



Agricultural Economics

1.1 Definitions of Economics

A. Wealth Definition (Adam Smith)

- "An enquiry into the nature and causes of wealth of nations"
- Focuses on the origin and growth of national wealth

B. Welfare Definition (Alfred Marshall)

- "A study of mankind in ordinary business of life"
- Emphasizes human well-being and satisfaction

C. Scarcity Definition (Lionel Robbins)

- Economics is a science studying human behavior as a relationship between ends (wants) and scarce means with alternative uses
- Most comprehensive modern definition

D. Growth Definition (Paul Samuelson)

- The study of how men and society choose, with or without money, to employ scarce productive resources which could have alternative uses
- Emphasizes resource allocation

1.2 Scope of Economics

Subject Matter - Traditional Approach:

1. Consumption
2. Production
3. Exchange
4. Distribution
5. Public finance

Subject Matter - Modern Approach

Microeconomics	Macroeconomics
Analyzes economic behavior of individual decision-making units (households, firms)	Studies behavior of the economic system as a whole or all decision-making units together

1.3 Methodology of Economics

Deductive Method

- Starts from self-evident principles or strict observations
- Uses pure reasoning to derive consequences

Inductive Method

- Examines particular cases to establish general/universal facts

1.4 Positive vs. Normative Economics

Positive Science

- Studies facts as they are
- Describes what is
- Does not include judgments about good or bad

Normative Science

- Prescribes what ought to be
- Makes distinction between good and bad
- Focuses on value judgments

Chapter 2: Types Of Economic Systems

2.1 Capitalism

Definition: System of economic organization characterized by private ownership and use of capital with profit motive

Key Features:

- Private property exists as the fundamental institution
- Individual freedom to form any firm with requisite capital and ability
- Based on Laissez faire doctrine (minimal state interference)
- Market forces determine production and distribution

2.2 Socialism

Definition: Economic system where means of production (capital equipment, buildings, land) are owned by the state

Characteristics:

- Economy runs for social benefit, not private profit
- Emphasizes work according to ability
- Equal opportunities regardless of caste, class, or inherited privileges
- Central planning directs economic activities

2.3 Communism

- A form of socialism
- All means of production and properties owned by community as a whole
- All members share work and income equally
- Idealistic system aiming for elimination of class distinctions

2.4 Mixed Economy

Definition: Neither pure capitalism nor pure socialism but a mixture of both

Characteristics:

- Both private and public enterprises operate
- Market forces combined with government planning
- **India's economy is of mixed type**

- Government controls certain sectors; private sector operates in others

Chapter 3: Consumer Behavior And Demand

3.1 Consumption

Definition: Use of economic goods and personal services for satisfying human wants

3.2 Classification of Wants

Necessaries

- Essential for existence and maintaining efficiency
- Examples: Food, clothing, shelter, fuel

Comforts

- Lead to easy living and make life pleasant
- Examples: Better furniture, transportation, entertainment

Luxuries

- Highly expensive goods and services
- Do not add to efficiency of people
- **Examples:** Jewelry, exotic vacations, high-end electronics

3.3 Utility Concepts

Utility Definition: The property of a commodity that enables it to satisfy a want

Total Utility (TU)

- Aggregate satisfaction derived from consuming a certain amount of a commodity
- Increases with consumption but at a decreasing rate

Marginal Utility (MU)

- Additional or extra utility from consuming one more unit of a commodity
- Generally decreases as consumption increases (Law of Diminishing Marginal Utility)

3.4 Utility Analysis

Law of Diminishing Marginal Utility

- As consumer takes more and more units of a good, additional satisfaction from extra unit goes on falling
- One of fundamental laws of economics
- Applied in agricultural commodities

Law of Equi-marginal Utility (Law of Substitution/Maximum Satisfaction)

- When consumer purchases multiple commodities with given income, distributes money so that utility derived from last rupee spent on each good is equal
- Formula: $MU_1/P_1 = MU_2/P_2 = \dots = MU_n/P_n$

3.5 Classification of Utility by Type

Form Utility

- Change in form offers greater utility than original form
- Example: Processing paddy into rice fetches higher price

Place Utility

- Obtained by spatial movement of goods
- Example: Shimla apples transported nationwide increase utility

Time Utility

- Storing commodity during surplus and making available during scarcity
- **Example:** Cold storage for vegetables and fruits

