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Research Paper

A Comparative Study of Traditional and Terminal Market in Agriculture Marketing System (in Special Reference to Ahmadabad & Surat)

Economics

KEYWORDS :

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INTRODUCTION

To increase agriculture production makes no sense unless it is marketed efficiently. Larger production not backed by proper marketing leads to bumper supply in market which ultimately makes farmer "POOR IN THE MIDST OF PLENTY"

The link between farm and non farm sector is agriculture marketing system. Farmers have small land holdings in India and the biological nature of commodities make them vulnerable and they have very less influence on price. This leads to unfair trade practices and exploitation of farmers either by big farmers or traders. To provide fair deal to farmers and to stop their exploitation government has intervened through regulated market .an inter ministerial task force on agriculture marketing reform (2002) made major recommendation related to the amendment of state APMC act. Task force recommended development of direct marketing and contract farming, development of agriculture market in private and cooperative sector as well as providing infrastructure facilities to farmers. Indian economy experienced higher growth rate after economic reforms with substantial increase in income in the country .this resulted in considerable shift in favour of fruits, vegetables and milk by the consumers. Simultaneously organized retail is growing with special emphasis on effective supply chain .The present agriculture marketing system is not conducive to farmers and inefficient , long and fragmented, moreover not providing platform to non agriculture goods. which results in wastage of all crops and specially perishable goods .In fact Severe dearth was experienced in marketing of non agriculture products like meat ,fish and other marine products. National horticulture mission 2005-06 laid stress on growth of fruits and vegetables and this increased production can be maintained only when we have effective post harvest system. With this background the idea of terminal marketing was perceived in agriculture marketing system.

OBJECTIVE

- To evaluate the need of effective and fast agriculture marketing system with increased agriculture production in last few years.
- To find out the leakages in the traditional marketing system.
- To analyse the new agriculture marketing system in context with non farm goods.
- Evaluating the scope of terminal markets in Gujarat with special reference to Ahmadabad and Surat.

METHODOLGY

The present study is analysing the scope of terminal markets in Gujarat hence it is based on secondary data. The Comparative study of traditional and terminal market on various parameters will be dealt with. Flow chart of functioning of terminal market will be taken into consideration. The percentage change in exports of farm and non farm products via terminal markets will be evaluated. The share of terminal market of Gujarat in national production in farm and non farm products will be worked out.

EVOLUTION OF AGRICULTURE MARKETING IN INDIA

PRIMITIVE MARKETING:

Traditionally farmers use to dispose their products to money lenders come traders who may buy it either on his own or as an agent of neighbouring mandi, town. Other method that Indian farmer then adopted was selling their products in hat. Some of the farmers sold their products directly to arhatiyas. However as well known most of the farmers could not suffice their basic needs due to defective marketing system. It is interesting to point out briefly the defects of primitive markets Primitive marketing system offers a very weak bargaining power to farmers. Lack of storage and warehousing facilities pressurise them to dispose their goods fast and at marginal price Intermediaries gain and farmers loose. Due to low returns farm development could not be done.

Due to defects of primitive farming the change in agricultural marketing was envisaged and regulated agriculture marketing was introduced. It would be interesting to explain regulated markets in brief for in depth understanding of agricultural marketing. Regulated markets

According to legislation all the states were required to establish regulated market. During second plan 1000 regulated market across India were started and increased to over 7000 by 2000. The basic feature of regulated market was To ensure remunerative prices of goods to farmers. To narrow down the price spread Reduce non functional margins between traders and commission agents

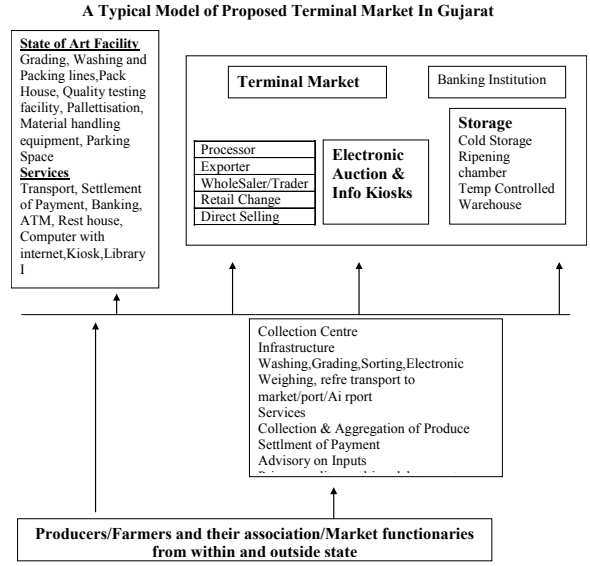
With the increased production of horticultural crops and their inadequate storage facilities a new way of marketing as TERMINAL MARKETS has emerged in agricultural marketing system.

