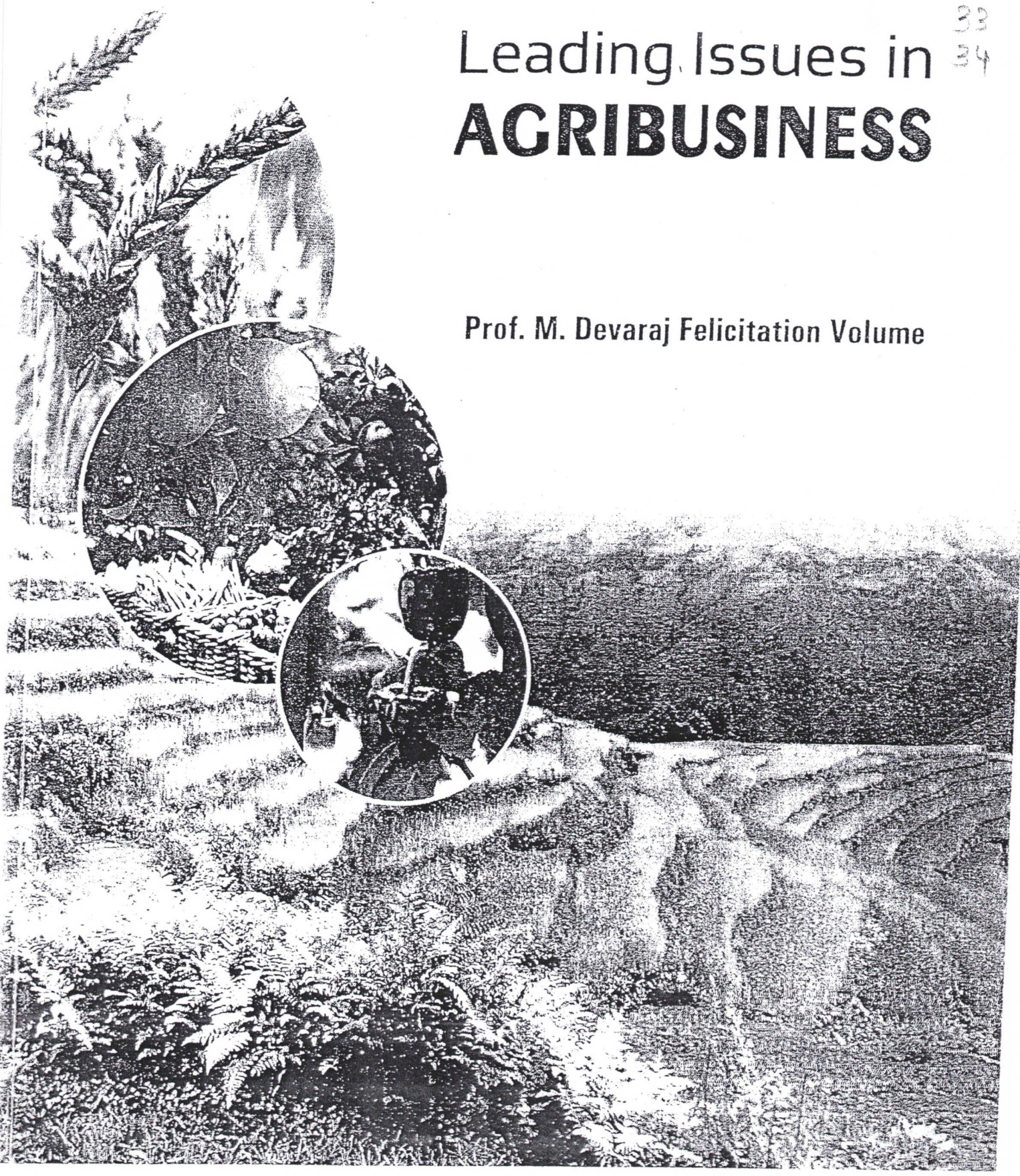


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Leading Issues in **AGRIBUSINESS**

