

## CHAPTER 2

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# REVIEW OF LITERATURE

Available literature on this subject has been classified into four groups: (i) literature relating to the international experience, (ii) literature relating to the national experience, (iii) literature relating to the regional experience and (iv) literature relating to the Barak Valley experience. Let us first sketch out studies relating to the international experience.

### **2.1 Agricultural Marketing: The International Experience**

Shepherd (2004) explained as to how traders and processors of grains and horticultural produce in Asia finance their marketing activities and how they use that finance. He observes that lack of working capital is probably not a major constraint to the functioning of agricultural marketing systems in Asia. Nevertheless, millers, in particular, do appear to experience problems in accessing investment capital. A feature of most agricultural marketing systems is the existence of many vertical financial linkages, pivoting around millers in the case of grains and wholesale market traders in the case of horticultural produce. He also explained the importance of financial linkages and problems with institutional finance. He noted that traders rely mainly on own funds, advances from millers or wholesalers, acceptance by farmers of deferred payments and, in times of peak financing requirements, moneylenders. Working capital finance requirements are greater for those dealing with non-perishable commodities. While traders dealing in perishable horticultural products turn over their capital in a matter of a few days, or can rely on farmer finance for that period, those dealing in storable products such as paddy, potatoes, onion or garlic require finance of a longer duration.

Financial arrangements within agricultural marketing systems, and between those systems and farmers, are complex and funds flow in both directions. They depend for their success on personal knowledge of and longstanding trade relations with the other

party and, ultimately, on trust. Such arrangements can reduce the transaction costs involved with buying and selling produce and, by minimising the need for external finance, may serve to retain resources within the marketing system. Any proposals to address perceived problems within the production-marketing system through financial interventions need to recognise the complexity of existing financial relationships and consider the implication of changes, not just on those being targeted but on all stages of the marketing chain.

Hendriks (1994) examined the "mutually beneficial" trader and credit relationships in Cebu island in the Philippines. This unique relationship is locally called as *suki* (regular customer). She notes that credit is the "pivot" of trade and that "tied loans" for vegetables reach all the way from the central wholesale market to retailers and consumers in one direction and to farmers in the other. *Suki* credit linkages serve primarily to bind people in order to ensure regular supply and disposal of produce.

Crow and Murshid (1994) however, did not find any "mutually beneficial" trader and credit relationship in Bangladesh. Unlike Hendriks, Crow and Murshid rather observed the credit tie up as a way in which the larger, more-powerful traders tie smaller traders to them. An initial loan requires that all subsequent trade be conducted with the lender until the loan is repaid. The authors see this as establishing a "personalized monopsony or monopoly. Tied loans are common in both directions of the marketing chain, e.g. from a miller or rice broker to a rice retailer or from a miller to a small trader collecting paddy from farmers. Such loans were found to be more common in the relatively remote areas of Bangladesh where there is less market competition.

Kang (2005) observed that compared to the industrial sector, agriculture is exposed to many more unpredictable risks and uncertainties. Through the supply chain, from the stage of production to marketing, agriculture performance is highly dependent on many exogenous variables. Loss of safety nets on account of global free trade and changes in domestic agricultural policy has only added to the vulnerability. He examined the use of 'market' based instruments for managing agriculture price risk. Market based mechanisms essentially entail shifting risks to entities who are in a better position and more willing to bear them. It must be noted that some of these

instruments effectively serve as an alternate agri-marketing system. They also provide agri-infrastructure and can be of relevance in many strategic agri-planning decisions.

Commodity price risk management is not a new idea. Over the last two decades commodity prices have been more volatile than the prices of manufactured goods. The prices earned on international commodity markets impact the government's fiscal revenue, public expenditure, foreign reserves and its creditworthiness and are thus of prime importance to the domestic economy. He noted that over the past half century, the international community and governments have attempted to manage commodity price risks by stabilizing price volatility or making the price distribution less variable through market interventions. He explained the concept of future contracts and cash markets. Forward contracts allow the seller or buyer of a commodity to set the price of a given quantity in advance through privately negotiated mechanisms. The mechanisms of forward contracts and contract farming reduce price uncertainty to a certain extent.

