LECTURE NOTES: AGRICULTURAL MARKETING

Market: Meaning:

The word market comes from the latin word „marcatus" which means merchandise or trade or a place where business is conducted. Word „market" has been widely and variedly used to mean (a) a place or a building where commodities are bought and sold, e.g., super market; (b) potential buyers and sellers of a product, e.g., wheat market and cotton market; Some of the definitions of market are given as follows:

1. A market is the sphere within which price determining forces operate.
2. A market is area within which the forces of demand and supply converge to establish a single price.
3. The term market means not a particular market place in which things are bought and sold but the whole of any region in which buyers and sellers are in such a free intercourse with one another that the prices of the same goods tend to equality, easily and quickly.
4. Market means a social institution which performs activities and provides facilities for exchanging commodities between buyers and sellers.
5. Economically interpreted, the term market refers, not to a place but to a commodity or commodities and buyers and sellers who are in free intercourse with one another.

Components of a Market:

For a market to exist, certain conditions must be satisfied. These conditions should be both necessary and sufficient. They may also be termed as the components of a market.

1. The existence of a good or commodity for transactions(physical existence is, however, not necessary)
2. The existence of buyers and sellers;
3. Business relationship or intercourse between buyers and sellers; and
4. Demarcation of area such as place, region, country or the whole world. The existence of perfect competition or a uniform price is not necessary.

Dimensions of a Market:

There are various dimensions of any specified market. These dimensions are:

1. Location
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

Market structure
Meaning:

The term structure refers to something that has organization and dimension – shape, size and design; and which is evolved for the purpose of performing a function. A function modifies the structure, and the nature of the existing structure limits the performance of functions. By the term market structure we refer to the size and design of the market.

1. Market structure refers to those organizational characteristics of a market which influence the nature of competition and pricing, and affect the conduct of business firms;
2. Market structure refers to those characteristics of the market which affect the traders" behaviour and their performances;
3. Market structure is the formal organization of the functional activity of a marketing institution.

An understanding and knowledge of the market structure is essential for identifying the imperfections in the performance of a market.

Components of Market Structure:

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

1. Concentration of market power:
2. Degree of product differentiation:
3. Conditions for entry of firms in the market:
4. Flow of market information:
5. Degree of integration:

Dynamics of Market Structure – Conduct and performance:

The market structure determines the market conduct and performance. The term market conduct refers to the patterns of behaviour of firms, especially in relation to pricing and their practices in adapting and adjusting to the market in which they function.
Specifically, market conduct includes:

(a) Market sharing and price setting policies;
(b) Policies aimed at coercing rivals; and
(c) Policies towards setting the quality of products.

The term market performance refers to the economic results that flow from the industry as each firm pursues its particular line of conduct. Society has to decide the criteria for satisfactory market performance. Some of the criteria for measuring market performance and of the efficiency of the market structure

For a satisfactory market performance, the market structure should keep pace with the following changes:

1. Production pattern:
2. Demand pattern:
3. Costs and patterns of marketing functions:

4. Technological change in Industry:

Agricultural Marketing:

Concept and Definition:

The term agricultural marketing is composed of two words-agriculture and marketing. Agriculture, in the broadest sense, means activities aimed at the use of natural resources for human welfare, i.e., it includes all the primary activities of production. But, generally, it is used to mean growing and/or raising crops and livestock. Marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. It includes all the activities involved in the creation of time, place, form and possession utility. According to Thomsen, the study of agricultural marketing, comprises all the operations, and the agencies conducting them, involved in the movement of farm-produced foods, raw materials and their derivatives.

Objectives of the Study:

A study of the agricultural marketing system is necessary to an understanding of the complexities involved and the identification of bottlenecks with a view to providing efficient services in the transfer of farm products and inputs from producers to consumers.

Scope and Subject Matter of Agricultural Marketing:

Agricultural marketing in a broader sense is concerned with:

- The marketing of farm products produced by farmers
- The marketing of farm inputs required by farmers in the production of farm products

Subject of agricultural marketing

This includes product marketing as well as input marketing. The subject of output marketing is as old as civilization itself. The importance of output marketing has become more conspicuous in the recent past with the increased marketable surplus of the crops following the technological breakthrough. The farmers produce their products for the markets. Input marketing is a comparatively new subject. Farmers in the past used such farm sector inputs as local seeds and farmyard manure. These inputs were available with them; the purchase of inputs for production of crops from the market by the farmers was almost negligible. The new agricultural technology is input-responsive. Thus, the scope of agricultural marketing must include both product marketing and input marketing.

Specially, the subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and costs, price spread and market integration, producer‟s surplus, government policy and research, training and statistics on agricultural marketing.

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. Perish ability 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.

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.

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.

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.

Price Signals:

An efficient marketing system helps the farmers in planning their production in accordance with the needs of the economy.

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, etc.

Addition to National Income:

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

Better Living:

The marketing system is essential for the success of the development programmes which are designed to uplift the population as a whole.

Creation of Utility:

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.

(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.

Classification of Markets:

Markets may be classified on the basis of each of the twelve dimensions mentioned below.

1. On the basis of Location:

On the basis of the place of location or operation, markets are of the following types:

a) **Village Markets:** A market which is located in a small village, where major transactions take place among the buyers and sellers of a village is called a village market.

b) **Primary wholesale Markets:** These markets are located in big towns near the centers of production of agricultural commodities. In these markets, a major part of the produce is brought for sale by the producer-farmers themselves.

c) **Secondary wholesale Markets:** These markets are located generally in district headquarters or important trade centers or near railway junctions. The major transactions in commodities take place between the village traders and wholesalers. The bulk of the arrivals in these markets is from other markets.

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. Merchants are well organized and use modern methods of marketing. Commodity 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-ports – in Bombay, Madras, Calcutta and Delhi.

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. Examples of these markets in India are Bombay, Madras, Calcutta.

2. On the Basis of Area/Coverage:

On the basis of the area from which buyers and sellers usually come for transactions, markets may be classified into the following four classes:

a) **Local or Village Markets:** A market in which the buying and selling activities are confined among the buyers and sellers drawn from the same village or nearby villages. The village markets exist mostly for perishable commodities in small lots.

b) **Regional Markets:** A market in which buyers and sellers for a commodity are drawn from a 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 are at the national level. National markets are found for durable goods like jute and tea.

d) **World Market:** A market in which the buyers and sellers are drawn from the whole world. These are the biggest markets from the area point of view. These markets exist in the commodities which have a world-wide demand and/or supply.

3. On the Basis of Time Span:

On this basis, markets are of the following types:

a) **Short-period Markets:** The markets which are held only for a few hours are called short-period markets. The products dealt within these markets are of highly perishable nature, such as fish, fresh vegetables, and liquid milk.

b) **Long-period Markets:** These markets are held for a long period than the short-period markets. The commodities traded in these markets are less perishable and can be stored for some time; these are food grains and oilseeds. The prices are governed both by the supply and demand forces.

c) **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. Examples are markets for machinery and manufactured goods.

4. On the Basis of Volume of Transactions:

There are two types of markets on the basis of volume of transactions.

a) **Wholesale Markets:** A wholesale market is one in which commodities are bought and sold in large lots or in bulk. Transactions in these markets take place mainly between traders.

b) **Retail Markets:** A retail market is one in which commodities are bought by and sold to the consumers as per their requirements. Transactions in these markets take place between retailers and consumers. The retailers purchase in wholesale market and sell in small lots to the consumers. 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 people are engaged are of two types:

a) **Spot or Cash Markets:** A market in which goods are exchanged for money immediately after the sale is called the spot or cash market.

b) **Forward Markets:** A market in which the purchase and sale of a commodity takes place at time „t" but the exchange of the commodity takes place on some specified date in future i.e., time t + 1. Sometimes even on the specified date in the future(t+1), there may not be any exchange of the commodity. Instead, the differences in the purchase and sale prices are paid or taken.

6. On the Basis of Number of Commodities in which Transaction Takes place:

A market may be general or specialized on the basis of the number of commodities in which transactions are completed:

a) **General Markets:** A market in which all types of commodities, such as food grains, oilseeds, fiber crops, gur, etc., are bought and sold is known as general market. These markets deal in a large number of commodities.

b) **Specialized Markets:** A market in which transactions take place only in one or two commodities is known as a specialized market. For every group of commodities, separate markets exist. The examples are food grain markets, vegetable markets, wool market and cotton market.

7. On the Basis of Degree of Competition:

Each market can be placed on a continuous scale, starting from a perfectly competitive point to a pure monopoly or monopsony situation. Extreme forms are almost non-existent. Nevertheless, it is useful to know their characteristics. In addition to these two extremes, various midpoints of this continuum have been identified. On the basis of competition, markets may be classified into the following categories:

Perfect Markets: A perfect market is one in which the following conditions hold good:

a) There is a large number of buyers and sellers;

b) All the buyers and sellers in the market have perfect knowledge of demand, supply and prices;

c) Prices at any one time are uniform over a geographical area, plus or minus the cost of getting supplies from surplus to deficit areas;

d) The prices are uniform at any one place over periods of time, plus or minus the cost of storage from one period to another;

e) The prices of different forms of a product are uniform, plus or minus the cost of converting the product from one form to another.

Imperfect Markets: The markets in which the conditions of perfect competition are lacking are characterized as imperfect markets. The following situations, each based on the degree of imperfection, may be identified:

a) **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 a monopoly market when purchasing electricity for irrigation. When there is only one buyer of a product the market is termed as a monopsony market.

b) **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 the duopsony market.

c) **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 having a few (more than two) buyers is known as oligopsony market.

d) **Monopolistic competition:** When a large number of sellers deal in heterogeneous and differentiated form of a commodity, the situation is called monopolistic competition. The difference is made conspicuous by different trade marks on the product. Different prices prevail for the same basic product. Examples of monopolistic competition faced by farmers may be drawn from the input markets. For example, they have to choose between various makes of insecticides, pumpsets, fertilizers and equipments.

8. On the Basis of Nature of Commodities:

On the basis of the type of goods dealt in, markets may be classified into the following categories:

a) **Commodity Markets:** A market which deals in 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 bought and sold are called capital markets; for example, money markets and share markets.

9. On the Basis of Stage of Marketing:

On the basis of the stage of marketing, markets may be classified into two categories:

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:** Markets which collect the produce for final disposal to the consuming population are called consumer markets. Such markets are generally located in areas where production is inadequate, or in thickly populated urban centres.

