**UNIT – IV Agricultural Marketing**

**Meaning.**

Agricultural marketing means different thing to different people. Agricultural marketing may refer to daily, weekly, or monthly food shopping to the customer.

At the primary stage, the farmers deal with local farm products buyers. Then the farmer may associate marketing with loading the products into the pickup for the trip to the market. Sometimes, they are calling of local elevators so that they can determine which is offering the highest price for grain. In contrast, the food middleman like retailers, wholesalers, and producers may view marketing as a process of achieving competitive advantage over market rivals, or they may improve their sales and profits and satisfying customers. Each member has some partial work of the total marketing process and services.

We can define marketing as the performance of all business activities that are involved in the flow of food products from the initial production until they are in the hands of final customers.

This definition indicates that everything that happens to the food after it leaves the farm gate. Because, if a product has no market place then it is unnecessary to produce. earning.

**Agricultural Marketing: Concept and Definitions**

Agriculture fulfills the basic need of human kind by producing food. About a century ago,

farmer used to produce food commodities mostly for self-consumption or for exchange with

others (cash or kind) mostly in the same village or nearby places. They were primarily self-reliant. But, now production environment has changed considerably from self- reliance to

Commercialization. Technological advancement in the form of high yielding varieties, use of

fertilizers, insecticides, pesticides, farm mechanization has led to a substantial increase in

farm production and consequently the larger marketable and marketed surplus. The improved

production is accompanied by the increasing urbanization, income, changing life style & food

habits of the consumers and increasing linkages with the overseas market. Today consumers

are not limited to rural areas where food is produced. Further, increasing demand for

processed or semi-processed food products requires value addition in the raw agricultural

produce. These developments require movement of food commodities from producer to

consumers in the form of value added products. Agricultural marketing brings producers and

consumers together through a series of activities and thus becomes an essential element of the

economy. The scope of agricultural marketing is not only limited with the final agricultural

produce. It also focuses supply of agricultural inputs (factors) to the farmers.

**Definitions of Agricultural Marketing**

The term agricultural marketing is composed of two words- agriculture and marketing.

Agriculture, generally means growing and/or raising of crops and livestock while, marketing

encompasses a series of activities involved in moving the goods from the point of production

to point of consumption. Many scholars have defined agricultural marketing and incorporated

essential elements of time, place, form and passion utility. Some of the definitions of

agricultural marketing are given below;

 Human activity directed at satisfying the needs and wants through exchange process

(Phillip Kotler).

 Performance of business activities that directs the flow of goods and services from

producers to users (American Marketing Association).

 The study of agricultural marketing comprises all the operations, and the agencies

conducting them, involved in the movement of farm produced foods; raw materials and

their derivatives, such as textiles, from the farms to the final consumers, and the effect of

such operations on the farmers, middlemen and consumers (Thomsen). This definition

does not include the input side of agriculture.

 Agricultural marketing is a process which starts with a decision to produce a saleable

farm commodity, involves all the aspects of market structure or system, both financial

and institutional, based on technical and economic considerations, and includes pre- and

post-harvest operations, assembling, grading, storage, transportation and distribution

(National Commission on Agriculture, 1976).

**Features Of Agricultural Marketing**

Agricultural marketing possess several features such as perishable products, regular demand, price fluctuation, inelastic demand, presence of intermediaries etc.

The features of agricultural marketing can be discussed as follows:

1. Perishable Products

Agricultural products are dealt with in agricultural market. Most of the agricultural products are of perishable nature. Fruits, green vegetables, fish, meat, milk, other dairy products etc. perish within shorter time. But some other remain fresh for a little longer. So, proper management of storage, distribution and transportation should be made according to the nature of products.

2. Continuous Demand

Continuous demand is another important of agricultural marketing. Most of agricultural goods are produced in certain seasons. But they are necessary for consumption round the year. So, warehouse management should be made effective for regular supply of such goods.

3. Fluctuation In Price

Since balance cannot be maintained in demand and supply of agricultural products, price remains fluctuating in agricultural markets. Supply rises high and price falls low in harvesting time. Bu in off-season, supply falls low then prices rise high.

4. Presence Of Intermediaries

Producer's predominance prevails over industrial products but intermediaries' predominance prevails over agricultural products. Intermediaries buy agricultural products at low price directly from the farmers at the time of harvest. They keep the collected products in warehouse and sell them at high prices. So they take responsibility of market management. They perform all the functions of marketing such as collecting, standardizing, pricing, storing of agricultural product. So, farmers cannot get reasonable price for their products.

Problems Of Agricultural Marketing

5. Inelastic Demand

Agricultural products are of compulsory for daily life. Any change in their price does not affect much. An increase or decrease in prices does not affect demand for agricultural products. So, demand remains inelastic in agricultural market.

6. Elastic Supply

Supply of agricultural products remains elastic, even if demand remains inelastic. Supply is affected by the change of price of agricultural products. If price of agricultural products rises, then supply also increases together. If price decreases, supply also decreases.

In this way, buying and selling of perishable goods, continuous demand, fluctuation in prices, presence of intermediaries, elastic supply etc. are the important features of agricultural marketing.

**Agricultural Marketing Functions.**

Agricultural marketing involves in its simplest form the buying and selling of agricultural produce. In olden days, when the village economy was more or less self sufficient, the marketing of agricultural produce presented no difficulty, as the [farmer](https://myphotohunter.com/s/?q=farmer) sold his produce direct to the consumer on a cash or barter basis. Agricultural marketing consists of all the functions and services used in moving the commodities from the producer to the final consumer. It includes not only the physical movement to the place where the product is wanted but also putting it into the form and amount is desired and having it ready at the time it is wanted.