However agriculture insurance is more commonly used for non-market related perils like crop losses from climatic disasters, pest attacks etc. Application of insurance in managing price risks is more seen in revenue management and under contract farming arrangements. Price insurance is more effective for those products for which objective price data is available. To avoid moral hazard and adverse selection problems, loss assessment should be based on a reference price (futures price, spot market price) which cannot be influenced by the farmer.

Mathema (2001) observed that the agricultural marketing is still given a low priority as compared to production in the national agricultural development plan in many developing countries of Asia. Agricultural marketing is not considered as a service industry. Hence, the marketing does not receive facilities and supports as other industry counterparts. Improved access to market through development of physical and institutional infrastructure especially rural roads, improved farm storage, rural agro-industries, mountain farm development and promotion of non-farm rural enterprises is a precondition for overall development of the agricultural sector.

Yinsheng and Yupeng (2001) argued that the full availability of inexpensive food and raw materials from and large share of employment in agriculture strongly supported the national economic growth and social stability in China. The regionalization of

agriculture will be in line with the comparative advantage principle, according to which the coastal area will develop export-oriented agriculture, the central inland area will concentrate on commodity grain production, and the west inland area will develop pasture and forestry. They also observed that China's agricultural development has transited from a stage of scarce economy to one of supply-demand balance, where oversupply exists in the year of bumper harvest. Agricultural development from has not only been constrained by resource endowment but also by market conditions.

Pribadi (2001) suggested for partnership between the private and public sectors for the development of agricultural marketing in a country. As the development of agricultural marketing is largely depended on the development of rural infrastructure, the author also emphasised for the faster growth of the latter.

Kindness and Gordon (2001) studied the experiences of non-governmental and community-based organizations (NGOs and CBOs, respectively) in agricultural marketing initiatives. Many NGOs target the rural poor, whose ability to access remunerative markets is a critical determinant of incomes and well-being. Evidence on NGO or CBO agricultural marketing interventions in sub-Saharan Africa and, to a lesser extent, other developing regions, is reviewed, concentrating principally on access to domestic markets. Marketing interventions are reviewed in relation to potential components of their design: intended beneficiaries; access to inputs; agro-processing technologies; credit programmes; marketing linkages; marketing information; and holistic approaches. The authors end on a note of caution stressing the need to improve market access for the poorest communities but recognizing that this will not be easy. Economic reforms have had sweeping impacts on agricultural markets in developing countries. The absence of key markets, risk aversion, high transaction costs and the dual role of agricultural households as producers and consumers are critical features. The marketing system depends on both physical and institutional Infrastructure. They noted that when extension agents, researchers and development organizations working in rural areas ask farmers to prioritize their problems, agricultural marketing is repeatedly raised as one of the most important problems faced.

A number of NGOs/CBOs have established small businesses to generate income to finance their other programmes and reduce donor dependence. CBOs and NGOs can also be more directly responsible for marketing activities. There are many different ways in which NGOs or CBOs may intervene to improve access to agricultural markets. They may work with the intended beneficiaries for the upgradation of their skills and training. They may provide access to agricultural inputs by purchasing them in bulk and supplying to the peasants through primary cooperative societies (PAC). They may procure new agro-processing technologies and help in modernizing the agro-processing sector. They may establish marketing linkages and organize credit programmes. They may collect marketing information and disseminate the same to the grassroots people.