10. On the Basis of Extent of Public Intervention:

Based on the extent of public intervention, markets may be placed in any one of the following two classes:

a) **Regulated Markets:** 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 is conducted without any set 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 unstandardised charges for marketing functions to imperfections in the determination of prices.

11. On the Basis of Type of Population Served:

On the basis of population served by a market, it can be classified as either urban or rural market:

a) **Urban Market:** A market which serves mainly the population residing in an urban area is called an urban market. The nature and quantum of demand for agricultural products arising from the urban population is characterized as urban market for farm products.

b) **Rural Market:** The word rural market usually refers to the demand originating from the rural population. There is considerable difference in the nature of embedded services required with a farm product between urban and rural demands.

12. On the Basis of Accrual of Marketing Margins:

Markets can also be classified on the basis of as to whom the marketing margins accrue.

Marketing Functions

Any single activity performed in carrying a product from the point of its production to the ultimate consumer may be termed as a marketing function. A marketing function may have anyone or combination of three dimensions, viz., time, space and form. The marketing functions may be classified in various ways. Thomsen has classified the marketing functions into three broad groups. These are:

1. **Primary Functions** : Assembling or procurement
   Processing
   Dispersion or Distribution
2. **Secondary Functions** : Packing or Packaging
   Transportation
   Grading, Standardization and Quality Control
   Storage and Warehousing
   Price Determination or Discovery
   Risk Taking
   Financing
   Buying and Selling
   Demand Creation
   Dissemination of Market Information

3. **Tertiary Functions** : Banking
   Insurance
   Communications – posts &
   Telegraphs
   Supply of Energy – Electricity

Kohls and Uhl have classified marketing functions as follows:

1. **Physical Functions** : Storage and Warehousing
   Grading
   Processing
   Transportation
2. **Exchange Functions** : Buying
   Selling
3. **Facilitative Functions** : Standardization of grades
   Financing
   Risk Taking
   Dissemination of Market
   Information

Huegy and Mitchell have classified marketing functions in a different way. According to them, the classification is as follows:

1. **Physical Movement Functions** : Storage
   Packing
   Transportation

Grading
Distribution

2. **Ownership Movement Functions** : Determining Need
Creating Demand
Finding Buyers and Sellers
Negotiation of Price
Rendering Advice
Transferring the Title to Goods

3. **Market Management Functions** : Formulating Policies
Financing
Providing organization
Supervision
Accounting
Securing Information

Packaging

Packaging is the first function performed in the marketing of agricultural commodities. It is required for nearly all farm products at every stage of the marketing process. The type of the container used in the packing of commodities varies with the type of the commodity as well as with the stage of marketing. For example, gunny bags are used for cereals, pulses and oilseeds when they are taken from the farm to the market.

Meaning of Packing and Packaging:

Packing means, the wrapping and 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..

Advantages of Packing and Packaging:

Packaging is a very useful function in the marketing process of agricultural commodities. The main advantages of packing and packaging are:

1. It protects the goods against breakage, spoilage, leakage or pilferage during their movement from the production to the consumption point.
2. The packaging of some commodities involves compression, which reduces the bulk like cotton, jute and wool.
3. It facilitates the handling of the commodity, specially such fruits as apples, mangoes, etc., during storage and transportation.
4. It helps in quality-identification, product differentiation, branding and advertisement of the product, e.g., Hima peas and Amul butter.
5. Packaging helps in reducing marketing costs by reducing handling and retailing costs.
6. It helps in checking adulteration.
7. Packaging ensures cleanliness of the product.
8. Packaging with labeling facilitates the conveying of instructions to the buyers as to how to use or preserve the commodity. The label shows the composition of the product.

9. Packaging prolongs the storage quality of the products by providing protection from the ill effects of weather, specially for fruits, vegetables and other perishable goods.

Transportation:

Transportation or the movement of products between places is one of the most important marketing functions at every stage, i.e., right from the threshing floor to the point of consumption. The main advantages of the transport function are:

1. Widening of the Market:
2. Narrowing Price Difference Over Space:
3. Creation of Employment:
4. Facilitation of Specialized Farming:
5. Transformation of the Economy:
6. Mobility of the Factors of Production:

Factors affecting the cost of transportation:

Other things remaining the same, the transportation cost of a commodity depends on the following factors:

1. Distance
2. Quantity of the Product
3. Mode of Transportation
4. Condition of Road
5. Nature of Products:
    a) Perishability (e.g., Vegetables);
    b) Bulkinesss (e.g., straw);
    c) Fragility (e.g. tomatoes);
    d) Inflammability (e.g., Petrol);
    e) Requirement of a special type of facility (i.e, for livestock and milk).

6. Availability of Return Journey consignment
7. Risk Associated: Problems in Transportation of Agricultural Commodities

Problems

The important problems arising out of the transportation of agricultural commodities are:

1. The means of transportation used are slow moving;
2. There are more losses/damages in transportation because of the use of poor packaging material.
3. The transportation cost of the farm produce is higher than that for other goods.
4. There is lack of co-ordination between different transportation agencies, e.g., the railways and truck companies.

Grading and standardization

Grading and standardization is a marketing function which facilitates the movement of produce. Grade standards for commodities are laid down first and then the commodities are sorted out according to the accepted standards.

Meaning: Standardization means the determination of the standards to be established for different commodities. Pyle has defined standardization as the determination of the basic limits on grades or the establishment of model processes and methods of producing, handling and 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. These characteristics, on the basis of which products are standardized, are termed grade standards. 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 a method of dividing products into certain groups or lots in accordance with predetermined standards. Grading follows standardization. It is a sub-function of standardization.

Types of Grading

Grading may be done on the basis of fixed standards or variable standards. It is of three types:

1. Fixed Grading / Mandatory Grading: This means sorting out of goods according to the size, quality and other characteristics which are of fixed standards. These do not vary over time and space.

2. Permissive / Variable Grading: The goods are graded under this method according to standards, which vary over time. In India, grading by this method is not permissible.

3. Centralized / Decentralized Grading: Based on the degree of supervision exercised by the government agencies on grading of various farm products, the programme 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 set up for the purpose by the state authorities / co-operatives / associations / private agencies. Grading in respect of commodities such as ghee, butter and vegetable oils where elaborate testing facilities are needed for checking purity and assessing quality has been placed under centralized grading system. The decentralized grading system is implemented by State Marketing Authorities under the overall supervision and guidance of the Directorate of Marketing and Inspection.

Advantages of Grading;

Grading offers the following advantages to different groups of persons:

1. Grading before sale enables farmers to get a higher price for their produce. Grading also serves as an incentive to producers to market the produce of better quality.

2. Grading facilitates marketing, for the size, color, qualities and other grade designations of the product are well known to both the parties, and there is no need on the part of the seller to give any assurance about the quality of the product.
3. Grading widens the market for the product, for buying can take place between the parties located at distant places on the telephone without any inspection of the quality of the product.
4. Grading reduces the cost of marketing by minimizing the expenses on the physical inspection of the produce, minimizing storage loses.
5 Grading minimizing advertisement expenses and eliminating the cost of handling and weighing at ever stage.
6. Grading makes it possible for the farmer –
 a) To get easy finance when commodities are stored;
 b) To get the claims settled by the railways and insurance companies;
 c) To get storage place for the produce;
 d) To get market information;
 e) To pool the produce of different farmers;
 f To facilitate futures trading in a commodity.
7. Grading helps consumers to get standard quality products at fair prices.
8Grading contributes to market competition and pricing efficiency

STORAGE:

Meaning and Need:

The storage function adds the time utility to products. Agriculture is characterized by relatively large and irregular seasonal and year – to – year fluctuations in production. The consumption of most farm products, on the other hand, is relatively stable. These conflicting behaviours of demand and supply make it necessary that large quantities of farm produce should be held for a considerable period of time.
The storage of agricultural products is necessary for the following reasons:

1. The storage of goods, therefore, from the time of production to the time of consumption, ensures a continuous flow of goods in the market;
2. Storage protects the quality of perishable and semi – perishable products from deterioration;
3. To cope with this demand, production on a continuous basis and storage become necessary;
4. It helps in the stabilization of prices by adjusting demand and supply;
5. Storage is necessary for some period for the performance of other marketing functions.
6. The 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.);
7. Storage provides employment and income through price advantages.

Risks in Storage:

The storage of agricultural commodities involves three major types of risks. These are:

1. Quantity Loss
2. Quality Deterioration:
3. Price Risk**:**

Processing:

Processing is an important marketing function in the present-day marketing of agricultural commodities. A large proportion of farm products was sold in an unprocessed form. At present, consumers are dependent upon processing for most of their requirements.

Meaning:

The processing activity involves a change in the form of the commodity. Processing converts the raw material and brings the products nearer to human consumption. It is concerned with the addition of value to the product by changing its form.

Advantages:

The specific advantages of the processing function are:

1. It changes raw food and other farm products into edible, usable and palatable forms. The value added by processing to the total value produced at the farm level varies from product to product.
2. The processing function makes it possible for us to store perishable and semi – perishable agricultural commodities which otherwise would be wasted and facilitates the use of the surplus produce of one season in another season or year.
3. The processing activity generates employment..
4. Processing satisfies the needs of consumers at a lower cost.
5. Processing serves as an adjunct to other marketing functions, such as transportation, storage and merchandising.
6. Processing widens the market. Processed products can be taken to distant and overseas markets at a lower cost.

Buying and Selling:

Meaning:

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, and the possession utility is added to the commodities. The number of times the selling and buying activity is performed depends on the length of the marketing channel. The buying activity involves the purchase of the right goods at the right place, at the right time, in the right quantities and at the right price. It involves the problems of what to buy, when to buy, from where to buy, how to buy and how to settle the prices and the terms of purchase.

The objective of selling is to dispose of the goods at a satisfactory price. The prices of products, particularly of agricultural commodities vary from place to place, from time to time, and with the quantity to be sold. Selling, therefore, involves the problems of when to sell, where to sell, through whom to sell, and whether to sell in one lot or in parts.

Methods:

The following methods of buying and selling of farm products are prevalent in Indian markets:

(i) **Under Cover of a Cloth (Hatha System)**

By this method, the prices of the produce are 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 negotiations in this manner continue till a final price is settled. When all the buyers have given their offers, the name and offer price of the highest bidder is announced to the seller by the commission agent. This method has been banned by the government because of the possibility of cheating.

(ii) **Private Negotiations**:

By this method, prices are fixed by mutual agreement. This method is common in unregulated markets or village markets. Under this method, the individual buyer come to the shops of commission agents at a time convenient to the latter and offer prices for the produce which, they think, are 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 weighed, to the buyer. In villages, too, private negotiations take place directly between buyer and seller. The sellers take the sample to the buyer and ask him to quote the price. If it is acceptable to the buyer, a contract is executed.