CONCEPT OF TERMINAL MARKET

The terminal market with ultra modern facilities would be located near major urban centre in the country. these market would be serviced by a number of collection centre (spokes) established in the key production areas .the collection centre would get the supply from individual farmers or farmers association at the village or block level. The farmers or their association can bypass the collection centre and supply directly to terminal markets.

The market complex would contain the entire necessary infrastructure. The electronic auctioning platform would help in quick, efficient and transparent process of the transactions. The processor, export, wholesaler, trader, retail chain can all be the member of exchange and participate in the auctioning .there are provision for cold storage , warehouse facilities , ripening chambers in the complex. Necessary infrastructure cleaning ,grading, packing, pellatisation, quality testing etc would be the part of the complex. in short all facilities for smooth transaction and better price realisation would be created under one roof.

A Typical Model of Proposed Terminal Market In Gujarat



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FEATURES OF TERMINAL MARKET

Terminal market include all perishable goods that is fruits and vegetables, flowers, spices, aromatic, herbs, medicinal plants, meat products, poultry products, dairy products and fish and marine products. Non perishable goods are also be transacted through terminal market

The annual throughput for perishable goods handled by each TMC should not be less than 70% of the throughput capacity of TMC. Terminal markets will encourage farmers to improve their quality standards Facilities like auctioning, cold storage, increases the bargaining power of farmers. Terminal markets benefit both buyers and seller as it has fewer intermediaries, less handling, better infrastructural facilities, standard quality.

AN EDGE OVER TRADITIONAL MARKET

Terminal markets are mostly encouraged to be established under public Private Partnership whereas traditional markets are owned by government which leads to less flexibility, delayed decisions, corruption and less farmer's participation. As management is in private hands decisions are quick, profitable, transparent and beneficial to both the parties. The backward and forward linkages are very strong in terminal market which is not the case with traditional market. On monetary side also there are long delays in payments and settlement in traditional market.

NEED FOR TERMINAL MARKET IN INDIA

As a part of agriculture infrastructure it is of immense importance to have strong, quick, remunerative, efficient disposal system which can judicially manage the over expanding production of fruits ,flowers and vegetables. Terminal markets can prove as a boom in agriculture marketing system. Looking at the recent data we can understand the dire need of terminal markets in India

INDIAN HORTICULTURE PRODUCTION AT A GLANCE 1991-92 TO 2009-10

Area = Thousand Hectare
Prod = Thousand million tones
Nuts = Almonds & Walnuts

Year	Fruits		Vegetables		Flowers		Nuts	
	Area	Prod	Area	Prod	Area	Pro	Area	Pro
1991-92	2874	28632	5593	58532	NA	NA	NA	NA
2001-02	4010	43001	6156	88622	106	535	117	114
2007-08	5857	65587	7848	128449	166	868	132	177
2008-09	6101	68466	7981	129077	167	987	136	173
2009-10	6329	71516	7985	133738	183	1021	142	193

Source National Horticulture Board 2010

It can be seen from the table that from the year 1991-92 to 2009 -10 the overall area of fruits ,vegetables ,flowers and nuts have increased tremendously. Specifically vegetables have shown increase of more than 20lac hectare. In case of flowers also the area under cultivation has increased by 77000 hectare .fruits production has increased by 43012 million tonnes and that of vegetables by 75206 million tonnes. The above data strongly advocate the need for terminal markets in India.

TERMINAL MARKETS IN GUJARAT (proposed in Ahmadabad and Surat)

The project proposal for setting up of terminal market for horticulture produce has already been initiated. On the basis of arrival quantities of fruits and vegetables and strategic location for development, terminal markets have been proposed at Ahmadabad like and Surat. As two terminal markets are proposed it is taken care of and suggested that surrounding Districts APMCs should be integrated with terminal markets through modern agri -market networking. These terminal markets will provide all kind of pre and post selling infrastructure facilities to farmers it will definitely fulfil the aspirations of horticulture producers in Gujarat.

WHY GUJARAT?

India is one of the largest producers of fruits and vegetables in the entire globe, but is lacked by marketing infrastructure like terminal market. Gujarat's economic and agricultural growth has been creditable from last few decades which are the most suitable reason to bring dynamism in agricultural marketing.