Crawford (1997) has explained the importance of Marketing Information System (MIS) in the expansion of trade and business. The model of an MIS begins with a description of each of its four main constituent parts: the internal reporting systems, marketing research system, marketing intelligence system and marketing models. Marketing information systems are intended to support management decision making. Management has five distinct functions and each requires support from an MIS. These are: planning, organizing, coordinating, decisions and controlling. Information systems have to be designed to meet the way in which managers tend to work. Research suggests that a manager continually addresses a large variety of tasks and is able to spend relatively brief periods on each of these. Given the nature of the work, managers tend to rely upon information that is timely and verbal (because this can be assimilated quickly), even if this is likely to be less accurate than more formal and complex information systems. Three levels of decision making can be distinguished from one another: strategic, control (or tactical) and operational. Again, MIS has to support each level. Strategic decisions are characteristically one-off situations. Strategic decisions have implications for changing the structure of an organization and therefore the MIS must provide information which is precise and accurate. Control decisions deal with broad policy issues and operational decisions concern the management of the organization's marketing mix.

However, Crawford's model can better explain the use of MIS in industries and businesses. Although MIS is equally important for agricultural marketing, its uses are

limited to the extent of sharing of market information based on which individual farmers can arrived at the informed decision.

Diao, et al. (2007), in their report, provide a nuanced perspective on debates about the potential for Africa's smallholder agriculture to stimulate growth and alleviate poverty in an increasingly integrated world. The report synthesizes both the traditional theoretical and empirical literature on the role of agriculture in the development process and discusses more recent literature that reflects skepticism about the development potential of agriculture for Africa. The report provides a typology of African countries based on their stage of development, agricultural conditions, natural resources, and geographic location. This typology highlights that the growth and poverty-reduction potential of agriculture varies substantially across the continent. Moreover, the typology provides the framework for in-depth analysis of agriculture and growth-poverty linkages in five countries (Ethiopia, Ghana, Rwanda, Uganda, and Zambia) via economy-wide, macro-micro linkage models. The report shows that despite recent skepticism, agricultural growth is still important for most low-income African countries.

Gilbert et. al. (2013), have made an attempt to explore and quantify the contribution of agricultural exports to economic growth in Cameroon. It employs an extended generalized Cobb Douglas production function model, using food and agricultural organization data and World Bank Data from 1975 to 2009. They have shown that the agricultural exports have mixed effect on economic growth in Cameroon. Coffee export and banana export has a positive and significant relationship with economic growth. On the other hand, cocoa export was found to have a negative and insignificant effect on economic growth. Based on their findings, it is recommended that policies aimed at increasing the productivity and quality of these cash crops should be implemented.

Krishna (1965) has reported some simple but significant empirical marketable surplus relations for a single subsistence crop estimated from available Indian cross-section data, and discussed their implications. The overall policy implication of his analysis is that it is best for Governments to concentrate on inducing increase in farm output without any special discrimination in favour of small or large farms. The nature of the marketable surplus function is such, in most areas that the usual arguments for

discrimination in favour of large farms do not hold. Even with the farm structure remaining what it is, output increases will lead to more than proportionate increase in marketable surplus without a discriminatory or coercive policy.

Rasak and Amusat (2012), have assessed the efficacy of radio agricultural commodities trend programme among farmers in Nigeria. One Hundred and Thirty Nine farmers from four farm settlements were randomly selected and interviewed and data analysed using descriptive and inferential statistics. Results indicate that most farmers were middle aged, male, married and having 11 to 15 years of formal education. More farmers have favourable disposition to the radio programme while farmers' disposition were highest in areas of enhancement of farmers' bargaining power and boost in products' sale. Farmers benefited most from increased income and least from reduced market risks. Farmers' education, age, and gender have no significant relationship with perceived efficacy and benefits, respectively. The radio agricultural commodities trend programme proved effective from farmers' favourable disposition and therefore should be sustained and broadcast for longer duration for effective extension advisory services delivery capacity to guarantee sustainable livelihood in rural areas.