(iii)Quotations on Samples taken by Commission Agent:

By this method the commission agent takes the sample of the produce to the shops of the buyer instead of the buyer going to the shop of the commission agent. The price is offered, based on the sample, by the prospective buyers. The commission agent makes a number of rounds of prospective buyers until none is ready to bid a price higher than the one offered by a particular buyer. The produce is given to the highest bider.

(**iv) Dara Sale Method**

By this method, the produce in different lots is mixed and then sold as one lot. The advantages of this method are that, within a short time, a large number of lots are sold off. The disadvantage is that the produce of a good quality and one of a poor quality fetch the same price. There is, therefore, a loss of incentive to the farmer to cultivate good quality products.

(v) Moghum Sale Method:

By this 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 the one as prevailing in the market on that day, or at the rate at which other sellers of the village sold the produce. This method is common in villages, for farmers are indebted to the local money lenders.

(vi) Open Auction Method:

By this method, the prospective 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 seller farmer. This method is preferred to any other method because it ensures fair dealing to all parties, and because the farmers with a superior quality of produce receive a higher price. In most regulated markets, the sale of the produce is permissible only by the open auction method.

The following are the merits of the open auction method:

a) A sale by this method inspires confidence among the buyers and sellers.
b) The auction serves as a meeting place for supply of, and demand for goods.
c) It disposes of the market supply promptly.
d) A wide variety of goods are available to buyers for selection.
e) The auction method reduces the number of salesmen needed in the process.
f) Buyers of small lots are not put to disadvantage against the buyers of large lots.
g) The payment of the price of the goods is made immediately after the sale.

The disadvantages of the open auction method are:

a) The auction method requires more time on the part of both the buyer and the seller, for they have to wait for the day and time of the auction.
b) An open auction is a very time-consuming process because of the variation in the quality of the various lots.
c) In big market centers, specially in the peak marketing season, the time allotted for auction is short. Both the buyers and the sellers are in a hurry. As a result, sellers may receive a low price
d) In an open auction, buyers sometimes join hands.
e) The auction leads to a “buyers‟ market”, for buyers have full information about the supply of and demand for the product

Some of the problems arising out of the open auction method may be overcome if the grading of agricultural produce is adopted by the cultivators.

(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 and that he should take delivery of the produce. Some of the regulated markets have adopted this method of sale,

Market information:

Market information is an important marketing function which ensures the smooth and efficient operation of the marketing system. Accurate, adequate and timely availability of market information facilitates decision about when and where to market products. Market information creates a competitive market process and checks the growth of monopoly or profiteering by individuals. It is the lifeblood of a market.

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

Importance: Market information is useful for all sections of society which are concerned with marketing. Its importance may be judged from the point of view of individual groups. These are:

a) **Farmer-Producers**: Market information helps in improving the decision-making power of the farmer. A farmer is required to decide when, where and through whom he should sell his produce and buy his inputs. Price information helps him to take these decisions.

b) **Market Middlemen**: Market middlemen need market information to plan the purchase, storage and sale of goods. On the basis of this information, they are able to know the pulse of the market, i.e., whether the market is active or sluggish..

c) **General Economy**: Market information is also beneficial for the economy as a whole. In a developed economy, there is need for a competitive market process for a commodity, which regulates the prices of the product. The competitive process contributes to the operational efficiency of the industry.

d) **Government**: Market information is essential for the government in framing its agricultural policy relating to the regulation of markets, buffer stocking, import export and administered prices.

Types of Market Information:

Market information is of two types

a) 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. Market intelligence is therefore, of historical nature.

b) Market News: This term refers to current information about prices, arrivals and changes in market conditions. This information helps the farmer in taking decisions about when and where to sell his produce. The availability of market news in time and with speed is of the utmost value.

Criteria for Good Market Information:

Good market information must meet the following criteria so that it may be of maximum advantage to the users

a) Comprehensive
b) Accuracy
c) Relevance
d) Confidentiality
e) Trustworthiness

f) Equal and Easy Accessibility
g) Timeliness:

Financing:

The financing function of marketing involves the use of capital to meet the financial requirements of the agencies engaged in various marketing activities. No business is possible nowadays without the financial support of other agencies because the owned funds available with the producers and market middlemen (such as wholesalers, retailers and processors) are not sufficient.

Factors affecting Capital Requirements of an Agricultural Marketing Firm:

The capital requirements of a marketing agency for its marketing business vary 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

Market functionaries:

In the marketing of agricultural commodities, the following market functionaries/marketing agencies are involved:

i) Producers:

Most farmers or producers, perform one or more marketing functions. They sell the surplus either in the village or in the market. Some farmers, especially the large ones, assemble the produce of small farmers, transport it to the nearby market, sell it there and make a profit. This activity helps these farmers to supplement their incomes.

ii) Middlemen

Middlemen are those individuals or business concerns which specialize in performing the various marketing functions and rendering such services as are involved in the marketing of goods. The middlemen in foodgrains marketing may, therefore, be classified as follows:

(a) Merchant middlemen: Merchant middlemen are those individuals who take title to the goods they handle. They buy and sell on their own and gain or lose, depending on the difference in the sale and purchase prices. Merchant middlemen are of two types:

***iii)* Wholesalers:** Wholesalers are those merchant middlemen who buy and sell food grains in large quantities. They may buy either directly from farmers or from other wholesalers. They sell food grains either in the same market or in other markets. They sell to retailers. The wholesalers perform the following functions in marketing:

(a) Assemble the goods from various localities and areas to meet the demands of buyers,
(b) Sort out goods in different lots according to their quality and prepare them for market,
(c) Equalize the flow of goods by storing them in the peak arrival season and releasing in the off-season,
(d) Regulate the flow of goods by trading with buyers and sellers in various markets,
(e) Finance farmers so that the latter may meet their requirements of production & inputs,
(f) Assess demand of prospective buyers and processors from time to time,
g) Plan the movement of the goods over space and time.

***iv)* Retailers:** Retailers buy goods from wholesalers and sell them to the consumers in small quantities. They are producers‟ personal representatives to consumers. Retailers are the closest to consumers in the marketing channel.

v) Itinerant Traders Itinerant traders are petty merchants who move from village to village, and directly purchase the produce from the cultivators. They transport it to the nearby primary or secondary market and sell it there.
vi) Village Merchants: Village merchants have their small establishments in villages. They purchase the produce of those farmers who have either taken finance from them or those who are not able to go to the market. Village merchants also supply essential consumption goods to the farmers. They act as financers of poor farmers. They often visit nearby markets and keep in touch with the prevailing prices.

(a) Agent Middlemen:

Agent middlemen act as representatives of their clients. They do not take title to the produce and, therefore, do not own it. They merely negotiate the purchase and/or sale. They sell services to their principals and not the goods or commodities. They receive income in the form of commission or brokerage. Agent middlemen are of two types

Commission Agents or Arhatias: A commission agent is a person operating in the wholesale market who acts as the representative of either a seller or a buyer. A commission agent takes over the physical handling of the produce, arranges for its sale, collects the price from the buyer, deducts his expenses and commission, and remits the balance to the seller. Commission Agents or Arhatias in unregulated markets are of two types, Kaccha arhatias and pacca arhatias.

Kaccha arhatias*:* primarily act for the sellers, including farmers. They sometimes provide advance money to farmers and intinerant traders on the condition that the produce will be disposed of through them. Kaccha arhatias charge arhat or commission in addition to the normal rate of interest on the money they advance.

Pacca arhatia*:* acts on behalf of the traders in the consuming market. The processors (rice millers, oil millers and cotton or jute dealers) and big wholesalers in the consuming markets employ pacca arhatias as their agents for the purchase of a specified quantity of goods within a given price range. In regulated markets, only one category of commission agent exists under the name of „A" class trader. The commission agent keeps an establishment – a shop, a godown for his clients. He renders all facilities to his clients. He is, therefore, preferred by the farmers to the co-operative marketing society for the purpose of the sale of the farmer"s produce.

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 and sellers on the same platform for negotiations. Their charge is called brokerage. They may claim brokerage from the buyer, the seller or both, depending on the market situation and the service rendered. They render valuable service to the prospective buyers and sellers, for they have complete knowledge of the market. Brokers have no establishment in the market. In most regulated markets, brokers do not play any role because goods are sold by open auction.

(c)Speculative Middlemen*:*

Those middlemen who take title to the product with a view to making a profit on it are called speculative middlemen. They are not regular buyers or sellers of produce. They specialize in risk – taking. They buy at low prices when arrivals are substantial and sell in the off – season when prices are high. They do the minimum handling of goods. They make profit from short-run as well as long-run price fluctuations. Processors carry on their business either on their own or on custom basis.

(d)Facilitative Middlemen

Some middlemen do not buy and sell directly but assist in the marketing process. Marketing can take place even if they are not active. But the efficiency of the system increases when they engage in business. These middlemen receive their income in the form of fees or service charges from those who use their services. The important facilitative middlemen are:

Hamals or Labourers*:* They physically move the goods in marketplace. They do unloading from and the loading on to bullock carts or trucks. They assist in weighting the bags. They perform cleaning, sieving, and refilling jobs and stitch the bags. Hamals are the hub of the marketing wheel. Without their active co-operation, the marketing system would not function smoothly.

Weighmen*:* They facilitate the correct weighment of the produce. They use a pan balance when the quantity is small. Generally, the scalebeam balance is used. They get payment for their services through the commission agent.

Graders: These middlemen sort out the product into different grades. They facilitate the process of prices settlement between the buyer and the seller.

Transport Agency: This agency assists in the movement of the produce from one market to another.

Communication Agency*:* It helps in the communication of the information about the prices prevailing, and quantity available, in the market.

Advertising Agency*:* It enables prospective buyers to know the quality of the product and decide about the purchase of commodities. Newspapers, the radio, cinema slides, television and Internet are the main media for advertisements.

Auctioners: They help in exchange function by putting the produce for auction and bidding by the buyers.

Regulated markets:

The government intervention in agricultural marketing system consists of framing rules and regulation, promote infrastructure development, administration of prices and influence supply and demand. The remedial measures for the problems of marketing are classified into the following types:

1. Reduction and regulation of market charges,
2. Organisation of cooperative marketing,
3. Government legislations.

Though agricultural marketing is a State subject, the Government of India has an important role to play in laying down general policy framework, framing of quality standards, conducting survey and research studies and in providing guidance, technical and financial support to the State Governments. The Central Government is aided and advised by two organisations under its control, namely, the Directorate of Marketing and Inspection (DMI) and the National Institute of Agricultural Marketing (NIAM), Jaipur.