Narmada canal project has brought second green revolution in Gujarat by providing irrigation facilities in 18 lac hectare area. This has already increased horticulture production in Gujarat and will further increase the production which will give higher returns to growers.

In India Gujarat ranks third in production of banana, sixth in production of mango, second in papaya and sapota production.

Technical manpower, rich agriculture, well-built infrastructure, industrial development, road, rail and air connectivity can serve as the main promoters of terminal market in Gujarat. Moreover Gujarat has well established APMC working from last few decades.

SCENARIO OF SELECTED HORTICULTURE CROPS IN GUJARAT

India is second largest producers of fruits and vegetables and fruits in world after china. In India Gujarat is one of the leading states in horticulture production. Gujarat produces wide varieties of fruits, vegetables and flowers, honey and hence there is immense need for terminal market apart from APMC working at present.

Area, Production & Productivity of Fruits, Flowers and vegetables in Gujarat (1991 -92 to 2009-10)

Year	Fruits			Vegetables			Flowers		
	Area	Pro	Prodcti	Area	Pro	Prodcti	Area	Pro	Prodcti
1991-92	84.5	1828.9	21.6	114.6	1667.9	14.6	NA	NA	NA
2001-02	149	2346.9	15.7	232.2	3278.2	14.1	NA	NA	NA
2007-08	306.9	5849.7	19.1	411.7	7403.3	18.0	9.7	49.5	NA
2008-09	316.8	5822.3	18.4	394.8	6807.1	17.2	9.7	49.5	NA
2009-2010	352.9	6985.1	19.8	406.8	7255.5	17.8	12.53	49.5	NA

Source: National Horticulture Board, 2010

Looking at Gujarat's horticulture position of selected crops we find that area under p [reduction has increased from 84.5000 hectare to 352.9000 hectare in the period of two decades. Similarly in case of vegetables area under production has increased by four fold.

Though production in absolute terms in fruits has increased but its productivity has declined in last two decade. Whereas in vegetables production and productivity both have increased. This increase in horticulture production is enough to understand the need for terminal markets in India.

Terminal market sees itself as a service provider to horticulture grower and buyers if horticulture products in districts of Gujarat, from where it will be receiving supply. It is proposed to have following hub and spoke pattern for Ahmadabad and Surat terminal market.

Suggested model, area and production covered in Ahmadabad and Surat terminal market

Terminal market will cater to district	Fruits		vegetables		flowers	
	Area*	Prod**	Area*	Prod**	Area*	Prod**
Ahmadabad hub Ahemedabad, patan, mehesana, banaskantha, sabarkantha, gandhinagar, Rajkot, surendranagar, kheda, Anand	80444	1656006	169774	2605083	2610	15993
%of area covered	29.5	41.2	51.2	53.5	37.5	38.3
Surat hub Surat ,Valsad, Navasari, Dahod Panchmal, Vadodara, Bharuch, Narmada, Dang	119227	2213762	78024	832418	3705	22504
%of state covered	43.8	55.1	23.5	17.1	53.3	53.8

Source: IMM analyses of Gujarat state horticulture statistics, 2004-05

NB= * area in hectare, ** = production in metric tonnes

The terminal market is important hubs in the food chain.

SUGGESTED PROJECT SIZE, LOCATION AND PROJECT COST

The terminal market will be created after careful feasibility study to have adequate facilities for handling Fruits, quantities .Estimated indicative project cost for setting up of each terminal market with suggested facilities and structure , the project cost estimated for each location is shown below;

Ahmadabad: Rs 500 million (US $ 11.10 million)

Surat : Rs 450 million (US $ 10 million)

PROJECT TIME LINE

The project time line is estimated at 6 to8 months in obtaining necessary clearance from various authorities and it will have implementation period of 14 to 18 months.

FINANCE

Since it will be an agriculture project it will have different funding pattern than normal commercial investment. It is suggested to have debt – equity ratio of 4.0:1.0 which is normally adopted for any agriculture project.

The suggested incremental rate of return is indicated to be 14 TO16 % as per present infrastructure project.

CLEARANCE REQUIRED

Need to have APMC act reform

Constitute a committee for setting up of terminal market.

The state government is required to provide land and seed capital and equity contribution for this innovative project. Government will have to amend current rules and regulation of Agriculture produce marketing yard.

On the above background and analysis we can find that it is highly fruitful to start with terminal market in Gujarat. Gujarat suffices all the necessary parameters which can give a supportive platform to terminal market. It will definitely enhance the economic and social condition of state and particularly horticulture producers of state.

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