



## Analysis of Local Market Institutions in West Bengal and Bihar

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Paper No.: 289

Received: 27 January 2015

Accepted: 11 December 2015

### **Abstract**

The analysis of local market institutions in West Bengal and Bihar reveals that the market for agricultural produce is overwhelmingly dominated by private trade at the village levels. Though there has been modest public sector effort to support agricultural markets through building up of public sector marketing agencies, promoting cooperatives, etc., the fact remains that the market is dominated by private trade in agricultural produce in a largely unorganized manner. There have been numerous village-level market institutions at work for the marketing of specific commodities, through even greater numbers of trade channels in the marketing chain. Owing to higher number of trade channels in prolonged marketing chains, the producers' shares in cases of all crops turn out to be quite low, especially for fruits and vegetables.

**Keywords:** Local market institutions, private trade, trade channels, West Bengal, Bihar

Over the last few decades, agricultural marketing scenario in India has undergone several changes, primarily owing to an increased marketed surplus resulting from an increase in agricultural production, and on the other hand, rapid changes in consumer food habit. Though the economy has increased manifold, the markets for agricultural produce have failed to develop in tandem and is still overwhelmingly dominated by private trade. Studies conducted by NCAER (2008) shows that as much as 98.5% of agricultural produce in West Bengal is sold at the village level to private institutions, and not to regulated wholesale markets. Report on the Steering Group of Vision of Agriculture Development in Bihar (2010) reveals that more than 90% of the farmers sell their produce in villages to private institutions. As such, there is no doubt in the fact that the local market institutions reign supreme with a lion's share in agricultural produce market in these states.

### **Data Base and Methodology**

In the backdrop of the dominance of private trade at the village levels, the present paper attempts to analyse

the local agricultural market institutions in West Bengal and Bihar. The present paper makes use of both primary and secondary data from various published and unpublished sources. While published secondary data from the Ministry of Statistics and Programme Implementation has been consulted, at the same time village level primary data from private sources has also been used.

### **Findings and Discussion**

#### **Market Institutions**

The term *market institutions* can be considered to embrace a wide range of organizations, including associations of farmers, traders, and others in the value chain, as well as cooperatives and government marketing agencies. In West Bengal and Bihar, there are a number of agricultural marketing agencies and institutions functioning in the agricultural markets. Depending on the objectives and role, the marketing institutions can be grouped into (a) public sector agencies and regulated

markets, (b) cooperatives, (c) agribusiness firms, big Retailers and multinational companies and (d) other formal/informal bodies. The status of some of these marketing agencies and institutions are briefly described here.

### Public Sector Marketing Agencies

Public sector organizations include Food Corporation of India (FCI); Cotton Corporation of India (CCI); Jute Corporation of India (JCI); Commodity Boards; APEDA; STC; MPEDA; Commission for Agricultural Costs and Prices; Directorate of Marketing and Inspection; Departments of Food and Civil Supplies; State Agricultural Marketing Boards; Central and State Warehousing Corporations; and Agricultural Produce Market Committees. The role and functions of each of these differ and include policy formulation, implementation, supervision, facilitation and direct entry in the market. Apart from these agencies, other state-level agencies also take part in trading in agricultural produce, like State Marketing Federation (BENFED), the State Food and Civil Supplies Corporation, State Departments of Food and Civil Supplies, as well as agencies like State Seed Corporation in West Bengal. In Bihar, agencies like Bihar State Food and Civil Supplies Corporation (BSFCSC) acts as a state trading agency trading through PDS in rice and wheat. In non-food crops, jute is traded by the JCI mainly in the north Bihar region.

The organized marketing of agricultural commodities has been promoted primarily through a network of regulated markets. Most state governments and UT administrations have enacted legislations to provide for the regulation of agricultural produce markets. In West Bengal, the number of regulated markets stands to be 684 (43 principal market yards and 641 sub-market yards), after Andhra Pradesh (891), while that for Bihar stands at 526 (95 principal market yards and 431 sub-market yards) in 2008 (Manual on Agricultural Prices and Marketing, 2010). The average area served by a market in case of West Bengal comes out to be 129.75 sq.km, only after Punjab (115.24 sq.km.) in 2008, while that for Bihar stands at 179.01 sq.km. among all other states. In Bihar, however, the Agriculture Produce Marketing (Regulation) Act has been repealed since 1<sup>st</sup> September 2006, and the agricultural market in the state is functioning without any formal institutional structure at present. At the time of disbanding the Bihar State Agriculture Marketing Board (BSAMB), it had a total of 95 markets, out of which 54 are with fully developed infrastructure. Despite major attempts, the

public sector marketing programmes and initiatives have fallen short of requirements. In fact, the public sector initiatives only managed to control a share of less than 10% in the agricultural produce market in the respective states in selective crops like rice, wheat and jute.

