



## A study on conduct and performance of Principal Regulated Market Kangra in Himachal Pradesh

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### Abstract

A regulated market is one which aims at the elimination of the unhealthy and unscrupulous practices, reducing marketing charges and providing remunerative prices to producers/ sellers in the market. The present study pertains to the principal market yard Kangra and probes into the regulatory mechanism and performance of the market. The study is based on primary and secondary data collected from 50 vegetable growers, 30 traders selected randomly from the study market and office of market committee. The performance indices of APMC Kangra with respect to implementation of various provisions of APMC Act 2005 were found to be low to moderate though the degree of competition among traders has increased over time. The pertinent marketing problems faced by producers were unfair charging of commission, non-availability of timely market information, non-remunerative prices, lack of availability of adequate packing material and indifferent attitude of commission agents/officials towards producers. The study suggested the need for proper implementation of various provisions of APMC Act for the benefit of producers.

**Key words:** Principal market, APMC Act, Degree of competition, Performance index, Problems and constraints.

Development of markets and marketing has remained the major policy intervention since independence. In response to the changes in trading environment, GOI brought a series of reforms beginning from 2003 in the form of New APMC Model Act, to make the agricultural marketing system efficient for the benefit of the farmers. Govt. of Himachal Pradesh has adopted Model Act and passed HP Agricultural and Horticultural Produce Marketing (Development and Regulation) Act in 2005. This act *inter alia* includes number of provisions to achieve higher level of marketing efficiency. Keeping all these aspects in view, the present study was undertaken in Principal Market Yard Kangra to assess the operational mechanism, performance and extent of implementation of various provisions of APMC Model Act 2005 and to identify the gaps in infrastructure/amenities along with suggestions for improvement.

### Methodology

The present study was carried out purposively in Kangra market yard of Himachal Pradesh, mainly because it is principal market of district Kangra and, farmers of nearby villages are shifting from cereal

production to commercial vegetable production. Two stages random sampling method was employed to select sample village and vegetable growers. In the first stage of sampling, out of 80 vegetable growing villages, five villages were selected randomly. In the second stage, 10 vegetable growers from each village were selected randomly, thus making a total sample of 50 farm households. A sample of 30 market functionaries consisting of local traders, commission agent-cum-wholesalers/brokers and retailers was drawn randomly from the notified market. Tabular analysis includes calculation of annual growth rate and market performance indices.

The annual growth rate (AGR) was computed by using the following formula:

$$AGR = \frac{(Y_t - Y_{t-1})}{Y_t} \times 100$$

where,

$Y_t$  = Production (tonnes) in current period t

$Y_{t-1}$  = Production (tonnes) in lagged period t-1

Market performance index (MPI) with respect to facilities/services rendered in the market and implementation of various provisions of APMC Act were computed by assigning the ranks and by using the formula:

$$MPI = \frac{\sum R_j N_j}{N}$$

where,

$R_j$  = Rank assigned (0, 1, 2) for  $j^{\text{th}}$  provision

$N_j$  = Number of respondents revealing  $j^{\text{th}}$  rank

$N$  = Total number of respondents

## Results and Discussion

### General features of Kangra Market

After the implementation of APMC Act 2005, special attention is being given to develop principal market yards and sub yards in the state. The state is having 59 regulated market yards and sub-yards. There are 10 principal markets with one in each district except Kinnuar and Lahaul-Spiti. The highest number of sub-yards are in Solan (12) followed by Kullu including L & S (8), Kangra and Shimla (7 each). The main feature of Kangra markets are given in Table 1.

Kangra market was established in 1981. All the basic facilities like bank, post office, railway station and national highway connectivity were available in the range of 1-4 kilometres. This market covers producing area within a radius of 15 kilometres and 496 villages in its jurisdiction. Presently, 99 agricultural commodities are notified and trade is taking place in 32 commodities mainly vegetables and fruits. The sale begins at 5.00 a.m. and closes at 10.00 a.m. daily through during summer the working may begin at 4.00.a.m. Producers generally were tempted to sell their farm produce in early hours to fetch better prices and also to save the daytime for other works. There were 25 shops for commission agents with a common auction platform. As per APMC ACT 2005, the commission and market fee are fixed at 5 per cent and 1 per cent, respectively.