Prof. M. Devaraj Felicitation Volume



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B.M. Ramachandra Reddy

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Implementing Agricultural Marketing Reforms Regulation—The Case of Odisha

Purushottam Sharma, Shailendra,
K.C. Gummagolmath and B.K. Paty

INTRODUCTION

The importance of agricultural markets for India arises from the fact that farming households account for 60 per cent in rural areas and direct income from farming activities accounts for over 50 per cent of farm household incomes (NSSO, 2005). Agricultural markets hold the key to this change process as they serve as the first point of contact between the farmers and the bulk traders (suppliers to both global and domestic wholesale and retail buyers). Agricultural markets also serve as the key platforms for providing benchmarks and indicators of prices to the various stakeholders in the supply chain for various commodities being transacted.

Above all, agricultural markets are the mirror of a nation's agriculture. The quantity and quality of foodstuffs available to the population at large is governed primarily by the arrivals of the various commodities into these markets. This has implications not only on the product attributes of cost and quality but also on the larger canvass of the relationship between the cropping pattern and the food plate of the consumer. Production of crops in tune with the market demand is need of the hour. Remunerative price is the major determinant of cropping pattern to get the tune with market demand. In the absence of this incentive, a situation of imports or scarcity may arise. Agriculture markets, hence, also serve as the places for creating awareness among the entire supply chain of the consumer's demands and force them to respond to the changes. The basic objective of setting up of a network of physical markets has been to ensure reasonable gains to farmers by creating an environment for fair play of supply and demand forces and to regulate the practices to ensure transparency.

Agricultural marketing system in Eastern and North-Eastern States is distinctly different from the other states in the country. It is observed that, the ownership structure and functioning of the markets in these states is heterogeneous. Hence, the argument put-forth by these states is that, it is rather difficult to implement the reforms process initiated by GOI in the absence of uniformity in the functioning of the markets. It is often argued that, implementation of the APMR act is not effective in these states. Hence, it was felt that, to initiate the reforms process, first there is a need to implement APMR Act in the right spirit of its provisions and then initiate reforms process. In light of above, a study was conducted with the following specific objectives: 1). to study the status of agricultural marketing in Odisha, 2). to study the problems in implementing the Agricultural Marketing Regulation Act in Odisha, and 3). to assess the needs for improving the agricultural marketing system in Odisha

METHODOLOGY

For fulfilling the objectives of the study, both primary and secondary information on various parameters were collected. Details of markets and APMR Act were collected from Directorate of Agricultural Marketing and Orissa State Agricultural Marketing Board. The markets have been grouped according to ownership and management and mode of functioning for the purpose of eliciting the information for the study. Field visits were made to different markets for discussion with stakeholders which includes; Municipality market (Capital Market, Bhubaneswar; Unit-1 F&V Retail market, Bhubaneswar), Private Market (Borawati F&V Market, Uganda), Gram Panchayat Market (Shahpur Rural Haat; Huma rural Haat), RMC markets (Rayagadda, Jatni, Baragarh, Kantabanji, Digapahandi, Bahadajhola), Aiginia Market (vegetable wholesale market developed by BMC managed by traders). Stakeholders like farmers, traders, traders associations, village traders, RMC officials were contacted by the researchers to enumerate the problems being faced by them have been discussed. Primary information was collected through stakeholder discussion in each selected market by organizing stakeholder meet. The problems in implementation of the provisions of APMR Act were assessed by discussion with officials of the OSAMB, and RMC Secretaries. The available studies related to the objectives of the study and the OAPM Act and Rules were reviewed.

