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SUMMARIES OF GROUP DISCUSSION

SUBJECT I

CHANGING MARKETING STRUCTURES/MARKETING POLICIES

*Rapporteur: M. V. George**

Discussion on the subject started with the authors briefly introducing their papers. Out of the 36 papers received, 14 were on marketing costs and margins, in respect of various agricultural commodities; 5 papers were evaluation studies of regulated markets; 9 on the impact of new marketing organizations such as the co-operatives and Government agencies; 5 on market development and 2 on systems approach. There was one paper dealing with export markets and parity prices. Thereafter, the issues set out for discussion in the Rapporteur's Report were highlighted and the participants were asked to address themselves to these issues. The issues raised were:

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?

1. *Market Structure*

After elaborate discussion, the Group agreed that market structure could be defined as all the agencies involved either vertically or horizontally in the selling and buying of the produce. It includes different marketing channels and organizations such as private traders, co-operatives and Government as well as their market shares and bargaining power to affect prices. Thus, it is composed of the number and size of different firms and organizations handling the produce, their form and the market shares. The Group felt that the definition should also include the 'market environment' which facilitate fair trading practices and fair returns to the producers; location of the market, auction system and better management of the market are relevant in this regard.

2. *Structural Change in Marketing*

On the basis of the above definition, it was opined that the change in the marketing structure will consist of the changes in the number of private traders, entry of Government agencies, co-operatives and changes in their market shares over time.

* Advisor (Agricultural Economics), Kerala Agricultural University, Vellanikkara, Trichur.

Mention was made of the endogenous and exogenous factors contributing to the changes in market structure. The exogenous factors like the introduction of new agricultural technology resulting in large increase in production and marketed surplus may necessitate corresponding changes in the marketing structure also. This may be true in the case of the distribution of agricultural inputs and organizations thereof, like the National Seeds Corporation, the Fertilizer Corporation, etc. Among the endogenous factors bringing about changes in market structure, mention was made of the following:

- (i) Farmers' organizations agitating for higher/remunerative prices.
- (ii) Government intervention to regulate malpractices in the trade and to maintain competition in marketing.
- (iii) Need for the development of infrastructure facilities such as roads, market yards, storage, grading, processing facilities, etc.
- (iv) Direct intervention by the Government through purchase and sale of agriculture produce.
- (v) Modernization of markets by the Government for bulk handling, storage, processing, etc., for which the private trade may not be prepared.
- (vi) Ideological considerations to help the co-operatives to come up and command a reasonable share of the trade through public support.
- (vii) Changes in the nature of demand and direction of trade, as in the case of export commodities.

3. *Measurement of Changes in Market Structure*

The changes in market structure may be from a monopolistic to a more competitive form, grow from a massive base to a broader base or grow from an exploitative to a more egalitarian structure. Such structural changes are generally measured in terms of (a) the changes in the number of firms (buyers and sellers) operating in the market over time and (b) the changes in the market share of such agencies as private traders, co-operatives, Government, etc. These are generally measured in terms of the concentration ratio in the market.

Another measure which is indicative of the structural change is the change in the marketing costs and margins and the increased bargaining power of the producers as reflected through a higher share of the market price accruing to them.

The increase in the number, type and size of firms may or may not be pertinent if the price paid to the farmers is not remunerative and their bargaining power does not increase. Therefore, a desired market structure change will be one in which producers get remunerative price in the face of tremendous increase in production and marketed surplus of crops. The role of HPMC of Himachal Pradesh in the marketing of apples was highlighted in this regard which has reduced the market share of private traders, especially pre-harvest contractors and gave remunerative prices to the apple growers. This has also made private traders to pay higher prices to the apple growers.

Similar experience was reported in the case of the milk marketing co-operatives and the cotton marketing federation in Gujarat State.

It was also pointed out that in the context of developing economies, the change in market structure should also be looked at from the point of view of its contribution to economic growth in the particular region and the distribution of gains accruing from it. A socially beneficial change in the marketing structure will lead to the generation of investible surplus and their use for furthering socio-economic development of the region. The examples of milk co-operatives in Gujarat and the Marketing Boards in Punjab and Haryana, which have invested such surpluses for the creation of social infrastructure facilities and services in the rural areas were cited in this regard.

4. *Commodities Where Significant Changes in the Market Structure Have Taken Place in India and the Effects of the Same*

Wheat and paddy in the case of cereals, apple marketing in Himachal Pradesh, Government Monopoly Procurement Scheme for cotton in Maharashtra and milk co-operatives in Gujarat were cited as examples of changes in market structure. But only in the case of milk co-operatives in Gujarat, procurement is done from producers in the village itself. In other cases, procurement is mostly done in the market which may not always benefit the small and marginal farmers, especially those who cannot afford to bring their produce to the market for sale.

