage in rice production via- Bangladesh, because India requires only 60 percent (30/50) of the cost of rice production in Bangladesh.
- 4) But India has comparative disadvantage in jute production as cost of jute production is double the cost of rice production.
- 5) Bangladesh has absolute disadvantage in jute production.
- 6) Bangladesh has comparative advantage in the production of jute because the relative cost of jute production. (i.e. 80/50) is less than India (i.e. 60/30).
- 7) If India, in other words shifts 30 man-hours from rice to jute production, It gains 0.5qtls of jute where Bangladesh shifts 50 man-hours from rice to jute production, it gains 0.625qtls of jute. Thus India has comparative advantages in Rice production and Bangladesh in Jute production.

A) If Rice and Jute both exchanged in internal market.

In India	In Bangladesh
1.00Qtl of rice = 0.50Qtl of jute	1.00Qtl of jute = 1.60 Qtl of rice

B) If rice is exported by India to Bangladesh and jute by Bangladesh to India.

$$1.00\text{Qtl. Of Rice} = 0.625\text{Qtl. of jute. } 1\text{Qtl. Jute} = 2\text{Qtl. Of Rice.}$$

B) Gain for both countries

For India = $0.625 - 0.50 = 0.125\text{Qtl of Jute.}$

For Bangladesh = $2.00 - 1.60 = 0.40\text{Qtl of Rice.}$

LECTURE NO. 29-30

World Trade Organisation (WTO) & Agreement on Agriculture (AoA) and its implications on Indian Agriculture

4. **GATT:** - (General Agreement of Trade and Tariffs). It was a multinational treaty to liberalize world trade. It took effect on 1st Jan 1948. GATT established a code of conduct for international trade based on the principle that the. trade should be conducted without discrimination, tariffs should be reduced through multilateral negotiations, and member, countries, should consult each other to overcome trade problems. Under GATT, a total of

eight round talks of trade negotiations brought about phased reductions in tariffs and other trade barriers.

The Uruguay Round Lunched over 1986-94 was the most ambitious so far. This round also established the WTO. In 15th April.1994 after Uruguay Round the GATT was ended. 117 member countries are participated in GATT.

5. WTO (world Trade organization) ---

WTO is an international body to supervise and encourage international trade. The Uruguay Round of trade talks concluded in 1994 resulted in setting up of the WTO, to take over the functioning of GATT. For encouraging multilateral trade in goods and services. The WTO began functioning on 1st Jan 1995 Head quarter of WTO is **Geneva** Switzerland.

Agreement on Agriculture (AOA) under WTO –

The provisions under AOA can be understood to consist of five broad groups.

1. Market Access commitment-

- a. Tariffication of all non-tariff barriers like converting quantitative restrictions to import duty.
- b. Reduction of all tariffs in a time bound framework as.

Countries	period	Reduction%
1. Developed	6 years	36
2. Developing	10 years	24
3. Less Developed	-	0
4. Those with BP problem	-	0

D. If imports of foreign goods to the domestic market is less than three percent in the base period (1986-88) it must be brought to three percent and to further raise, it to five percent in the implementation period.

d. If dumping is proved, the countries will have the freedom to increase the import duty.

2. Aggregate Measures of support [AMS]

The aggregate measures of support for a Country's agriculture is the sum of product specific and non-product specific subsidies. If AMS in the base period (1986-88) is more than the permissible limit, it should be reduced by the following amount.

Country	permissible AMS	Reduction commitment if exceeds the limit [%]
1 developed	5%	20%

2 developing	10%	13%
3 less developed	NA	-
4 those with BP problem	-	0

ii) Export subsidies

The reduction commitment for export subsidies that

(a) The developed countries would reduce it by 36 percent in six years; and [b] the developing countries would reduce it by 24 percent in 10

years. **iii) Sanitary and phyto-sanitary measures[sps]: -**

The SPS provisions of AOA require all exporters to employ international standards relating to sanitary and phyto-sanitary condition. In the case of default, the importing countries are allowed to prohibit imports from defaulting countries.

iv) [TRIPS] Trade related intellectual property rights: -

TRIPS include copyrights, trade-marks, geographic indications industrial designed and patents. According to AOA, all the countries are required to provide for arrangements for protection of plant varieties. The developing countries were given a period of five years to evolve such arrangement.

LECTURE NO. 31.

Intellectual Property Rights (IPR)

Intellectual Property Rights (TRIPs)

Different form of intellectual property rights (IPR)

Agreement governed by WTO are

1. Patents
2. Copyrights
3. Trade marks
4. Designs
5. Trade secrets
6. Geographical indications.

1. Patent:

A patent is an exclusive right granted to the inventor to use and market the invention for a limited period of time in consideration of the disclosure of the invention. The product must be (a) novel, (b) have industrial application and (c) must be useful for entitlement

of a patent. Patents are given only for inventions. Inventions are solutions to specific problems in the field of technology. An invention may relate to a product or a process.

2. Copy Rights:

Copy right law deals with the rights of intellectual creators. It is concerned with protecting creativity and ingenuity. It promotes and disseminates national cultural heritage. It is meant for original literary, dramatic, musical and artistic works, cinematographic films and software's. Copy right is registered at Ministry of HRD which is valid for 60 years after author's death.

3. Trade mark:

It is a sign that individualize the goods of a given enterprise and distinguishes them from the goods of its competitors. It is limited to word marks, abbreviations, names, figures and hologram.

4. Designs:

A design includes features of structure, configuration, pattern, ornament, or composition of lines and colours applied to an article in 2 or 3 dimensional form by any technical process. The process or product can be manual, civil, electrical, chemical and mechanical or combination of all.