Possession Utility

- Obtained due to transfer of ownership
- **Example:** Agricultural land sold for plots increases utility

3.6 Types of Demand

Price Demand

- Various quantities consumer willing to purchase at all possible prices

- Ceteris paribus (other conditions constant)
- Shows inverse relationship with price

Income Demand

- Quantities consumer willing to purchase at different income levels
- Positive relationship for normal goods

Cross Demand

- Quantities willing to purchase not due to price change of commodity but price change of related commodity
- Important for substitute and complementary goods

Derived Demand

- Demand for certain goods related to demand for other goods
- **Example:** Demand for fertilizers, pesticides derived from demand for crops

3.7 Determinants of Demand

1. Tastes and preferences of consumer
2. Population
3. Income distribution
4. Income of people
5. Price of commodity
6. Changes in prices of related goods
7. Expectations about future prices

3.8 Elasticity of Demand

Price Elasticity of Demand (PED)

- Degree of responsiveness of quantity demanded to price change
- Formula: $PED = \frac{\% \text{ Change in Quantity Demanded}}{\% \text{ Change in Price}}$

Type	Elasticity Value	Description
Perfectly Inelastic	$E_d = 0$	% change in demand > % change in price
Inelastic	$0 < E_d < 1$	% change in demand < % change in price
Unitary	$E_d = 1$	% change in demand = % change in price

Elastic	$1 < E_d < \infty$	% change in demand > % change in price
Perfectly Elastic	$E_d = \infty$	Infinite quantity change with price change

Key Points for Agricultural Products:

- Price elasticity of demand for food: Relatively inelastic
- Demand of agricultural products in general: Inelastic
- Because food is necessity, essential for survival

Income Elasticity of Demand

- Responsiveness of quantity demanded to income changes
- Formula: Income Elasticity = % Change in Demand / % Change in Income

Cross Elasticity of Demand

- % change in demand of one good due to % change in price of another
- Formula: Cross Elasticity = % Change in Qty Demanded of Good X / % Change in Price of Good Y

3.9 Factors Influencing Elasticity of Demand

1. **Degree of necessity:** Necessities have inelastic demand
2. **Proportion of income spent:** Higher proportion = more elastic
3. **Existence of substitutes:** More substitutes = more elastic
4. **Several uses of commodity:** Multiple uses = more elastic demand
5. **Time:** Longer period = more elastic

Chapter 4: Supply, Production, And Capital

4.1 Market Equilibrium

- Occurs when quantity demanded equals quantity supplied

- This equality is called equilibrium quantity
- Prices remain stable at equilibrium point

4.2 Market Structure

Duopoly Market

- Market with only two sellers of commodity
- Each seller has significant market power

4.3 Capital and Its Types

Capital Definition: Produced means of production; created by human effort

Types of Capital:

1. Fixed Capital vs. Working Capital

Fixed Capital	Working Capital
Used multiple times not in production	Used only once; not available for reuse
Level doesn't vary with production in short run	Varies with production level
Examples: Farm buildings, tractors, tools	Examples: Fertilizers, seeds, pesticides

2. Sunk Capital vs. Floating Capital

Sunk Capital	Floating Capital
Meant only for specific purpose	Can be employed for any use
Examples: Cane crusher, paddy thresher	Examples: Money, liquid assets

3. Social Capital vs. Private Capital

Fixed Capital	Private Capital
Created for public benefit	Created for private use and profit
Examples: Bridges, dams, govt. factories	Examples: Tractors, private factories

Chapter 5: National Income Concepts

5.1 Gross Domestic Product (GDP)

Definition: Total market value of all final goods and services currently produced within domestic territory of country in a year

Key Characteristics:

- Measures production within geographical boundaries
- Includes only current production
- Only final goods counted (to avoid double counting)

5.2 Gross National Product (GNP)

Definition: Total market value of all final goods and services produced by country's nationals in a year, regardless of location

Relationship:

- $GNP = GDP + \text{Net Factor Income from Abroad}$
- $\text{Net Factor Income} = \text{Factor income received by nationals from abroad} - \text{Factor income paid to foreign nationals in India}$

5.3 Net National Product (NNP)

Definition: Market value of all final goods and services after providing for depreciation

Formula: $NNP = GNP - \text{Depreciation}$

5.4 Investment Concepts

Gross Private Domestic Investment

- Expenditure for new plant and equipment plus change in inventories
- Includes replacement investment