AGRICULTURAL MARKETING SYSTEM IN ODISHA

An efficient agricultural marketing system is required for development of agriculture. In today's integration of markets all over the world the importance of a market driven agricultural ecosystem is of significant importance. Market Regulation Scheme in our State came into force after the enactment of Orissa Agril. Produce Markets Act 1956 and the Rules made there under in 1958, there were only 15 Market Committees during 2nd FYP which have now grown up to 65. A separate Directorate of Agricultural

Marketing has been established and started functioning independently from 1996.

Orissa State Agricultural Marketing Board is the apex Agricultural Marketing Institution in the state responsible for creation marketing infrastructure, supervision and control over the Regulated Market Committees of the state. It was established in the year 1984 under the amended provisions of the Orissa Agricultural Produce Markets Act, 1956 (OAPM). The objective of the board is to ensure payment of fair price to the farmers, with necessary infrastructure for efficient marketing. The OSAM Board is provided central assistance under the work plan and the RLTA for establishment of new Market Yards, Krushak Bazaars and for development of existing market yards in the RMCs.

ESTABLISHMENT OF REGULATED MARKET COMMITTEES (RMCs) AND MARKET YARDS

Under the provisions of the Orissa Agricultural Produce Market Act, 1956, Regulated Market Committees (RMCs) have been established in the State for regulation of buying and selling of agricultural produce. There are 65 R.M.Cs covering 55 Revenue Sub-Divisions of the State. The Rairangpur R.M.C. is under process of being constituted. Out of 65 R.M.Cs, 61 have elected Committees and election of remaining 3 is sub-judicial. The Chairpersons of the R.M.Cs are Collectors/ A.D.Ms/ Sub-Collectors.

Of the 65 RMCs in the state at present there are 428 market yards in the State, which include 53 Principal Market Yards, the rest being sub-market yards. Besides, there are 567 temporary market yards for Paddy Procurement. Out of 314 Blocks, 111 Blocks do not have any R.M.C. Market Yards. The RMCs are making efforts to upgrade the facilities in the existing market yards and the Gram Panchayat markets under their control and efforts are also made to establish new market yards. These market yards have gained importance since they are being utilized for the paddy procurement operations throughout the state.

The other specialized commodity markets established in Odisha includes nine Cotton markets (Jogimunda, Karlapada, Utkela, Gunupur, Ramnaguda and Muniguda, Rayagada, Digaphandi and Parlakhemundi); Maize markets (Umerkote and Raighar); Livestock Markets (108 livestock market yards under 39 RMCs); Krushak Bazaars (43 Krushak Bazaars, out of which 32 are functional); Fruits and Vegetable markets (Three Modern Terminal Markets are proposed at Cuttack, Berhampur, and Sambalpur).

ACCESS TO MARKETS

The accessibility of markets is an important factor influencing farmer to take their produce to the market. It is estimated that a 10% increase in the market access index will reduce the probability of farm-gate sales by 0.03%

in Orissa. These results suggest that improvements in market facilities and in better road connectivity (including a decrease in distance to markets) will induce farmers to sell more in the market instead of farm-gate. Moreover, a mechanism of operationalising marketing of horticulture produce through RMC markets should be in place. This can be executed by setting up of full fledge wholesale market for F&V and commodity specific markets with requisite infrastructure.

The proportion of marketing through various channels differs from commodity to commodity. Regulated Market Committees are set up to facilitate marketing of surplus from farmers. But in Orissa the average percentage of surplus marketed through RMCs stands at only 20% and rest of the marketable surplus is routed through other channels.

Table 1: Market Destination for Farmers in Odisha

| Crop | Market Destination, % | | | | |
|----------|-----------------------|----------------|------------------------|---------------------|-----------------|
| | Wholesale Market | Village Market | Directly to Processors | Trader at Farm Gate | Coop and others |
| Rice | 9 | 29 | 5 | 56 | 0 |
| Maize | 46 | 16 | 1 | 37 | 0 |
| Tomato | 56 | 13 | 3 | 26 | 5 |
| Potato | 58 | 18 | 0 | 20 | 4 |
| Mango | 48 | 19 | 0 | 28 | 5 |
| Turmeric | 45 | 1 | 0 | 54 | 0 |

Source: Fafchamps et al. (2006).