Shepherd (1997) argued that even countries in which the private sector plays a thriving role in agricultural marketing, a greater measure of official assistance is needed in areas such as legislation, infra-structure provision, marketing extension and Market Information Services. Efficient market information provision can be shown to have positive benefits for farmers, traders and policymakers. Up-to-date, or current, market information enables farmers to negotiate with traders from a position of greater strength. It also facilitates spatial distribution of products from rural areas to towns and between markets. Well-analysed historical market information enables farmers to make planting decisions, including those related to new crops. It also permits traders to make better decisions regarding the viability of intra and, perhaps, inter-seasonal storage. Moreover, information of this type assists agricultural planners and researchers and can make an important contribution to early warning of impending food security problems. Market information can be regarded as a public good, particularly where there are numerous small farmers who are unable to pay for information. The availability of timely and accurate information to all interested parties is therefore essential, whether it be provided by the government itself or by the

private sector. Many countries have attempted to provide market information but their success rate has been poor.

UNCTAD (2013) report proposes a framework that adds employment as a critical ingredient. The focus is on setting in motion a virtuous cycle where investment boosts growth, and growth creates productive employment. Productive employment, in turn, implies increasing incomes for workers, giving rise to consumption that supports the expansion of aggregate demand. Sufficiently dynamic aggregate demand, for its part, creates incentives for new investment, repeating the cycle at a higher level of investment, growth, employment and income.

Vaswani, et. al. (2003) argued that so far as agricultural marketing is concerned, attempts need to be made to gradually move the current supply driven production system to a demand driven system, which will include both quantity and quality of the agricultural produce. This would mean imparting market-orientation to Indian agriculture through interventions like dissemination of market information, promoting competition and transparency in agricultural produce markets and linkage with agro-processing sector. However, promoting market-oriented agriculture production should not be attempted at the cost of employment generation and food security particularly in the Indian context. The growing phenomena of globalization and its gradual liberalization in India have triggered the process of vertical coordination in Indian agriculture. Resultantly, different steps in production, processing and marketing will become interdependent and farmer will also become a part of the larger food production system in due course of time. The development of agricultural marketing network is a *sine qua non* for agricultural growth in the developing countries. However, agricultural marketing is still given a low priority as compared to production in the national agricultural development plan. As agricultural marketing is not considered as a service industry, hence, it does not receive facilities and supports as other industry counterparts. Chinese experience shows that national agriculture production planning should factor into prospects of marketing. An integration of finance and marketing can only provide necessary resilience to agricultural production and marketing linkages. Tied loans from miller to farmer in the value chain of production, and from whole seller to retailer in the value chain of consumption is found to have integrated the production and marketing under private sector. However, it is felt that a partnership between the private and public sector can only strengthen



the agricultural marketing network in developing countries. CBOs and NGOs could also play a pivotal role in organizing agricultural marketing in developing countries. Studies have found that contract farming as an unique system that integrates both production and marketing and eliminates the market risks for both the producers and business.

It has been noted that the use of Marketing Information System (MIS) in case of marketing of agricultural produce would certainly help the farmers in fetching better price for their goods. It has been observed that agricultural growth is still important for most low-income countries. The empirical analysis in the various country case studies finds that the pro-growth and pro-poor performance of agriculture will continue to depend on the broad participation smallholder farmers, and that food staple growth generates more poverty reduction than other agricultural subsectors do. It has been established beyond doubt that agriculture generates growth. It has been observed that given the farm structure, output increases would lead to more than proportionate increase in marketable surplus without a discriminatory or coercive policy. Thus, governments can encourage growth of agriculture across all size class of holding which would in turn increase the marketable surplus of agricultural produces. In order to strengthen the agricultural marketing, besides private initiatives, governments have to play a key role in providing a regulatory framework within which private players would operate. Moreover, governments also need to facilitate the development of vertical integration from local to national markets for agricultural goods.

## **2.2 Agricultural Marketing: The National Experience**

There is no dearth of literature on Indian agriculture. However, unlike production and productivity, issues relating to agricultural marketing have not received adequate attention from the academia.

Narain (1957, 1965, 1971, 1972 ) one of the pioneer on studies on Indian agriculture, who served as the Chairman of Agricultural Price Commission, had studied in detail the impact of price movement on the cropping pattern, capital formation in

agriculture, problems and policies relating to rice cultivation, growth and imbalances in Indian agriculture.