Net Private Domestic Investment

- Gross private domestic investment less depreciation
- Represents true addition to productive capacity

5.5 Income Concepts

Personal Income (PI)

- Total money income actually received by individuals from all sources during year

Disposable Income

- Personal income minus income tax
- Amount individuals can actually spend or save

Per Capita Income

- National income divided by population
- Indicator of average living standards

5.6 Aggregate Demand and Supply

Aggregate Demand

- Total expenditure on consumer goods and services, government goods and services, desired investment, and net exports

Aggregate Supply

- Aggregate output or real national product produced in country

5.7 Factors of Production

Active Factors (Actively engaged in production)

1. Land
2. Labour
3. Capital
4. Entrepreneur

Passive Factors

- Supports production but not directly engaged

5.8 Reward of Factors

Factor	Reward
Land	Rent
Labour	Wages
Capital	Interest
Enterprise	Profit

Chapter 6: Fiscal Policy And Inflation

6.1 Goods and Service Tax (GST)

Definition: Proposed system of indirect taxation in India merging most existing taxes into single taxation system

Objectives:

- Simplify tax structure
- Reduce corruption
- Improve tax compliance
- Uniform taxation across country

6.2 Inflation

Definition: Rise in price of basket of commodities on point-to-point basis

Measurement: Based on Consumer Price Index (CPI) tracking changes in price levels

6.3 Classification of Inflation

Creeping Inflation

- Rise in prices very slow
- Less than 3% per annum
- Generally considered manageable

Walking or Trotting Inflation

- Prices rise moderately
- Annual rate is single digit (3%-10%)
- Acceptable level in most economies

Running Inflation

- Prices rise rapidly like running horse
- Rate of 10%-20% per annum
- Causes concern; needs control measures

Galloping or Hyperinflation

- Prices rise at very high rate
- Between 20% to 100% per annum or more
- Severely damages economy

6.4 Causes of Inflation

1. Increase in demand
2. Increase in money supply
3. Increase in disposable income
4. Increase in public expenditure

5. Increase in consumer spending
6. Cheap monetary policy
7. Deficit financing
8. Increase in exports
9. Prevalence of black money and counterfeit currency
10. Planning for rapid economic development

Chapter 7: Farm Management

7.1 Time Value of Money

Compounding (Future Value)

- Procedure for determining future value of present sum
- Formula: $FV = P(1+i)^n$
- Used in capital budgeting and investment decisions

Discounting (Present Value)

- Procedure to find present value of future sum
- Formula: $PV = P/(1+i)^n$
- Used in evaluating long-term investments

7.2 Types of Farming

Specialized Farming

- Major enterprise contributes more than 50% of total farm income
- Farmer focuses on single enterprise
- Examples: Only paddy farming, only vegetable farming

Diversified Farming

- No single enterprise contributes 50% of total farm income
- Multiple enterprises on farm
- Reduces risk through diversification

Mixed Farming

- Crop production combined with livestock raising
- Utilizes waste from crops for livestock feed
- Livestock provides manure for crops

Ranching

- Practice of grazing animals on public/open lands
- Common in pastoral regions
- Extensive livestock management

7.3 Cost and Returns

Time Influence on Costs and Returns

- Time has significant influence on financial returns
- Example: Soil conservation programs bear fruits over long time
- Long-term investments may show benefits later

7.4 Short Run Costs

Fixed Costs (Total Fixed Cost - TFC)

- Remain constant regardless of production level
- Examples:
 - Depreciation on machinery
 - Land taxes
 - Permanent labor wages
 - Insurance
 - Mortgage and interest on long-term loans

Variable Costs (Total Variable Cost - TVC)

- Change with production level
- Examples:
 - Seeds
 - Fertilizers
 - Pesticides and herbicides
 - Hired labor
 - Irrigation water
 - Electricity and fuel

Fixed Costs	Variable Costs
Depreciation	Seeds, Fertilizers, Pesticides
Land Taxes	Hired Machine/Animal Power
Permanent Labour	Hired Casual Labour

Interest on long/medium term loans	Interest on crop loan
Interest on fixed cost	Interest on variable cost

7.5 Long Run Costs

Factor-Product Relationship (Law of Variable Production)

- Examines relationship between variable input and output
- One input held variable; others constant