**Marketing functions:**In modern marketing, the agricultural produce has to undergo a series of transfers or exchanges from one hand to another before it finally reaches the consumer. This is achieved through three important marketing functions namely

|  |  |
| --- | --- |
| a. | **Assembling (Concentration)**– Concentration pertains to the operations concerned with the assembly and transport of produce from the field to a common assembling area or the market. |
| b. | **Preparation for consumption( processing)** – The produce may be sold, as obtained from the field, or may be cleaned, graded, processed and packed either by the [farmer](https://myphotohunter.com/s/?q=farmer) or village merchant before it is taken to the market. Some of the processing is necessary for the conservation of quality. |
| c. | **Distribution (Dispersion)**– It involves the operations of whole selling and retailing as various points. By a series of indispensable adjustments and equalizing functions, it is the task of distribution system o match the available supplies with the existing demand. |

The essential functions of agricultural marketing may be describe as follows:

|  |  |
| --- | --- |
| 1 | **Assembling**:  Collection of produce for sale in mandis or larger markets is called Assembling. Assembling is of two types:   1. Bringing together of smaller amounts of produce for greater convenience and economy in buying, transporting or processing. 2. Assembling occurs in the distribution of finished products. Wholesaler buy from many processor to have on hand the commodities wanted by retailers to supply the consumers. |
| 2. | **Grading and Standardization :**  Grading is the sorting out of the commodities into different groups on the basis of size, variety, taste, quality, colour etc. Such separation may or may not conform to established standards. Whereas standardization fixes the grades and does not allow them vary from season to season and year to year. Grading and standardization are used interchangeably. **Advantages of Grading and standardization**   1. Uniformity between markets is provided 2. Products of similar grade can be stored in bulk 3. Market values are better understood 4. Commodities can be bought and sold without previous examination   Standards provide a basis for market reporting and advertising |
| 3. | **Processing :**  Processing is the conversion of farm produce into more consumable form. E.g. conversion of wheat into floors, preparation of butter, ghee from milk, hulling of paddy into [rice](https://myphotohunter.com/s/?q=rice) etc. Processing imparts form utility **Advantages**   1. Surplus produce may be conserved 2. Reduces the work in home |
| 4. | **Transportation:**  Physical movement of produce from the place of production to the final consumer is called transportation. Transportation creates place utility. Transportation takes place through different means like [road](https://myphotohunter.com/s/?q=road), rail, air, and [water](https://myphotohunter.com/s/?q=water). |
| 5. | **Storage :**  Storage is the holding of produce from time of production until needed by the consumers. Storing creates time utility. Storage helps to spread out market supply. Some products are stored for short period whereas fresh fruits, vegetables require cold storage. |
| 6. | **Packaging:**  Packaging is the packing or covering the product in such sizes and pattern as to be most Marketable. The objectives of packaging are   1. to facilitate the handling of product 2. to reduce the storage and marketing cost 3. to prevent loss by deterioration and rob 4. to make products more attractive |
| 7. | **Distributing:**  It relates to dispersing, retailing and marketing of produce. Distribution bridges the gap between the wholesalers and large number of consumers. |

**Regulated market**

Under the traditional system of marketing of the agricultural products,

producer-sellers incurred a high marketing cost, and suffered from unauthorized

deductions of marketing charges and the prevalence of various malpractices. To

improve marketing conditions and with a view to creating fair competitive

conditions, the increase in the bargaining power of producer-sellers was

considered to be the most important prerequisite of orderly marketing. Most of

the defects and malpractices under, the then existing marketing system of

agricultural products have been more or less removed by the exercise of public

control over markets, i.e., by the establishment of regulated markets in country.

DEFINITION

A regulated market is one which aims at the elimination of the unhealthy and

unscrupulous practices, reducing marketing charges and providing facilities to

producer-sellers in the market. Any legislative measure designed to regulate the

marketing of agricultural produce in order to establish, improve and enforce

standard marketing practices and charges may be termed as one which aims at

the establishment of regulated markets. Regulated markets have been

established by State Governments and rules and regulations have been framed

for the conduct of their business .The basic philosophy of the establishment

regulated markets is the elimination of malpractices in the system and

assignment of dominating power to the farmers or their representatives in the

function of the markets.

Objectives

The specific objectives of regulated markets are:

1. to prevent the exploitation of farmers by overcoming the handicaps in the

marketing of their products ;

2. to make the marketing system most effective and efficient so that farmers

may get better prices for their produce, and the goods are made available to

consumers at reasonable prices ;

3. to provide incentive prices to farmers for inducing them to increase the

production both in quantitative and qualitative terms ;and

4. To promote an orderly marketing of agricultural produce by improving the

infrastructural facilities. Important features of regulated markets

Under the provisions of the agricultural produce market act, the state government

gives its intention to bring a particular area under regulation by notifying market

areas, market yard, main assembling market and sub market yard, if any, under

the principle regulated market. The meaning of these terms is explained in the

following paragraph.

1. Market area: The area from which the produce naturally and abundantly

flows to a commercial centre, i.e., the market, and which assures adequate

business and income to the market committee

2. Principle assembling market: It is the main market which is declared as a

principal market yard on the basis of transactions and income generated for the

market committee

3. Sub market yard: It is sub yard of the principle assembling market. This is a

small market and does not generate sufficient income to declare as a principal

assembling market

4. Market yard: This is a specified portion of the market area where the sale,

purchase, storage and processing of any of the specified agricultural

commodities are carried out.

