

# Presentation

on

## The Study on Detecting Cartel activity in Food Grain Market in Eastern India

**Presented By: Dr. Pyare Lal**

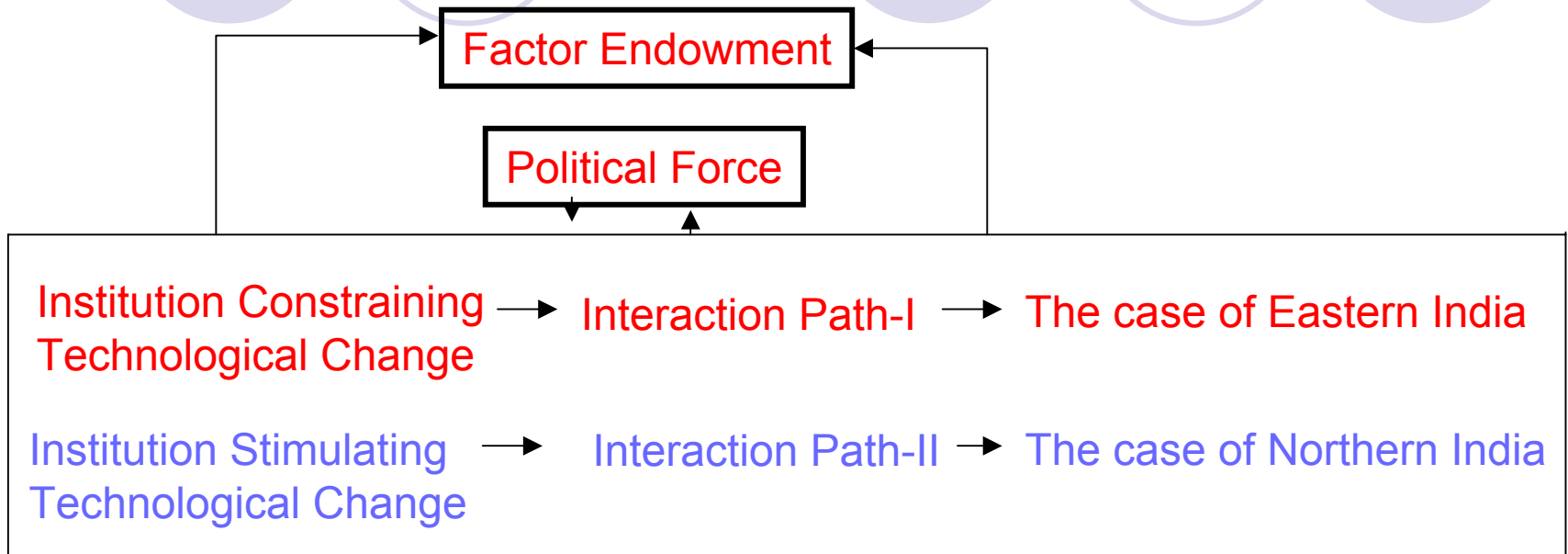
Centre for Planning & Development  
1E/93, New Patliputra Colony, Patna

**On behalf of Dr. B. N. Verma**

Principal Investigator  
Former Prof. Agrl, Economics, R.A.U., PUSA

# The Background

The conceptual framework of this project is given below.



The hypothesis related to institutional aspects of the present study and the related methodology has developed by PI during his post-doctoral studies and exposure of Institutional Economics specially during his post doctoral studies at JNU (1988-90) and later in University of Wisconsin, USA the seat of Intuition studies.

# The Conceptual Framework

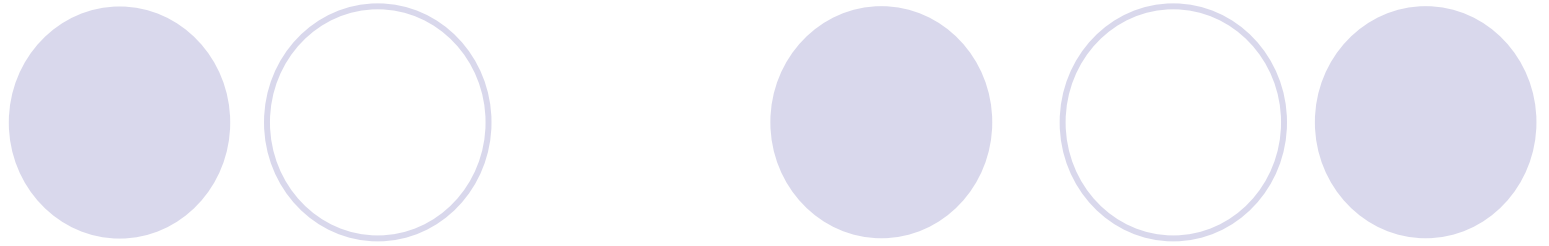
As shown in the conceptual framework how agricultural marketing system with cartel activities in food grains market as an important institution constrain the process of agricultural growth i.e. in terms of agricultural marketing reforms and efficiency in eastern India. Because the benefit and the advantages of regulated food grains marketing are reaped indirectly by the big farmers and not by the small one for which in principle the marketing reforms steps are introduced by the Government.

