

## **Role of Commission Agents In Marketing Agricultural Products – A Case Study of Dharur Mandal, Ranga Reddy District – Andhra Pradesh-India**

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**ABSTRACT:** Commission agents conduct business under their own names, which affords a measure of anonymity to their principals while allowing the agents a certain degree of autonomy. As experts in their field, commission agents can assist small businesses in making the most of their limited budgets. People often think that commission agents mean they are the intermediaries who frequently deceive clientele and other people. In Dharur Mandal, Ranga Reddy District, the role of commission agents is very different; they are the people who really are protecting the interests of the farmers. In all walks of their life, they are footing behind them. Any type of help in Dharur they go to their commission agents. There are more than 100 commission agents in that village. Logistics will be arranged by these commission agents to help the farmers. These commission agents will charge skimpy commission. The present paper focuses on how the commission agents are helping the farmers in marketing their agricultural products in Dharur Mandal, Ranga Reddy District, Andhra Pradesh.

**KEY WORDS:** Commission agents, marketing, agricultural products, committees, farmers.

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### **I. INTRODUCTION**

Dhadur's economy is heavily dependent on agricultural production. The labour force selling agricultural products is the main source of cash income for most rural households. Even though the heavy dependence on agriculture seen as a hindrance for rapid growth, and structural change is needed in the end, the dominant role of agriculture is not likely to change in the near future. Thus, the government has recently started targeting, agricultural reforms as the quickest way to reduce poverty. In late 2011, the government produced the, Agricultural Sector Development Strategy, that aims to provide the basis for the rural sector of. The economy to become an engine of growth, leading to a substantial reduction of poverty. This goal is also discussed in the Poverty Reduction Strategy Paper of 2010, where growth in agriculture was set as one of the pillars for achieving medium term targets for poverty reduction. The focus of the discussion on the agricultural sector as a source of wealth and livelihood has traditionally been on production.

#### **1.1 meaning of Commission Agents**

Commission agents--also known as commercial agents--work as middlemen between vendors and buyers. These individuals find employment in myriad industries for large and small businesses, depending on their area of specialization. Commission agents work in countries throughout the world and may seek work from a number of employers simultaneously if their field of specialization provides the opportunity to do so. These expert purchasers and vendors provide a valuable service to their clients.

#### **Commission Agents: The Basics**

In general, commission agents purchase and sell items on behalf of a principal, usually a company. The nature of the job depends on the field of employment. Commission agents who work for small businesses, for instance, travel to farms and orchards, purchasing fruits, vegetables and dairy products for principals such as

grocers and restaurants, or sell such items to grocers and restaurants on behalf of farmers. These individuals work independently as contracted, third-party workers, not employees of their principals.

### **Freedoms and Responsibilities of a Commission Agent**

Commission agents possess a fair amount of freedom when it comes to purchasing or selling materials for a principal. Usually, principals outline their material needs and a project's purchase budget, or the desired price of sale, along with a set of preferred conditions for a deal. The commission agent is responsible for meeting the ideal conditions requested by the principal, and must stay within the provided budget or the price of sale. As long as commission agents conform to these stipulations, they possess the freedom to act and make deals as they choose.

### **Skills Required**

The skills required of a commission agent depend on the industry in question. A livestock agent, for instance, requires very different skills than a commission agent in the coal industry. Broadly speaking, purchase commission agents can quickly identify the value of an item or lot, assess the profit potential of that item or lot, and create an offer at a price reasonable for the vendor and sure to make a profit for the principal. Vendor commission agents perform a similar function, but sell items rather than purchase them. Doing this job requires quick thinking, good verbal communication, the ability to barter, strong interpersonal skills, networking ability and a firm understanding of math, economics, markets and related law.

The name "commission agent" arises from the method by which these professionals earn a living. Commission agents earn a commission for each job performed, usually a percentage of the profit realized from the items purchased by the agent. Working with a commission agent saves small businesses with limited budgets the cost of hiring a commercial agent. These individuals often work across national borders and for international corporations. Commission agents are protected by the laws of their home country regarding issues with their principals, but they must adhere to the laws of the nation in which they work, as well as international regulations.