Increasing Marginal Returns

- Unit increase in input causes more than unit increase in output
- Marginal product (MP) > 1

Constant Marginal Returns

- Unit increase in input causes unit increase in output
- Marginal product (MP) = 1

Diminishing Marginal Returns

- Unit increase in input causes less than unit increase in output
- Marginal product (MP) < 1
- Most common stage in agriculture

7.6 Factor-Factor Relationship

Principle of Least Cost Combination

- Using different units of two or more variable factors to produce same quantity at lowest cost
- Maximizes profit for given production level
- Example: Using combination of organic and inorganic fertilizers for nutrient requirements; using bio-control and chemical control for pest management

Isoquant (Iso-Product Curve)

- Line connecting all combinations of two inputs producing same output level
- Convex shape due to diminishing marginal returns

Iso-Cost Lines

- Line connecting all combinations of two inputs purchasable for given budget
- Straight line with slope equal to input price ratio

Optimal Input Combination

- Where isoquant is tangent to iso-cost line
- Minimizes cost for given output level

7.7 Product-Product Relationship

Objective: Profit maximization with given input level

Production Possibility Curve (PPC) (Iso-Resource Curve)

- Line connecting all combinations of two enterprises' outputs producible with given input
- Shows trade-offs between products
- Marginal Rate of Product Substitution (MRPS)
- Rate of change in quantity of one enterprise's output due to unit change in other enterprise's output for given input level
- Indicates enterprise profitability comparison

7.8 Types of Product-Product Relationships

Competitive Products

- Output of one increases by reducing output of other
- Example: With fixed water, farmer can allocate more to bhendi and less to brinjal
- Trade-off exists; cannot increase both simultaneously

Complementary Products

- Increase in output of one causes increase in output of other for same input level
- No trade-off; both benefit from same resources

- Example: Crop rotation benefits both crops

Supplementary Products

- One product can increase without increasing or decreasing other
- Example: Farm Yard Poultry and crop cultivation on same farm
- Utilize different resources

Joint Products

- Result from same production process
- Produced in fixed proportion; no substitution possible
- Example: Cotton lint and cotton seed

Chapter 8: Agricultural Credit

8.1 Classification Based on Purpose

A. Development Credit (Investment Credit)

- For long-term development
- Examples: Irrigation works, land development

B. Production Credit

- For agricultural production
- Most common type for farmers

C. Marketing Credit

- For processing and marketing farm produce

D. Consumption Credit

- For household consumption and non-productive purposes

8.2 Classification Based on Repayment Period

Short-Term Credit

- Period: 6 to 18 months
- Purpose: Seeds, fertilizers, pesticides, labor wages
- Repaid after harvest

Medium-Term Credit

- Period: 1.5 to 5 years

- Purpose: Pump-sets, machinery, implements, dairy animals
- Repaid through production from investments

Long-Term Credit

- Period: 5 to 30 years
- Purpose: Development works (wells, tractors, permanent structures)
- Against mortgage of immovable property
- Repaid over extended period

8.3 Classification Based on Security

Personal Security

- Borrower stands as guarantor
- Loan advanced on farmer's promissory note
- Based on creditworthiness

Collateral Security

- Movable properties offered as security
- Examples: LIC bonds, fixed deposits, warehouse receipts, machinery, livestock

Chattel Loans

- Credit obtained from pawn-brokers
- Pledge movable properties (jewelry, utensils)

Mortgage

- Immovable properties offered as security
- Examples: Land, farm buildings
- Legal recourse if default

8.4 Classification Based on Lender Institutional Credit

- Co-operatives
- Commercial banks
- Regional rural banks

Non-Institutional Credit

- Professional and agricultural money lenders
- Traders and commission agents
- Relatives and friends
- Usually charges higher interest

8.5 Classification Based on Liquidity

Self-Liquidating Loans

- Generate income immediately
- Repaid within one year or after crop season completion
- Example: Crop loans

Partially Liquidating Loans

- Take time to generate income
- Repaid in 2-5 years or more
- Examples: Dairy loans, tractor loans, orchard loans

8.6 Credit Assessment Principles

3 Rs of Credit

1. Returns - Expected returns from investment
2. Repayment Capacity - Ability to repay generated by investment
3. Risk Bearing Ability - Farmer-borrower's capacity to bear risks

