



Challenges for Agricultural Regulated Market in Karnataka

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ABSTRACT

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The agricultural sector has been one of the most important components of Indian economy. Agriculture continues to be a main stay of life for majority of the population; it contributes around 13.7 per cent of the GDP and employs 65 per cent of the workforce in the country. Food grains production in the country increased from 51 million tonnes to 247 million tonnes during 1950-51 to 2012-13.

The agricultural sector in our country has flourished over the years due to Government's constant thrust on increasing agricultural production. Still the benefits are not percolating down to the farming community. The current paper highlights the challenges for agricultural regulated market in Karnataka.

KEYWORDS:

Market, Agriculture, Farmer

INTRODUCTION

Indian agriculture is characterized by lack of strong linkages between production and marketing which may be due to inadequate marketing



infrastructure. However, better growth in agriculture production has resulted in higher marketed surplus in case of many crops. So, agriculture sector needs well functioning markets to drive growth, employment generation and economic prosperity in rural areas of the country.

The adoption of scientific technology of agricultural production by the farmers has created a great demand for better and improved inputs. The investment in new technology largely depends upon the gains of the farming community. It has, therefore, become imperative that arrangements should exist for efficient movement of the farmer's produce to the consumers and for adequate and timely supply of superior inputs to the farmers. In this context, regulation of marketing practices through establishment of regulated markets is a very important policy intervention aimed at improving agricultural marketing system in the country.

The regulated markets are considered institutions responsible for discharging all the functions connected with the sale of outputs, keeping in view the overall interest of the farming community and the ultimate consumers. These institutions are meant to regulate unethical trading practices followed in the marketing of agricultural produce. This helped in protecting the interest of both the producers and consumers, thus



contributing towards the growth of orderly marketing and price stability through effective competition. Therefore, governments from time to time brought about the required legislations and development of market infrastructure from 1960's to 2000. However, in the recent years, the economy was liberalized and allowed private sector to participate in the trade of agriculture. In this direction, some of the states in India started bringing amendments to the market legislation and development.

The state of Karnataka is serviced by a network of 509 wholesale markets and 771 rural primary markets. Out of the wholesale markets, 155 are principal markets and the rest 354 are sub market yards. Among 4 divisions Belgaum division has highest no of regulated markets (172) followed by Bangalore Division (132), Mysore Division (105) and Gulbarga division (100) (Table 1.1), which together have an annual turnover exceeding 25,000 Crores during the financial year 2011-12.

As common facilities in many markets in the State are not of the desired level, farmers and traders are facing a lot of difficulties. The benefits available to the farmers from regulated markets depend on the facilities/amenities available rather than the number of regulated markets in the area. Both covered and open auction platforms exist in two-thirds of the regulated markets. One fourth of the markets have common drying yards. Traders modules viz; shop, godown and platform



in front of shop exist in 63 per cent of the markets. The cold storage units exist in only 9 per cent of the markets and grading facilities exist in less than one-third of the markets. The basic facilities viz., internal roads, boundary walls, electric light, loading and unloading facilities and weighing equipments are available in more than 80 per cent of the markets.

Of late, the need for these market infrastructure has been increased due to increased production and marketed surplus. The functional infrastructure such as assembling, drying, cleaning, grading and standardization etc are also required on a large scale as well as on small scale basis. The facilities such as packaging, ripening chambers, storage, value addition facilities, availability of power fans for winnowing, mechanical sorting, washing, surface cooling and other functional facilities, which are required for a specific commodities at a different levels of marketing in different regions of the regulated marketing system are negligible or absent in most of the APMC's. In addition to direct physical infrastructure, there is also a strong need for market intelligence infrastructure and information in terms of prices, farm inputs and weather forecasts.



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Cold storage, cleaning and grading infrastructure needs to be created or strengthened through establishment of such units at village level, if necessary in partnership with the private sector wherever perishable products are marketed in large quantities to enhance bargaining power of the farmers as well as increase their income through creation of additional form and time utilities.