### **Definition**

A commission agent works for a principal and derives compensation from actual sales, usually expressed as a percentage of sales.

### **Function**

Commission agents represent the principal, usually a company, and act as a representative. They locate buyers for goods/services, provide information about the product, make the sale, and ensure delivery and follow-up service

### **Types**

Commission agents thrive in a variety of businesses. International agents work in the export/import arena. Insurance and real estate agents also often work on a sales-based commission.

### **Benefits**

Benefits accrue to both the principal and agent. Principals can extend market reach without incurring major fixed personnel costs, and agents can earn compensation based on their productivity. Some agents may represent more than one principal.

### **Considerations**

Commission agents depend directly on customers for their compensation. While they may be aggressive, they also depend on satisfied customers for repeat business and are motivated to that end.

## **1.2 The Turmeric, Paddy, Groundnut, Red gram Market in Dharur**

Paddy is an aromatic, long-grain rice variety, grown only in Northern India and Pakistan. A large proportion of Indian basmati is exported. Premium basmati on the Indian domestic market retails at prices ten times greater than those for cheap rice varieties. The supply chain begins with farmers, who harvest basmati paddy from the middle of October to late December, and bring the grain to regulated markets to be auctioned. Private millers, who process it into rice, buy the paddy. Processing includes de-husking, cleaning, polishing, and separating the rice into different quality grades. The rice then finds its way into retail domestic and international markets in various ways -- as generic basmati rice, under the miller's brand name, or under the brand names of different retailers or trading houses.

Dharur is a small (in terms of volume of transactions) regulated market situated in the state of A.P. Our data set corresponds to the 1999 harvest season when basmati arrivals totaled approximately 127,000 quintals.

### 1.3 The Auction Process

In order to sell their paddy, farmers must contract with market agents known as katcha arhtias, whose job it is to weigh the grain, display the grain in lots in the market yard, and provide overnight storage, in return for 2 percent of the price at which the grain sells. The lots are sold one by one through an ascending auction. The auctioning of a lot begins with the auctioneer drawing out a handful of grain from it and visually inspecting it for quality. Following this, he announces a (per quintal) starting price. Interested buyers also pick up handfuls of grain and visually assess its quality. The auctioneer then raises the price incrementally and rapidly, while potential buyers may drop out by throwing down the grain they had picked up. The win price is the price at which the last but one buyer drops out. The auctioneer receives 0.8 percent of the win price.

## II. OBJECTIVES

The objectives of the study are:

- 1) To know about marketing of agricultural products in Dharur Mandal Rangareddy District, Andhra Pradesh, India.
- 2) To study about the role of commission agents and their problems in marketing agricultural products in Dharur Mandal, Ranga Reddy (R.R) District, Andhra Pradesh, India.

### 2.1 Methodology:

The present study proposes to make use of both primary and secondary sources of data. The primary data has been collected through a well-defined structured questionnaire, aimed to analyze the marketing of agricultural products and the role of commission agents in Dharur Mandal, Rangareddy District, Andhra Pradesh, India. The secondary data collected from Journals, News papers, Internet Sources and market committee records by the Government Officials from Dharur Mandal, R.R.District. the present aims at studying the marketing of agricultural products in Dharur Mandal, role of commission agents, the study include in its scope Dharur Mandal only, in Andhra Pradesh, in India. For which 100 commission agents selected adhering to the principle of random sampling. The data analyses for each variable in the questionnaire made with the help of Excel diagrams and tables. The survey conducted over a period of 6 months April to September 2013.