Directorate of Marketing and Inspection(DMI):

It is an attached office of the Ministry and is headed by the Agricultural Marketing Adviser to the Government of India. The organisation 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.

National Institute of Agricultural Marketing has started functioning at Jaipur (Raj) with effect from 8th August, 1988.

Function

Ii) To augment the agricultural marketing infrastructure of the country through programmes of teaching, research and consultancy services;

II) To design and conduct training courses appropriate to the specific identified needs of the personnel and enterprises and institutions that they serve;

III) To undertake research to demonstrate and replicate better management techniques in the field of agricultural marketing;

IV)To provide consultancy services for formulating investment projects and for problem solving advice;
V)To offer educational programmes in agricultural marketing for up implementing the existing facilities.

Regulation and Management of Agricultural Produce Marketing

The DMI, as a central advisory organisation, has been providing technical assistance and advice to the States in framing suitable market legislation. For this purpose, the DMI has framed a "Model Act" which not only provides guidelines for framing of legislation but also intends to bring about uniformity in State legislations.

Market Research, Survey and Planning:

The DMI is presently conducting 20 market surveys for various commodities. The NIAM has also taken up the formulation of State Master Plans for the Development of agricultural produce markets for Goa, Himachal Pradesh, Andhra Pradesh, Jammu and Kashmir and Sikkim. Further, the Institute has taken up case studies on post-harvest management of various commodities.

Grading and Standardisation:

The Agricultural Produce (Grading & Marking) Act,1937 empowers the Central Government to fix quality standards, known as „AGMARK" standards and to prescribe terms and conditions for using the seal of„ AGMARK". So far, grade standards have been notified for 159 agricultural and allied commodities.

Regulated market

Under the traditional system of marketing of the agricultural products, producer-sellers incurred a high marketing cost, and suffered from unauthorized deductions of marketing charges and the prevalence of various malpractices. To improve marketing conditions and with a view to creating fair competitive conditions, the increase in the bargaining power of producer-sellers was considered to be the most important prerequisite of orderly marketing. Most of the defects and malpractices under, the then existing marketing system of agricultural products have been more or less removed by the exercise of public control over markets, i.e., by the establishment of regulated markets in country.

Definition of regulated market:

A is one which aims at the elimination of the unhealthy and unscrupulous practices, reducing marketing charges and providing facilities to producer-sellers in the market. Any legislative measure designed to regulate the marketing of agricultural produce in order to establish, improve and enforce standard marketing practices and charges may be termed as one which aims at the establishment of regulated markets. Regulated markets have been established by State Governments and rules and regulations have been framed for the conduct of their business. The establishment of regulated market is not intended at creating an alternative marketing system.

The basic objective has been to create conditions for efficient performance of the private trade, through facilitating free and informal competition. In regulated markets, the farmer is able to sell his marketed surplus in the presence of several buyers through open and competitive bidding. The legislation for the establishment of regulated markets does not make it compulsory for the farmer to sell his produce in the regulated market make it compulsory for the farmer to sell his produce in the regulated market yard. The basic philosophy of the establishment regulated markets is the elimination of malpractices in the system.

Objectives

The specific objectives of regulated markets are :

1. To prevent the exploitation of farmers by overcoming the handicaps in the marketing of their products,
2. To make the marketing system most effective and efficient so that farmers may get better prices for their produce, and the goods are made available to consumers at reasonable prices.
3. To provide incentive prices to farmers for inducing them to increase the production both in quantitative and qualitative terms,

4 To promote an orderly marketing of agricultural produce by improving the infrastructural facilities.

Important features of regulated markets

1. Market area: The area from which the produce naturally and abundantly flows to a commercial centre, i.e., the market, and which assures adequate business and income to the market committee

2. Principle assembling market: It is the main market which is declared as a principal market yard on the basis of transactions and income generated for the market committee

3. Sub market yard: It is sub yard of the principle assembling market. This is a small market and does not generate sufficient income to declare as a principal assembling market

4. Market yard: This is a specified portion of the market area where the sale, purchase, storage and processing of any of the specified agricultural commodities are carried out.

MODEL ACT: The State Agricultural Produce Marketing(Development & Regulation Act, 2003) 9th September 2003. Salient Features of the Model Act on Agricultural Marketing

Salient features the act:

1. The Title of the Act is changed to highlight the objective of development of agricultural marketing in addition to its regulation under the Act. Accordingly, the Preamble of the Act is redrafted to provide for development of efficient marketing system, promotion of agri-processing and agricultural exports and to lay down procedures and systems for putting in place an effective infrastructure for the marketing of agricultural produce.

2. Legal persons, growers and local authorities are permitted to apply for the establishment of new markets for agricultural produce in any area.
3. There will be no compulsion on the growers to sell their produce through existing markets administered by the Agricultural Produce Market Committee (APMC). However, agriculturist who does not bring his produce to the market area for sale will not be eligible for election to the APMC.
4. Separate provision is made for notification of „Special Markets" or „Special Commodities Markets" in any market area for specified agricultural commodities to be operated in addition to existing markets.
5. The APMC have been made specifically responsible for:
   - ensuring complete transparency in pricing system and transactions taking place in market area;
   - providing market-led extension services to farmers;
   - ensuring payment for agricultural produce sold by farmers on the same day;
   - promoting agricultural processing including activities for value addition in agricultural produce;
   - publicizing data on arrivals and rates of agricultural produce brought into the market area for sale.
   - Setup and promote public private partnership in the management of agricultural markets.
6. Provision made for the appointment of Chief Executive Officer of the Market Committee from among the professionals drawn from open market.
7. A new Chapter on „Contract Farming" added to provide for compulsory registration of all contract farming sponsors, recording of contract farming agreements, resolution of disputes, if any, arising out of such agreement, exemption from levy of market fee on produce covered by contract farming agreements and to provide for indemnity to producers" title/ possession over his land from any claim arising out of the agreement.
8. Model specification of contract farming agreements provided in the Addendum to the model law.
9. Provision made for direct sale of farm produce to contract farming sponsor from farmers" field without the necessity of routing it through notified markets.
10. Provision made for imposition of single point levy of market fee on the sale of notified agricultural commodities in any market area and discretion provided to the State Government to fix graded levy of market fee on different types of sales.
11. Licensing of market functionaries is dispensed with and a time bound procedure for registration is laid down. Registration for market functionaries provided to operate in one or more than one market areas.
12. Commission agency in any transaction relating to notified agricultural produce involving an agriculturist is prohibited and there will be no deduction towards commission from the sale proceeds payable to agriculturist seller.
13. Provision made for the purchase of agricultural produce through private yards or directly from agriculturists in one or more than one market area.

14. Provision made for the establishment of consumers"/ farmers" market to facilitate direct sale of agricultural produce to consumers.
15. Provision made for resolving of disputes, if any, arising between private market/ consumer market and Market Committee.
16. State Governments conferred power to exempt any agricultural produce brought for sale in market area, from payment of market fee.
17. Market Committees permitted to use its funds among others to create facilities like grading, standardization and quality certification; to create infrastructure on its own or through public private partnership for post harvest handling of agricultural produce and development of modern marketing system.
18. For the Chairmanship of State Agricultural Marketing Board, two options provided namely Minister incharge of Agricultural Marketing as ex-officio or alternatively to be elected by the Chairman/ members of Market Committees.
19. The State Agricultural Marketing Board made specifically responsible for:
    (i) setting up of a separate marketing extension cell in the Board to provide market-led extension services to farmers;
    (ii) promoting grading, standardization and quality certification of notified agricultural produce and for the purpose to set up a separate Agricultural Produce Marketing Standards Bureau.
20. Funds of the State Agricultural Marketing Board permitted to be utilized for promoting either on its own or through public private partnership, for the following:
    - market survey, research, grading, standardization, quality certification, etc.;
    - Development of quality testing and communication infrastructure.
    - Development of media, cyber and long distance infrastructure relevant to marketing of agricultural and allied commodities

Powers, duties and functions of the Market Committee

(i) maintain and manage the market yards and sub-market yards within the market area;

(ii) provide the necessary facilities for the marketing of agricultural produce within the market yards and outside the market yards and within the sub-market yards and outside the sub-market yards in the market area;

(iii) register or refuse registration to market functionaries and renew, suspend or cancel such registration, supervise the conduct of the market functionaries and enforce conditions of Registration;

(iv) regulate or supervise the auction of notified agricultural produce in accordance with the provision and procedure laid down under the rules made under this Act or bye-laws of the Market Committee ;

(v) conduct or supervise the auction of notified agricultural produce in accordance with the procedure 1aid down under the rules made under this Act or bye-laws of the Market Committee ;

(vi) regulate the making, carrying out and enforcement or cancellation of agreements of sales, Weighment, delivery, payment and all other matters relating to the market of notified agricultural produce in the manner prescribed;
(vii) provide for the settlement of all disputes between the seller and the buyer arising out on any kind of transaction connected with the marketing of notified agricultural produce and all matters ancillary thereto;
(viii) take all possible steps to prevent adulteration of notified agricultural produce; make arrangements for employing by rotation, Weighmen and hammals for weighing and transporting of goods in respect of transactions held in the market yard/ sub yards.

State trading enterprise

What is a State trading enterprise?
State trading is a common feature of many economies where agriculture is an important sector of trade. The heavy emphasis on agriculture in State trading activities would seem to indicate governments' belief that State trading is an appropriate means of implementing agriculture-related policy objectives, such as providing price support for important agricultural products or ensuring food security. In the area of industrial goods, State trading may arise as a by-product of the nationalization of an ailing industry or as a means of pursuing government policies on products or industries considered to have strategic importance.

Objectives:

The objectives of state trading are:
i) To make available supplies of essential commodities to consumers at reasonable prices on a regular basis;
ii) To ensure a fair price of the produce to the farmers so that there may be an adequate incentive to increase production;
iii) To minimize violent price fluctuations occurring as a result of seasonal variations in supply and demand;
iv) To arrange for the supply of such inputs as fertilizers and insecticides so that the tempo of increased production is maintained;
v) To undertake the procurement and maintenance of buffer stock, and theirdistribution, whenever and wherever necessary;
vi) To arrange for storage, transportation, packing and processing;
vii) To conduct surveys and provide the required statistics to the government so that it may improve the conditions of the farmers; and
viii) To check hoarding, black marketing and profiteering.

