RAPPORTEUR'S REPORT
ON
CHANGING MARKET STRUCTURES/MARKETING POLICIES
Rapporteur: M. V. George *

The positive relationship and interaction between economic development and the structure, conduct and performance of the marketing system have been recognized by development economists. Commodity prices, which perform the functions of resource allocation, inter-sectoral income distribution and capital formation, are generated within the framework of the marketing system. Unless a market structure is conducive to efficient pricing, these three functions of pricing will be poorly performed. In India, there have been considerable changes in the extent of regulation and participation of public and co-operative agencies in the traditionally private agency dominated field of trade in agricultural commodities during the past three decades particularly. Such policies have substantial implications to the developmental process in agriculture as well as in other sectors as they influence price relationships and the efficiency of market processes. To what extent these changes have been socially beneficial is a matter of great importance and needs to be examined in depth. Some attempts of this type have been made with regard to the changes in foodgrain marketing system in India. But with regard to commercial crops, there have not been many studies. The studies in foodgrain marketing systems have come out with diverse conclusions and we still lack a universally applicable and valid set of hypotheses on marketing efficiencies. In spite of broad similarities in the traditional marketing systems, a multiplicity of social, environmental, economic and political factors may cause market structure and performance to differ among regions and commodities. Thus, there is need for more micro level studies for different commodities in different geographical areas under varying marketing environments.

The title of the topic under discussion had clearly indicated that the thrust of the papers must be on the changes in market structures/marketing policies rather than on an analysis of the existing marketing systems. None of the papers received have tried to analyse the problems within the framework of those organizational characteristics which are generally considered important in defining the market structure, *viz.,* the number and size distribution of buyers and sellers in the market, the inter- and intra-group relationships between and amongst buyers and sellers, product differentiation and conditions of entry and exit into and from the market. The majority of papers either estimate the costs and margins in marketing of selected commodities through different channels or analyse the impact of market regulation on producers' prices, in an effort to study the relative efficiencies of various

* Member, Agricultural Prices Commission (Department of Agriculture), Ministry of Agriculture, Government of India, New Delhi.

marketing practices prevalent in the system. Such efforts cannot throw any light on the existing market structure, not to speak of structural changes taking place within the system. Structural changes are meant not only to improve marketing efficiency but also to increase the marketing effectiveness with regard to the marketing goals. The latter role of structural changes have been completely ignored by almost all the authors. Although a number of papers have pointed out the linkage between credit and marketing of commodities, no one has highlighted the implications of the existence of such interlinked rural markets for structural changes in commodity markets.

The papers received could be broadly classified into five groups based on their approaches to study structural changes in commodity markets. These are: (1) Marketing costs and margins; (2) Impact of new marketing organizations; (3) Market regulation; (4) Market development; and (5) Systems approach (Vertical integration).

Marketing Costs and Margins

Marketing costs and margins for different commodities have been worked out to show the efficiency of the marketing systems. The commodities include groundnut, sesamum, sugarcane, guar, minor forest products, vegetables and milk. Though not explicitly mentioned, the estimates seem to be of concurrent margins. These estimates, in most cases, have been worked out for all identified channels of marketing for the commodity and region under study and the least cost channel is considered relatively more efficient. In most of the cases, sales through co-operatives have not been found to be popular or cost efficient for various reasons.

Impact of New Marketing Organizations

The entry of new marketing organizations in agricultural produce marketing can change the market structure. There are two papers dealing with the impact of Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Ltd. (HPMC) on apple markets, one on the effect of the market operations of State Trading Corporation and Jute Corporation of India on jute market, one on the effect of nationalisation of bidi leaf trade, one on the effect of intervention by Government agencies in tobacco trade and three on the impact of Cotton Corporation of India and monopoly procurement scheme for cotton in Maharashtra on cotton market. The methodology used has been comparison of producer prices and price stability over time and in one case over space. Such comparisons without taking into account other factors which might influence prices are rather crude and can only be taken as indicative at best. For instance, HPMC might have succeeded in giving a better price to the producers and brought in stability in prices not necessarily through its purchase activities alone but by the extent of vertical integration it adopted in the marketing system. In other cases, it may simply be due to in part at least to secular trend in prices. While the entry of such institutions has been found to have had a beneficial impact in terms of the criteria adopted, these benefits are found to be only marginal because of their inability to enter the market in a big way due to financial constraints.

Market Regulation

Regulation of markets, technically speaking, is an organizational change and can influence market structure. There are five papers in all dealing with the impact of market regulation on marketing charges, marketing malpractices and the prices received by the farmers. The conclusions of these papers have been rather diverse depending on the commodity and area of study. It is a well known fact that the implementation of regulation has not been uniform over all areas. This factor may explain much of the differences in findings of these studies.

Market Development

Development of infrastructural facilities may make competition in markets more keen by entry of more sellers and buyers. There are two papers dealing with the effect of development of modern market yards on prices received by producers. The experiences of jute markets in Bihar and copra markets in Karnataka have been different with regard to this. However, as has been pointed out in the case of arecanut, the location of modern facility may make all the difference.

Systems Approach

The two papers on optimal utilization of plant capacities with regard to milk marketing systems deal with the economics of vertical integration in milk marketing. If there are economies to be gained by vertical integration, then this may lead to structural changes in the marketing of milk as it is taking place now.

Issues for Discussion

There are a few issues which have received scant attention in the papers. These deserve to be taken up for further discussion. These issues are :

1. What is a structural change in marketing ?
2. What are the factors which bring about such changes ?
3. How could one measure such changes ?
4. What are the commodities where significant changes in market structure have taken place in India and with what effects ?
5. What structural changes are required for different commodity markets and how they can be brought about ?