Introduction

Agriculture plays a vital role in Indian economy. Over 58 per cent of rural households depend on agriculture as their principal means of livelihood. Agriculture along with fisheries and forestry accounts one-third of the nation’s Gross Domestic Product (GDP) and its single largest contributor. Agricultural exports constitute a fifth of the total exports of the country. In view of the predominant position of Agricultural sector, collection, maintenance of Agricultural Marketed and Marketable Surplus of food grains assume great importance. In any developing economy, the Marketed Surplus or Producer’s Surplus of agricultural product plays a significant role. The quantity, which is actually made available to the non-producing population of the country. From the marketing point of view, this surplus is more important than the total production of commodities. The arrangement for marketing and the expansion of markets have to be made only for the surplus quantity available with the farmers, and not for the total production. The role at which agricultural production expands determines the pace of agricultural development, while the growth in the marketed surplus determines the pace of economic development. An increase in production must be accompanied by an increase in the marketable surplus for the economic development of the country. Though the marketing system is more concerned with the surplus which enters or is likely to enter the market, the quantum of total production is essential for this surplus.

The agricultural marketing system plays a dual role in economic development of India where resources are primarily agricultural. Increasing demands for money with which to purchase other goods leads to increasing sensitivity to relative prices on the part of the producer and specialization in the cultivation of those crops on which the returns are the greatest, subject to socio-cultural, ecological and economic constraints. The marketing system transmits the crucial price signals. On the other hand and in order to sustain the growth of the non-agricultural sector, resources have to be extracted from the agricultural sector – physical resources to guarantee supplies of food and raw materials for the agro industry and financial resources for investment in non-farm economy as well as for re-investment in agriculture. An efficient agricultural marketing system leads to the optimization of resources use and output management. An efficient marketing system can also contribute to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation. As well, designed system of marketing can effectively distribute the available stock of modern inputs and thereby sustain a faster rate of growth in the agricultural sector. An efficient marketing system also ensures higher level of income for the farmers by reducing the number of middlemen or by restricting the commission on marketing services and the malpractice adopted by them in marketing of farm products.

An efficient system guarantees the farmers better prices for farm products and induces them to invest their surpluses in the purchase of modern inputs so that productivity and production may increase. This again results in an increase in the marketed surplus and income of the farmers. If the producer does not have an easily accessible market outlet where he can sell his surplus produce, he has little incentive to produce more. The need for providing adequate incentives for increased production is, therefore, very, important and this can be made possible only by stream lining the marketing system.

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Concept of Marketable and Marketed Surpluses

Marketable Surplus is a theoretical ex ante concept which represents the surplus which the farmer/producer has available with himself for disposal once the genuine requirements of the farmer for family consumption, payment of wages in kind, feed, seed, wastage and purchases have been met. Marketed Surplus as compared to marketable surplus is a practical ex post concept and refers to that part of the marketable surplus which is marketed by the producer i.e. not only the part which is available for disposal but that part which is made available to the market or to the disposal of the non-farm rural and urban population.

Computation of Marketable Surplus

It is computed by the formula: \( A - B = MS \)

Where MS is Marketable Surplus, A - stands for net availability of the given crop in the year of reference and B - stands for the following items in the same year:

i. Consumption by the farm family,

ii. Consumption by permanent labor engaged on the farm,

iii. Consumption by the temporary labor occasionally employed on the farm,

iv. Quantity retained for seed,

v. Quantity retained as feed for farm animals,

vi. Quantity retained for barter,

vii. Payments in kind : a) To permanent labor, b) To temporary labor, c) For machinery and equipment, d) For customary payments, e) To land owners as rent, f) To land owners as share of produce, g) for re-payment of loan, h) Land revenue, i) Irrigation charges and j) others.

viii. Physical losses: a) In threshing and winnowing, b) In transport from threshing floor to storage, and c) In storage at producer’s level.

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Consumption by the Farm Family

The term “Consumption by the farm family” of the cultivator households has two distinct connotations in so far as its impact on marketed and marketable surplus is concerned. For marketed surplus, it refers to the quantity actually retained for consumption by the family irrespective of the actual total requirements for the purpose. For Marketable Surplus it refers to the quantity that ought to be retained by the farm family for its consumption or the quantity required for consumption. The use of the term “Surplus” would thus be justified only if the quantity actually required for consumption, rather than the quantity actually retained for consumption is taken into account for arriving at the quantity of marketable surplus actually available for non-farm consumption.

In case the quantity actually retained for consumption (and not the quantity actually required for consumption) is taken into account, the quantity calculated is the marketed surplus which is a gross concept not subtracting repurchases, because the quantity sold will not include the buy backs by the producers. Meanwhile, instead of quantity retained for family consumption, the quantity required for consumption is taken into consideration for calculation of marketable surplus and hence it is a net concept subtracting repurchases. The quantity required for family consumption has been calculated by adding the “Quantity retained for family consumption + Quantity purchased for family consumption + Total receipts in kind for family consumption”.