Chapter : Cooperative marketing- meaning-structure- Functions of cooperative

marketing societies- National Agricultural Cooperative Marketing Federation (NAFED)

PROGRESS OF REGULATED MARKET IN INDIA :

Agricultural Marketing has a pivotal role to play in the socio-economic transformation of a predominantly agrarian economy like India. The nation can not march ahead on the road of rapid economic growth without ensuring a remunerative price to the farmers for their produce. In -fact, if the agriculturists do not see any easily accessible market outlet where they can sell their produce at a reasonable price, they will have little incentive to regard agriculture as gainful occupation. Hence, in order that agriculturists contribute their best in the uphill task economic development, it has to be ensured that their efforts : 180 : towards increasing agricultural production do not go unrewarded. Due to such a crucial role of agricultural marketing in the process of economic development , a number ot institutions have come up.

Regulated Market is the first and foremost among these institutions. A market is saint to be regulated when the State Government establishes a market under a specific Act and frames rules and regulations to conduct business therein. The specific objectives of such markets is to regulate sale and purchase of agriculture. produce, create conditions for fair competition and thereby ensure a fair deal to the producer - sellers. Although the origin of regulated market’ in India dates back as early as 1864, but it was only after mid Sixties of the present century that the institution came to be established on a massive scale. During the pops’ independence period, the number of regulated markets has increased considerably in the country and it was 605 ? in 1988. However, the progress of market regulation varies widely among the states. The study reveals that more than 56% of total regulated markets is concentrated in five major states namely Andhra Pradesh, Maharashtra, Uttar Pradesh, Punjab and Bihar. The study shows that though the legal frame work has been provided through Agricultural produce Market Act in most States, the progress in the development of markets and in the enforcement of the Act has, however, been very uneven.

**various problems**

In India, agricultural marketing poses various problems for farmers when they wish to sell their produce in markets away from their villages. These problems are as follows:

Lack of warehousing and storage facilities due to which they are forced to sell their produce as soon as it is ready because they cannot store it for want of these facilities and thus cannot hold and wait to fetch better prices .

Inadequate and inefficient transportation which prevents them from taking their produce to mantis. Not only that there is lack of motorable and mechanized transport but also most of the connecting roads are Koch and unpaved roads.

Lack of grading and standardization facilities due to which they are not able to get better price and it weakens their bargaining power.

Use of substandard weights and measures due to which their produce may be underweight.

Presence of a large number of middlemen who change several unauthorized commissions due to which the price that the farmer gets is depressed.

Lack of credit facilities due to which a farmer has to sell his produce immediately after the crop is ready. Adequate credit facilities can enable him to withhold his produce and run his household till he gets a better price.

Lack of market information by way of prevailing condition in the market as well as prices prevailing .

Over the years, the government has tried to address these problems by adopting the following measures:

Provision of warehousing facilities.

The government set up Central Warehousing Corporation in 1957 with the purpose of constructing and running godowns and warehouse. The States have set up corresponding State Warehousing Corporations. Also a network of rural godowns has been setup. In recent years. The FCI has taken up construction of its own network of rural godowns.

Grading and standardization has been facilitated by enacting Agricultural Produce (Grading and Standardization) act. Grading Standards have been laid down for nearly 180 agricultural and allied commodities. The graded goods are stamped with the seal of “AGMARK”.

Promoting Cooperative, marketing by setting up National Cooperative Development Corporation and NAFED.

Special Boards have been set up for commodities like rice, pulses, jute, millets, cotton, oilseeds, tobacco, sugarcane etc.

Boost to export of agricultural commodities through incentives provided in successive Exim policies and setting up of Export Promotion Council as well as Agricultural and Processed Food Export Development Authority, Also, the Centre has been allocating funds to assist States for the development of Agro Export Zones.

Buffer stocks and procurement policy of the government has helped farmers to market their produce to the government at the price fixed by the government.

Futures Trading has been permitted in various agricultural commodities. Also in 2003-04 the government took a significant initiative towards futures trading in all commodities by setting up national level commodity exchanges like for wheat, cotton, soya oil, jute, rubber, pepper, turmeric etc.

Enactment of model APMC act 2003 by the Centre with a view to urging States to amend their respective APMC Acts in accordance with this Act. Salient features of this Act are given later in this chapter.

Setting up of Regulated markets has been the most significant and landmark step taken by the government in the field of agricultural marketing.

**Defects of Regulated Markets**

These markets have proved a boon for farmers over the years even since they are being set up since 1951. There are nearly 8,500 such markets in the country However, with changing times, these markets have been exposed to some serious limitations as follows.

Failure to adopt new innovative market technologies.

They have not helped in exchange of market information.

They have restricted smooth supply of raw materials for agro producers.

They have restricted development of alternative form of markets.

They have become too monopolistic in the sense that the authorities do not permit alternate and competitive markets in an area where there is regulated market.

Also, no transaction is permitted outside the regulated market. For any such transaction, one has to obtain a license and pay requisite fee to the market committee.

Cold storage facilities exist in less than 10 percent of these markets which implies poor infrastructure.

Grading, cleaning and standardization facilities exist in just one third of these markets.

In view of these limitations and problems relating to regulated markets, the center set up Shankar Guru Committee in 2001 and also set up an inter-ministerial expert group to review the system of regulated markets. These committees, inter-alia, made the following observations and recommendations.

(i) These markets have become too restrictive and instead of promoting free and fair play market forces, have become too monopolistic.

(ii) These markets have failed to reflect situations of scarcity or plenty and particularly in respect of food grains have led to stock piling by FCI.