Types of state trading:

State trading may be partial or complete, depending upon the extent of intervention desired by the government.

i) Partial state trading

In partial state trading, private traders and government coexist. Traders are free to buy and sell in the market. The government may place some restrictions on them, such as declaration of stocks, limits on the stock which can be held at a point of time and submission of regular accounts. The government enters the market for the purchase of commodity directly from producers at notified procurement price. It undertakes the distribution of commodities to consumer through a net work of fair price shops.

ii) Complete state trading

This is extreme form of trading adopted by the government when partial state trading fails to ensure fair prices to producers and make goods available to consumers at responsible prices. The purchase and sale of commodities is undertaken entirely by the government or its agencies. Private traders are not allowed to enter the market for purchase or sale. The government remains the sole purchaser and distributor of the commodity. Complete state trading necessitates the outlay of huge finance, and the provision of storage facilities at important production and consumption centers, and calls for appointment of efficient men so that the purchase and distribution functions of professional traders may be effectively taken over by a governmental agency.

Warehousing-meaning-

Meaning:

Warehousing: warehouses are scientific storage structures especially constructed for the protection of quantity and quality of stored products Warehousing may be defined as the assumption of responsibility for the storage of goods. It may be called the *protector of* national health, for the produce stored in warehouses is preserved and protected against rodents, insects and pests.

The important functions of warehouses are:

1.Scientific storage: Here, a large bulk of agricultural commodities may be stored. The product is protected against quantitative and qualitative losses by theuse of such methods of preservation as are necessary.

2.Financing: Nationalized banks advance credit on the security of Warehouse receipt issued for the stored products to the extent of 75 % of their value

3.Price stabilization: Warehouses help in price stabilization of agricultural commodities by checking the tendency to making post-harvest sales among the farmers. Warehouse helps in staggering the supplies throughout the year. Thus helps in stabilization of agricultural prices.

4. Market intelligence: Warehouses also offer the facility of market information to persons who hold their produce in them. They inform them about the prices prevailing in the period, and advice them when to market their products. This facility helps in preventing distress sales for immediate money needs or because of lack of proper storage facilities.

Warehousing in India:

The Government of India enacted the Agricultural produce (Development and Warehousing) corporation act, 1956. The act provided for:

a) The establishment of a National Co-operative Development and Warehousing board (which was set up on 1st September, 1956);

b) The establishment of central Warehousing corporation (Which was established on 2 march, 1957); and

c) The establishment of state Warehousing Corporation in all states in the country (which were established in various states between July 1957 and August 1958).

Central Warehousing Corporation:

Central Warehousing Corporation (CWC) is a premier warehousing agency in India, established during 1957 providing logistics support to the agricultural sector, and one of the biggest public warehouse operators in the country offering logistics services to a diverse group of clients.

Warehousing activities of CWC include

- Foodgrain warehouses,
- Industrial warehousing,
- Custom bonded warehouses,
- Container freight stations, inland clearance depots and air cargo complexes.
- CWC offers services in the area of clearing & forwarding, handling & transportation, procurement & distribution, disinfestations services, fumigation services and other.
- CWC offers consultancy services/ training for the construction of warehousing infrastructure to different agencies.

Functions:

- To acquire and build godowns and Warehouses at suitable places in India.
- To run Warehouses for storage of agricultural produce, seeds, fertilizers and notified commodities for individuals, co-operatives and other institutions.
- To act as an agent of the govt. for purchase, sale, storage and distribution of the above commodities.
- To arrange facilities for the transport of above commodities.
- To subscribe to the share capital of SWC.

State Warehousing Corporation: The State Warehouse Corporation was established under Sub-Section 1, Section 18 of the Warehousing Corporation Act, 1958 (Central Amended Act of 1962) enacted by the Parliament. SWC is a Corporation having 50% Share Capital by Central Warehousing Corporation and 50% share capital by the state Govt.

- The Warehousing Scheme envisages providing storage facilities for food grains and other agriculture commodities, seeds, manures and fertilizers to minimize losses and deterioration in storage.
- The scheme also aims to enable farmers to have easy and cheap credit facilities from Banks against pledge of the Warehouse Receipt to improve the holding capacity of the producer to avoid distress sales in harvesting seasons.
- To realize the above objectives, the Warehousing Corporation is empowered to a acquire and build Warehouses for storage of agricultural produce, seeds, fertilizers and other notified commodities .
- to act as an agent of the Central Warehousing Corporation or of the Government, for the purpose of purchases, sales storage, distribution etc., of agricultural commodities in time of need.

Organizational set Up o the Corporation:

According to Section20(a) of the Warehousing Corporation Act 1962, the General Superintendence and Management of the affairs of the State Warehousing Corporation are vested in a Board consisting of 11 Directors of whom 5 are nominated by the Central Warehousing Corporation, The remaining 6 Directors are from the State. The Chairman of the Board is appointed by the State Government with the prior approval of the Central Warehousing Corporation.

Food Corporation of India

An efficient management of the food economy with a view to ensuring an equitable distribution of grains of food grains at reasonable prices to the vulnerable sections of society is essential in the present socio-economic environment of the country. The government felt the necessity of an organization which can act as its main agency for handling food grains., acquire a commanding position in the food grain trade as a countervailing force to the speculative activities of private trades and, at the same time, work on commercial lines. Legislation was enacted; and the food corporation India (FCI) was born on January 1,1965. Food Corporation of India was setup on 14th January 1965 under Food Corporations Act1964

Objectives of the National Food Policy:

i. Effective price support operations for safeguarding the interests of the farmers
ii. Distribution of foodgrains throughout the country for Public Distribution System
iii. Maintaining satisfactory level of operational and buffer stocks of foodgrains to ensure National Food Security.

Functions:

*The main functions of the Food Corporation of India are***:**

a) To produce a sizable portion of the marketable surplus of foodgrains and other agricultural commodities at incentive prices from the farmers on behalf the central and state governments

b) To make timely releases of the stocks to public distribution system(Fair price shops and controlled item shops)so that consumer prices may not raise unduly and unnecessarily

c) To minimise seasonal price fluctuations and inter regional price variation in agricultural commodities by establishing a purchasing and distribution network and

d) To build up a sizable buffer stock of food grains to meet the situation that may arise as result of short falls in internal procurement and imports

Quality control and AGMARK-CODEX

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 are carried out by inspectors appointed by the government, and not by a producer or a buyer. Regular inspection creates confidence among the buyers. Producers, too, know that there is someone who checks the standards of the produce graded by them. This avoids the temptation of adopting such malpractices in the grading as mixing of the inferior grade produce, etc. after laboratory tests, if the produce is below standards, the licence of the grader is cancelled and legal action is initiated against him..

QUALITY CONTROL- Agricultural Products

The graded products according to the standards fixed by the Agriculture Marketing Advisor, Government of India, bear the label „AGMARK". AGMARK is the abbreviation of Agriculture Marketing. It the quality certification marks under the Central Agricultural Produce (Grading and Marketing) Act, 1937. This label indicates that the purity and the quality of the product on the basis of the standards that have been laid down. The labels of different colours are used to indicate the grade of the product. The AGMARK labels are printed on the special quality paper and issued by the Agriculture Marketing Advisor. They are serially numbered, and the firm is required to maintain the account of the labels, which are issued to the grader, in a register. It is a voluntary scheme. Interested traders and manufacturers are given licence to grade their products under AGMARK quality certification mark. AGMARK label is attached to the container of the product in such a way that it is not possible to remove the contents of the package without tampering the AGMARK label. Each AGMARK package bears the date of the packing and date of expiry of the product. AGMARK products are pretested and certified for the quality. AGMARK products are of assured quality and different from adulterated and spurious goods. If any AGMARK product purchased by the consumer is found to be defective, the consumer gets the product replaced or gets the money back as per the procedure laid out.

Certificate of Agmark Grading means a certificate in specified proforma issued by an authorised Officer of the Directorate of Marketing and Inspection or a person designated by the approved laboratory to issue the same in respect of agmark graded consignment meant for export.

Producers Surplus of Agricultural Commodities:

From the marketing point of view, this surplus is more important than the total production of commodities. The arrangements for marketing and the expansion of markets have to be made only for the surplus quantity available with the farmers and not for the total production. The rate at which agricultural production expands determines the pace of agricultural development, while the growth in the marketable surplus determines the pace of economic development. An increase in production must be accompanied by an increase in the marketable surplus for the economic development of the country. The larger is the production of a commodity, the greater the surplus of that commodity and vice versa.

The marketed and marketable surplus helps the policy-makers as well as the traders in the following areas.

I. Framing Sound Price Policies:
II. Developing Proper Procurement and Purchase Strategies:
III. Checking Undue Price Fluctuations
IV. Advanced estimates of the surpluses:
V. Development of Transport and Storage System

1. Marketable Surplus

The marketable surplus is that quantity of the produce which can be made available to the non-farm population of the country. It is a theoretical concept of surplus. The marketable surplus is the residual left with the producers farmers after meeting his requirement for family consumption, farm needs for seeds and feed for cattle, payment to labour in kind, payment to artisans, blacksmith, potter and mechanic payment to landlord as rent and social and religious payments in kind. This may be expressed as follows :

$MS = P - C$

where

MS = Marketable surplus

P =Total production, and

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

2. Marketed Surplus

Marketed surplus is that quantity of the produce which the producer farmer actually sells in the market, irrespective of the requirements for family consumption, farm needs and other payments. The marketed surplus may be more, less or equal to the marketable surplus. Whether the marketed surplus increases with the increase in production has been under continual theoretical security. It has been argued that poor and subsistence farmers sell that part of the produce which is necessary to enable them to meet their cash obligations. This results in distress sale on some farms.

RELATIONSHIP BETWEEN MARKETED SURPLUS AND

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. The relationship between the two terms may be stated as follows.

1. The marketed surplus is more than the marketable surplus when the farmer retains a smaller quantity of the crop than his actual requirements for family and farm needs. This is true especially for small and marginal farmers, whose need for cash is more pressing and immediate. This situation of selling more than the marketable surplus is termed as distress or forced sale. Such farmers generally buy the produce from the market in a later period to meet their family and/or farm requirements. The quantity of distress sale increased with the fall in the price of the product. A lower price means that a larger quantity will be sold to meet some fixed cash requirements.
2. The marketed surplus is less than the marketable surplus when the farmers retain 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.