A study by World Bank (2007) summarized Existing agricultural marketing system in Orissa schematically in the following diagram.

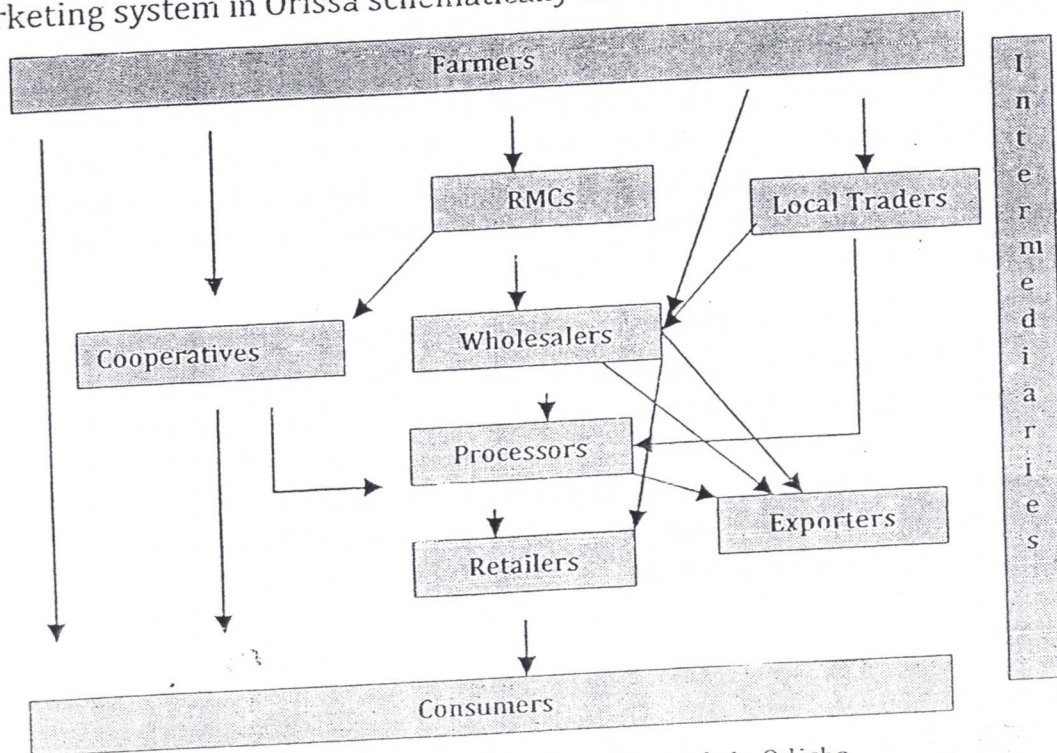


Fig. 1: Agricultural Marketing Channels in Odisha

Market regulation in Orissa state came into force with the enactment of Orissa Agricultural Produce Markets Act 1956 as per govt. notification no. 598 dated 06.02.1957. A set of rules to implement the aforesaid Act also framed as Orissa Agricultural Produce Markets Rules, 1958 vide notification no 18221 dated 24.05.1958. The OAMP Act and the Rules have also been amended from time to time during the year 1974, 1975, 1984, 1996, 2005 and 2007.

Under the provisions of OAPM Act, 1956, 65 RMCs have been established in the state for regulation of buying and selling of agricultural produce. The main aim of establishing the RMCs is to facilitate the forward and backward market linkage for smooth flow of agricultural produce, which ultimately leads to remunerative price realization to the farmers and availability of quality produce to the consumers.