(iii) Government intervention in agricultural markets should be selective and confined only to situations of extreme scarcity.

(iv) Essential Commodities Act should be repealed.

(v) Government should review all the relevant legislations relating to agricultural marketing.

Based on these, the Centre enacted a model APMC Act in 2003 urging State governments to adopt this, legislation by carrying out suitable amendments in their APMC Acts. The model APMC Act 2003 has three major objectives vise, deregulation of agriculture markets making these markets competitive and permitting private sector investment in market infrastructure.

Agricultural Price Policy:

Undoubtedly, violent fluctuations in agricultural prices have harmful results. For instance, a steep decline in the price of particular crop in few years can inflict heavy losses on the growers of that crop. This will not only reduce the income but also dampen the spirit to cultivate the same crop in the coming year. If this happens to be a staple food item of the people, supply will remain below the demand.

This will force the Govt. to fill the gap by restoring imports (in case of no buffer stock). If, on the other hand, prices of a particular crop increase rapidly in the particular period, them the consumer will definitely suffer. In case, the prices continuously increase for the particular crop, this can have disastrous effect on the sector of the economy.

Objectives of Agricultural Price Policy:

The objectives of agricultural price policy vary from country to country depending upon the place of agriculture in national economy. Generally, in developed countries, the major objective of price policy is to prevent drastic fall in agricultural income while in developing economies it is to increase the agricultural production.

(i) To Ensure Relation between Prices of Food-grains and Agricultural Goods:

The foremost objective of agricultural price policy is to ensure the appropriate relationship between the prices of food grains and nonfood grains and between the agricultural commodities so that the terms of trade between these two sectors of the economy do not change sharply against one another.

(ii) To Watch Interests of Producers and Consumers:

To achieve the balance between the interest of producers and consumers, price policy should keep a close eye the fluctuations within maximum and minimum limits.

(iii) Relation Between Prices of Crops:

The price policy should be such which may sustain the relationship between the prices of competing crops in order to fulfill the production targets in respect of different commodities in accordance of its demand.

(iv) To Control Seasonal Fluctuations:

Another object of price policy is to control cyclical and seasonal fluctuations of price rise to the minimum extent.

(v) Integrate the Price:

The agricultural price policy should also aim at to bring the greater integration of price between the various regions in the country so that regular flow of marketable surplus could be maintained and exports of farm products stimulated regularly.

(vi) Stabilize the General Price:

To stabilize the general price level, it should aim at increasing the public outlay to boost economic development in the country.

(vii) Increase in Production:

The agricultural price should aim at to raise the production of various commodities in the country. Therefore, it must keep balance between output and input required by the cultivations.

(i) Raising Capital Formation:

The new policy has undertaken a strategy to raise the rate of capital formation in agricultural sector as the same is maintaining a decreasing trend from 18.7 per cent of total gross capital formation in 1978- 79 to only 9.5 per cent in 1993-94.

As the invisible resources are being diverted from agriculture to industry and sectors, the new policy, thus introduces measures to regionalize available resources for productive investment in the sector. The policy will focus to create a better investment climate for the farmers by introducing a favorable price and trade regime.

(ii) Enhancing Public Investment:

In order to raise the volume of public investment, new agricultural policy will take steps to create public investment for building supportive infrastructure for agriculture. Conservation of water and use of alternative and renewable sources of energy for irrigation and other agricultural works have also been encouraged. Such enhancement of infrastructural investment will reduce the regional imbalances and generates more value added exportable surpluses.

(iii) Raising the Flow of Credit:

The policy will make an attempt to enhance the flow of credit to the agricultural sector. In this connection, the Co-operative credit societies were engaged for such purpose.

(iv) Improving Agricultural Marketing:

An attempt will be made to improve the marketing arrangement of agricultural produce through agro- processing, marketing and storage.

(v) Ensuring Remunerative Prices:

The new policy has entrusted the Government to undertake responsibility for ensuring remunerative prices of agricultural produce to the farming community by adopting necessary price support policy.

(vi) Raising Agro-Exports:

The new policy has made an attempt for harnessing the comparative natural advantage in agricultural export of the country. The policy has laid special thrust on the exports of fruits, vegetables, flowers, poultry and livestock products so as to raise the share of agricultural exports.

(vii) Land Reforms:

The new policy will make efforts to take land reform measures for the interest of small and marginal farmers and raise agricultural output.

(viii) Development of Land:

The policy has made an attempt to develop land permanently for cultivation to meet the growing needs of population. In order to develop rain fed areas of the country watershed management scheme has been given much importance so as to bring integrated development of the land.

(ix) Treating Agriculture at Par with Industry:

The steps for creating a positive trade and investment climate for agriculture and also to treat agriculture at par with industry for the purpose will be taken.

(x) Crop Insurance Scheme:

Considering the problems of crop failure and high risk of instability in production, the policy stressed for redesigning the crop and livestock insurance schemes in a comprehensive manner so that the farmers can recover their losses arising out of natural disasters.

Types of Agricultural Price Policy:

The prices favorable to the producers of agricultural products may work against the interest of the non-agricultural sector vice-versa. In fact, this has been one of the major considerations underlying the agricultural price in various countries during the course of the development of their economies.

Sometimes, the prices of agricultural products as well as the agricultural inputs have been so manipulated and the ancillary fiscal and administrative policy so devised that the benefits of development of the agricultural sector were partly or wholly passed on to the industrial sector. Such a policy changed the terms of trade, against agriculture.

On some other occasions, the price policy has favored the agricultural sector at the cost of the non-agriculture sector. The two types of price policy have been called ‘Negative’ and ‘Positive’ price policies respectively.