In eastern India and particularly in Bihar & West Bengal the average size of holding is generally under 2 hectare (little over 80% of the total holding).

## Table1. Holdings structure of farmers in Eastern India

Size group (In Ha)	Distribution of Farmers (In %)			
	West Bengal	Orissa	Bihar	Eastern India
0-2	90.1	77.5	88.2	85.4
2-10	9.9	21.9	11.4	14.4
Above 10	Negligible	0.6	0.4	0.2

Source: Techno Economic Research Institute, New Delhi



Naturally eastern India agriculture is predominantly agriculture economy (subsistence agricultural economy) and is dominated by limited number of medium and big farmers. Though limited in number but socially and economically too powerful and dominating to reap all the advantages of agricultural development in terms of regulated marketing system i.e. Higher procurement prices and any advantage of the public policy providing better return from food grains of general agricultural marketing reform. Because peasant sector of the agricultural economy has hardly any surplus to enter into and participate in agricultural marketing process.

# Table 2. Marketing Institutions

		Distribution of Households (In %)		
Farmers by holdings	States	Local Banias / traders and rich farmers	Whole sale commission agents	Mill/ Gov. agents
Small	West Bengal	30.0	40.00	30.00
	Orissa	40.0	30.00	30.00
	Bihar	60.0	20.00	20.00
Medium Farms	West Bengal	35.0	60.00	5.00
	Orissa	30.0	30.00	30.00
	Bihar	60.0	5.00	35.00
Big farms	West Bengal	26.0	50.00	24.00
	Orissa	20.0	60.00	20.00
	Bihar	40.0	40.00	20.00

Source : NSS data

These big and medium farmers are thus practically free from any element of competition from the peasant sector which is considerably very large in eastern India .

# The Cartel Activities and its Implication in the food grain market

There has been a great deal of concern expressed in recent years about the activities of cartel in India in areas as diverse as cement, food grains, industrial chemicals, trucking and construction. The present project is framed to look at the agriculture sector, and specifically, at the detection of cartel activity in markets for food grain in eastern India. It will highlight the market structure of grain markets, the characteristics and behavior of private players in the grain trade, and also highlight possible cartel activity in order to aid the mission of the CCI to foster competition.

For markets, method for detecting the existence of collusion amongst large buyers and quantifying its impact on prices will be demonstrated. The project will investigate how certain forms of government intervention can mitigate the impact of collusion. It will also compare grain market outcomes across markets that use actions versus those that use bilateral agreement between buyers and sellers. From this comparison lessons will be drawn for (a) which institution facilitate/ deter collusion; (b) which institution make it easier to detect collusion (c) what regulatory practices can mitigate the impact of collusion.

# Mandate of the study

This very project may have a mandate to focus on a mechanism with which big farmers locally purchase whatever little surplus of the peasants even before the peasant enter into regulated marketing system introduced under agricultural development process in the state/ region. Thus how ultimately big farmers are benefited by the public policies implemented in process in agricultural sector.

The purpose of this project is to examine the nature and type of public policy based and private sector business firm restrictive arrangements and practices that unnecessarily and significantly impede effective competition in pricing and distribution of food grains in eastern India. The study also aims to provide recommendation for policy changes to promote competition, efficiency and consumer welfare.

Other prominent related aspect on which sufficient focus will be further needed to substantiate the phenomena of collusion deeply rooted in structure and functioning of food grains market particular in eastern region.

- 1) Marketing structure channels and functioning of the regional market of food grains.
- 2) Marketable/marketed surplus identified with reference to farm size.
- 3) Prices spread and market integration
- 4) Buyer's collusion
- 5) Govt. intervention in food grains market.
- 6) Structural auctions analysis, if needed

The above aspects of the main theme of the project will be studied and analyzed on the basis of data base. Collected from the samples to be drawn from the three constituents states of the region



# The Element of Cartel Activities in Food Grains Market of Eastern India

The big farmers of course do not face any competition or restraint by the peasant sector having very little or no marketing/ marketed surplus i.e. cropping at core of subsistence agricultural economy.