Suitable capacity building programmes need to be organized by the State Government, NGOs and other developmental organizations to create awareness among various stake holders on quality standards and importance for creating demand in the market.

The electronic tendering system is having positive impact on arrivals, prices and has helped in better discovery of prices. Considering this, the scheme should be extended to other markets operating in the state.

Still there is a large gap persisting between the delivering and accessing of ICT application in agriculture by the farmers. The Central and State Governments should take necessary steps to start more ICT information service centers at village/market levels with adequate facilities by way of preparing long range, useful and realistic information needed by the farmers to reduce the existing operational deficiencies and problems in agriculture sector.



The border markets suffer from competition across the border resulting in poor arrivals and poor bidding with the market. Hence, there is a need for a targeted Special Programme funded by the State Government to develop and upgrade the border markets based on the suggestions given by farmers and market intermediaries so that these borders can also contribute substantially to the State's exchequer.

Traders accounted for the largest proportion of the total number of market functionaries in the regulated markets in Karnataka State, followed by hamals, exporters, importers, retailers and commission agents. Similar was the situation in the selected markets as well as the selected districts. It was learnt that there was a decreasing trend in the case of ginners, brokers, transporters, pressers and crushers due to higher marketing margins absorbed by the existing functionaries.

Some infrastructural facilities like vehicle parking, rest house for farmers, conference hall, shed for animals and fire fighting facilities were available more in border markets when compared to interior market, which might be to attract the farmers located nearby the border state of Karnataka.

Contrarily, weighing, grading, packing, drinking water facility for bullocks, rest rooms for farmers and waiting hall facilities were somewhat adequate. Transport inside the market, storage facility, display



platform for open auction, drinking water for farmers, cafeteria, toilet, telephone, general shops and packing lot facilities are inadequate. Internet, fax and processing facilities were not available / accessible most of the interior and border regulated markets; wherever available, they were neither adequate nor functioning.

Wastage during loading and unloading, high cost of transportation, lack of knowledge about grading, inadequate storage facility, inadequate availability of market finance and lack of market information were the major constraints faced by farmers in marketing.

Maximum number of the farmers used television as the main source for market information for its accuracy, timeliness and content in all the markets, followed by friends, radio and news paper and meager number of farmers used information kiosks as source of market information.

Major markets are to be brought under the comprehensive electronic auction system in a time bound manner. Test parameters for every commodity and the testing process should be decided in consultation with all participants and well publicised. Weighing of produce to be integrated with the auction process, so that recording of the weight of the produce is done against the respective lot number without any manual intervention and the amount payable/receivable communicated to the buyer/seller as soon as the weight is captured in the system.



DISCUSSION

Integrating various markets transacting the same commodity supported by warehouses located in close proximity to the farm could eventually result in a better price for the farmer with minimum cost of transaction. Individual markets discover the price of the commodity on a given day, based on the interaction of supply and demand within their precincts. In a perfect market, additional supplies should rush when the price is high due to excessive demand and in case of lower prices, supply should either remain subdued or the commodity may move to more reassuring markets, this brings a phenomenon of Law of One Price.

For integration of markets and allowing participation by market participants in a remote location, standardization of quality and quantity parameters, and dissemination of these parameters to the buyers, clearing and settlement mechanisms and dispute resolution are key prerequisites. This would increase the number of buyers for the commodity and the price discovered would reflect the interplay of supply and demand in the region/area where the commodity is transacted, with the transportation cost duly reckoned.



Goods stored in a scientifically managed warehouse easily lend themselves to funding by banks and other institutions. The lending bank marks a lien on the stored goods as security for the loan. The commodity accounting system should preclude offering lien marked goods for sale unless the borrower offers authority to pay off the loan amount to the bank and only the balance to be credited to the account of the seller. Adopting this process for commodity funding of goods in the warehouse gives staying power to the farmer and comfort not to go in for a distress sale.

