Market functionaries:

In the marketing of agricultural commodities, the following market functionaries/marketing agencies are involved:

i) Producers:

Most farmers or producers, perform one or more marketing functions. They sell the surplus either in the village or in the market. Some farmers, especially the large ones, assemble the produce of small farmers, transport it to the nearby market, sell it there and make a profit. This activity helps these farmers to supplement their incomes.

ii) Middlemen

Middlemen are those individuals or business concerns which specialize in performing the various marketing functions and rendering such services as are involved in the marketing of goods. The middlemen in foodgrains marketing may, therefore, be classified as follows:

(a) Merchant middlemen: Merchant middlemen are those individuals who take title to the goods they handle. They buy and sell on their own and gain or lose, depending on the difference in the sale and purchase prices. Merchant middlemen are of two types:

iii) Wholesalers: Wholesalers are those merchant middlemen who buy and sell food grains in large quantities. They may buy either directly from farmers or from other wholesalers. They sell food grains either in the same market or in other markets. They sell to retailers. The wholesalers perform the following functions in marketing:

(a) Assemble the goods from various localities and areas to meet the demands of buyers,
(b) Sort out goods in different lots according to their quality and prepare them for market,
(c) Equalize the flow of goods by storing them in the peak arrival season and releasing in the off-season,
(d) Regulate the flow of goods by trading with buyers and sellers in various markets,
(e) Finance farmers so that the latter may meet their requirements of production & inputs,
(f) Assess demand of prospective buyers and processors from time to time,
g) Plan the movement of the goods over space and time.

iv) Retailers: Retailers buy goods from wholesalers and sell them to the consumers in small quantities. They are producers“ personal representatives to consumers. Retailers are the closest to consumers in the marketing channel.

v) Itinerant Traders Itinerant traders are petty merchants who move from village to village, and directly purchase the produce from the cultivators. They transport it to the nearby primary or secondary market and sell it there.

vi) Village Merchants: Village merchants have their small establishments in villages. They purchase the produce of those farmers who have either taken finance from them or those who are not able to go to the market. Village merchants also supply essential consumption goods to the farmers. They act as financers of poor farmers. They often visit nearby markets and keep in touch with the prevailing prices.

(a) Agent Middlemen:

Agent middlemen act as representatives of their clients. They do not take title to the produce and, therefore, do not own it. They merely negotiate the purchase and/or sale. They sell services to their principals and not the goods or commodities. They receive income in the form of commission or brokerage. Agent middlemen are of two types

Commission Agents or Arhatias: A commission agent is a person operating in the wholesale market who acts as the representative of either a seller or a buyer. A commission agent takes over the physical handling of the produce, arranges for its sale, collects the price from the buyer, deducts his expenses and commission, and remits the balance to the seller. Commission Agents or Arhatias in unregulated markets are of two types, Kaccha arhatias and pacca arhatias.

Kaccha arhatias*:* primarily act for the sellers, including farmers. They sometimes provide advance money to farmers and intinerant traders on the condition that the produce will be disposed of through them. Kaccha arhatias charge arhat or commission in addition to the normal rate of interest on the money they advance.

Pacca arhatia*:* acts on behalf of the traders in the consuming market. The processors (rice millers, oil millers and cotton or jute dealers) and big wholesalers in the consuming markets employ pacca arhatias as their agents for the purchase of a specified quantity of goods within a given price range. In regulated markets, only one category of commission agent exists under the name of „A" class trader. The commission agent keeps an establishment – a shop, a godown for his clients. He renders all facilities to his clients. He is, therefore, preferred by the farmers to the co-operative marketing society for the purpose of the sale of the farmer"s produce.

Brokers: Brokers render personal services to their clients in the market; but unlike the commission agents, they do not have physical control of the product. The main function of a broker is to bring together buyers and sellers on the same platform for negotiations. Their charge is called brokerage. They may claim brokerage from the buyer, the seller or both, depending on the market situation and the service rendered. They render valuable service to the prospective buyers and sellers, for they have complete knowledge of the market. Brokers have no establishment in the market. In most regulated markets, brokers do not play any role because goods are sold by open auction.