Factors affecting marketable surplus

The marketable surplus differs from region to region and within the same region, from crop to crop. It also varies from farm to farm. On a particular farm, the quantity of marketable surplus depends on the following factors.

i. Size of holding
ii. Production
iii. Price of the Commodity
iv. Size of family

v. Requirement of Seed and Feed
vi. Nature of Commodity
vii. Consumption Habits **:**

The functional relationship between the marketed surplus of a crop and factors affecting the marketed surplus may be expressed as :

$M = f(x1, x2, x3, ...)$

Where
M = Total marketed surplus of a crop in quintals
$x1$ = Size of holding in hectars
$x2$ = Size of family in adult units
$x3$ = Total production of the crop in quintals
$x4$ = Price of the crop the other factors may be specified..

Relationship between prices and marketable surplus

Two main hypotheses have been advanced to explain the relationship between prices and the marketable surplus of foodgrains.

1. **Inverse relationship:**

There is an inverse relationship between prices and the marketable surplus. This hypothesis was presented by P**.N. Mathur and M. Ezetkiel**. They postulate that the farmers cash requirements are nearly fixed and given the price level, the marketed portion of the output is determined. This implies that the farmers consumption is a residual and that the marketed surplus is inversely proportional to the price level. This behaviour assumes that farmers have inelastic cash requirements With a rise in the prices of foodgrains, they sell a smaller quantity of foodgrains to get the cash they need and vice versa. In other words, with a rise in price, farmers sell a smaller, and with the fall in price they sell a larger quantity. **Olson and Krishnan** have argued that the marketed surplus varies inversely with the market price. They contend that a higher price for a subsistence crop may increase the producer's real income sufficiently to ensure that the income effect on demand for the consumption of the crop outweighs the price effect or production and consumption.

Positive relationship:

V.M. Dandekar and Rajkrishna put forward the case of a positive relationship between prices and the marketed surplus of foodgrains in India. This relationship is based on the assumption that farmers are price conscious. With a rise in the prices of foodgrains, farmers are tempted to sell more and retain less. As a result, there is increased surplus. The converse, too, holds true.

Marketing Channels

Marketing channels are routes through which agricultural products move from producers to consumers. The length of the channel varies from commodity to commodity, depending on the quant9ity to be moved, the form of consumer demand and degree of regional specialization in production.

Definition

A marketing channel may be defined in different ways according to Moore at al the chain of intermediaries through whom the various foodgrains pass from producers to consumers constitutes their marketing channels.

Kohls and Uh/2 have defined marketing channels as alternative routes of product flows from producers to consumers.

According to Moore et al. “The chain of intermediaries through whom the various food grains pass from producers to consumers constitutes their marketing channels”.

Factors affecting length of marketing channels

Marketing channels for agricultural products vary from product to product country to country, lot to lot and time to time.

Marketing channels of distribution

The course taken in the transfer of the title of a commodity constitutes its channel of distribution. (OR) It is the route taken by a product in its passage from its first owner i.e. producer to the last owner, the ultimate consumer.

Important channels of distribution :

Producer or manufacturer – Retailer – Consumer.
Producer or manufacturer – Consumer.
Producer or manufacturer – Wholesaler – Retailer – Consumer.
Producer – Commission agent.

Factors considered while choosing a Channel:

1. Nature of the product.
2. Price of the product.
3. No. of units of sale.
4. Characteristics of the user.
5. Buyers and their buying units.
   - Low priced articles with small units of sale are distributed through retailers.
   - High price special items like radios, sewing machines etc are sold by manufactures

- and then agents.
- Public services like gas, electricity and transport are usually sold directly to the consumer.

Co-operative marketing

Meaning

A co-operative sales association is a voluntary business organization established by its member to market farm products collectively for their direct benefit. It is governed by democratic principles, and savings are distributed to the members on the basis of their share. The members are the owners, operators and contributors of the commodities and are the direct beneficiaries of the savings that accrue to the society. Co-operative marketing organizations are associations of producers for the collective marketing of their produce and for securing for the members the advantages that result 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. The profit earned by the society is distributed among the members on the basis of the quantity of the produce marketed by him. In other words, co-operative marketing societies are established for the purpose of collectively marketing the products of the member farmers. It emphasizes the concept of commercialization. Its economic motives and character distinguish it from other associations. These societies resemble private business organization in the method of their operations; but they differ from the capitalistic system chiefly in their motives and organizations.

Functions

The main functions of co-operative marketing societies are:

(i) To market the produce of the members of the society at fair prices;

(ii) To safeguard the members for excessive marketing costs and malpractices;

(iii) To make credit facilities available to the members against the security of the produce brought for sale;

(iv) To make arrangements for the scientific storage of the members' produce;

(v) To provide the facilities of grading and market information which may help them to get a good price for their produce;

(vi) To introduce the system of pooling so as to acquire a better bargaining power than the individual members having a small quantity of produce for marketing purposes;

(vii) To act as an agent of the government for the procurement of foodgrains and for the implementation of the price support policy;

(viii) To arrange for the export of the produce of the members so that they may get better returns;

(ix) To make arrangements for the transport of the produce of the members from the villages to the market on collective basis and bring about a reduction in the cost of transportation; and

(x) To arrange for the supply of the inputs required by the farmers, such as improved seeds, fertilizers, insecticides and pesticides.

Types

On the basis of the commodities dealt in by them, the co-operative marketing societies may be grouped into the following types:

(i) Single Commodity Co-operative Marketing Societies

They deal in the marketing of only one agricultural commodity. They get sufficient business from the farmers producing that single commodity. The examples are Sugarcane Co-operative Marketing Society, Cotton Co-operative Marketing Society and Oilseed Growers Co-operative Marketing Society.

(ii) Multi-Commodity Co-operative Marketing Societies

They deal in the marketing of a large number of commodities produced by the members, such as foodgrains, oilseeds and cotton. Most of the co-operative marketing societies in India are of this type.

(iii) Multi-purpose, Multi-commodity Co-operative Marketing Societies

These societies market a large number of commodities and perform such other functions as providing credit to members, arranging for the supply of the inputs required by them, and meeting their requirements of essential domestic consumption goods.

Structure

The co-operative marketing societies have both two-tier and three-tier structure. In two-tier pattern with primary marketing societies at the taluka level and state marketing federation as an apex body at the state level. In three-tier system with district marketing society in the middle. At the national level, NAFED serves as the apex institution. The pattern of the three-tier structure is as follows:

(i) Base Level

At the base level, there are primary co-operative marketing societies. These societies market the produce of the farmer members in that area. They may be single commodity or multi commodity societies, depending upon the production of the crops in the area. They are located in the primary wholesale market, and their field of operations extends to the area from which the produce comes for sale, which may cover one or two tehsils, panchayat samitis or development blocks.

(ii) Regional/District Level

At the regional or district level, there are central co-operative marketing unions or federations. Their main job is to market the produce brought for sale by the primary co-operative marketing societies of the area. These are located in the secondary wholesale markets and generally offer a better price for the produce. The primary co-operative marketing societies are members of these unions in addition to the individual farmer members. In the two-tier structure, the State societies perform the functions of district level societies by opening branches throughout the district.

(iii) State Level

At the state level, there are apex (State) co-operative marketing societies or federations. These state level institutions serve the state as a whole. Their members are both the primary co-operative marketing societies and the central co-operative unions of the state. The basic function of these is to coordinate the activities of the affiliated societies and conduct such activities as inter-state trade, export-import, procurement, distribution of inputs and essential consumer goods, dissemination of market information and rendering expert advice on the marketing of agricultural produce.

Membership

There are two types of members of co-operative marketing societies:

(i) Ordinary Members

Individual farmers, co-operative farming societies and service societies of the area may become the ordinary members of the co-operative marketing society. They have the right to participate in the deliberations of the society, share in the profits and participate in the decision making process.

(ii) National Members

Traders with whom the society establishes business dealings are enrolled as nominal members. Nominal members do not have the right to participate in decision making and share in the profits of the societies.

Sources of Finance

In 1966, the Dantwala Committee estimated a capital base of Rs.2.00 lakhs for a co-operative marketing society. At 2003 prices, it should be at least Rs.40.00 lakhs. The following are the major sources of finance of a co-operative marketing society:

(i) Share Capital

Farmer-members and the State Government subscribe to the share capital of co-operative marketing societies. Members may purchase as many shares as they like. They are encouraged to invest sufficiently in the share capital. They are also persuaded to invest their dividend and bonus in the shares of co-operative marketing societies.

(ii) Loans

Co-operative marketing societies may raise their finance by way of loans from the Central and State Co-operative Banks and from commercial banks by pledging and hypothecation and also by clean credit to the extent of 50 per cent of owned capital.

(iii) Subsidy

The Co-operative marketing societies get a subsidy from the government for the purchase of grading machines and transport vehicles to meet their initial heavy expenditure. They also get a subsidy for a part of the cost of the managerial staff for a period of 3 years to make them viable.

Functioning

The important functions carried out by the co-operative marketing societies are:

(i) Sale on Commission Basis

Co-operative marketing societies act as commission agents in the market, i.e., they arrange for the sale of the produce brought by the members to the market. The produce is sold by the open auction system to one who bids the highest price.

The main advantage, which the farmer-members get by selling the produce through co-operative marketing societies instead of a commission agent, is that they do not have to accept unauthorized deductions or put up with the many malpractices, which are indulged in by individual commission agents. As there is no individual gain to any member in the marketing of the agricultural produce through co-operative marketing societies, no malpractices are expected to be indulged in. This type of marketing is not risky for co-operative societies. But sometimes traders in the market form a ring and either boycott the auction or bid a low price when the produce is auctioned on the co-operative marketing societies shops. Therefore, farmers hesitate to take their produce for sale in the market through co-operative marketing societies.

(ii) Purchase of Members' Produce

Co-operative marketing societies also enter the market as buyers. A society participates in bidding together with other traders, and creates conditions of competition. The commodities thus purchased by a society are sold again when prices are higher. This system of the outright purchase of the produce by the society involves the risk of price fluctuations. If the managers of societies lack business experience, they hesitate to adopt the outright purchase system. In 1964-65, the National Cooperative Development Corporation recommended that the outright purchase system should be adopted only by a society which possesses the following qualities:

(a) The society has a trained manager, i.e., one who is capable of understanding the intricacies of the trade;
(b) The society is financially sound and has adequate borrowing facilities;
(c) The society is affiliated to a good viable central level society; and
(d) The society possesses processing facilities.

(iii) Advancement of Credit

Co-operative marketing societies advance finance to farmers against their stock of foodgrains in the godowns of the societies. This increases the holding power of the farmers and prevents distress sales. Generally, societies advance credit to the extent of 60 to 75 per cent of the value of the produce stored with them. The recoveries are effected from the sale proceeds of the produce of the farmer. This function involves no risk to the society. Moreover, it increases the business.