It was suggested that the price offered under the Government monopoly procurement scheme for cotton in Maharashtra should be compared for the same variety in other States under different market structures. Also one should consider the losses, if any, incurred by the Government in operating such schemes.

In the case of jute, the experience of Government intervention was not always good as the scheme was not implemented properly, mainly due to the weakness of marketing co-operatives entrusted with the procurement of jute, and also due to faulty implementation of market regulations. As a result of this, the producers could not always get remunerative prices.

The experience in the case of tobacco is analogous to that of jute, where changes in market structure have not brought about significant benefits to the growers in terms of higher prices, mainly due to inadequate development of infrastructure facilities and relative weakness of the public sector agencies involved in the trade.

5. *Structural Changes Required for Different Commodity Markets and How They Can Be Brought About*

It was pointed out that mere changes in market structure may not lead to improved marketing efficiency unless there is vertical integration of market operations such as bulk procurement, grading, storage, processing, transportation, etc.

From this point of view, it was felt that even a small percentage share of the market, controlled by Government and co-operative agencies may act as a countervailing power to discipline the private trade and ensure fair price to the producers. However, it is important that the co-operatives and the public agencies develop a non-exploitative 'trade culture' and do not behave like the private traders

to earn more profit at the cost of the consumers. It was also pointed out that from the point of view of overall growth and development, as well as remunerative price to farmers, the entry of Government and co-operatives is desirable. But the private trade should not be debarred, so that the Government agencies and co-operatives do not behave in an exploitative manner. In addition, the producers will have a choice if the Government agencies and co-operatives are not efficient. At the same time, it is necessary to improve the efficiency of these public agencies and their operations by making them cost effective. As far as co-operatives are concerned, development of enlightened leadership is a pre-requisite for their effective functioning.

Finally, the Group felt that for proper appreciation of the changes in market structure and its impact, future research should also take into account the following aspects:

1. The social relations and power structures existing in the market/region for different commodities.
2. The significant inter-crop differences in the same area and between different regions.
3. The extent of size class bias in the existing marketing system even where there is Government intervention in trade.
4. The type of public investments in marketing and their cost effectiveness and comparative advantage.
5. The market structure and its role in ensuring economic growth with equity.

SUBJECT PLANNING FOR RURAL DEVELOPMENT

*Rapporteur: V. K. Pandey**

At the outset, the Rapporteur briefly reviewed the themes covered by the papers accepted for discussion. Thereafter, the issues set out for discussion in the Rapporteur's Report were highlighted, and suggestions were invited for inclusion of any other related issues. As no specific suggestion was received, the discussions were centred on the issues listed below.

- I. Whether the strategy for rural development is really integrated? Can the target group programmes be meaningfully linked with the area development programmes? How to bring about this integration? Or else, what is the alternative approach?
- II. What is the most appropriate level of planning for rural development programmes? What is the organizational structure required for? Are the rural development programmes based on local needs, resources and development potential? Can the idea of project-shelf on turn-key basis really meet the diverse requirements? What should be the basis for selection of projects?

* Professor, Department of Agricultural Economics, G. B. Pant University of Agriculture and Technology, Pantnagar, District Nainital.

- III. Is the machinery for implementation of the programmes adequate? Are the supporting institutions adequately in place? What modifications and support are needed?
- IV. What are the macro level implications of rural development planning in terms of capital-output ratio in the rural sector and investment requirements, consumption propensities of the rural poor and the resultant changes in aggregate demand and price level? Along with, what strategy is needed in regard to checking the annual additions to the rural poor on account of population growth?

I

On the first issue, the Group unanimously felt that the Integrated Rural Development Programme (IRDP) has come to stay mainly as a target group oriented programme. The kind of integrated approach envisaged in the earlier draft of the Sixth Plan (1978-83) and the IRDP Manual (1980) is totally lacking. Even in the subsequent version of the Sixth Plan (1980-85), the integrated strategy appeared to have diluted, conceiving the rural development programmes essentially for poverty eradication. The Group was of the view that, without a detailed area development plan, the target group schemes were likely to produce much less than the desired results as reported in some recent studies. No specific problem was envisaged in the integration of target group schemes with the area development programmes. Given proper conceptualisation, planning at different levels and adequate organizational structure, the schemes for weaker sections could be meaningfully linked with the area development programmes.