This may be more true to the traditional agricultural economy of the eastern India on the data base of which PI's perception and research resolution drawn and discussed above may be focused. Certainly with the success of green revolution and the whole of eastern region now awaiting 2nd green revolution may have comparatively a different and better scenario or setup particularly for comparatively better off peasants as the benefit of green revolution. But the green revolution which has been projected as the size neutral or with positive farm size productivity relation benefiting there by the big farmers sectors and do not much to peasant a scenario explained just now. Therefore, big farmers in the context of cartel activity in food grains marketing in India at all face some resistance i.e. from the side of state operating under procurement schemes of food grains in the region. The state particularly the FCI intervening in the food grain markets through the procurement operation play a crucial role so far the cartel activities in the food grains market is concerned. However, survey on this and related aspect comes under 2nd phase of the present research project. Focus on operational part of this aspect the present research may be given during 2nd presentation by the Principle Investigator himself as and when desired by the sponsoring authority.

# Methodology & Sample Design

The study will be employed both primary and desk methods. The primary data will be collected from three constituent states of Eastern India i.e. Bihar, West Bengal and Orissa. The regulated vis-à-vis other channels of marketing will be studied and data related to the above aspects will be analyzed.

Criteria of selection of Districts:

- (i). Area, Production and productivity of rice the major crop of eastern India.
- (ii). Growth rate
- (iii). Marketable surplus and Disposal of marketable surplus to different agencies.

On the basis of above criteria the following districts are selected in the different states of Eastern India

West Bengal- Midnapur

Orissa - Cuttack

Bihar - Bhojpur

Household sample will be based on proportional and purposive sampling technique applied to the data related to disposal of marketable surplus to different agencies through different channels of market.

## Project Administration

The project will be administered by Principal Investigator with infrastructural and service support of the Centre for Planning and Development situated at 1E/93, New Patliputra Colony, Patna 800013.

# Time Frame of the Project

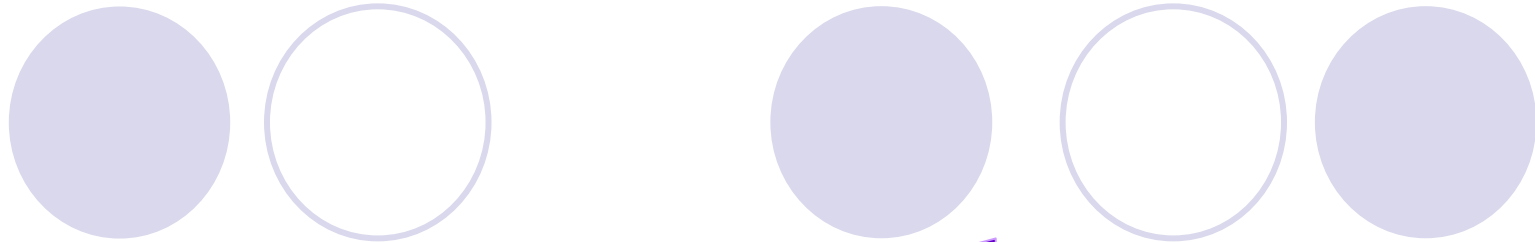
The duration of the project will be eight months (February 16 to August 15, 2006). Details are as under:

Duration (In Weeks)	Activities
1-6	Establishing contracts with Govt. or other concerned agencies. Collection of secondary data and preparation of questionnaire
7-18	Field survey i.e. completion of physical contacts with the sample households/farmers
19-22	Scrutiny of the collected data as well as its tabulation and analysis of the data
23-24	Finalization of report and its submission

# Format of the Questionnaire to be constructed for collection of data from the sample households of the sample districts under study

The questionnaire will have four parts as under:

1. Identification: This part will consist of the setup question related to identification of the respondents/farmers viz. Age, Social group, Educational qualification, Sex, Family status etc.
2. Cropping pattern: This part will cover an occupational profile i.e. with respect to farmers: (a). Area under owner & tenant cultivation (b). Cropping pattern viz, crop rotation (c). Cropping Intensity (d). Irrigation status.
3. Production and Productivity: This part will cover (a). Crop coverage along with cultivation practices. (b). Production and Yield of crops under cultivation.
4. Disposal of the produce i.e. marketing pattern, marketing behaviour of the respondents (a) Marketable surplus (b). Marketed surplus (c). Channel of the marketing adopted by the farmer/respondents (d) Price spread (e). Aspects related to cartel activity if any
  - (i). Question related to collusion and government intervention in food grain marketing
  - (ii) Question related to the players in the market indulging in cartel activity



**Thanks**