### Market structure and business performance

Market structure includes buyers/sellers concentration, product/service differentiation, and extent of entry barriers. According to these conditions, one can categorize markets as perfectly competitive, monopolistic or oligopolistic. Table 2 reveals total volume of business and degree of competition in Kangra market. It was observed that the degree of competition has increased with the increase in number of traders which sounds well for growth and market efficiency. The volume of business has also increased from Rs. 704.16 lakh in 2009-10 to Rs. 1067 lakh in 2014-15. Khunt *et al.* (2008) also observed increase in number of traders and volume of trade in regulated markets in Gujarat.

Market fee was abolished by the Central Govt. after amendment of APMC Act and was adopted by Govt. of H.P in 2014-15. However, later on State Govt. charged user charges for using market premises and facilities available in the market yard irrespective of commodities sold by commission agents. Every committee should levy and collect user charges at the rate of 1 per cent. The current rate of commission charged in the Kangra market is 5 per cent and 1 per cent of the total value of the produce handled. The market fee is payable by the buyer of the produce and not to be deducted from the price payable to the seller/producer.

**Table 1. Salient feature of principal market Kangra (as on March 31, 2017)**

Sr. No.	Particulars	Description
1	Year of establishment	11 Feb, 1981
2	Year of regulation	18 Aug, 1982
3	Commodities notified	i. Number of commodities notified 99 ii. Number of notified commodities recorded 32
4	No. of sub yards	7
5	Coverage of market	i. Radius (in km) 15 ii. No. of villages covered 496 iii. No. of auction platforms 1 iv. No. of shops 25
6	Number of producers coming to the market daily	i. Maximum 50 ii. Minimum 10
7	Market conduct	i. Time at which sale begins 5:00 a.m. ii. Time at which sale ends 10.00 a.m. iii. Market holidays Sunday
8	Commission prescribed in the APMC act (%)	5
9	Market fee (%)	1

Source: Office of APMC, Kangra

**Table 2 . Business performance and degree of competition among commission agents operating in Kangra market yard**

Year	No. of traders	Competition index (CI)	Volume of business (Rs. lakh)	Market fee (user charges) (Rs. lakh)	CAGR (%)
2009-10	32	17.15	704.16	7.04	-
2010-11	32	19.11	742.52	7.43	5.45
2011-12	33	18.59	1086.06	10.86	25.86
2012-13	34	18.66	1827.26	18.27	39.99
2013-14	33	22.08	1085.79	10.86	19.85
2014-15	34	22.92	1067.00	10.67	15.53

The maximum amount of market fees/ user charges (Rs. 18.27 lakh) was collected during year 2012-13 and minimum amount of market fees was collected during 2009-10 (Rs. 7.04 lakh). The table also reveals that during the period 2009-10 to 2014-15, the market fees collection increased by cumulative annual growth rate (CAGR) of 15.53 per cent per annum. However, the growth in fees collection has decreased in the recent years due to abolition of market fees by the government and presently only user charges are being charged in the market.

#### **Implementation of provisions of APMC Regulation Act 2005**

Table 3 shows the performance indices of Kangra market with respect to implementation of various provisions of APMC Act 2005. There was partial implementation of rules regarding grant of registration license as there were some retailers who were selling without registration. However, there was good implementation of rules regarding renewal, registration and exemption from registration (which owing to less sale by a trader). No rules were being followed for registration of other market functionaries. The parking facility was partially available in the market yard and the space outside the mandi i.e. link road was used for parking of vehicles. The performance indices with respect to boarding and lodging reveal moderate implementation. It was reported that this facility was mainly used by the visiting traders or persons from other regions/ markets.

There was no special provision for cleaning of produce in the market and there were no set standards for grading and packaging though the space for grading was available outside the shops provided for traders. There was no provision of quality certification of produce due to lack of testing lab and staff for this

purpose. It was found that traders were using electronic weighing machines of one or another kind with maximum capacity of 2-5 q. Weigh Bridge was not available in the market yard. APMC was checking the certificate issued by Weight and Measures Department to the traders.