### Marketing Co-operatives

The Cooperative Marketing Sector in rural West Bengal is organized at three levels. At the base are the Primary Agriculture Credit Societies (PACS) at the village level and typically have members from two or three contiguous villages. These societies give agricultural inputs as well as credit to their members. At the second level are the Primary Agricultural Marketing Societies (PAMS). These societies are supposed to have PACS as members and they are primarily supposed to market both agricultural inputs as well as outputs. PAMS constitute members of the state level cooperative marketing federation. West Bengal State Cooperative Marketing Federation (BENFED) is the apex body to serve and assist the PAMS. The BENFED has been primarily engaged in the following activities, viz. marketing and distribution of fertilizer, procurement of paddy and jute. At present BENFED has 277 members of its own, and has a storage facility with a total capacity of around 98100 MT in 49 locations, which include storage capacity of 64500 MT fertilizers and 33600 MT Jute/food grain, and has 12 Jute Complexes. The cooperative agricultural marketing is also practiced in Bihar to some extent, The Bihar State Cooperative Marketing Union (BISCOMAUN) has been revived following a two-tier structure with BISCOMAUN at the top and Vyapar Manadal at the lower block level, covering 8463 PACS. At present, the PACS, Vyapar Mandal and Agricultural Marketing Societies have been authorized to intervene in the markets for procurement of commodities like wheat and rice. Apart from the public sector cooperatives, there are farmer cooperatives in both West Bengal and Bihar, e.g. Samrithi, which is working on a Public-Private Partnership (PPP) model in marketing of vegetables at Patna. However, in case of cooperatives marketing also, selected crops like rice, wheat and jute come under the purview of cooperative marketing. Moreover, the proportion of agricultural produce marketed through these cooperatives accounts for less than 10% of total agricultural produce marketed.

### Agribusiness Firms, Big Retailers and Multinational Companies

The private agribusiness firms, big retailers and multinational companies are emerging as important mode of procurement of agricultural products through

the introduction of contract farming. Though its entry and outreach is limited in both West Bengal and Bihar, recent experiences in contract farming provides the much needed glimmer of hope. In fact, PepsiCo India Holdings entered into contract of 6,500 farmers in West Bengal covering 2600 acres of land spread over six districts of West Bengal in 2010, and procured 22,000 tonnes of potato in the state for its processing plant at Sanrail, near Kolkata.

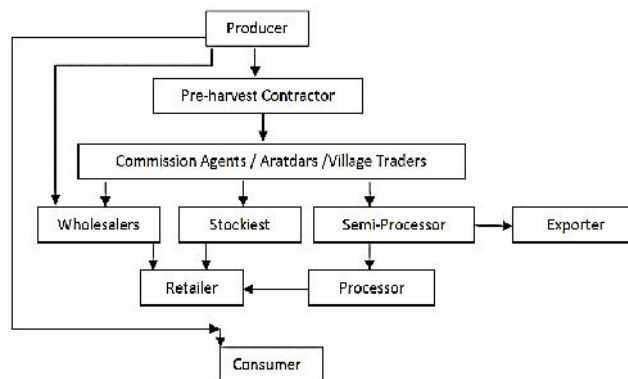
### Other Formal and Informal Bodies

The agricultural markets in West Bengal and Bihar are mostly dominated by various private local marketing institutions, which are largely unorganized in nature. Estimates reveal that these private marketing institutions command over nearly 90% of agricultural produce. However, the institutional structure of local markets in West Bengal and Bihar is a complex one, and the functioning, dominance and relative shares of these local market institutions vary from crop to crop, from season to season, and also from variety to variety. Again, the trade channels through which agricultural commodities move from the farm gate to consumers vary from commodity to commodity as there have been crop-wise specializations of traders acting as marketing channels for specific crops, depending upon the commodity characteristics like perishability, storability, etc. Understandably enough, a discussion relating to these market institutions remains incomplete unless we consider the aspects like marketing channels and price-spread linked with them. As such, an attempt has been made here to analyze these local market institutions in a commodity-wise break-up based various published and unpublished sources.

In case of paddy, the local market institutions include mainly the rice mills, petty processing units and independent traders in order of their percentage share in total output marketed. However, the respective shares for these market institutions changes significantly over crop seasons with different varieties of paddy harvested. In case of trade channels for paddy, as many as 18 exclusive marketing channels are found to be there in the marketing chain, including commission agents, aratdars, itinerant traders, rich farmers, inter-state suppliers, etc. The producers share in consumer's rupee stands at a modest average of 81% in case of paddy.

In case of potato, the local market institutions primarily include the cold storages, independent traders, independent aratdars, inter-state traders and small village traders in order of their market share. The volume of business of these institutions depends largely on the

extent to which he can manage to obtain the bonds of cold storages to reserve space for client producers. However, in case of potato also, there are variations in the dominance of market institutions depending upon the variety of the potato cultivated, owing to suitability for processing, storability and taste. There are about 11 exclusive market channels at work in case potato marketing like the commission agents of cold storages, commission agents to aratdars, rich farmers, fertilizer dealers, etc. The producer's share in consumer's rupee stands at 57% for potato.