The marketable surplus will thus be according to the formula:

$$A - B = MS$$

Where, A stands for production, and B includes all the items mentioned earlier except that “Quantity required for consumption” has been treated to include the quantity required for “family consumption” as explained above and MS stands for “marketable surplus”. This quantity is actually available for non-farm consumption and is, therefore, true Marketable Surplus.

Computation of Marketed Surplus
In case the quantity actually retained for consumption (and not the quantity actually required for consumption) is taken into account, the quantity calculated is the marketed surplus which is a gross concept, because the quantity sold will not include the buy backs by the producers. The marketable surplus will thus be according to the formula:

\[ A - B = MS \]

Where \( A \) stands for production and \( B \) includes all the items mentioned above apart from viii) (c) ie viii) Physical losses: c) In storage at producer’s level.

The term “Consumption by the farm family” of the cultivator households refers to the quantity actually retained for consumption by the family irrespective of the actual total requirements for the purpose.

**For Accounting Purpose**

**Marketable Surplus** = Net availability of the Crop in the year – Retention including all seed feed and wastage – Purchases.

\[ MS = N - R - P \Rightarrow MS = (N - R) - P \]

The marketable surplus differs from region to region and within the same region, from crop to crop. It also varies from farm to farm.

On a particular farm, the quantity of marketable surplus depends on

1). Size of operational holding,
2). Yield of Commodity,
3). Price of the Commodity,
4). Household Size,
5). Requirements of seeds and feed,
6). Payments to labor in kind,
7). Distance from mandi, and
8). Stock of previous year etc.

The larger the quantity actually marketed, greater the cash income to a farmer. Accordingly, crops also came to be known as cash crops, which earn more cash income to the farmers. The marketable or marketed surpluses depend upon type of crop i.e. food grain, other food crop or non-food crop. In the case of food grain and other food crops, the surpluses are generally less on small and marginal farms and their proportions a widely according to the size of holding and other related factors. But in the case of non-food crops viz. Cotton, sugarcane, soybean etc. which is used as raw material in agro-based industry, almost all the production is available for sale except small quantities kept for seed. In these crops, marketable surpluses are nearly 100 per cent. Such crops are called as cash crops or commercial crops. On the same analogy, even food crops with large marketable surpluses (say above 50%) can be regarded as cash or commercial crops.

Identification of certain crops as commercial or cash crops has many policy implications from the point of view of development of good organized markets and other infrastructure facilities such as roads, storage’s (including cold storage’s for perishables), communication, market information, banking services, etc.

1. Marketable surplus for food grains, particularly in a deficit state are low and such crops may not be considered as commercial crops in that area.
2. All fruit crops are definitely commercial crops because their marketable surpluses are above 96%.
3. Similarly, vegetables are also commercial crops, which is evident from their marketable surpluses being above 96% and marketed surpluses above 85%.
4. Special mention needs to be made about milk.

Some oil seed crops like groundnut, sunflower, safflower, soybean, castor and other crops like cotton and sugarcane are also recognized as commercial crops as the marketable surpluses in them are almost 100% and therefore they are cash crops for the farmers. In addition, there are some crops, which are grown in small pockets, but they have large marketable surpluses and hence they are cash crops for farmers in those areas. Examples are – Red chilli, turmeric, tobacco, minor fruits, etc.

The solution to the problem of development, it is argued, is to take steps to increase agricultural productivity rather than get involved in the possibility of the failure of marketed agricultural surplus to grow. Since the peasant has a rather high propensity to save and since a large part of his incremental consumption consists of manufactured goods, the argument runs, it is incorrect and misleading to over-emphasis the problem of marketed surplus.

However, why marketed surplus may not fail to increase with rise in per capita agricultural production. In a predominantly agricultural country, like India, aiming at a high rate of capital formation, it is not enough that marketed surplus should rise with rise in production; the ratio of marketed surplus to production must raise enough to mobilize the savings potential in the agricultural sector to the utmost. It would not do, therefore, to ignore the problem of marketed surplus.

**Conclusion**

The agricultural marketing plays an important role not only in stimulating production and consumption, but also in accelerating the pace of economic development. It is dynamic function but of primary importance in promoting economic development. For this reason, it has been described as the most important multiplier of agricultural development. India’s age-old farming practices have taken a turn in recent years. There has been a technological breakthrough because of the evolution of high yielding variety seeds, increasing use of fertilizer, insecticides, pesticides, the installation of pumping sets, and new technological implements. This technological breakthrough has led to a substantial increase in production on the farms and to the larger marketable and marketed surplus. To maintain this tempo and pace of increased production through technological development, an assurance of remunerative prices to the farmers are a prerequisite and this assurance can give to the farmer by developing an efficient marketing system. A well-knit marketing system widens the market for the products by taking them to remote corners both within and outside the country, i.e., to areas far away from the production points. The marketing system is essential for the success of the development programs that are designed to uplift the population as a whole.

**References**

2. ibid