There is a provision of strengthening market information system in HP APMC Act 2005. However, in case of APMC Kangra, market officials stated that earlier daily market data was uploaded on this national market portal and extra salary was given to perform this task. But later on this fund was not available, so task of uploading daily market information became irregular. Besides this, daily wholesale rates of 32 notified items were being sent to the Department of Agriculture, Shimla for broadcasting on All India Radio (Shimla). The survey results indicated that the respondents obtained information mainly from commission agents operating in this market. Deshpande and Gopalappa (2003) advised to establish an effective price monitoring and market information system in regulated markets. Thus, there is a need to upgrade the principal markets by modernizing their operations to create desirable horizontal and vertical integration at various levels (Sharma and Thakur 2004; Sukhsanjam *et al.* 2000).

#### **Market conduct and methods of sale**

Market conduct refers to the behaviour of or the strategies used by the traders in their pricing, buying, selling, etc. In this study, conditions that are believed to be conducive for fair deal between farmers and traders have been analysed in Table 4. It was observed that open auction method of sale was poorly implemented and most of the exchanges were taking place by mutual negotiation method. It was mainly due

to farmers' weak or no bargaining power and lack of producer's organizations. Due to this weak coordination among farmers lacked the power to negotiate prices with traders.

For auctioning generally previous day's base price was considered though due regard was also given to quantity of arrivals and prices in distant markets. The extent of disputes and disagreements were not common though delayed payments were revealed by the farmers. The payment was mostly made in cash

with few exceptions. Very poor response was received with respect to regular presence of market officials during auctioning, issuance of receipts on prescribed forms and checks on undue deductions (mainly commission from farmers). Thus, marketing practices followed in Kangra market were not in accordance with the standards laid down in the market regulation act (Devkota and Sharma 2014). This analysis clearly shows that market conduct needs rigorous reforms for the benefit of farmers.

**Table 3. Performance indices of APMC Kangra**

Sr. No.	Rules	Market performance index (MPI)
<b>A. Relating to registration</b>		
1.	Grant of registration	1.43
2.	Renewal of registration	1.83
3.	Exemption from registration	2.00
<b>B. Relating to parking</b>		
1.	Parking ground	0.70
2.	Internal roads	0.68
<b>C. Relating to boarding and lodging</b>		
1.	Cleanliness of guest house	0.92
2.	Regular supply of electricity	1.60
3.	Cleanliness of toilets/washrooms	0.84
4.	Geyser facility	0.96
<b>D. Relating to cleaning, grading and packaging</b>		
1.	Cleaned produce bought to market	1.12
2.	Produce is graded	0.48
3.	Grading sheds available	0.21
4.	Standard pack size used	1.19
5.	Check on use of plastic bags for packing	0.35
<b>E. Relating to weighing system</b>		
1.	Manual weighing	0.00
2.	Mechanical weighing	2.00
3.	Weigh bridge available	0.00
4.	Weighing machine from authorized dealer (Enforcement) Act 1968	2.00
5.	Regular checking of weights against set of standards	1.82
<b>F. Relating to market information</b>		
1.	Extent of market information sought from different sources	
i.	Commission agent	2.00
ii.	Fellow farmers	1.47
iii.	Retail/local market	1.38
iv.	Mass media (newspaper and radio))	0.34
v.	Use of Website ( <i>www.agmarknet.nic.in</i> )	0.00
2.	Assessment about quality of market information	
i.	Accuracy/consistency	0.47
ii.	Complete	0.36
iii.	Timeliness	0.40
3.	Rates and daily arrivals on displayed board	0.00

*Range: 0-2, 0: no implementation, 0-0.5: poor implementation, 0.5-1.5: partial implementation, 1.5 - 2: good implementation, 2: full implementation, NA: Not applicable*

**Table 4. Performance indices with respect to method of sale followed in Kangra market yard**

Sr. No.	Particulars	Market performance index (MPI)
1	Open auction followed	0.28
2	Negotiations with buyer	1.67
3	Auction platform used	0.78
4	Base price fixation (starting bid price)	
	i Previous day's price	1.51
	ii Arrival in the market	1.60
	iii Information from wholesale market	1.48
5	Extent of transactional disputes	
	i Quantity	0.30
	ii Price disagreement	0.61
	iii Delayed payment	1.56
6	Mode of payment	
	i Cash	1.92
	ii Cheque	0.69
7	Market officials present during auction	0.45
8	Issuance of Q and R forms	0.65
9	Prohibition charging of commission from farmers	0.00

*Range: 0-2, 0: no implementation, 0-0.5: poor implementation, 0.5-1.5: partial implementation, 1.5-2: good implementation, 2: full implementation, NA: Not applicable*

#### **Infrastructure and facilities in Kangra Market**

From Table 5 it can be inferred that there was no common facility or establishment for cold storage and input supply shops. Storage godown, information notice board, post office and bank facilities were partially availed by the producers and traders. Though, telephone and canteen facilities were found to be fully operational in market yard and used by the officials, traders and farmers.