(iv) Procurement and Price Support Purchases

Co-operative marketing societies act as agents of the government in the procurement of foodgrains and other agricultural commodities at the announced procurement or support prices.

(v) Other Functions

The following functions are also carried out by them, depending upon the availability of funds and other facilities:

(a) They assemble the marketable surplus of small and marginal farmers and transport this surplus from villages to the society headquarters for disposal;
(b) They make arrangements for the grading of the produce and encourage producers to sell the produce after grading so that they may get better prices;
(c) They undertake the processing of produce;
(d) They make arrangements for the export of agricultural commodities in collaboration with the State Level Co-operative Marketing Federation and the National Agricultural Co-operative Marketing Federation;
(e) They undertake inter-state trade in agricultural commodities; and
(f) They distribute agricultural production inputs, such as fertilizers improved seeds, pesticides, agricultural implements, and such essential consumer articles as sugar, kerosene oil and cloth.

Market integration

Kohis and Uhl have defined "Market integration as process which refers to the expansion of firms by consolidating additional marketing functions and activities under a single management".

- Eg: - Setting up of milk processing plant.
  Establishment of wholesale facilities by retailers.
  Integration shows the relationship of firms in a market.
- Integration influences market conduct of firms and consequently their marketing efficiency.
- Markets differ in the extent of integration.

Types of market integration:

1. Horizontal integration :

When a firm gains control over other firms, performing similar marketing functions. Some marketing agencies (say, sellers) combine to form a union with a view to reducing their effective number and the extent of competition in the market.

- Horizontal integration is advantageous for the members who join the group.
- If farmers join hands and form cooperatives, they are able to sell their produce in bulk and reduce their cost of marketing.
- Horizontal integration of selling firms is not in the interests of consumers or buyers.

2. Vertical integration :

Occurs when a firm performs more than one activity in the sequence of the marketing process. It is linking together of two a more functions within a single firm or under a single ownership. Eg: - If a firm assumes the functions of the commission agent as well as retailing.

There are two types of vertical integration

a). Forward integration :

Eg: Wholesaler assuming the function of retailing i.e. assuming another function.

b). Backward Integration:

Eg: Processer assumes function of assembling / purchasing the produce from villages.

3. Conglomeration:

A combination of agencies or activities not directly related to each other, may when it operates under a united management, be termed a conglomeration. Eg: Hindustan Lever Ltd. Delhi cloth and General mill (cloth & vanaspati).

Marketing efficiency:

Marketing efficiency is essentially the degree of market performance. It is a broad and dynamic concept.

Def: - If is the ratio of market output (satisfaction) to marketing input (cost of resources). An increase in ratio represents improved efficiency and vice versa.

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 out put is reduced. Eg: - Storage processing, handling etc.

2. Pricing / A locative 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 as way that no other allocation would make producers and consumers better off. 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.

Empirical 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. (Khols and Uhl.)

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

E = level of efficiency

O = value added to the marketing system.

I = real cost of marketing

Shepherd „s formula of marketing efficiency :

$$ME = \frac{V}{I} - 1 \times 100$$

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.

Marketing Costs:

The movement of products from the producers to the ultimate consumers involves costs, taxes, and cess which are called marketing costs. These costs vary with the channels through which a particular commodity passes through. Eg: - Cost of packing, transport, weighment, loading, unloading, losses and spoilages.

Marketing costs would normally include :

i. Handling charges at local point
ii. Assembling charges
iii. Transport and storage costs
iv. Handling by wholesale and retailer charges to customers
v. Expenses on secondary service like financing, risk taking and market intelligence
vi. Profit margins taken out by different agencies.
vii. Producer's share in consumer's rupee :

Producer's share in consumer's rupee

$$Ps = \frac{PF}{Pr} \times 100$$

Where,

Ps = Producer's share
PF = Price received by the farmer
Pr = Retail price paid by the consumer

Total cost of marketing of commodity,

$$C = Cf + Cm1 + Cm2 + . . . + Cmn$$

Where, C= Total cost of marketing of the commodity
Cf = Cost paid by the producer from the time the produce leaves till he sells it
Cmi= Cost incurred by the ith middlemen in the process of buying and selling the products.

Marketing costs are the actual expenses required in bringing goods and services from the producer to the consumer.

Objectives of studying marketing costs :

1. To ascertain which intermediaries are involved between producer and consumer.
2. To ascertain the total cost of marketing process of commodity.
3. To compare the price paid by the consumer with the price received by the producer.
4. To see whether there is any alternative to reduce the cost of marketing.

Reasons for High Marketing Costs :

1. High transportation costs
2. Consumption pattern – Bulk transport to deficit areas.
3. Lack of storage facilities.
4. Bulkiness of the produce.
5. Volume of the products handled.
6. Absence of facilities for grading.
7. Perishable nature of the produce.
8. Costly and inadequate finance.
9. Seasonal supply.
10. Unfair trade practices.
11. Business losses.
12. Production in anticipation of demand and high prices.
13. Cost of risk.
14. Sales service.

Factors Affecting Marketing costs

1. Perish ability
2. Losses in storage and transportation
3. Volume of the product handled

Volume of the More – less cost
Volume of the Less – more cost

4. Regularity in supply : Costless irregular in supply – cost is more
5. Packaging : Costly (depends on the type of packing)
6. Extent of adoption of grading
7. Necessity of demand creation (advertisement)
8. Bulkiness
9. Need for retailing : (more retailing – more costly)
10. Necessity of storage
11. Extent of Risk
12. Facilities extended by dealers to consumers. (Return facility, home delivery, credit facility, entertainment)

Ways of reducing marketing costs of farm products.

1. Increased efficiency in a wide range of activities between produces and consumers such as increasing the volume of business, improved handling methods in pre-packing, storage and transportation, adopting new managerial techniques and changes in marketing practices such as value addition, retailing etc.
2. Reducing profits in marketing at various stages.
3. Reducing the risks adopting hedging.
4. Improvements in marketing intelligence.
5. Increasing the competition in marketing of farm products.

Market Margins

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.

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 (Ami)**

$$= PRi\ PPi + Cmi$$

(b) Percentage margin of ith middlemen (Pmi)

$$\frac{PRi - (PPi + Cmi)}{PRi} \times 100$$

(c) Mark-up of ith middleman (M2)

$$\frac{PRi - (PPi + Cmi)}{Ppi} \times 100$$

Where,

PRi = Total value of receipts per unit (sale price)

Ppi = Purchase value of goods per unit (purchase price)

Cmi = 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 break up of the consumer"s rupee :

$$MT = \sum_{i=1}^{N} \frac{Si - Pi}{Oi}$$

MT = Total marketing margin.

Si = Sale value of a product for ith firm

Pi = value paid by the ith firm

Qi = Quantity of the product handled by its firm

$i = 1, 2, \ldots . n$ (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:

1. **Concurrent margin method :**

This method stresses on the difference in price that prevails for a commodity at successive stages of marketing at a given point of time.

2. Lagged Margin Method :

This method takes into account the time that elapses between buying and selling of a commodity by the intermediaries and also between the farmer and the ultimate consumer. Lagged margin indicates the difference of price received by an agency and the one paid by the same agency in purchasing in equivalent quantity of commodity.

Price Spread

The difference between the price paid by the consumer and price received by the farmer. It involves various costs incurred by various intermediaries and their margins.

Risks on marketing speculation-hedging-future trading- forward market- -contract farming/contract farming-Price forecasting

Risks in marketing

Risk is inherent in all marketing transactions. Fire, rodents, quality deterioration, price fall, change in tastes, habits or fashion, placing the commodity in the wrong hands or area are all also associated with marketing risk. Hardy has defined risk as uncertainty about cost, loss or damage. The longer the time lags between production and consumption, the greater the risk. Most of the risk is taken by market middlemen. The bearer of the risk may be better off or worse-off. A risk cannot be eliminated because it also carries profit.

Types of Risk : The risks associated with marketing are of three types, namely physical risk, price and institutional risk.

i. **Physical risk:** Physical risk includes loss of quantity and quality. It may be due to fire, flood, earthquake, rodents, pests, excessive moisture or temperature, careless handling, improper storage, looting or arson.

ii. **Price risk** Price risk associates with fluctuation in price from year to year or within the year.

iii. **Institutional risks**: Institutional risks include the risks arising out of a change in the government budget policy, imposition of levies price controls etc.

Measures to Minimize Risks :

a. Reduction in Physical loss through fire proof storage, proper packing and better transportation.

b. Transfer of physical losses to Insurance companies.

c. Minimization of price risks through.

- Fixation of minimum and maximum price by government.
- Dissemination of price information to all sections of society over space and time.
- Effective system of advertising and create a favourable atmosphere for the commodity.
- Operation of speculation and hedging : Futures trading, forward market, contract farming, contract marketing.

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.

Hedging : It is a trading technique of transferring the price risk. "Hedging is the practice of buying or selling futures to offset an equal and opposite position in the cash market and thus avoid the risk of uncertain changes in prices" (Hoffman).

Futures Trading : It is a device for protecting against the price fluctuations which normally arise in the course of the marketing of commodities. Stockicsts , processors or manufactures utilize the futures contracts to transfer the price risks faced by them.

Future trading includes both hedging and speculation.

Speculation	Hedging
Purchases and sales in the cash as well as in futures markets are made with the objective of making profit.	To protect oneself against excessive price fluctuation.
The activities of buying and selling are not necessarily opposed to each other.	Are always opposed to each other
It is not necessary that the two types of transactions should be of equal quantity.	If is obligatory to buy and sell goods in equal quantities in the two markets.
Speculator purchases and sells goods when prices are as per his expectations.	The commodities are not stored by traders. Only the difference in the price is given or taken on the due date

Commodities for Futures Trading

Commodities permissible under futures trading must satisfy the following conditions.

1. Plentiful supply of the commodity.
2. Must be storable.
3. Commodity should be homogeneous.
4. Commodity should have a large demand.
5. Supply of the commodity should not be controlled by a few large firms.
6. The price of a commodity should be liable to fluctuate over a wide range.

Forward Markets

A market in which the purchase and sale of a commodity takes place at time „t" but the exchange of the commodity takes place on some specified date in future i.e. t+1. Some times even on the specified date in the future, (t+1) there may not be any exchange of the commodity. Instead, the differences in the purchase and sale price are paid or taken.

Services Rendered by a Forward Market.