Shetty (1990), Mallick (1993), Gandhi (1990, 1996), Kumar (1993), Misha and Chand (1995), Mishra (1996), Mitra (1997) and Chand (2000) have studied in detailed the causes of decline in private capital formation in agriculture. These studies have observed that decline in public investment in agriculture since 1980s has also resulted in negative impact on the private investment and the end result is the stagnation of the agriculture sector. Reduced public sector investment, adverse terms of trade, low per capita income growth, low rate of household saving, small holding size, lack of institutional finance, are some of the factors that have been identified as causes of decline in capital formation in Indian agriculture.

Gulati and Bathla (2001), Mundalak, et al (2000) have made an attempt to assess the contribution of capital formation on agricultural output. These studies have established that the private capital formation in agriculture depends on public capital formation.

Alagh and Sarma (1980), Bandyopadhyay (1996), Chattopadhyay (1983), Minhas and Vaidyanathan (1965), Rath (1980), Sen (1971), Srinivasan (1979), Vaidyanathan (1977, 1987), Vyas (1996) have discussed crop diversification, crop intensity, and dimensions of growth in Indian agriculture. Issues relating to the political economy of Indian agriculture, growth of capitalist farming, growth and labour relationship, growth and credit relationship, growth and ownership relationship, farm size and productivity relationship have been captured in studies by Bardhan (1973), Bardhan and Rudra (1978), Bhaduri (1973), Bhalla and Sing (1997), Bhalla and Alagh (1979), Bharadwaj (1974), Dandekar (1994), Mellor and Desai (1986) and Patnaik (1972).

Mohanakumar (2008) analysed the situation of agricultural labourers in the crisis affected districts of Kerala namely Wayanad, Laukki and Palakkael. He also reviewed the performance of the welfare schemes for agricultural labourers which were implemented through the Agricultural Workers Welfare Fund Board.

Rawl (2008) observed that in the past research on land distribution in rural India had pointed out that the surveys by the National Sample Survey Organization (NSSO) yielded underestimates of the extent of land inequality and landlessness. In a fresh

analysis Rawl, using household level data from the 48<sup>th</sup> and 59<sup>th</sup> rounds (1992 and 2003-04) of the NSSO, finds that more than 40 percent of households in rural India do not own land, as much as 15 million acres is in ownership holding of more than 20 acres and inequality in ownership has worsened between 1992 and 2003-04.

Mukherjee (2008) talks about the relative contributions of the scale, structural, and intensity effects on the total change of electricity consumption in 18 major states in India. This analysis is based on secondary cross section data of the sectoral electricity consumption and sectoral output share for three bench mark years 1990-91, 1995-96 and 2000-01. In the study, large variations among the states have been found in the identified effects for the early 1990s and post 1990s.

Mukesh, et al (2009) examined the evolution of poverty in India through the prism of agricultural wages and employment. They have linked the movement in wages to the fundamental process of sectoral labour flow that underlies economic development. They observed that despite the rapid growth of the non-farm sector, its success in drawing labour from land has been limited. Yet agricultural earnings have increased, demonstrating the pivotal role of agricultural productivity. The stock of the labour force already locked into agriculture is large and the best way to improve the living standards would be to boost farm productivity.

Acharya (2001) explained that the agricultural marketing system plays an important role in determining the prices received by the farmers and those paid by the consumers. The performance of the marketing system depends on the structure of the market and on the conduct of the market functionaries. Government intervention in agricultural markets is intended to influence both the structure and conduct and, in turn, the performance of the market. He noted that an efficient marketing system can play an important role in supplying yield-enhancing modern inputs at reasonable prices and in assuring remunerative prices for their meagre surpluses. Efficient output and input markets can play an important role in reducing the price risks for small farmers. In India, the government offers support prices for 24 agricultural commodities, but farmers are free to sell their produce in the open market. The government's designated agencies purchase farmers' produce only when market prices are lower than the support prices and farmers voluntarily offer their surpluses to the government agencies. Government agencies' share in handling agricultural

commodities overall has been about 8 percent, the remaining quantities being handled by private trade or cooperatives. The farmer's cooperatives handle about 9 percent of the total marketed surplus. The government's share in rice and wheat trade is higher at about 15 percent. Rice and wheat purchased by the government at support prices are distributed to targeted consumers at pre-determined prices through private designated retail shops.