#### **Problems and constraints**

Table 6 presents the break-up of these problems into sub-problems. It was found that with banning of plastic material, there was shortage of packing material and alternative packing material was costly and not available. It was also revealed that collection centres created in producing areas are mostly non-functional and the market yard has no proper parking space for vehicles. Majority of the producers reported non-remunerative prices for their produce and

deliberate delay by traders in auctioning and making payments to them. Chauhan and Mehta (2002) also made similar observations during survey of Solan market. It was found that among the problems related to traders, major concerns of producers were with respect to charging of commission contrary to the act and arbitrary method of sale rather than auctioning. The producers also reported the collusion among traders for setting prices. The major problems faced by producers with respect to functioning of APMC were non-availability of reliable and timely market information followed by lack of effective supervision. Lal *et al.* (2000) also pointed out many blemishes in vegetable marketing that might discourage the farmers to increase their marketed surplus. The severity ranks of these problems clearly revealed that Kangra market was not functioning at the desired level of efficacy and efficiency for the benefits of producers.

**Table 5. Performance indices of other facilities available and services rendered in the market yard (response of traders and producers)**

Sr. No.	Particulars	Market performance Index (MPI)
1	Storage godown	0.86
2	Cold storage	0.00
3	Input supply shops	0.00
4	Telephone (STD/ISD)	2.00
5	Information notice boards	1.01
6	Electronic display boards	0.00
7	Canteen facilities	2.00
8	Adequate and functional toilet rooms	0.86
9	Post-office service	1.29
10	Bank branch services	1.37
11	Training of producers	1.47

Range: 0-2, 0: no implementation, 0-0.5: poor implementation, 0.5-1.5: partial implementation, 1.5-2: good implementation, 2: full implementation, NA: Not applicable

**Table 6. Ranking of problems faced by producers in marketing of produce**

Sr. No.	Problems	Total Garrett score	Mean Garrett score	Severity rank
<b>1</b>	<b>Related to packing</b>			
a.	Non-availability of packing material	2109	42.18	III
b.	Costly packing material	2986	59.72	I
c.	Poor quality of packing material	2455	49.10	II
<b>2</b>	<b>Related to market yard</b>			
a.	Lack of good infrastructure	1920	38.40	III
b.	Non-functional collection centres	3162	63.24	I
c.	Improper sanitary condition of yard	1632	32.64	IV
d.	Lack of parking facility	3137	62.74	II
<b>3</b>	<b>Related to cost of marketing</b>			
a.	Very high marketing cost	1952	39.04	III
b.	Marketing process time consuming	2433	48.66	II
c.	Non remunerative price	3165	63.30	I
<b>4</b>	<b>Related to conduct of traders</b>			
a.	Commission charged from farmers	3626	72.52	I
b.	Non cooperative nature of traders	2281	45.62	IV
c.	Collusion/ cartelization among traders	2655	53.10	III
d.	Arbitrary method of sale by traders	3016	60.32	II
e.	Faulty weighment	1816	36.32	V
<b>5</b>	<b>Related to functioning of APMC</b>			
a.	Marketing extension not available	1429	28.58	V
b.	Non-availability of timely market information	3710	74.20	I
c.	Lack of effective supervision	3186	63.72	II
d.	Non-availability of critical inputs	2021	40.42	III
e.	Poor implementation of market regulation	1930	38.60	IV

### Conclusion

Based upon the in-depth survey of Principal Market Kangra, the performance of APMC Kangra with respect to implementation of various provisions of APMC Act was found to be low to moderate through the degree of competition overtime has increased. Total income of APMC Kangra has also increased over time showing growth in the volume of business. With

the diversification and commercialization of agriculture in the vicinity of Kangra market, the marketed surplus is increasing rapidly. Thus, the infrastructural facilities and effectively implement all the provisions of APMC Act. The problems faced by producers have been prioritized in this study and solution to these problems would improve the performance of this market for the benefit of stakeholders mainly farmers.

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