1. Reduces price fluctuations so that the margin of profit may be small.
2. Ensures an even flow of goods, avoiding gluts in peak season & shortages in 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 changing s – D 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 enable unscrupulous speculators, 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.

Contract Farming/Marketing:

Contract farming is evolving an institutional arrangement of alternative marketing in India. Experience shows that there is considerable saving of inputs and rising profitability due to introduction of technology and effective extension service. It is also successful in crop diversification in many states such as tomato in Punjab and Haryana, etc. It is a bi-party agreement between farmer and industry to supply the agreed quantity at a specified date. Services provided by sponsoring firms range from supply of inputs, extension service, quality monitoring to purchase of output.

Price Forecasting

Forecasting is the prediction of values of a variable. Forecasts also may be based on expert judgments, which in turn are based on historical data and experience.

I-Market information needs of farmers

What crop or combination of crops to plant?
When to plant?
Where to sell?

Agricultural price policy:

Characteristics of Agricultural product prices

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 remail low in the post-harvest period.
vii. There are multiple prices in the same market at a point of time.

Agricultural Price Stabilization

Government takes the responsibility to stabilize agricultural prices. The objectives of price stabilization assures 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 stabilisation fund along with a market intervention plan for key agricultural products.

Need for Agricultural Price Policy

Agricultural Price Policy has special significance when there is 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.
6. History of Agricultural price policy :

CACP: Commission for Agricultural Costs and Prices,

Agricultural Price Commission, APC was established in 1965 on the recommendations of Foodgrains Policy committee under the chairmanship of L.K. Jha. The significant contributions are

a. **MSP :** Chief function is to set a floor to the downward fluctuations in the market prices. It is a insurance against price uncertainty.
b. **Maximum Ceiling Prices :** APC has not favoured maximum or ceiling prices for agricultural commodities. In the case of food grains, the **s**tates were unable to enforce legally fixed maximum prices. Private stocks tended to go underground.

c. **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, and the external competitiveness of the commodities concerned.
d. **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.

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.

International Trade

International trade is the exchange of goods and services between countries. This type of trade gives rise to a world economy.

Importance:

- Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries.
- Almost every kind of product can be found on the international market: food, clothes, spare parts, oil, jewellery, wine, stocks, currencies and water.
- Services are also traded.
- Imports and exports are accounted for in a country's current account in the balance of payments.
- Global trade allows wealthy countries to use their resources more efficiently.

The basis of international trade

The comparative cost theory developed by David Ricardo illustrated it in 1817 by using two country, two commodity model.

Country	Labour units/unit of cloth	Labour units/unit of wine	Exchange ratio between wine and cloth
England	100	120	1 wine : 1.2 cloth 120/100
Portugal	90	80	1 wine : 0.88 cloth 80/90

Portugal has an absolute superiority in production of both cloth and wine. Law of comparative advantage indicates that a country should specialise in the production of that commodity in which it is more efficient and leave the other commodity to other country. The two nations will then have more of both goods by engaging in trade.

Country Specialization

US Making computers and Brazil Growing coffee. The theory of comparative advantage states that international trade is mutually beneficial even when one of the countries can produce every commodity more cheaply than the other country.The terms

„absolute" and comparative are key terms to understand this principle. eg: A best lawyer is best typist in the town. A secretary is less efficient than lawyer The benefit of international trade results in a more efficient employment of the productive forces of the world. (John Stuart Mill). Foreign trade expands a nation's consumption possibilities.

Sells Buys Good Foreign trade

Sells	**Buys**	**Good**	**Foreign trade**
Japan	US	Cameras	By specializing, each nation ends up consuming more than it could produce alone.
US	Australia	Computers	
Australia	Japan	Coal	

Two issues are involved in foreign trade:

1. Trade among different nations : Problem of Protectionism : (whether foreigners are discriminated or treated equally)
2. Different nations use different currencies (or monies).

Difference between Foreign trade and domestic trade.

particular	**Domestic trade**	**Foreign trade**
Factors of production	Immobile	Mobile
Currencies	No difficulty	The possibility of variations in exchange rates between different currencies increases risk
Restrictions on trade	Relatively less	Imposed by a. Custom duties b. Fixed quotas c. . Tariff barriers d. Exchange restrictions
Ignorance	Less ignorance	Difference in culture, religion language etc.
Separate markets	India uses right hand drive cars	Ethiopia uses left hand drive cars
Transport and insurance costs	Less	Impede international trade.

Free Trade vs. Protectionism

There are opposing views. International trade has two contrasting views regarding the level of control placed on trade: free trade and protectionism. Free trade is the simpler of the two theories: a laissez-faire approach, with no restrictions on trade. The main idea is that supply and demand factors, operating on a global scale, will ensure efficient production. Therefore, nothing needs to be done to protect or promote trade and growth because market forces will do so automatically. In contrast, protectionism holds that regulation of international trade is important to ensure that markets function properly.

Advocates of this theory believe that market inefficiencies may hamper the benefits of international trade and they aim to guide the market accordingly. Protectionism exists in many different forms, but the most common are tariffs, subsidies and quotas. These strategies attempt to correct any inefficiency in the international market.

World Trade Organization(WTO)

Brettonwood conference of 1944 recognized the need for an institution to oversee the liberalization of free trade.

- For facilitating world trade, General Agreement on Tariffs and Trade, (GATT) was established in 1947 at Geneva in Switzerland.
- India was founder member of GATT.

There have been several rounds of negotiations between 1947-94.

Main features of GATT (General Agreement on Tariffs & Trade)

1. Reduction in agricultural tariffs by 30% for all agricultural commodities from 1994.
2. Agricultural input subsidies are reduced by 30%, export subsidies by 36% and value of subsidized exports by 21%.
3. Trade liberalisation policies would bring about 2-10% rise for agricultural commodity prices in international markets resulting in a gain of $200 billion.
4. As import tariffs are reduced, the domestic demand for imports increases putting pressure on trade balances. The developing countries have to resort to real exchange rate devaluation to increase their exports.
5. GATT reforms are more beneficial to developed countries because of high prices for export goods such as capital goods, machinery etc.
6. According to GATT, India can offer subsidy to increase its export competitiveness with out altering policy related to PDS, food security etc.
7. Under TRIPS, seeds and plant varieties must be protected either by patents or by an effective system of its own or a combination of both.
8. All regulations, rules, restrictions (QRs), export duties, minimum export prices have to be removed to boost exports.
9. TRIMS : No restrictions on quantum of foreign investment.

2nd round	1948	France	Concentrated on Tariff, rules and trade policies till 1964
3rd round	1956	England	„
4th round	1956	Geneva	„
5th round	1960	Dillon	
6th round	1967	Kenny	Antidumping
7th round	1973-79	Tokyo	Framework of GATT arrangements
8th round	1986-93	Uruguay	Boundaries were expanded to TRIPS, TRIMS, GATTS, Agricultural trade etc
9th round	1994.	Morocco	WTO establishment on 01-01-1995

Till 1964, negotiations were concentrated on tariff, rules, trade policies under GATT. In 1982, US suggested new items such as TRIPS, agriculture and service sectors for inclusion in the discussions. Several nations opposed the move initially. Ultimately every one was forced to accept. 1989-94, Dunkel draft was discussed. Lot of opposition including India, but was signed in 1994 at Markesh in Morocco. On the recommendation of Dunkel draft, WTO was established on 1st January, 1995 with head quarters at Geneva. At present there are 153 member countries joined WTO as on 01-01-2010.

Three divisions of WTO:

1. Ministerial level conference: Meet once in two years to take principal policy decisions.
2. General council : Consists of all members, handles day to day work of WTO.
3. Bodies : (a) Dispute settlement Body, (DSB). (b) Trade policy Review Body (TPRB).

Main Functions of WTO :

1. In addition to goods, it covers trade in services, TRIPs and TRIMs.
2. Dispute settlement system is faster and more automatic aims at solving trade problems.
3. WTO has global states similar to IMF and World Bank.

Agreement on Agriculture (AoA)

- AoA was signed as part of the Uruguay Round Agreement in April, 1994.
- It came into force with effect from 1st January, 1995.
- AoA covers three broad areas of agriculture and trade policy, namely.

i. Market Access
ii. Domestic Support, and
iii. Export subsidy

1. Developed countries have to reduce their tariffs by an average of 36% over a period of 6 years from 1995-2000, while developing countries to reduce by 24% in a span of 10 years from 1995 to 2004. Least developed countries are exempted.
2. India is under no obligation to reduce domestic support or subsidies currently extended to agriculture.
3. No export subsidy has been extended in India.

Market Access, Domestic subsidy & Export subsidy commitments under AOA :

S. No	Pillars of AOA	Developed countries(1995-2000)	Developing countries (1995-2004)
1	Market access Tariff cuts for agril products (Average) (Base period : 1986-88) minimum cut per product line	36% 15%	24% 10%
2	Domestic support (Base : 1986-88) AMS	20%	13%
3	Export subsidies : (Base : 1986-90) Subsidy volume : Subsidised quantities (Volume)	 36% 21%	 24% 13%

Aggregate measure of support (AMS)

- Subsidies are considered to be market distortions and have a reduction commitment based on product specific and non-product specific calculations of AMS, based on levels of 1986-88 expressed as a percentage and the value of the production of the relevant agricultural product or entire agricultural production.
- There was no requirement in the agreement for reduction commitment it the AMS was 5% for developed countries and 10% for developing and least developed countries.
- In other cases member countries were required to reduce their total AMS by 20% over 6 years by developed countries and 13.3% over 10 years by developing countries.
- Exemption from AMS calculations were granted to green box and blue box subsidies.
- Green box subsidies : Have minimal trade distorting effects such as research, extension, buffer stocks for food security purposes and other similar activities.
- Blue box subsidies consist of measures which have non-distorting and conditional on the limitation on production.
- Amber box subsidies : The reduction commitment applies only to the Amber box subsidies once exemption was given to green and blue box subsidies.

Agreement on the Application of Sanitary and Phytosanitary Measure (SPS)

SPS deals with standards for food safety and animal and plant health. WTO encourages member countries to use international standards or guidelines where they exist and names some examples are given below:

1. Codex Alimentative commission is named for food safety which is an inter governmental body of FAO & WHO.
2. International office of Epizootics for animal health.
3. FAO secretariat of the International plant protection convention for plant health.
4. Higher standards are based on scientific justification, which is based on “risk assessment”.

Trade Related Intellectual Property Rights (TRIPs)

Different form of intellectual property rights (IPR) identified by TRIPs 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 softwares. 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 colors 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.

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