Acharya (2004) noted that agricultural marketing system is the critical link between farm production sector on the one hand and non-farm sector, industry, and urban economy on the other. An efficient marketing system helps in optimization of resource use, output management, increase in farm incomes, widening of markets, growth of agro-based industry, addition to national income through value addition, and employment creation.

In India, agricultural commodities move from the farm gate to consumers through several channels. Marketing channels for agricultural commodities vary from commodity to commodity but can be broadly divided into four groups viz., (a) direct from farmers to consumers; (b) through public agencies or cooperative organizations; (c) through private wholesalers and retailers; and (d) through processors. Acharya also observed that the market orientation of Indian farmers has, during the last fifty years, increased manifold both in terms of forward and backward linkages. The marketing system is now required to handle large volumes of agricultural products on account of both increases in output as well as increase in marketed-surplus to output ratios (MSOR). The overall MSOR is estimated to have gone up from 33.4 percent in 1950-51 to 64.1 percent in 1999-00 and is expected to have increased further to around 70 percent in recent years. The marketed quantities in 2000-01 were ten times of that in 1950-51 for cereals, 4.6 times for oilseeds, 5.3 times for milk, 15.4 times for poultry products and 7.4 times for fish. The marketed surplus in 2000-01 was valued at Rs. 4037 billion.

The Working Group of the Planning Commission (2007) on Agricultural Marketing Infrastructure and Policy Required for Internal and External Trade for the XI Five Year Plan 2007-12 identified the bottlenecks in the domestic marketing system, assessed the size of agricultural markets and supply chain for different farm products and reviewed the working of agricultural markets and wholesale mandies. The

Working Group also looked at the emerging alternative marketing channels and vertical linkages of marketing groups of farmers with retail and terminal markets and processors. Market information system and existing institutional infrastructure for human resource development in marketing and agribusiness were also analyzed. The Group also reviewed the export performance and identified the constraints in promoting exports of agricultural commodities.

Based on the comprehensive analysis of existing marketing and external trade system, current policies and experience of implementation of various schemes during the past and the X Five Year Plan period, the Group has come out with several recommendations. The main focus of the Working Group in identifying its recommendations had been on (a) improving the efficiency of the marketing system and reducing the costs of marketing, particularly the avoidable waste in the marketing chain; (b) to help value addition at the farm and village level as well as at the secondary level for creating employment in rural areas/small towns and for expansion of the demand for farm products; (c) to develop markets but with less regulation; and (d) to segregate products according to quality and increase quality consciousness both among the farmers and actors along the value-chain. The Working Group, while framing its recommendations, recognized that there are three essential/necessary requirements for evolving an efficient agricultural marketing system in India. These are (a) continuous evolution, perfection and transfer of science and technological inputs in agricultural marketing; (b) introduction of 'scale' in agricultural marketing for reaping the benefits of economies of scale; and (c) continuously refining and putting in place a conducive policy and regulatory framework, including withdrawal of the state in many areas.

Kolanu and Kumar (2004) studied the current status of the market for agricultural inputs especially for chemical fertilizers and pesticides within India as a background for understanding the greening initiatives in the country. They highlighted the agricultural greening initiatives in India by focusing on both the markets for green inputs and outputs. Green inputs into agriculture include bio-fertilizers, bio-pesticides, compost, Farm Yard Manure (FYM), green manure etc. Demand for green agricultural products is a stimulant for growth for input market. In other words if there is demand in market for organically produced farm products, this will encourage

farmers to implement the organic farming practices and also to use organic input like bio-fertilizers, bio-pesticides, varmi-compost, green manure and FYM.