Kerur et al. (2010) conducted a study on physical and financial performance of regulated markets in Karnataka. The averages and compound growth rates were computed to ascertain the growth performance of the regulated markets of Ranebennur, Bagalkot, Raichur and Gulbarga in terms of physical and financial indicators such as market functionaries, income, expenditure, market arrivals and commodities turnover used for the period from (1990-2005). Results revealed that the overall growth of market functionaries in Ranebennur market showed a decreasing trend, a rapid drop in processors was observed in Bagalkot market and Raichur and Gulbarga markets had shown an increasing trend. Average income and expenditure had shown



negative financial performance in Raichur and Bagalkot markets and positive financial performance in Ranebennur and Gulbarga markets.

Hegde and Madhuri (2013) conducted a study on marketing infrastructure for fruits and vegetables using ex-post facto research design in selected Ratnagiri and Ramanagara districts from Maharashtra and Karnataka States, respectively. Results of the study revealed that Indian system of agricultural marketing suffered from a number of defects. As a consequence, Indian farmer was deprived of a fair price for his produce. The main defects of the agricultural marketing system were improper warehouses, lack of grading and standardization, inadequate transport facilities, presence of a large number of middlemen, malpractices in unregulated markets, inadequate market information and inadequate credit facilities.

Mahendran (2013) has undertaken an empirical evaluation of the performance of regulated markets in Coimbatore district. Results of the study revealed that majority of the farmers prefer regulated market for disposing off their agricultural produce, but the preference to regulated markets for disposing agricultural produce is significantly related to the type of ownership of the land, type of market and type of membership. At the same time some of the farmers do not prefer regulated market from



selling their produce because of hostile attitude of members, inaccessibility, limited and poor service of the regulated market.

Narayanamoorthy et al. (2013) conducted a district-level study on agriculture market access, infrastructure and value of output nexus, using data from 235 Indian districts pertaining to the period TE 2003-06. The variables that were used for carrying out the empirical analysis were average distance of agricultural market, number of wholesale markets, net sown area per agricultural market, percentage of villages electrified, fertilizer use per hectare of cropped area, percentage of irrigated area to gross cropped area, percentage of villages having road facility, tractors per thousand gross cropped area and value of agriculture output per hectare of cropped area. Both descriptive and regression analysis have been used for this study.

CONCLUSION

This is a market information network, computerization of APMC's in the state, the Karnataka has taken initiative in enabling the farmers, market functionaries and consumers to have instant access to market information through its website "KRISHI MARATA VAHINI" the online Agricultural Marketing Channel. There is a regular updating of, information which is available on this website through on-line by the



market committees. This has empowered the farmers and other stakeholders in the marketing chain to take the right marketing decisions. The information available on this website are arrivals and prices of important commodities, the number of notified commodities in all the APMC's in Karnataka (113), the number of markets covered (155), number of markets adopted computers (155) and number of staff trained in computer.

The e-tender system was first introduced in 2006-07 on pilot basis for paddy in the Mysore regulated market; it was further extended to 11 commodities in 2010. It is now operational in 42 regulated markets in the state. The new system aims at increasing marketing efficiency by enhancing transparency in the bidding process and reducing the time required for finalizing the tender quotes. This apart, the system is expected to increase competitiveness in agricultural marketing, reduce collusion among traders, facilitate quick payment settlement and reduce market fee evasion.

The state had issued spot exchange licence to NSPOT of NCDEX, NSEL of MCX and Reliance Spot exchange infrastructure. Of the 3 exchanges that had come forward to take up spot trading only NSPOT of NCDEX is functioning in the State. NSPOT is a fully owned subsidiary of NCDEX Limited. NCDEX is a leading futures exchange dealing with agricultural



and non-agricultural products. More than 80% of the turnover on the Exchange is derived from agricultural commodities.

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