ISSUES IN MARKET REGULATION

Multiple Acts Governing Agricultural Markets

- OAPM Act under Section 4 (4) transferring of markets, land and buildings situated in the concerned market area being used for marketing of agricultural produce, under Gram Panchayat or Local Bodies like Municipality, NAC to Regulated Market Committee (RMC) within one month of the date of receipt of requisition and sharing of revenue derived from it equally.
- But the position has changes with the coming into force the Orissa Amendment to Section 58 (sections 5-a, 5-b and 5-c) of the Orissa Gram Panchayat (Amendment) Act, 1994. The amendment provides, "Where any land or building belonging to the Gram Panchayat has or have been transferred to Market Committee U/s 4 (4) of OAPM Act, 1956 prior to the appointed date, such land or building as the case may be, shall, if the same continues to be within the area of Gram stands transferred to Gram Panchayat having jurisdiction over the Gram on the appointed day, any market set up or established under OAPM Act, 1956 which is situated within the area of the gram and continues as such on the appointed day shall be ceased to be a market, allowed to be set up or establish under this act, but shall be ceased to continue as such after the expiration of period of three months from the appointed date unless its continuance is allowed further in accordance with the provision of this Act, or the rules made there under". (vide Extraordinary Gazette No. 438 dated 21.4.1994)

- This have acted against the interest of the state where OSAMB and concerned RMCs are not able to invest on providing necessary infrastructure for orderly marketing of agricultural produce in GP markets, on the land not belonging to RMC, taken under the possession of RMC.

OPERATION AND MANAGEMENT OF MARKETS

There are 398 wholesale markets and 1150 rural primary markets in the state. Of the total 1548 markets reported, 45 principal markets and 269 sub-market yards are under regulation as on 31.03.2011 (GOI). The area covered by each regulated market is 495.88 sq.km. and the total requirement of the markets is 1982 as per the recommendations of National Commission on Agriculture. As per OSAMB, there are regulated Markets having 53 principal market yards and 375 sub market yards, in total 428 market yards operated under regulated market committees in 194 blocks of the state. There are 576 temporary market yards for paddy procurement functioning under Market Committees.

The peculiar situation prevails in the state of Orissa in terms of ownership and management of markets. There are markets under different ownership and management like:

There are the markets owned and managed by RMCs, Municipalities, Gram Panchayats, and private persons/ associations. The Gram Panchayat markets are mainly weekly or bi-weekly rural haats operating either on GP land or private land, operated by RMCs, GPs or leased out to private persons. Of the total GP markets about 328 markets have been handed over to RMCs for management, where minimum facilities for the smooth trade of the commodities. In majority of the rural haats, retail as well semi-wholesale trade takes place for agricultural commodities as well as for other daily household items. Though RMCs have taken over the 328 GP markets for management, but not provided any facility at the market for smooth marketing of the produce by farmers. RMC markets are managed by market sarkar or yardman.

Similarly, municipal markets have started as retail markets in the semi-urban or urban localities and managed either by municipal organizations or leased out to private persons. The persons who have taken the markets on lease dominates the market for providing space and selling of farmers produce. It was also observed that the lessee (both in municipal and GP markets) along with local traders do not provide space to farmers for sale of their produce and hence, farmers resorting to forcefully sale their produce to local traders at through away prices. The lessee used to charge exorbitantly, even if space is not provided to farmers for sale of their produce, in terms of a part of farmers produce taken by them as a market charge.

There are the markets in the state where trade activity started as assembling and forwarding point for vegetables or fruits grown in the locality by traders from other parts of the state or other states and gradually developed as private markets managed by associations of traders. These markets operates either during night hours (Panichatra, Bargarh), or during early morning hours (Barabati market). Though these markets provide access point to the farmers for sale of their vegetable produce, lacks any of the market infrastructure and facility. Traders dominate the market in terms of pricing of the produce and the local traders act as agents of the buyers from out of the district or state, and farmers has to depend on these local agents for sale of their produce. Study by Vaswani *et al* (2011) indicated that in private markets traders fix the price at the start of the market which depends mostly on distorted auctions and/ or individual negotiations. There are no grievance redressal mechanism put in place and the markets are generally controlled by the people with muscle power and the grievance redressal is being done in their own unlawful ways which poses another threat to the traders and farmers for their trading in these markets.