The following paragraph discuss these two price policies in some detail:

1. Negative Price Policy:

In the context of the policy of accelerating economic growth, a “negative” agricultural price policy has been practiced by a large number of countries in the early stages of their development.

The main objectives of such a policy was to keep the prices of food and raw materials relatively low (when compared with the prices of industrial products) so as to facilitate the growth of the industrial and tertiary sectors and to provide surpluses in the form of savings for these sectors. In other words, the terms of trade were purposively kept unfavorable for the agricultural sector.

2. Positive Price Policy:

In contrast to the above methods, a number of countries today follow what may be termed as the “positive” price policy which consists of light taxes on the agricultural sector and also assure the farmer of a fair price for his produce.

Such a policy is considered necessary in the context of the realization that unless the agricultural sector attains some critical minimum rate of growth, it would not be possible to attain the general targets of economic growth and development.

Effects of Agricultural Price Policy:

It is correctly stated that agricultural price has worked remarkably well to streamline the price stability activities.

However, its effect are shortly mentioned below:

1. Incentive to Increase Production:

Agricultural price policy has been providing necessary incentive to the farmers for raising their agricultural output through modernization of the sector. The minimum support price is determined effectively by the government which will safeguard the interest of the farmers.

2. Increase in the level of income of Farmers:

The agricultural price policy has provided necessary benefit to the farmers by providing necessary encouragement and incentives to raise their output and also by supporting its prices. All these have resulted in an increase in the level of farmers as well as its living standards.

3. Price Stability:

The agricultural price policy has stabilized the price of agricultural products to a greater extent. It has successfully checked the undue fluctuation of price of agricultural products. This has created a favorable impact on both the consumers and producers of the country.

4. Change in Cropping Pattern:

As a result of agricultural price policy, considerable change in cropping pattern of Indian agriculture is needed. The production of wheat and rice has increased considerably through the adoption of modern techniques by getting necessary support from the Government. But the production of pulses and oilseeds could not achieve any considerable change in the absence of such price support.

5. Benefit to Consumers:

The policy has also resulted in considerable benefit to the consumers by supplying the essential agricultural commodities at reasonable price regularly.

6. Benefit to Industrials:

The agricultural price policy has also benefited the agro industries, like sugar, cotton textile, vegetable oil etc. By stabilizing the prices of agricultural commodities, the policy has made provision for adequate quantity of raw material for the agro industries of the country at reasonable price.

Summary of Agricultural Price Policy in India:

The summary of agricultural price policy followed by the Government of India since independence is stated below:

(i) Setting Institutions:

The Government of India has set up some institutions for the implementation of agricultural price policy in the country accordingly; the Agricultural Price Commission was set up in 1965 which announced the minimum support prices and procurement prices for the agricultural products. In 1985, the name of this institution was changed into Agricultural cost and Price Commission. Moreover, the Food grains policy.

Committee was, appointed by the Government in 1966 which also recommended various measures of price support. The Food Corporation of India was also set up in 1965 for making necessary procurement, storage and distribution of food grains.

In 1989-90, total capital employed in FCI was to the Extent of Rs. 5138 core with its total storage capacity at 18 million tones. The corporation organizes the price of food grains at government determined price and sale these food stocks through the network distribution system. In the year 2009-10 and 16.28 million tons of wheat and 4.94 million tons rice were distributed to FCI.

(ii) Minimum Support Price:

The government fixes the minimum support prices of agricultural products like wheat, rice, maize, cotton, sugarcane, pulses etc. regularly to safeguard the interest of farmers. The FCI also make their purchase of food grains at the procurement prices so as to maintain a rational price of food grains in the interest of farmers.

(iii) Protecting the Consumers:

To safeguard the interest of the consumers, the agricultural price policy has made provision for buffer stock of food grains for its distribution among the consumers through public distribution system.

(iv) Fixation of Maximum Price:

In order to have a control over the prices of essential commodities the government usually determines the maximum price of agricultural products so as to protect the general people from exorbitant rise in prices

**Food Security**

Food security is a flexible concept as reflected in the many attempts at definition in research and policy usage. Even a decade ago, there were about 200 definitions in published writings. Whenever the concept is introduced in the title of a study or its objectives, it is necessary to look closely to establish the explicit or implied definition.

The continuing evolution of food security as an operational concept in public policy has reflected the wider recognition of the complexities of the technical and policy issues involved. The most recent careful redefinition of food security is that negotiated in the process of international consultation leading to the World Food Summit (WFS) in November 1996. The contrasting definitions of food security adopted in 1974 and 1996, along with those in official FAO and World Bank documents of the mid-1980s, are set out below with each substantive change in definition underlined. A comparison of these definitions highlights the considerable reconstruction of official thinking on food security that has occurred over 25 years. These statements also provide signposts to the policy analyses, which have re-shaped our understanding of food security as a problem of international and national responsibility.

Food security as a concept originated only in the mid-1970s, in the discussions of international food problems at a time of global food crisis. The initial focus of attention was primarily on food supply problems - of assuring the availability and to some degree the price stability of basic foodstuffs at the international and national level. That supply-side, international and institutional set of concerns reflected the changing organization of the global food economy that had precipitated the crisis. A process of international negotiation followed, leading to the World Food Conference of 1974, and a new set of institutional arrangements covering information, resources for promoting food security and forums for dialogue on policy issues

The issues of famine, hunger and food crisis were also being extensively examined, following the events of the mid 1970s. The outcome was a redefinition of food security, which recognized that the behaviour of potentially vulnerable and affected people was a critical aspect.

