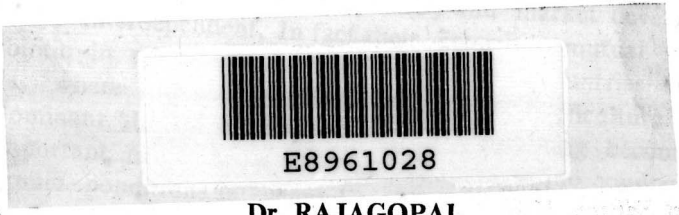
MARKETING IN PEASANT ECONOMY

HISTORY AND TRENDS



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PREFACE

The economic progress of a country and market development are interdependent. In fact their growth is mutual and symbiotic in association. In the developing countries like India, where the place and position of agriculture is predominant, the economy of foodgrain marketing becomes an important matter to be discussed to analyse the country's economic conditions in general and the peasant's economic development in particular. Efficient marketing plays an important role not only in raising economic activity but also on making the most economic use of what is being produced on the farm. The efficiency of the foodgrain marketing system is one of the determinants which influence the growth of agricultural production.

The book on hand discusses the foodgrain marketing structure in Indian peasantry in two parts. The first part comprises the theoretical and observative description with the researcher's point of view and the second part presents some case evidences to the existing market system of agricultural produce in primary and regulated markets in different parts of the country. The whole write-up brings forth an innovative and futuristic approach to make the existing agricultural marketing system efficient. The text is interpreted with the flow charts and graphs to enable the scholars to look into the depth of the theme and to develop clear understanding.

The book is divided into ten chapters in the first part, consisting of a wide coverage of the basic issues related to agricultural production and marketing, such as traditional agricultural systems as barrier to change agrarian structure,

infrastructure needed for efficient marketing system, development of marketing institutions, trade practices, farm business functions, processing of foodgrains, price structure of foodgrains, market intelligence and market reforms. The second part presents some case studies carried out in Madhya Pradesh, Maharashtra and Bihar on foodgrain marketing, through periodic and regulated markets. The data supporting the text at numerous places give an updated picture of the concerned issue.

By and large, the book attempts to provide an understanding of the nature and functional aspects of agricultural marketing in the primary and regulated agricultural produce markets and how the profit is distributed between various channels of traders and farmers. As such I offer this book to the scholars as a fundamental source to get acquainted with the system of marketing of foodgrains at various buyer and seller levels.

I am grateful to my professors who have dedicatedly contributed towards my higher studies and made me capable to well understand the so much intertwined subject of foodgrain marketing. Working with professionally oriented people has been an interesting and rewarding experience for me. But this book would not have been completed without the help of my wife, Smt. Arati Rajagopal. A great amount of her time was spent in reading the manuscript for correcting mistakes, as far as the language is concerned. She helped a lot in making charts and graphs to enable the readers comprehend the theme easily. I would say she is responsible for the added quality of this book.

Finally, I express my appreciation to the Manas Publications for accepting the manuscript for publication and encouraging me to complete the task.

March 11, 1987 RAJAGOPAL

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CHAPTER ONE

TRADITIONAL AGRICULTURAL SYSTEM

Most of the developing countries are peasant-oriented and the agricultural production contributes a major part in their national income. India is one of them. Indian agriculture has shifted from stagnation to growth in the post-World War II period.[1] During the period prior to World War II, food production tended to decline and deep fall was observed in case of particular crops like rice. Many states, notably Bengal, showed decline in overall production despite advance in the production of commercial crops which enabled the overall production to move evenly. In contrast, Indian agriculture has shown clear and persistent signs of growth of crop production in the post-World War II era. But the growth of agricultural production could not move on an even keel with the population. Thus the post-World War II period shows that while there was impressive progress during some years there were signs of poor foodgrain yields during other years.

A reference to agricultural growth in the pre-independence period, i.e., approximately 1901-1950, may not be considered quite relevant but legacies do matter and the state of agriculture as adopted from the colonial days is not quite irrelevant for the assessment of the post-Fifties period. The aggregate foodgrain production in British India[2] between 1891-1947 increased at an average rate of 0.11 per cent per year, while the rate of growth in the latter half was an insignificant 0.03 per cent. The production of rice declined at an average annual rate of 0.09 per cent over the period of 56 years. Incidentally, during

colonial period, the population increased at a low rate of 0.67 per cent per annum.