5 Cs of Credit

1. Character - Borrower's trustworthiness and repayment history
2. Capacity - Ability to repay based on income and production
3. Capital - Own resources and collateral security
4. Condition - Overall economic situation and market conditions
5. Commonsense - Practicality and reasonableness of loan proposal

7 Ps of Farm Credit

1. Productive Purpose - Loan for productive activities
2. Personality - Borrower's character and reliability
3. Productivity - Investment generates adequate returns
4. Phased Disbursement - Funds released in stages as required
5. Proper Utilization - Funds used for intended purpose

6. Repayment - Clear repayment mechanism and schedule
7. Protection - Adequate security and insurance coverage

Chapter 9: Forms of Business Organization

9.1 Sole Proprietorship

Definition: Individual entrepreneur owns and manages firm

Characteristics:

- One person ownership
- Full responsibility and liability
- All profits belong to owner
- Simple to establish and manage

9.2 Joint Hindu Family Firm

Definition: Business owned by members of undivided Hindu family

Characteristics:

- Family business
- Head of family usually leads management
- Governed by Hindu law
- Property owned jointly

9.3 Partnership Firm

Definition: Two or more persons agree to share profit/loss of business

Characteristics:

- Shared ownership and management
- Joint liability for debts
- Profits distributed as agreed
- Regulated by Partnership Act

9.4 Joint-Stock Company

Definition: Incorporated body with many shareholders and separate legal entity

Characteristics:

- "Limited" (Ltd.) written after company name
- Separate legal entity from owners
- Limited liability for shareholders

- Professional management possible
- Easier to raise capital

9.5 Cooperative Society

Definition: Voluntary grouping of individuals working together for common objectives

Characteristics:

- Based on cooperation principles
- Democratic management
- Member participation
- Beneficial in agriculture for collective marketing, input supply
- Father of cooperative movement in India: F. Nicholsan

Chapter 10: Agricultural Marketing And Market Concepts

10.1 Market Definition

Definition: Etymology from Latin 'marcatus' meaning merchandise, trade, or place where business is conducted

Economic Definition: Place where buyers and sellers exchange goods and services

10.2 Price Spread

Definition: Difference between price paid by consumers and net price received by producers for equivalent produce

Characteristics:

- Inversely proportional to market efficiency
- Price spread > 50% of consumer's price = efficient market
- In agriculture sector: Usually < 50% spread due to dominant middleman role

Factors Affecting Price Spread:

- Number of intermediaries
- Quality of market infrastructure
- Transportation efficiency
- Information availability

10.3 Important Terms in Marketing

Marketable Surplus

- Quantity of produce available to non-farm population
- Theoretical concept
- = Total Production - Total Requirements
- Requirements include: family consumption, seeds, feed for cattle, wages in kind, rent, social/religious payments
- Also called "portion farmer willing to sell"

Marketed Surplus

- Quantity producer actually sells in market
- = Total Production - (Seeds + Daily Use/Family Food)
- May be more, less, or equal to marketable surplus
- For fruits and vegetables: Approximately 80% of production

Consumer Surplus

- Excess of what consumer willing to pay over actual payment
- Difference between reservation price and market price

Desire vs. Demand

- Desire: Wish to fulfill want but lacks ability (e.g., wanting car but no money)
- Demand: Ability and willingness to fulfill want at particular place and time (e.g., actually buying car)

Economic Holding

- Farm size providing full employment to farm family
- Provides reasonable standard of living
- Varies by region and crop type

10.4 Market Classification

A. Based on Location/Place of Operation

Village Market

- Located in small village
- Transactions among local buyers and sellers
- Primarily for local produce

Primary Market

- Located in towns near production centers
- Producer-farmers bring produce for sale
- Transactions between farmers and traders
- First point of aggregation

Secondary Wholesale Market (Mandi/Gunj)

- Located at district headquarters or trade centers
- Near railway junctions
- Transactions between traders and wholesalers
- Assembles commodities from neighboring districts
- Specialized agencies (commission agents, brokers, weighmen)
- Important for AFO exams (Asked in AFO 2021)

Terminal Market

- Final disposal point to consumers/processors
- Organized merchants using modern methods
- Commodity exchanges for forward trading
- Located in metropolitan cities or seaports
- Examples in India: Delhi, Mumbai, Chennai, Bangalore, Kolkata, Cochin (Kochi)

Seaboard Market

- Near seashore for import/export
- Seaport towns
- Examples: Mumbai, Chennai, Kolkata, Kochi