The prevailing marketing system is grossly inefficient and unorganized one where farmers do not have access to market for sale of their produce and resort either to sale of their produce to local traders at abysmally low prices or not to cultivate vegetables. Consumers also have to pay higher prices for the commodities they purchase.

MODE OF REVENUE COLLECTION

The major source of revenue for the Regulated Market Committee is collection of market fee. The other source of revenue collection is license fee for the license granted to different market functionaries in the market. Market fee is being collected at check gate established as per notification with due approval at the major roads under RMC command area. Only at Sakhigopal market, market fee is also collected at market yard. This has led to increased concentration of RMC staff at check gates rather than management of markets particularly after 1996. Review of different RMC bye-laws indicated that market charges mentioned by different RMCs are not uniform. Thus, amendment in RMC bye-laws is immediately required and market fee needs to be collected at yards only.

MARKET INFRASTRUCTURE

In the changing agricultural marketing scenario, appropriate infrastructure facilities are to be provided for the benefit of the market users. With a view to this, infrastructure facilities and grading facilities are now being made available in the Market Yards along with essential infrastructure for the benefit of the buyers and sellers.

MARKET INFORMATION & INTELLIGENCE

Market information is very important facilitating function for all the stakeholders in the agricultural market system, more so for the farmers who are selling their produce. This helps in making decision about production, marketing as well as long term cropping decisions. The market committees, as per provisions of OAPM Rules, 1958 and RMC Bye-Laws, are supposed to provide market information to the farmers. Market committees provide information through notice board of RMC at main market yard only and few RMCs uploading price information in AGMARKNET also. But the study by Sarangi (2009) indicated that prices are not disseminated at half of the RMCs. Study by Fafchamps, *et al* (2006) reported that farmers primarily depend on their peers for production and marketing information needs. Agriculture officers and traders are other important source of market information. Role of mass media is limited. The following table points out the weaknesses in the information systems of the wholesale agricultural markets:

DIRECT MARKETING

Though provisions for contract farming and private markets have been made under the OAPM (Amendment) Act, 2005 but Act is silent on direct marketing. Direct marketing concept for Krushak Bazaars is by executive order of the Govt of Orissa. Under the Chief Minister's 12 point programme, 43 Krushak bazaars were established in the state. Presently 32 Krushak bazaars are functioning. As per future plan of OSAMB, important existing retail market places in urban areas or potential places are to be identified and a vegetable production clusters adjacent to that market area to be selected for setting up of Krushak Bazaars. Some of the existing Krushak Bazaars are to be made functional through farmer-consumer interactions.

In the absence of proper organized markets operating on daily basis, village traders procuring directly from villages is common mode of sale of agricultural produce in all parts of Odisha particularly for fruits and vegetables. Thus, in the absence of proper market places and effective market regulation, direct marketing will be an ideal solution in the state. It is pertinent to note that, Reliance fresh has tied-up with Self-Help Groups in Angul district with the help of DSMS of ORMAS for procuring vegetables. State needs complete amendment in the act with provision for all the three major areas as suggested in Model Act and simultaneously Rules may be framed.

CONTRACT FARMING

As per amendments in OAPM Act, 1956 effective from May, 2006, contract farming in Orissa is legally allowed. Immediately after amendment of OAPM Act in 2006, contract farming in cotton was taken up over 14,000 hectares

of land in the district of Rayagada, Kalahandi, Nuapada, Ganjam, Bolangir and Sonapur involving around 20,000 farmers by two private textile mills, viz; Welspun India Pvt. Ltd. Gujarat, and Super Spinning Mill, Coimbatore and two private entrepreneurs, namely, Amit Green Acres Pvt. Ltd., Gujarat and Eco Farms Pvt. Ltd., Maharashtra. The cotton cultivated by farmers under contract farming arrangements was procured by private entrepreneurs and Cotton Corporation of India (CCI), on behalf of two spinning mills in RMC yards.