TABLE 1.1: **Agricultural Manpower in Rural and Urban Areas**

Agricultural Manpower Distribution	*1971 Census*			*1981 Census*		
	Rural	*Urban*	*Total*	*Rural*	*Urban*	*Total*
Cultivators (in crores)	7.66	0.17	7.83	9.02	0.23	9.25
Main workers (in crores)*	14.85	3.20	18.05	17.64	4.61	22.25
Total population (in crores)	43.91	10.91	54.82	52.55	15.97	68.52
% of cultivators to main workers	51.58	5.31	43.38	51.13	4.99	41.57
% of cultivators to total population	17.44	1.56	14.28	17.16	1.44	13.50

*Excludes Assam and that portion of Jammu and Kashmir which is under illegal occupation of China and Pakistan.

Source: Data based on '*India*: *1985*', Publications Division, Ministry of Information and Broadcasting, Government of India, pp. 228-29.

The current statistical figures show that agriculture contributes nearly 40 per cent of the national income and provides livelihood to 60 per cent of the total working force, accounting for nearly 35 per cent of the total value of country's exports. Table 1.1 shows the distribution of manpower engaged in agricultural operations in the rural and urban areas of the country.

The data shows that the cultivators occupy the topmost rung of the occupational distribution ladder in Indian economy but the percentage of cultivators to the main workers

is declining, evidently as the figures 43.38 per cent in 1971 to 41.57 per cent in 1981 indicate. One of the reasons for this is the increasing industrialisation in the rural areas. It has so far accelerated the occupational shifting and inter-sectoral migration. In 1983, the farmers and persons engaged in allied sectors of agriculture like fisheries and hunting, etc., are reported to be 92.4 thousands and their ratio is 0.4 to the actual number of persons engaged in different occupations; according to the live register of employment exchanges.[3]

Land reforms and the changing agrarian structure since independence highlights the inter-relationship between land reforms and changes in agrarian structure. Pre-reform agrarian structure showed the impact of 'colonial mode of production'[4] superimposed on 'Asiatic mode of production'.[5] The system of land tenure was in practice in many parts of the northern, eastern and central India in particular, under which the State had no direct contact with owner, much less the tiller of the land. British found in the intermediaries with whom it had permanent settlements of revenue stable allies and the Zamindari system a convenient method of appropriating surpluses.[6] The presence of long chain and large class of intermediaries, one below the other with successive layers of tenure, led to illegal exactions and rack-renting.[7]

The land holding data of early Fifties revealed unequal distribution of ownership and cultivated holdings. The abolition of intermediaries was the first of the programmes with some measure of success in India. During Sixties ,the emphasis was made, by and large, on the implementation of the legislation relating to the record of rights for tenants, reduced rents and security of tenure. The ceiling of land holdings was imposed in late Seventies to make the availability and distribution of land more even and equitable.[8]

Agricultural sector presents a curious paradox in the scenario of post-independence India. This sector has witnessed a breakthrough in production described as the 'Green Revolution' which proved two manifestations: one, combating with famines and second showing a remarkable social and economic change in rural areas. Indeed, agricultural growth is

difficult to measure due to weather induced fluctuations in short term.[9] Table 1.2 gives the statistical panorama of the growth of agriculture in India since 1891. The figures reveal

TABLE 1.2: **Agricultural Growth Rates : 1891 to 1984**

Period	*Area*	*Yield*	*Output*
All crops			
1891 to 1946	0.4	0.0*	0.4
1949-50 to 1983-84	0.8	1.4	2.6
Foodgrains			
1891 to 1946	0.3	−0.2	0.1
1949-50 to 1983-84	0.7	1.6	2.6
Non-foodgrains			
1891 to 1946	0.4	0.9	1.3
1949-50 to 1983-84	1.2	1.0	2.6

*Insignificant.

Source: (1) Growth rates for 1891 to 1946 are exponential rates of growth based on George Blyn: Agricultural Trends in India—1891-1974: Output, Availability and Productivity; University of Pennsylvania Press.

(2) The Growth rates for the period 1949-50 to 1983-84 are based as in 'Agricultural Situation in India', March 1985, p. 901.

the stagnation of the overall agricultural output during the pre-independence period, 1891-1946, especially of foodgrains. During this period, the stagnation inducing characteristics of the social, economic and prevailing technological environment are brought out by many historical studies of agrarian change.[10] There is a clear break with this situation during the period, 1949-50 to 1983-84, which is evident by a firm trend in yield improvement and growth rate of agricultural production ahead of population growth rate of over two per cent per annum. These were quite exponential. Many economists have also put forth this argument that these were creditable achieve-

ments compared with the pre-independence experiences of India and also of the historic experiences of the developed countries in their initial phase of growth. It is creditable in comparison to the growth rates of the Third World developing countries too.[11]