B. Based on Area/Coverage

Market Type	Coverage	Commodities
Local/Village	Same village or nearby	Perishables in small lots (milk, vegetables)
Regional	Larger area	Foodgrains
National	Entire country	Major commodities
International/World	Global	High-value exports

C. Based on Time Span

Short-Period Market

- Held for day or few hours
- Highly perishable commodities (fish, fresh vegetables, milk)
- Prices governed mainly by demand, not supply

Periodic Market

- Congregation at specified places on specific days/times
- Village or semi-urban areas
- Held weekly, biweekly, fortnightly, or monthly
- Farm produce from hinterlands

Long-Period Market

- Held longer than short-period markets
- Less perishable commodities (foodgrains, oilseeds)
- Prices governed by both supply and demand

Secular Market

- Permanent nature markets
- Durable commodities (machinery, manufactured goods)
- Storable for many years

D. Based on Volume of Transactions

Wholesale Market

- Commodities bought/sold in large lots or bulk
- **Primary wholesale:** Farmers & traders
- **Secondary wholesale:** Primary wholesalers & terminal traders
- **Terminal market:** Large urban centers

Retail Market

- Commodities bought by and sold to consumers
- Per consumer requirements
- Transactions between retailers and consumers

E. Based on Nature of Transactions

Spot/Cash Market

- Goods exchanged for money immediately after sale
- Physical exchange takes place

Forward Market

- Purchase and sale at time (t)
- Exchange takes place at future specified date (t+1)
- Price fixed today for future delivery

Chapter 11: Marketing Functions And Agencies

11.1 Marketing Functions Classification

Thomson Classification - Three Groups:

Primary Functions	Secondary Functions	Tertiary Functions
Assembling/Procurement	Processing	Risk Taking
	Grading, Standardization, Quality Control	Financing
	Packing/Packaging	Price Discovery
	Transportation	Demand Creation

	Storage/Warehousing	Market Information
	Buying and Selling	Banking, Insurance
		Communication
		Electricity Supply

Kohls and Uhl Classification:

Physical Functions	Exchange Functions	Facilitative Functions
Storage & Warehousing	Buying	Grade Standardization
Grading	Selling	Financing
Processing		Risk Taking
Transportation		Market Information

Huegy and Mitchell Classification:

Physical Movement	Ownership Movement	Management Functions
Storage	Determining Needs	Policy Formulation
Packing	Creating Demand	Financing
Transportation	Finding Buyers/Sellers	Organization
Grading	Price Negotiation	Supervision
Distribution	Rendering Advice	Accounting
	Transferring Title	Information Securing

11.2 Marketing Agencies

1. Producers/Farmers

- Primary source of agricultural produce
- Often sell to middlemen or traders

2. Merchant Middlemen

Wholesalers

- Buy and sell foodgrains in large quantities

- Perform storage and distribution functions

Retailers

- Buy from wholesalers
- Sell to consumers in small quantities

Itinerant Traders and Village Merchants

- Move village to village
- Directly purchase from cultivators
- Provide convenient market access

Mashakhores

- Big retailers or small wholesalers
- Specialize in fruits and vegetables
- Link producers to urban markets

3. Agent Middlemen

Commission Agents (Arhatias)

- Act as intermediaries between buyers and sellers
- Charge commission on transactions
- Provide market information
- Handle physical transactions

Brokers

- Bring buyers and sellers together
- Negotiate prices and terms
- Important in organized markets

4. Speculative Middlemen

- Take title to product for profit
- Not regular buyers or sellers
- Buy at low prices during surplus; sell during scarcity
- Minimum handling of goods
- Provide price smoothing across seasons

5. Processors

- Add value through processing
- Example: Rice mills, cotton gins
- Increase form utility

6. Facilitative Middlemen

- Don't buy or sell directly
- Assist marketing process
- Include:

- **Hamals/Laborers** - Handle physical work
- **Graders** - Quality assessment
- **Weighmen** - Weight measurement
- **Transport Agencies** - Physical movement
- **Auctioneers** - Facilitate competitive bidding
- **Advertising Agencies** - Promote products

Chapter 12: Marketing Institutions

12.1 Agricultural Produce Market Committee (APMC)

Definition: System operating under State Government to regulate agricultural marketing

Key Features:

- State Government operates APMC (agricultural marketing is state subject)
- Yards/Mandis in market areas regulate notified agricultural produce and livestock
- Established to limit distress sales and farmer exploitation

Functions:

- Ensure worthy prices for farmers
- Ensure timely payment
- Regulate trading practices
- Eliminate unnecessary intermediaries
- Decrease market charges
- Protect producer-seller interests

Benefits:

- Improved market efficiency
- Reduced exploitation
- Fair pricing mechanism

12.2 Public Sector Institutions

Directorate of Marketing and Inspection (DMI) - 1935

- Central body for marketing oversight

Commission for Agricultural Costs and Prices (CACP) - 1965

- Determines agricultural prices
- Advises on price support policies

Food Corporation of India (FCI) - January 14, 1965

- Controls food grain movement
- Implements price support schemes

Cotton Corporation of India (CCI) - July 31, 1970

- Manages cotton procurement and distribution

Jute Corporation of India (JCI) - 1971

- Handles jute market regulation

12.3 Specialized Commodity Boards

Board	Location	Year
Rubber Board	Kottayam	1947
Coffee Board	Bangalore	1942
Tea Board	Kolkata	1953
Coconut Board	Kochi	1981
Spices Board	Kochi	1987
Tobacco Board	Guntur	1976
Oilseeds & Vegetable Oils Board	Gurgaon	1983
Cardamom Board	Kochi	1987
Areca nut Board	Calicut	1966
Coir Board	Kochi	1954
Silk Board	Bangalore	1948
National Horticulture Board (NHB)	Gurgaon	1984
National Dairy Development Board (NDDB)	Anand	1965

12.4 Other Key Institutions

Central Warehousing Corporation (CWC) - 1957

- Storage facility management

State Warehousing Corporations (SWCs)

- State-level storage regulation

State Trading Corporation (STC)

- Trade facilitation

Agricultural and Processed Food Export Development Authority (APEDA) - 1986

- Export promotion

Marine Products Export Development Authority (MPEDA) - 1972

- Fish and marine products export

Export Inspection Council

- Quality assurance for exports

Silk Export Promotion Council (SEPC)

- Silk product promotion

Cashewnuts Export Promotion Council of India (CEPCI)

- Cashew exports

12.5 Cooperative Sector Institutions

National Cooperative Development Corporation (NCDC)

- Provides finance for cooperative ventures

National Agricultural Cooperative Marketing Federation (NAFED) - New Delhi (1958)

- Marketing federation of cooperatives
- Handles commodities like oilseeds, pulses

National Cooperative Tobacco Growers Federation (NTGF)

- Tobacco marketing

National Consumers Cooperative Federation (NCCF)

- Consumer interests protection

Tribal Cooperative Marketing Federation (TRIFED) - New Delhi (1987)

- Markets tribal products

Primary Agricultural Cooperative Marketing Societies

- Village-level marketing
- Direct producer support

Chapter 13: Marketing Channels And Direct Marketing

13.1 Marketing Channel Definition

Definition: According to Moore et al., chain of intermediaries through whom foodgrains pass from producers to consumers

Function:

- Determines movement of products from farm to consumer
- Efficiency affects price spread and profitability
- Traditional channels have multiple intermediaries

13.2 Hedging

Definition: Trading technique of transferring price risk

Formal Definition: "Executing opposite sales or purchases in futures market to offset purchases or sales of physical products made in cash market"

Function:

- Protects traders from extreme price crashes
- Stabilizes profits
- Reduces income variability
- Important in commodity markets

13.3 Innovative Direct Marketing Channels

Apni Mandi/Kisan Mandi

- Direct contact between farmer and buyer (usually consumer)
- Eliminates middlemen
- First Apni Mandi: Punjab, February 1987 (Punjab Mandi Board, Chandigarh)
- Farmer retains higher price margin

Hadaspar Vegetable Market (Pune)

- Model market for direct vegetable marketing
- No commission agents or middlemen
- Modern weighing machines
- Bulk purchases (100 kg or 100 number lots)
- Increased market efficiency

Rythu Bazars (Andhra Pradesh)

- Established in major cities
- Direct farmer-consumer link
- Fruits, vegetables, essential food items
- Reduces intermediaries
- Remunerative prices for farmers

Uzhavar Sandies (Tamil Nadu)

- Farmers' market concept
- Established in municipal and panchayat areas
- Direct producer-consumer interaction
- Reduces marketing costs