A third, perhaps crucially important, factor in modifying views of food security was the evidence that the technical successes of the Green Revolution did not automatically and rapidly lead to dramatic reductions in poverty and levels of malnutrition. These problems were recognized as the result of lack of effective demand.

What is Food Security

Two common definitions of food security come from the United States Department of Agriculture (USDA), and the UN's Food and Agriculture Organization (FAO):

Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. (FAO)

Food security for a household means access by all members at all times to enough food for an active, healthy life. Food security includes at a minimum, (USDA):

(1) The ready availability of nutritionally adequate and safe foods

(2) An assured ability to acquire acceptable foods in socially acceptable ways (that is, without resorting to emergency food supplies, scavenging, stealing, or other coping strategies).

In 2006 it was reported that globally, the number of people who are overweight has surpassed the number who are undernourished - the world had more than one billion people who were overweight, and an estimated 800 million who were undernourished. Worldwide around 852 million people are chronically hungry due to extreme poverty, while up to 2 billion people lack food security intermittently due to varying degrees of poverty. 17,000 children die of hunger and malnutrition related diseases every day, which equals 6 million children who die of hunger every year.

In the United States of America there are approximately 2,000,000 farmers, less than 1% of the population. A direct relationship exists between food consumption levels and poverty. Families with the financial resources to escape extreme poverty rarely suffer from chronic hunger; while poor families not only suffer the most from chronic hunger, but are also the segment of the population most at risk during food shortages and famines.

The initial focus, reflecting the global concerns of 1974, was on the volume and stability of food supplies. Food security was defined in the 1974 World Food Summit as:

“availability at all times of adequate world food supplies of basic foodstuffs to sustain a steady expansion of food consumption and to offset fluctuations in production and prices”[25].

In 1983, FAO expanded its concept to include securing access by vulnerable people to available supplies, implying that attention should be balanced between the demand and supply side of the food security equation:

“ensuring that all people at all times have both physical and economic access to the basic food that they need”[26].

In 1986, the highly influential World Bank report “Poverty and Hunger”[27] focused on the temporal dynamics of food insecurity. It introduced the widely accepted distinction between chronic food insecurity, associated with problems of continuing or structural poverty and low incomes, and transitory food insecurity, which involved periods of intensified pressure caused by natural disasters, economic collapse or conflict. This concept of food security is further elaborated in terms of:

“access of all people at all times to enough food for an active, healthy life”.

By the mid-1990s food security was recognized as a significant concern, spanning a spectrum from the individual to the global level. However, access now involved sufficient food, indicating continuing concern with protein-energy malnutrition. But the definition was broadened to incorporate food safety and also nutritional balance, reflecting concerns about food composition and minor nutrient requirements for an active and healthy life. Food preferences, socially or culturally determined, now became a consideration. The potentially high degree of context specificity implies that the concept had both lost its simplicity and was not itself a goal, but an intermediating set of actions that contribute to an active and healthy life.

The 1994 UNDP Human Development Report promoted the construct of human security, including a number of component aspects, of which food security was only one[28]. This concept is closely related to the human rights perspective on development that has, in turn, influenced discussions about food security. (The WIDER investigation into the role of public action into combating hunger and deprivation, found no separate place for food security as an organizing framework for action. Instead, it focused on a wider construct of social security which has many distinct components including, of course, health and nutrition[29]).

The 1996 World Food Summit adopted a still more complex definition:

“Food security, at the individual, household, national, regional and global levels [is achieved] when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life”.[30]

This definition is again refined in The State of Food Insecurity 2001:

“Food security [is] a situation that exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life”[31].

This new emphasis on consumption, the demand side and the issues of access by vulnerable people to food, is most closely identified with the seminal study by Amartya Sen[32]. Eschewing the use of the concept of food security, he focuses on the entitlements of individuals and households.

The international community has accepted these increasingly broad statements of common goals and implied responsibilities. But its practical response has been to focus on narrower, simpler objectives around which to organize international and national public action. The declared primary objective in international development policy discourse is increasingly the reduction and elimination of poverty. The 1996 WFS exemplified this direction of policy by making the primary objective of international action on food security halving of the number of hungry or undernourished people by 2015.

Essentially, food security can be described as a phenomenon relating to individuals. It is the nutritional status of the individual household member that is the ultimate focus, and the risk of that adequate status not being achieved or becoming undermined. The latter risk describes the vulnerability of individuals in this context. As the definitions reviewed above imply, vulnerability may occur both as a chronic and transitory phenomenon. Useful working definitions are described below.

Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life. Household food security is the application of this concept to the family level, with individuals within households as the focus of concern.

Food insecurity exists when people do not have adequate physical, social or economic access to food as defined above.

**Public Distribution System (PDS)**

The [Indian](https://en.wikipedia.org/wiki/India) food security system was established by the [Government of India](https://en.wikipedia.org/wiki/Government_of_India) under the [Ministry of Consumer Affairs, Food and Public Distribution](https://en.wikipedia.org/wiki/Ministry_of_Consumer_Affairs,_Food_and_Public_Distribution) to distribute food and non-food items to [India's poor](https://en.wikipedia.org/wiki/Poverty_in_India) at subsidized rates. Major commodities distributed include staple food grains, such as [wheat](https://en.wikipedia.org/wiki/Wheat), [rice](https://en.wikipedia.org/wiki/Rice), [sugar](https://en.wikipedia.org/wiki/Sugar) and essential fuels like [kerosene](https://en.wikipedia.org/wiki/Kerosene), through a network of fair price shops (also known as ration shops) established in several states across the country. [Food Corporation of India](https://en.wikipedia.org/wiki/Food_Corporation_of_India), a [Government-owned corporation](https://en.wikipedia.org/wiki/Government-owned_corporation), procures and maintains the **public distribution system** (PDS).