The major organically produced agricultural crops in India include crops like plantation, spices, pulses, fruits, vegetables and oil seeds etc. Major export market for Indian producers are Australia, Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Singapore, South Africa, Saudi Arabia, UAE, UK, and USA. Estimated quantity of various products that are exported from India in 2002 are Tea, Coffee, Spices, Rice, Wheat, Pulses, Oil Seeds, Fruits & Vegetables, Cashew Nut, Cotton, Herbal Products.

In general, the sale of organic produces is limited to metros like Mumbai, Delhi, Kolkata, Chennai, Bangalore and Hyderabad. The current domestic green products market demand is mainly for fruits, vegetables, rice and wheat. Other products include tea, coffee and pulses. However, the demand for green agriculture in India is not growing at a pace to enhance its market attractiveness so as to motivate larger section of farming community to opt for organic agriculture. To build green agricultural input market in India it is not sufficient to incentivize production but there is a need to focus efforts in generating market demand.

Thus, agricultural marketing system is the critical link between farm production sector on the one hand and non-farm sector, industry, and urban economy on the other. Marketing channels for agricultural commodities in India can be broadly divided into four groups viz., (a) direct from farmers to consumers; (b) through public agencies or cooperative organizations; (c) through private wholesalers and retailers; and (d) through processors. The lion's share of the agro-products is marketed through private wholesalers and retailers.

For efficient agricultural marketing system in India, it has been suggested to undertake: (a) continuous evolution, perfection and transfer of science and technological inputs in agricultural marketing; (b) introduction of 'scale' in agricultural marketing for reaping the benefits of economies of scale; and (c) continuously refining and putting in place a conducive policy and regulatory framework, including withdrawal of the state in many areas.

### **2.3 Agricultural Marketing: The Regional Experience**

Agricultural marketing is indeed a major problem in North Eastern Region (NER). Due to the lack of state marketing agencies, private operators play the pre-dominant role in the procurement of agricultural produces. However, in the absence of competition among the marketing agencies, farmers hardly receive remunerative prices for their produce. Not many studies have been undertaken to capture this dimension of agricultural marketing in the region.

Sharma (1984) analyzed the problems and prospects of marketing in tribal areas. He explained as to how tribals are gradually integrated with the market system. Transactions in tribal areas used to take place in terms of barter. The level of marketable surplus in tribal areas was not significant enough that warranted a regular market. The business in each village was small. Thus, through trader villagers in tribal areas were integrated with the market. Later, in some areas, initially occasional and then regular markets appeared in order to meet the requirement of frequent transactions.

Agarwal (1984) explained the problems of agricultural marketing in north eastern region. He observed that the institution of market for agricultural goods have not been properly developed in the region. Farm products are underpriced in the local markets and hence the farmers do not get remunerative prices. This discourages the farmers to expand their production. He suggested for strengthening the linkages between the rural and urban regulated markets.

Chakraborty (2009) observed that agricultural marketing is one of the important segments of rural market. Efficient agricultural marketing is essential for the development of the agricultural sector. Marketing of agricultural inputs plays an important role in agricultural development as it relates to the pre-harvest requirements of the cultivators. He noted that although market mechanism is exploitative, it is extremely essential for the disposal of agricultural surplus. He stressed the fact that well-developed agricultural marketing network is essential particularly for areas which are industrially backward. In the context of Tripura, Chakraborty observed that the regulated markets are not functioning properly and essential services like grading, standardization, storage and marketing finance are all wanting. He noted that grading of agricultural products is done by the traders and thus in the process the farmers

suffer the loss. He advocated for contract farming for cash crops like sugar, cotton, jute, etc. However, he felt that contract farming helps the cultivators only when there is organized mechanism for market mechanism. He also emphasized the development of road network between the points of production and marketing. Besides, road connectivity, he also emphasized the development of other infrastructure required for agricultural marketing like cold storage, ware house, refrigerated container, etc. He observed that Tripura being predominantly agricultural economy, small farm holdings contribute substantial portion of marketed surplus.