5. Trade secret:

It is the agreement between the employer and employee to keep the research information secret or confidential. The employer can recover damages from the improper disclosure or use of his trade secret by the employee.

6. Geographical Indication:

Place names used to identify products such as "Champagne", Roquefort cheese, Basmati rice etc. They provide legal means so that interested parties can stop the use of such geographical indications for products that do not originate from the used place name or do not have the usual characteristics associated with that place name.

Lecture No. 32 Agricultural Produce Market Committees (APMC)

APMCs (Agricultural Produce Market Committees) play a crucial role in agricultural marketing by regulating trade, providing market infrastructure, and ensuring fair practices for farmers. They aim to protect farmers from exploitation by intermediaries and ensure they receive fair prices for their produce.

Key Functions of APMCs:

- **Regulation of Trade:**

APMCs regulate the buying and selling of agricultural produce within their designated market areas, ensuring fair and transparent transactions.

- **Market Infrastructure Development:**

They establish and maintain market yards, warehouses, and other infrastructure to facilitate the smooth flow of agricultural produce.

- **Price Discovery:**

APMCs facilitate the auction process, which helps determine fair market prices for various agricultural commodities.

- **Dispute Resolution:**

They act as mediators to resolve disputes between farmers and traders, ensuring a fair and efficient resolution process.

- **Transparency and Payment Assurance:**

APMCs ensure transparency in pricing and transactions and work to guarantee that farmers are paid on the same day they sell their produce.

- **Market-led Extension Services:**

They also provide market-related information and extension services to farmers, helping them make informed decisions.

Impact of APMCs:

- **Farmer Protection:**

APMCs have historically protected farmers from exploitation by powerful intermediaries.

- **Market Stability:**

[CLICK HERE to Join AgroMind Telegram Channel](#)

They contribute to market stability by regulating trade and ensuring fair prices.

- **Infrastructure Development:**

APMCs have played a key role in developing essential market infrastructure in many regions.

Recent Reforms and Challenges:

- **National Agricultural Market ([NAM](#)):**

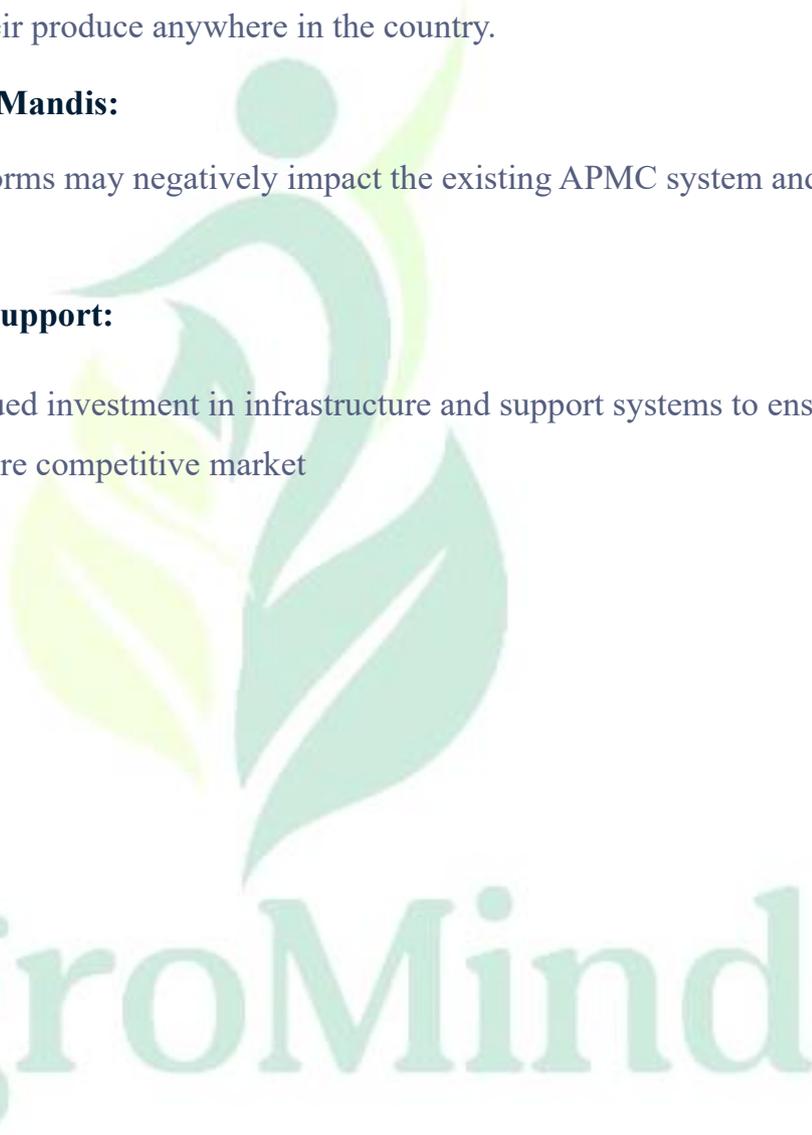
Initiatives like NAM aim to create a unified national market for agricultural commodities, allowing farmers to sell their produce anywhere in the country.

- **Concerns about Existing Mandis:**

Some argue that recent reforms may negatively impact the existing APMC system and its infrastructure.

- **Need for Infrastructure Support:**

There's a need for continued investment in infrastructure and support systems to ensure a smooth transition to a more competitive market



AgroMind

[CLICK HERE to Join AgroMind Telegram Channel](#)