The changing dynamics of agricultural growth in yield and output in the post-independence period consists of two phases, i.e., the pre-green revolution phase of 1952-53 to 1964-65 and the post-green revolution phase of 1967-68 to 1983-84. The growth rates in case of foodgrains during pre-green revolution phase for area, yield and output were 1.0, 1.5 and 2.5 respectively which creeped up during the post-green revolution phase to 0.4, 1.8 and 2.6 respectively after adopting intensive farming techniques.[12] The Table reveals that between the two development phases of Indian agriculture, an intensive use of land to increase the output has been adopted and the trend is likely to persist in the coming decades. But at the same time the data also indicates that taking agriculture as a whole, there is no sign that yield improvements have compensated for the declining thrust of increase in area under the plough. It can also be noted that the growth rate in non-foodgrains is low compared to the rate of growth in foodgrains.

Irrigation is one of the factors which has attributed to mark the favourable growth rate during the post-independence agricultural developmental phases. The extent of irrigation, cropping intensity and intensity of irrigation since 1950 is shown in Table 1.3. The figures indicate that the improved cultivation practices are being adopted by majority of farmers as the cropping intensity has been increasing continuously since 1950. But despite the substantial extension of irrigation, the irrigated component of total cropped area and the progress achieved in intensive cultivation of land are still at moderate level. The programme of extension of irrigation has been a major State sponsored effort in all the five-year plans so far as specified in Table 1.4. The period of the last three decades has witnessed three-fold increase in the extent of irrigation. The area receiving irrigation, from major and medium projects,

TABLE 1.3: **Factors Attributing Improved Cultivation Measures**

Year	*Per cent of irrigated area to the Gross cropped area*	*Per cent of Gross cropped area to Net area sown*	*Per cent of Gross irrigated area to Net area sown*
1950-53	17.1	111.4	109.6
1959-62	18.2	115.1	114.0
1969-72	23.0	117.6	122.3
1981-83	29.6	123.2	129.7

Source: Land Use Statistics and Annual Reports, Ministry of Agriculture, Government of India.

TABLE 1.4: **Growth of Irrigation**

(*Million hectares*)

Type of Project	*1950-51*	*1984-85*
Major and Medium		
Potential created	9.7	30.5 (3.5)
utilisation	9.7	25.3 (2.94)
Present utilisation	100	82.95
Minor		
Potential created	12.4	37.4 (3.2)
Utilisation	12.9	35.1 (3.07)
Present utilisation	100	93.85
Total		
Potential created		
Utilisation	22.6	60.4 (3.02)
Present utilisation	100	88.95

Figures in parenthesis indicate per cent growth rate in the year 1950-51.

Source: Seventh Five Year Plan 1985-90, Vol. II, Planning Commission, Government of India, p. 72.

went up from 9.7 million hectares in 1950-51 to 25.3 million hectares in 1984-85 against the potential created for 9.7 million hectares to 30.5 million hectares in respective years. The rate of growth of the target and utilisation in 1984-85 with respect to 1950-51 is 3.5 and 2.94 per cent respectively. But in 1984-85, the utilisation was only 82.95 per cent against the potential created, whereas in 1950-51 the utilisation was reported cent per cent. The minor irrigation projects fed an area of 35.1 million hectares in 1984-85 compared to the irrigated area of 12.9 million hectares in 1950-51. The rate of growth computed for the minor irrigation in the country is 3.2 and 3.07 per cent for the potential generation and utilisation in 1984-85 within the period from 1950-51.

The behaviour of total output relative to the population growth may be viewed in the perspective of the post-independence period. The statistics related to foodgrains production reveal that despite intensive cultivation and high yielding measures the supply gap is yet to be filled in. George Blyn says that to have doubled agricultural production in a mere quarter of post-independence period in a land of low per capita income and already advanced population density, where agriculture over the past many centuries had already taken up the natural suitable farm lands, is surely a remarkable accomplishment.[13] The post-independence rate of growth of agricultural production in India is shown in Table 1.5. The data reveals that a continuous increase in the production of foodgrains was recorded except in the year 1965-66 which was marked by famine conditions. The compound growth rate in agricultural production during 1949-50 to 1983-84 exceeds 2.6 per cent per annum. During the same period, production of foodgrains has almost tripled—from 5.49 crore tonnes to 15.15 crore tonnes.[14] Indian agriculture has acquired certain momentum over the recent decades. The growth projection of agriculture based on the past experiences, needs sophisticated statistical exercise to suggest the alternative assumptions with a clear order of priorities. A carefully worked out study indicates by the year 2000, the assumed yields over the entire cropped area would be 359 million tonnes against the approximate foodgrains produc-