PRIVATE MARKETS

As per chapter II-A Sections 6-A and 6-B of OAPM Act, 1956 inserted vide Orissa Act no. 5 of 2006 OGE No. 660 dated 17.5.2006 and Part-II A Rule no 24-A to D of OAPM Rules, 2007, provision for providing license for establishing a private market by any person or body of persons like company registered under Companies Act, 1956 or a cooperative society registered under Orissa Cooperative Societies Act, 1962 or a cooperative registered under the Orissa Self-Help Cooperative Act, 2001 for the period of three years and renewable was made provided minimum infrastructure in the market, except for common varieties of Paddy and Rice.

There are several private markets are operating in the state. As per legal provisions of OAPM Act and Rules, the private markets operating in the state without taking license are illegal entities. The authorities may initiate the process of issuing license by convincing the association of operating in such manner. Every license granted shall remain valid for a period of three years from the date of its issue and it may be renewed, from time to time, for a further period of one year on payment of such fee, in such manner and on fulfillment of such conditions as may be prescribed. While the amendments open up market trading, in principle, to the private sector, the practical application remains fraught with restrictions. Licensing remains unduly restrictive with a three year limit, which may be extended. No serious business can be conducted under such uncertainty. The amendments are likely to foster very short term investment opportunities but not lay the foundation for long term private sector marketing infrastructure.

PROBLEMS AND SUGGESTIONS BY STAKEHOLDERS

To understand the problems faced by different stakeholders, field visits were made in different markets of Orissa under different operation and management and opinion of stakeholders was sought through group discussion. The problems faced by different stakeholders and the suggestions are given in this chapter.

FARMERS

Table 2

| Sl. No. | Problems | Suggestions |
|---------|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Higher dependence on local agents for Credit requirements and hence to sell the produce to these agents a lower prices | Easy and timely availability of institutional credit to small and marginal farmers to be ensured |
| 2 | Poor road connectivity to the markets from villages | Provide all weather road connectivity in villages |
| 3 | Poor transport facility for transport of produce | Collective transport arrangements for transporting agricultural produce is required |
| 4 | Non availability of proper Packing material | Plastic crates may be distributed for fruits and vegetables |
| 5 | No access to Market information | Rural haats needs to be strengthened or collection centres should be opened for a group of 15-20 villages |
| | Markets are at distant places | PACS and Rural Haats may be developed into a full fledged markets with requisite infrastructures |
| 6 | No regular access to markets | A proper daily wholesale market at major production centres needs to be developed with all infrastructure for smooth trade and proper price discovery |
| 7 | Market infrastructure | Proper infrastructure should be put in place in the markets including at haats for proper and smooth functioning of the market |
| 8 | No proper auction in the markets | Proper auction should be conducted by RMC staff in each market including haats |
| 9 | Dependence on local agents for marketing of produce and credit requirement | Rural haats PACS may be converted into collection centres and may be linked to daily wholesale markets |
| 10 | Dependence on paddy cultivation due to lack of proper arrangements for proper marketing for other commodities | Farmers access to daily markets for commodities other than paddy is also required |

PROBLEMS IN IMPLEMENTING THE PROVISIONS OF THE ACT

The major issues corroborated by RMC Secretaries:

1. Markets under different ownership and management governed by different Acts.
2. RMC secretaries are on deputation from department of cooperation from among cooperative inspectors, lacks knowledge of agricultural marketing and management of markets, and there are transfers from RMC to cooperatives department
3. No proper training on market management and implementation of provisions of OAPM Act and Rules.
4. Strong lobby of traders
5. Market fee collection at check gates, concentration is on check gates for meeting out fee collection targets rather than market management

CONCLUSIONS AND RECOMMENDATIONS

Agricultural markets serve as the key platforms for providing benchmarks and indicators of prices to the various stakeholders in the supply chain for various commodities being transacted. The quantity and quality of foodstuffs available to the population at large is governed primarily by the arrivals of the various commodities into these markets. Agriculture markets, hence, also serve as the places for creating awareness among the entire supply chain of the consumer's demands and force them to respond to the changes.