Shetkari/Krushak Bazars (Odisha)

- Established 2000-01
- Based on Rythu Bazars model
- Empowers farmer-producers
- Remunerative pricing
- Affordable prices for consumers

Chapter 14: Market Integration

14.1 Types of Integration

Definition: Integration shows relationship of firms in market

Three Main Types:

14.2 Horizontal Integration

Definition: Firm or agency gains control of other firms performing similar marketing functions at same level

Characteristics:

- Same level in marketing sequence
- Combines competing firms
- Reduces number of competitors

- Increases market power
- Example: Multiple retailers combining to form chain

Benefits:

- Economies of scale
- Reduced competition
- Increased negotiating power

Concerns:

- May reduce competition
- Could lead to monopolistic practices

14.3 Vertical Integration

Definition: Firm performs more than one activity in sequence of marketing process; linking multiple functions within single firm or ownership

Forward Integration

- Firm assumes function closer to consumption
- Example: Wholesaler assuming retailing function
- Example: Farmer opening retail shop

Backward Integration

- Firm assumes functions from suppliers
- Ownership of supply sources
- Example: Processing firm purchasing from villages
- Example: Retailer owning warehouse

Benefits of Vertical Integration

- Control over supply and distribution
- Reduced transaction costs
- Improved efficiency
- Better quality control
- Increased profitability through multiple margins

14.4 Conglomeration

Definition: Combination of agencies or activities not directly related to each other under unified management

Characteristics:

- Diverse business activities

- Single management control
- Synergy in operations
- Risk diversification

Examples in India:

- Hindustan Lever Ltd. (processed vegetables and soaps)
- Delhi Cloth and General Mills (cloth and vanaspati)
- Birla Group
- Tata Group
- J.K. Group
- NAFED

Key Formulas And Relationships

Agricultural Economics Formulas

- Elasticity of Demand:**
 - $PED = \% \text{ Change in Quantity Demanded} / \% \text{ Change in Price}$
 - $\text{Income Elasticity} = \% \text{ Change in Demand} / \% \text{ Change in Income}$
 - $\text{Cross Elasticity} = \% \text{ Change in Qty Demanded of Good X} / \% \text{ Change in Price of Good Y}$
- National Income:**
 - $GNP = GDP + \text{Net Factor Income from Abroad}$
 - $NNP = GNP - \text{Depreciation}$
 - $\text{Net Factor Income} = \text{Factor Income from Abroad} - \text{Factor Income Paid to Foreigners}$
- Time Value of Money:**
 - $FV = P(1+i)^n$ (Compounding)
 - $PV = P/(1+i)^n$ (Discounting)
- Surplus Concepts:**
 - $\text{Marketable Surplus (MS)} = \text{Total Production (P)} - \text{Total Requirement (C)}$
 - $\text{Marketed Surplus} = \text{Total Production} - (\text{Seeds} + \text{Daily Use/Family Food})$
- Financial Ratios:**
 - $\text{Net Capital Ratio} = \text{Total Assets} / \text{Total Liabilities}$
 - $\text{Working Capital} = (\text{Working Assets} + \text{Current Assets}) / (\text{Intermediary Liabilities} + \text{Current Liabilities})$

- $\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$

Important Facts to Remember

1. **Price spread > 50%** of consumer's price = Efficient market
2. **In agriculture:** Usually < 50% spread due to middleman dominance
3. **Food demand:** Relatively inelastic (agricultural products in general)
4. **Marketed surplus for fruits/vegetables:** Approximately 80%
5. **First Apni Mandi:** Punjab, February 1987
6. **Father of cooperative movement in India:** F. Nicholans
7. **Indian economy type:** Mixed economy
8. **APMC:** State subject (not central)
9. **Terminal Markets in India:** Delhi, Mumbai, Chennai, Bangalore, Kolkata, Cochin
10. **AFO Important Note:** Secondary Wholesale Markets asked in AFO 2021

Practice Important Points

Always Remember for Exams:

- Distinguish between wants, demand, and desire
- Understand law of diminishing marginal utility application
- Know all types of demand (price, income, cross, derived)
- Master classification of inflation types
- Understand all credit types and principles
- Know difference between marketable and marketed surplus
- Master market classifications (location, area, time span)
- Understand vertical vs. horizontal integration
- Know all marketing institutions and their founding years
- Remember direct marketing schemes by state