Today, India has the largest stock of grain in the world besides China, the government spends Rs. 750 billion ($10 billion) per year, almost 1 percent of GDP, yet 21% remain undernourished.[[1]](https://en.wikipedia.org/wiki/Public_distribution_system#cite_note-1) Distribution of food grains to poor people throughout the country is managed by state governments.[[2]](https://en.wikipedia.org/wiki/Public_distribution_system#cite_note-2) As of 2011 there were 505,879 fair price shops (FPS) across [India](https://en.wikipedia.org/wiki/India).[[3]](https://en.wikipedia.org/wiki/Public_distribution_system#cite_note-3) Under the PDS scheme, each family below the poverty line is eligible for 35 kg of [rice](https://myphotohunter.com/s/?q=rice) or wheat every month, while a household above the poverty line is entitled to 15 kg of foodgrain on a monthly basis.[[4]](https://en.wikipedia.org/wiki/Public_distribution_system#cite_note-toi-4) A below poverty line card holder should be given 35 kg of food grain and the card holder above the poverty line should be given 15 kg of food grain as per the norms of PDS. However, there are concerns about the efficiency of the distribution process.

In coverage and [public expenditure](https://en.wikipedia.org/wiki/Public_expenditure), it is considered to be the most important [food security](https://en.wikipedia.org/wiki/Food_security) network. However, the food grains supplied by the ration shops are not enough to meet the consumption needs of the poor. The average level of consumption of PDS seeds in India is only 1 kg per person per month. The PDS has been criticized for its [urban bias](https://en.wikipedia.org/wiki/Urban_bias) and its failure to serve the poorer sections of the population effectively. The targeted PDS is costly and gives rise to much [corruption](https://en.wikipedia.org/wiki/Political_corruption) in the process of extricating the poor from those who are less needy.

[History](https://myphotohunter.com/s/?q=History)

This scheme was first started on 14 January 1945, during the [Second World War](https://en.wikipedia.org/wiki/Second_World_War), and was launched in the current form in June 1947. The introduction of rationing in India dates back to the 1940s [Bengal](https://myphotohunter.com/s/?q=Bengal) famine. This rationing system was revived in the wake of acute food shortage during the early 1960s, before the [Green Revolution](https://en.wikipedia.org/wiki/Green_Revolution). It involves two types, RPDS and TPDS. In 1992, PDS became RPDS (Revamped PDS) focusing the poor families, especially in the far-flung, hilly, remote and inaccessible areas. In 1997 RPDS became TPDS (Targeted PDS) which established Fair Price Shops for the distribution of food grains at subsidized rates.

Center state responsibilities

The central and state governments share the responsibility of regulating the PDS. While the central government is responsible for procurement, storage, transportation, and bulk allocation of food grains, state governments hold the responsibility for distributing the same to the consumers through the established network of fair price shops (FPSs). State governments are also responsible for operational responsibilities including allocation and identification of families below the poverty line, issue of ration cards, and supervision and monitoring the functioning of FPSs.

Fair price shop

A public distribution shop, also known as fair price shop (FPS), is a part of India's public system established by the [Government of India](https://en.wikipedia.org/wiki/Government_of_India) which distributes rations at a subsidized price to the poor.[[5]](https://en.wikipedia.org/wiki/Public_distribution_system#cite_note-5) Locally these are known as [ration](https://en.wikipedia.org/wiki/Ration) shops and public distribution shops, and chiefly sell wheat, [rice](https://myphotohunter.com/s/?q=rice) and sugar at a price lower than the market price called Issue Price. Other essential commodities may also be sold. To buy items one must have a ration card. These shops are operated throughout the country by joint assistance of central and state government. The items from these shops are much cheaper but are of average quality. Ration shops are now present in most localities, villages towns and cities. India has more than 5.5 lakh (0.55 million) shops, constituting the largest distribution network in the world.

Shortcomings

The public distribution system of India is not without its defects. With a coverage of around 40 million below-poverty-line families, a review discovered the following structural shortcomings and disturbances:

1. Growing instances of the consumers receiving inferior quality food grains in ration shops
2. Rogue dealers swap good supplies received from the [Food Corporation of India](https://en.wikipedia.org/wiki/Food_Corporation_of_India) (FCI) with inferior stock and sell the good quality FCI stock to private shopkeepers.
3. Illicit fair price shop owners have been found to create large number of bogus cards to sell food grains in the open market.
4. Many FPS dealers resort to [malpractice](https://en.wikipedia.org/wiki/Malpractice), illegal diversions of commodities, holding and black marketing due to the minimum salary received by them.
5. Numerous malpractices make safe and nutritious food inaccessible and un-affordable to many poor thus resulting in their food insecurity
6. Identification of households to be denoted status and distribution to granted PDS services has been highly irregular and diverse in various states. The recent development of Aadhar UIDAI cards has taken up the challenge of solving the problem of identification and distribution of PDs services along with Direct Cash Transfers.
7. Regional allocation and coverage of FPS are unsatisfactory and the core objective of price stabilization of essential commodities has not met.
8. There is no set criteria as to which families are above or below the poverty line. This ambiguity gives massive scope for corruption and fallouts in PDS systems because some who are meant to benefit are not able to.