Bhattacharjee (2009) observed that North East is a backward region of India. The smaller size of agricultural holding stands on the way of modernization of agriculture in Barak Valley in the region. The Valley is not self-sufficient in foodgrains production and hence is dependent on the supply from outside. Recurrence of flood is a major problem that stands on the way of capital accumulation in agriculture in the Barak Valley.

Concerning the agricultural situation of Assam, Goswami (1988) has given an account of the status of the various sectors including the conditions of agriculture in Assam.

Rajput (2005) has made a recent study of the economy of Assam. He tried to analyze the inter-sectoral linkages and its role in the development of the economy of Assam.

Studies exclusively on the agriculture of Assam include Bora (1993), Gogoi (1993), Saikia (1982) and Bhagabati and Das (1993). They explained the constraints of agricultural development and the role of irrigation for the development of the agricultural sector in Assam economy.

Bezbaruah (1994) analyzed the technological transformation of the agriculture in Assam. Rahman and Singh (1995) have dealt with the regionalization and growth of agriculture in Assam. Phukan (1992) focused on the role of agriculture in the economic development of Assam.

## **2.4 Agricultural Marketing: The Barak Valley Experience**

There are not many studies available on the condition of agriculture in Barak Valley region of Assam. Roy and Bezbaruah (2002) have outlined the course of agricultural



development in the Barak Valley region of Assam. The authors have studied the conditions of agriculture in the Barak Valley and then identified the factors affecting the adoption of improved agricultural practices. The authors have also made an elaborate suggestion for the improvement of the status of agriculture in the Valley.

Laskar (2009) gave a historical account of the development of the Barak Valley covering both the pre and post colonial period. He gave an account of the land-settlement system in Sylhet-Cachar region during Samatata, Tripuri and Kamarupi rule in the first millennium of Christian era. He traced back the historical process of the growth of agriculture in the Valley.

Roy (2009) noted that agriculture is the main occupation of the people in Barak Valley. The sectoral composition of the economy of the Valley confirms a strong agricultural bias. Agriculture contributed 33.1 per cent of Gross District Domestic product (GDDP) and primary sector contributed 38.3 per cent of the same during 2000-01. The sectoral composition of (GDDP) of Barak Valley has a strong resemblance to the sectoral composition of Gross State Domestic Products (GSDP) of Assam. Of course, for the state as a whole too agriculture and primary sector still constitute the mainstay. However, for Barak valley the occupational pattern seems to have shifted too slowly. A striking feature of cropping pattern of Barak Valley region is the predominance of paddy. He suggested that productivity revolution in agriculture along with diversification to commercial crops, agri-business, processing industries and agro-exports will generate abundant employment in the rural sector. The transformation of rural sector will stimulate the process of urbanization in the region leading to expansion of the consumer goods and service sectors.

Rakshit (2009) emphasised on the importance of diversification of agriculture in Barak Valley for its transition from tradition to modernity. He harped upon the role of credit in diversifying agricultural and allied activities.

## **2.5 Conclusion**

Thus, agricultural marketing poses a serious problem in the North Eastern Region in general and Assam in particular. The institutions for marketing of agricultural goods

have not been properly developed in the region. Farm products are underpriced in the local markets and hence the farmers do not get remunerative prices. This discourages the farmers to expand their production. In most cases the regulated markets do not function properly and essential services like grading, standardization, storage and marketing finance are all wanting. As the grading of agricultural products is done by the traders, in the process the farmers suffer the loss. As a result the institution of direct marketing would be beneficial for the farmers as this process eliminates the middlemen in the agricultural marketing system. However, experts are of the view that diversification of agriculture might be beneficial for the cultivators as it would allow the farmers to compensate the price crash in one good by the price boom in another.

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