At this juncture, some of the participants expressed their apprehension on the futility of the target group approach as such. The major reasons advanced to support this apprehension relate to the doubts on the viability of the schemes in uplifting the rural poor above the poverty line, occurrence of mere transfer of assets rather than creation of assets in the rural society, improper identification of beneficiaries and other malpractices, dominance of vested local interests, resultant social tensions, and inadequate provisions for backward and forward linkages. Alternatively, the employment guarantee schemes were suggested to be more fruitful for the weaker sections having a greater preference for wage employment over self-employment. However, the other participants argued strongly in favour of target group schemes as a powerful instrument for the amelioration of rural poverty among the weaker sections to whom the benefits of development do not reach in the normal development process. It was pointed out that both the approaches, in the long run, lead to the same objective of reduction of poverty and building up of an egalitarian rural society. Ethical aspects cannot be overlooked in the process of economic development. The real test of success in any rural development programme must be judged through accountability towards bringing a change in the asset structure in favour of the rural poor to promote their growth and development. The target group approach directly aims towards bringing this change. In regard to this controversy, an appropriate blend of self-employment schemes for those willing and possessing the required skills together with wage employment for the others was also suggested.

II

On the issue relating to the most appropriate level of planning for rural development, the Group broadly favoured the establishment of an appropriate planning body at the district level with full autonomy for the preparation of district plan within the overall framework of national priorities and financial constraints. All the national and State sectoral plans must fit into the district level plan, on the one hand, with proper concomitance of block level programmes into it, on the other. As regards the composition of district planning body, it must include the four basic elements, viz., political and bureaucratic support, professional input and people's participation. Professional input in the planning process was considered essential so as to enhance its competence. On people's participation, some apprehensions were expressed regarding the dominance of vested local interests and resultant social conflicts. However, group approach was advocated as an essential ingredient of the strategy for implementation of rural development programmes and this required the people's participation as a desired element in the planning process.

The field investigations clearly brought out that, in the absence of area planning, the rural development programmes were not generally formulated on the basis of local needs, resources and development potential. In actual practice, some of the programmes illustrated in the IRDP guidelines were being replicated in an axiomatic way without any regard to the area needs and resource base. In fact, on account of heterogeneity in the local needs and development potential, the idea of project-shelf on turn-key basis is not desirable for rural development. For specific areas, both financially as well as economically viable schemes need be identified. In this regard, suggestions regarding redistribution of waste lands to the landless poor, development of infrastructure relating to irrigation, electricity, transport and communication in the rural areas, agricultural development schemes, and reservation of some mass consumption goods under rural industries sector were also offered.

III

On the adequacy of implementation machinery at the district and block levels, it was pointed out that the target-hunting process and multiplicity and frequency of programme reporting subdued the spirit of both the programmes and the functionaries. It was suggested that rationalisation of programme reporting through proper management information system would greatly save the time and energies of field level functionaries to enable an intensive as well as extensive coverage of the actual programme. The need for enhancing technical capabilities through appropriate training of field level functionaries was also emphasized to strengthen the competence of the delivery mechanism. As regards strengthening of the receiving mechanism, organization of the rural poor and their training in the objectives, methodology and contents of the programme were also suggested. Adoption of group approach in programme implementation was considered as the best strategy to strengthen the receiving mechanism. Regarding the institutional support required for the implementation of rural development programmes, it was brought out that the financial support through commercial and rural banks was adequately available. However, the co-operatives, which were supposed to play a major role, failed to

come upto the expectations. The Group observed that the co-operatives must rise to provide the major part of financial and marketing supports in the rural areas. Whereas some participants advocated greater role for Panchayati Raj institutions in decision-making along with adequate strengthening of their financial position, some others were equally apprehensive of the role of these institutions in programme implementation. The Group strongly felt that the voluntary organizations can play an important role in the planning process as well as in organizing and training the rural poor for developmental activities.

IV

Regarding the macro economic implications of rural development programmes, the Group felt that empirical studies investigating into the expected changes in capital-output ratio in the rural sector, investment requirement, the consumption pattern of the rural poor and its likely impact on aggregate demand and price level need be undertaken to generate adequate information on the related questions. Similarly, further studies were also suggested on rural population growth and its resultant impact on occupational distribution and pattern of operational land holdings so as to throw some reflections on the dimensions of rural poverty by 2,000 A.D. A suggestion was also mooted in this regard to closely link the family welfare programmes with the target group schemes in particular, and the rural development programmes in general so as to provide some check on further increase in the incidence of poverty or its relapse.

SUBJECT III

SOCIO-ECONOMIC IMPACT OF IRRIGATION PROJECTS

*Rapporteur: K. C. Hiremath**

The discussion was centred on the following issues:

1. What concepts need revision and why?
2. What possible approaches and strategies are appropriate for an assessment of the impact of major irrigation projects in the context of available data?
3. What criteria have to be adopted for evaluating the performance of an irrigation project?
4. Is it desirable and feasible to regulate the use of irrigation water between different crops raised within the project areas?
5. How could the adverse consequences of canal irrigation be evaluated?
6. How could the concentration of income and wealth generated by the adoption of irrigated farming be reduced?