The prevailing marketing system is grossly inefficient one, where farmers do not have access to market for sale of their produce and resort either to sale of their produce to local traders at abysmally low prices or not to cultivate vegetables. Consumers also have to pay higher prices for the commodities they purchase. The infrastructures availability at market yards, sub-yards, and rural haats are inadequate in Odisha.

The major problems in effective implementation of market regulation are; markets under different ownership and management governed by different Acts, RMC secretaries are on deputation from department of cooperation from among cooperative inspectors, lacks knowledge of agricultural marketing and management of markets, and there are transfers from RMC to cooperatives department, no proper training on market management and implementation of provisions of OAPM Act and Rules, strong lobby of traders, market fee collection at check gates, concentration is on check gates for meeting out fee collection targets rather than market management.

1. Daily wholesale market with required infrastructure for smooth trade is need of the hour, particularly in the cities with large population base (Class-I cities as per 2001 population census). The existing markets can be modernized by providing proper infrastructure and facilities. The PACS/ Rural Haats may be developed as collection centres providing required infrastructure and facilities. These collection centres may be in turn linked to SHGs/ CIGs to have backward linkage in place. The existing markets may be converted to the daily wholesale markets providing requisite infrastructure and facilities for daily trading of commodities.
2. The present concentration of RMCs is mainly on check gates for market fee collection, and RMCs are paying limited attention for management of markets. The fee collection at check gates should be abolished. The arrangements can be made for collection of market fee and other charges at market yards rather than at the check gates as prevailing presently. This will induce the efficiency in the system and bring the marketing in order.

3. The markets under GP or other local bodies should be taken up by RMCs/ Directorate of Agricultural Marketing only for operation and management. Out of the revenue generated so the market owners may be paid lease amount prescribed annually. This will induce effective regulation and proper management of the markets. These markets may be converted as collection centres and further may be linked to organized wholesale markets.
4. The professional management of markets has to be started by recruiting qualified staff (post graduate in Agricultural Economics/ Agri-business Management) as Senior Marketing Officers, Marketing Officers and Assistant Marketing Officers for managing different categories of markets. Such RMC staff may be with Directorate of Agricultural Marketing under common cadre under and be posted at different RMCs for management of markets. The major function of RMCs should be to professionally manage the markets.
5. The OSAMB and Directorate of Agricultural Marketing has been functioning/ supervising the working of RMCs in its own way, in the absence of properly staffed organizational structure. Thus, there is a need to merge these two organizations with properly laid down job specification and job descriptions. The system so suggested should concentrate on core activities of agricultural marketing. Hence, there is a need for defined structure which can accommodate existing permanent employees of these organizations. In executing this aspect, the recruitment rules for different levels of officers have got to be framed. After the merging of the these organizations as suggested, the board should have different cells to address various issues such as market regulation, marketing extension, project formulation and execution, export promotion, information technology, and market research. To cater to the needs of the merged organisation, there should be a separate cadre of officials under the administrative control by recruiting staff qualified for the purpose.
6. Review of different RMC Bye-Laws indicated that there are different market charges and license fees across the RMCs. Hence, Bye-Laws of RMCs need to be amended incorporating the amendment in OAPM Act and Rules.
7. The infrastructure at main market yards as well as sub-market yards is not adequate. Majority of traders opined that they do not have shop-cum-godown in the markets. Thus, the markets should have adequate infrastructure for smooth trading and proper price discovery. Gradually the RMCs may introduce centralized electronic auction system in the markets for transparent price discovery.

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