Several schemes have augmented the number of people aided by PDS, but the number is extremely low. Poor supervision of FPS and lack of [accountability](https://en.wikipedia.org/wiki/Accountability) have spurred [middlemen](https://en.wikipedia.org/wiki/Reseller) who consume a good proportion of the stock meant for the poor. There is also no clarity as to which families should be included in the below the poverty line list and which are not. This results in the genuinely poor being excluded whilst the ineligible get several cards. Awareness about the presence of the PDS and FPS to poverty-stricken societies, namely the rural poor has been dismal.

The stock assigned to a single family cannot be bought in installments. This is a decisive barrier to the efficient functioning and overall success of PDS in India. Many families below the poverty line are not able to acquire [ration cards](https://en.wikipedia.org/wiki/Ration_card) either because they are seasonal [migrant workers](https://en.wikipedia.org/wiki/Migrant_worker) or because they live in unauthorized colonies. Many families also mortgage their ration cards for money. Lack of clarity in the planning and structuring of social safety and security programs in India has resulted in the creation of numerous cards for the poor. Limited information about the overall use of cards has discouraged families below the poverty line from registering for new cards and increased illegal creation of cards by such families to ensure maximum benefit for the family members

Suggestions

To improve the current system of the PDS, the following suggestions are furnished for:

1. Vigilance squad should be strengthened to detect corruption, which is an added expenditure for taxpayers.
2. Personnel-in-charge of the department should be chosen locally.
3. Margin of profit should be increased for honest business, in which case the market system is more apt anyway.
4. F.C.I. and other prominent agencies should provide quality food grains for distribution, which is a tall [order](https://myphotohunter.com/s/?q=order) for an agency that has no real incentive to do so.
5. Frequent checks and raids should be conducted to eliminate bogus and duplicate cards, which is again an added expenditure and not foolproof.
6. The Civil Supplies Corporation should open more fair price shops in rural areas.
7. The fair price dealers seldom display rate chart and quantity available in the block-boards in front of the shop. This should be enforced.
8. some social activists have suggested that pulse is an importance source of protein so besides [rice](https://myphotohunter.com/s/?q=rice) / wheat pulses like arhar (toor) should also be included in PDS system

In aggregate, only about 42% of subsidized grains issued by the central pool reach the target group, according to a Planning Commission study released in March 2008.

Food stamps given to the needy and to the underprivileged by issue of coupons, vouchers, electronic card transfer etc. they can purchase commodities at any shop or outlet. The state government would then pay back the grocery shops for the stamps, said the finance minister in his budget.[[11]](https://en.wikipedia.org/wiki/Public_distribution_system#cite_note-11) But the United Progressive alliance, which came to power in 2004, decided on a common minimum programme (CMP) and on the agenda was food and nutrition security. Under that the government had plans to strengthen the food security program DS.[[12]](https://en.wikipedia.org/wiki/Public_distribution_system#cite_note-12)

However, finance minister [Arun Jaitley](https://en.wikipedia.org/wiki/Arun_Jaitley" \o "Arun Jaitley) in his budget speech went contrary to the idea proposed in the CMP and proposed the idea of the food stamp scheme.[[13]](https://en.wikipedia.org/wiki/Public_distribution_system#cite_note-13) He has proposed to try the scheme in few districts of India to see its viability.[[14]](https://en.wikipedia.org/wiki/Public_distribution_system#cite_note-Food_Stamps:_A_Model_for_India-14) In the CMP the government had proposed that if it is viable it would universalize the PDS; if food stamps are introduced it would be a targeted public distribution system. A group of about 40 economists have cautioned the NAC headed by Sonia Gandhi against the food security [bill](https://myphotohunter.com/s/?q=bill) as it would put an additional burden on the exchequer. They instead have advised to go ahead and experiment with food stamps and other alternative methods and pointed out the flaws in PDS. This set of economists hail from institutes like Delhi [School](https://myphotohunter.com/s/?q=School) of [Economics](https://myphotohunter.com/s/?q=Economics), Indian Statistical Institute, Jawaharlal Nehru [University](https://myphotohunter.com/s/?q=University), Indira Gandhi Institute of Development Research, Centre for Development Studies, Harvard, MIT, [Columbia](https://myphotohunter.com/s/?q=Columbia), Princeton, London [School](https://myphotohunter.com/s/?q=School) of [Economics](https://myphotohunter.com/s/?q=Economics), [University](https://myphotohunter.com/s/?q=University) of British [Columbia](https://myphotohunter.com/s/?q=Columbia), [University](https://myphotohunter.com/s/?q=University) of California and [University](https://myphotohunter.com/s/?q=University) of Warwick.[[15]](https://en.wikipedia.org/wiki/Public_distribution_system#cite_note-15) In a landmark judgment, [Delhi High Court](https://en.wikipedia.org/wiki/Delhi_High_Court) has ruled that fair price shops cannot be allotted to a [below poverty line](https://en.wikipedia.org/wiki/Below_Poverty_Line_(India)) card holder.[[16]](https://en.wikipedia.org/wiki/Public_distribution_system#cite_note-16)

Corruption and allegations

[Aaj Tak](https://en.wikipedia.org/wiki/Aaj_Tak) news channel on 14 October 2013 performed a sting operation on PDS named Operation Black. It showed how the distribution reaches to mills instead of fair price shops. All the documentation via computerization is clean

[NDTV](https://en.wikipedia.org/wiki/NDTV) did a show which documented how the Government of Chhattisgarh's food department managed to fix its broken system so that the diversion of grain came down from about 50% in 2004-5 to about 10% in 2009–10

Research on the PDS suggests (as these two programmes show) that the situation varies quite a lot across the country.