The general consensus that emerged from the discussion is summarised below:

1. *Concepts Needing Revision and Re-definition*

To close the widening gap between the 'irrigation potential created' and its 'actual utilization', the following steps were suggested:

* Professor of Agricultural Economics, College of Agriculture, Dharwad.

In calculating the 'irrigation potential created', area not available for actual cultivation due to the absence of on-farm development (OFD) works or due to waterlogging, salinity and alkalinity problems should be subtracted from the 'irrigable command area'. For assessing the 'actual utilization of the potential', the figures supplied by the Revenue Department should be taken into consideration. In the case of multiple cropping, gross area cultivated should be treated as a proxy for 'actual utilization'.

In view of the non-availability of reliable information in regard to income and/or output of different groups of cultivators, it was felt that the present basis of classifying farmers into small, medium and large categories based on the area of their holding should continue to be accepted.

In regard to the 'costs' and 'benefits' of an irrigation system, it was realised that costs below the outlets should also be taken into consideration. In addition, in the case of prolonged gestation periods, the interest on the capital invested should also be taken into account as a part of the total costs of the project completed. While it was realised that indirect benefits are important and often relevant, their evaluation in monetary terms was considered to be difficult. Hence the present practice of taking only direct benefits into account should be continued. An effort should, however, be made in this context to evaluate indirect benefits and also indirect losses resulting from an irrigation system to provide a firmer basis for calculation of benefit-cost (B-C) ratio.

2. *Approaches and Strategies for Evaluating Effects of an Irrigation Project*

There was a feeling that Before and After irrigation (B/A) as well as With and Without irrigation (W/W) approaches were both supplementary to each other—the former for evaluating the total project impact and the latter for assessing the impact of irrigation. Since irrigation impact could be attributed to the use of several associated inputs, a decomposition model which could capture the effects of these individual inputs, was considered equally important.

3. *Criteria for Performance Evaluation of an Irrigation Project*

The performance of an irrigation project, it was felt, had to be judged from several angles—technical, social and economic. From the economic point of view, again the efficiency could be assessed either in terms of returns on the costs incurred by the cultivator or in terms of the return on the investment made by the State/other private agencies. Costs in this context had to be conceived in terms of an aggregate of (i) Fixed costs and (ii) Operating and maintenance costs; while returns had to take into account not only direct benefits but also such indirect benefits as could be objectively assessed and quantified. The B-C ratio had to be conceptualised in a more comprehensive manner so as to reflect the 'joint' effect of the use of surface and underground water to make the concept more meaningful and realistic.

In the case of adverse effects of irrigation (e.g., losses of land due to waterlogging, etc.), it was agreed that the value of the land lost should be treated as part of the total costs of the project. The actual losses resulting from waterlogging, etc., had to be treated as a set-off to the benefits generated, to arrive at the net benefits.

4. *Need of Control Over the Use of Irrigation Water*

For drought-prone areas, control over the use of water was considered necessary to make its benefits available to the vast majority of the cultivators operating in different parts of the command area. This was considered all the more essential from the equity point of view. Care had, however, to be taken to ensure that the 'controls' adopted were effectively enforced. Farmers' education and their co-operation had to be enlisted and ensured through the adoption of a more vigorous extension service to achieve the above result.

Drought-prone areas are characterized by chronic short supply of irrigation water. Maximization of returns per unit of water per unit of time should be the basis for the supply of water. There should be some ceiling on the supply of irrigation water weighted in favour of the poor in the interest of control over the use of water and at the same time a limit should be put on excessive fragmentation of land holdings.

Group actions and charging of water on volumetric basis should be encouraged to ensure control over the use of irrigation water and to increase its productivity.

5. *Evaluation of the Adverse Effects of Canal Irrigation*

Most of the issues related to the evaluation of the adverse impact of canal irrigation, it was felt, were of highly technical nature. The role of the economist in such a situation was only to highlight these issues and draw the attention of other concerned disciplines for finding appropriate solutions before such problems assumed alarming proportions.

Attempts should, at the same time, be made to evolve low cost reclamation measures.

6. *Measures for Achieving Equity*

Several measures were suggested to ensure the flow of benefits of irrigation to the weaker sections of the farming community. Some of these included : (i) Re-distribution of land and imposition of a more realistic 'ceiling' on agricultural holdings; (ii) Adoption of a scheme of 'Differential Water Rates' graded on a progressive scale related to an increase in the size of the holding.

In view of the administrative problems to which the adoption of the above measures may give rise, it was felt that the approach had to be cautious and the implementation had to be over a longer period, say, of 5 years.