(c) **Speculative Middlemen*:***

Those middlemen who take title to the product with a view to making a profit on it are called speculative middlemen. They are not regular buyers or sellers of produce. They specialize in risk – taking. They buy at low prices when arrivals are substantial and sell in the off – season when prices are high. They do the minimum handling of goods. They make profit from short-run as well as long-run price fluctuations. Processors carry on their business either on their own or on custom basis.

(d) Facilitative Middlemen

Some middlemen do not buy and sell directly but assist in the marketing process. Marketing can take place even if they are not active. But the efficiency of the system increases when they engage in business. These middlemen receive their income in the form of fees or service charges from those who use their services. The important facilitative middlemen are:

***Hamals or Labourers**:* They physically move the goods in marketplace. They do unloading from and the loading on to bullock carts or trucks. They assist in weighting the bags. They perform cleaning, sieving, and refilling jobs and stitch the bags. Hamals are the hub of the marketing wheel. Without their active co-operation, the marketing system would not function smoothly.

***Weighmen**:* They facilitate the correct weighment of the produce. They use a pan balance when the quantity is small. Generally, the scalebeam balance is used. They get payment for their services through the commission agent.

Graders: These middlemen sort out the product into different grades. They facilitate the process of prices settlement between the buyer and the seller.

Transport Agency: This agency assists in the movement of the produce from one market to another.

***Communication Agency**:* It helps in the communication of the information about the prices prevailing, and quantity available, in the market.

***Advertising Agency**:* It enables prospective buyers to know the quality of the product and decide about the purchase of commodities. Newspapers, the radio, cinema slides, television and Internet are the main media for advertisements.

Auctioners: They help in exchange function by putting the produce for auction and bidding by the buyers.

Market Margins

Margin refers to the difference between the price paid and received by a specific marketing agency, such as a single retailer, or by any type of marketing agency such as retailers or assemblers or by any combination of marketing agencies.

Absolute margin is expressed in rupees. A percentage margin is the absolute difference in price (absolute margin) divided by the selling price. Mark-up is the absolute margin divided by the buying price or price paid.

Marketing margin of a Middleman : There alternative measures may be used. The three alternative measures which may be used in estimating market margins are.

(a) Absolute margin of ith middlemen (Ami)

$$= PRi\ PPi + Cmi$$

(b) Percentage margin of ith middlemen (Pmi)

$$\frac{PRi - (PPi + Cmi)}{PRi} \times 100$$

(c) Mark-up of ith middleman (M2)

$$\frac{PRi - (PPi + Cmi)}{Ppi} \times 100$$

Where,

PRi = Total value of receipts per unit (sale price)

Ppi = Purchase value of goods per unit (purchase price)

Cmi = Cost incurred on marketing per unit.

The margin includes profit to the middlemen and returns to storage, interest on capital, overheads and establishment expenditure.

Sum of Average Gross margins method :

The average gross margins of all the intermediaries are added to obtain the total marketing margin as well as the break up of the consumer"s rupee :

$$MT = \sum_{i=1}^{N} \frac{Si - Pi}{Oi}$$

MT = Total marketing margin.

Si = Sale value of a product for ith firm

Pi = value paid by the ith firm

Qi = Quantity of the product handled by its firm

i = 1, 2,........ n (No. of firms involved in the marketing channel).

Concepts of Marketing Margins :

- Complex because it is difficult to follow the path of the channel for a given quantity of the channel for a given quantity of the commodity.
- It is still difficult to estimate in respect of commodities subjected to processing.

Two methods are identified:

1. Concurrent margin method :

This method stresses on the difference in price that prevails for a commodity at successive stages of marketing at a given point of time.

2. **Lagged Margin Method** :

This method takes into account the time that elapses between buying and selling of a commodity by the intermediaries and also between the farmer and the ultimate consumer. Lagged margin indicates the difference of price received by an agency and the one paid by the same agency in purchasing in equivalent quantity of commodity.

Price Spread

The difference between the price paid by the consumer and price received by the farmer. It involves various costs incurred by various intermediaries and their margins.