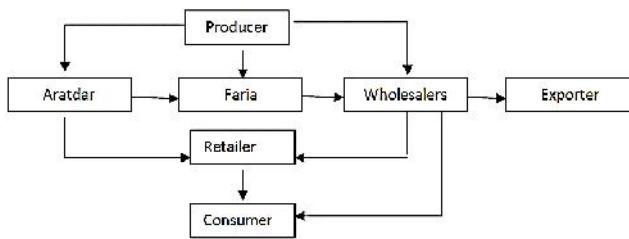


Flow Chart of Marketing of Fruits

As regards vegetables excluding potato, the marketing institutions include urban wholesalers, itinerant traders, small village traders and hats and bazaars. The urban wholesalers and itinerant traders sometimes make advance payments to the small traders who may act as their commission agents and in turn make advance payments to the producers, as parts of forward contracts. Village traders sometimes also purchase crops standing in the fields by making advance price payments. In some cases the farmers themselves carry their crops to hats and bazaars or to the wholesalers at the regulated markets for selling. There are as many as 11 different marketing channels operating in case of vegetables other than potato. The share of the producers in consumers' rupee also varies over the specific vegetable crops. While in case of onion it stands about 52%, 47% for cucumber, 51% for peas, and 49% for lady's finger.

In cases of wheat, market institutions at the local level include the village traders, flour mills and often the grocery shops. There are about 5 trade channels operating in the marketing of wheat, which include village aratdars, commission agents to flour mills, itinerant traders, grocery shops, etc. The estimated producers' share in consumers' rupee spent on wheat comes out to be 71%.

Regarding marketing of pulses, mustard and other oilseeds, the marketing institutions include specialized categories of aratdars operating in urban as well as rural areas, the oil mills and small rural traders. In cases of these crops, the traders concerned hold stocks to varying extents for speculative purposes. There are about 7 trade channels operating in the marketing of these crops, which include aratdars and commission agents to oil mills, itinerant traders, grocery shops, traders operating in hats, etc. Estimates reveal that producers' share in consumers' rupee works out to be 64% in case of mustard.



**Flow Chart of Marketing of Flowers**

For fibres like jute and mesta, the major market institution at the local levels serves to be the mahajans, who hoard large quantities of jute in their godowns for speculative purposes. Apart from the mahajans, the other institutions include the aratdars and the traders operating in hats. There are about 9 sorts of marketing channels at work at the village levels in case of marketing of jute and mesta. The producers' share in consumers' rupee for jute stands at 53% and 56% for mesta.

In case of commodity group, crops like watermelon, betel leaves and betle nuts the marketing institutions include aratdars, small traders and the producers themselves. For these crops, some producers themselves behave like small traders and carry their own products to aratdars and hats and bazaars. Even for these crops, market channels like agents to aratdars grabs a share in the marketing margin, as the producers' share in consumers' rupee for watermelon nears about 38%.

In cases of fruits like banana, mango, guava, litchi, mandarin oranges and pineapple, the market institutions at the local level invariably include the aratdars and the independent small traders, who take the fruit to the wholesale markets for sell. Often, the farmers themselves take their produce to the local hats and bazaars, as also to wholesale markets to wholesalers (*gadi*). In a fraction of cases, various food processors and semi-processors emerge as market institutions for specific crops like mango, guava and pineapple. Apart from the market channels like commission agents to aratdars, pre-harvest contractors are the other marketing

channels in the marketing chain in case of mango and litchi. The producers' share in consumers' rupee for litchi stands at about 47%, while that for mango comes out to be 42%, for banana 44%, for guava 38%, for mandarin oranges 25% and pineapple at about 34%.

As regards floriculture, the market institutions in the flower market in general include village aratdars, urban wholesalers, and in some cases large export houses depending upon the variety and breed of flowers. The market channels in the flower market include intermediaries like traders, aratdars, commission agents, faria (brokers), etc. Though the producers' share in consumers' rupee also varies over the breeds of flower and marketing channels, the average producers' share in consumers' rupee ranges from a low of 42% for chrysanthemum, to as high as 92% for jasmine. Producers' share for other important flowers turns out to be 55% for rose, 72% for marigold and 85% for gladiolas.

## Conclusion

The analysis of local market institutions in West Bengal and Bihar reveals that the market for agricultural produce is overwhelmingly dominated by private trade at the village levels. Though there has been modest public sector effort to support agricultural markets through building up of public sector marketing agencies, promoting cooperatives, etc., the fact remains that the market is dominated by private trade in agricultural produce in a largely unorganized manner. There have been numerous village-level market institutions at work for the marketing of specific commodities, through even greater numbers of trade channels in the marketing chain. Owing to higher number of trade channels in prolonged marketing chains, the producers' shares in cases of all crops turn out to be quite low, especially for fruits and vegetables.

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