TABLE 1.5: **Production of Foodgrains: 1950-51 to 1983-84**

(in thousand tonnes)

Year	*Cereals*	*Pulses*	*Oilseeds*	*Total Foodgrains**
1950-51	42414	8411	5158	50825
1955-56	55805	11045	5734	66850
	(7.10)	(7.04)	(2.68)	(7.09)
1960-61	69314	12704	6982	82018
	(5.56)	(3.56)	(5.04)	(5.24)
1965-66	62403	9944	6396	72347
	(−2.59)	(−5.93)	(−2.16)	(−3.08)
1970-71	96604	11818	9259	108422
	(11.54)	(4.41)	(9.68)	(10.64)
1975-76	107995	13039	9911	121034
	(2.82)	(2.48)	(1.71)	(2.78)
1980-81	118962	10627	8382	129589
	(2.44)	(−4.98)	(−4.10)	(3.47)
1983-84	138888	12655	11315	151543
	(8.05)	(9.12)	(14.18)	(8.13)

The figures in parenthesis indicate the growth rates to respective years.
*Excluding oilseeds.

Source: Statistical Abstract 1984, Central Statistical Organisation, Government of India, p. 49.

tion of 150 million tonnes in 1985-86.[14] It would be relevant here to take note of the prospects as assessed by the agricultural scientists looking for the appropriate new dryland farming technology. International Crop Research Institute for Semi-Arid Tropics based in Hyderabad hopes to usher in a second green revolution in the poverty-stricken areas.[17] Further a seminar of All-India Coordinated Millets Improvement Project has also expressed the similar views.[17]

The per capita net availability of foodgrains reached a level of 480 grams per day in 1983 as compared to 430 grams

per day in 1950. Availability of edible oils has also increased from 2.5 kg per year in 1950 to about 5.2 kg in 1983. Inspite of increasing population pressure the country has been able to sustain and improve the availability of basic consumption articles and raised the standard of living of the people.[18] The provisional estimate of population in 1985 was 750 million and the per capita production of foodgrains amounted to 200 kg. The per capita availability of calories as shown in Table 1.6 reveals that the per capita availability of calories was 2,054 per day in 1985. This is 10.69 per cent short of the recommended requirement.

TABLE 1.6: **Per capita Per day Availability of Calories**

Food items	*Availability (grams)*	*Calories*	*Per cent of Total*
Foodgrains	480	1632	79.45
Vegetable Fat	18.4	165	8.03
Sugar	66	257	12.52
Total	—	2054	100.00

Source: Dandekar VM: Agriculture, Employment and Poverty, *Economic and Political Weekly*, XXI (38 and 39), 1986, p.A-93.

The time series studies have shown a consistent negative relationship between agricultural production and the percentage of people living below poverty line.[19] There is also an important link between agricultural growth and economic status of the peasants. The surpluses emerging from the agricultural production have enabled the government to implement many rural employment schemes like, Food For Work, etc. Agricultural growth can have an equally significant impact as the middle strata in rural society has demonstrated. The positive results of the new modern agricultural techniques have also improved economic status of the medium and small peasants.[20] Indeed, agricultural growth with an extensive coverage seems to be the only

feasible and trustworthy foundation for the development of Indian rural economy.

Organisational Barriers in Indian Peasantry

In India, there are many definitions of the village. The way they are defined for the purpose of the Census may not be the same as villages recognised by the revenue authorities. The revenue villages are territorial units which include cultivated fields, fallow and uncultivable areas as well as such lands as are devoted to residential purpose. Sociologically a village can be determined as a cluster of homesteads in close proximity to each other and usually separated from each other by open spaces.[21] The village can be termed economically as a unit of production of various consumer items like foodgrains, non-foodgrains, etc., by various occupation groups. However, there are exceptions. In some parts of India one cannot distinguish any clusters of homesteads; they are found to be scattered almost all over the countryside in a continuous stretch. In other areas a village may consist exclusively of upper class and adjacent settlements of labourers, poor peasants, etc. By and large village means more than its synonym of which the political shape of the country stands on its definition side and the economic development of the country on its interpretation side.

The rural areas in India show much higher variety in their pattern of distribution and internal structure. There are four types of rural settlements found in the country: (i) nucleated villages; (ii) linear villages; (iiii) irregularly clustered villages; and (iv) scattered homesteads. Of these, the most common types of the village settlements are the nucleated and clustered type. The linear type villages are usually arranged on both sides of the street and are common in south India. Scattered homesteads are found in Kerala and some parts of Assam and West Bengal.

In villages, there is commonly class stratification which governs the rural economy at the grass-root. The village society is composed of two parts, of which the people who possess marginal or no means of production and who live by