### 2.2 Limitations:

The records provided by the market committee cannot be taken as a basis for analyzing the auctions, as they do not record the quality of the lot sold. Basmati paddy is heterogeneous in several quality characteristics, variations in which affect the sale price. Second, the market committee data do not contain information on the auctioneer's starting price. Third, there is no record of either the number of potential bidders for a lot, or the number of bidders that are actively present in the announcement of the starting price. Finally, there is no record of the prices, during an auction, at which various players dropped out. In order to redress these shortcomings, a random sample of 100 PADDY, RED GRAM, GROUND NUT; TURMERIC auctions spread over four weeks in the peak marketing season has been taken. This forms our core data set. For each lot in this data set, able to record different quality characteristics of the paddy, the auctioneer's starting price, and the number of active bidders (the number observed after the starting price was announced), the win price, and the identity of the winner. Due to the rapidity with which auctions took place, and the large number of farmers present. However, it was not possible to observe and record the identities of all active bidders and the prices at which they dropped out of the bidding. Thus, there is no record of participation rates of players, although in some instances reasonable guesses also taken into consideration.

## III. LEGISLATION

### 3.1 Article 601

#### (Liability of commission agent for performance of contracts)

1. A commission agent is not responsible for the performance of obligations undertaken by persons with whom he contracts, except if at the moment of the conclusion of the contract he knew or should have known of their insolvency.
2. Besides the cases mentioned in the previous paragraph, the commission agent is only liable for performance of the obligations of persons with whom he concludes contracts if such liability is expressly agreed or arises from usage.
3. A commission agent who is held liable in accordance with the previous paragraph to a principal for performance of obligations undertaken by the persons with whom he concludes contracts is entitled to receive, besides the normal remuneration, a *del credere* commission, which, in the absence of agreement, is determined by usage; in the absence of usage, according to equity.

### **3.2 Article 602**

#### **(Contracts agreed under more advantageous conditions)**

A commission agent who agrees a contract under conditions which are more advantageous than those set by the principal, namely if he buys at a lower price, or sells for a price higher than that mentioned in the principal's instructions, is not entitled to the difference, and must deliver it to the principal.

### **3.3 Article 603**

#### **(Credit operations)**

1. A commission agent is deemed to be authorized to sell on credit in accordance with usage, except if the principal has instructed him to the contrary.
2. If the commission agent sells on credit in spite of the principal's prohibition or in breach of usage, the principal can demand immediate payment from him; in this case the commission agent is entitled to receive interest and other benefits deriving from the credit extended.
3. The commission agent who effects credit sales should indicate to the principal the name or firm of the buyer and the time limit granted, under penalty of it being considered that the sale was made against immediate full payment; the previous paragraph shall apply.

### **3.4 Article 604**

#### **(Endorsement of negotiable instruments)**

If the object of a commission is the acquisition of negotiable instruments, the commission agent is obliged, when endorsing them, to do so in the usual terms and without any reservations.

### **3.5 Article 605**

#### **(Buying from or selling to principal)**

1. Except if there is an agreement to the contrary, in a commission for the purchase or sale of merchandise, securities or currencies that have a market price or a price determined by public authority, the commission agent can, at such price, supply as seller the goods that he is commissioned to buy, or purchase for himself, as buyer, the goods that he is commissioned to sell, without prejudice to his right to remuneration.
2. Even if a price was stated by the principal, the commission agent who purchases for himself goods that he is commissioned to sell cannot buy them for a price lower than the market price on the day the transaction is concluded, if the latter is higher than the price set by the principal; the commission agent who supplies as seller goods that he is commissioned to buy cannot ask for a price higher than the market price, if the latter is lower than the price set by the principal.
3. In the cases mentioned in this article, if, at the moment at which he communicates execution of the commission, the commission agent does not reveal to the principal the name of the person with whom he contracted, it is considered that he made the purchase or the sale for his own account.

### **3.6 Article 606**

#### **(Obligation to mark merchandise)**

A commission agent who holds merchandise of the same kind, belonging to different owners, is obliged to take the necessary measures to mark it in order that no doubt can arise as to the respective ownership.

### **3.7 Article 607**

#### **(Transactions regarding merchandise belonging to different principals)**

If the object of a single contract is merchandise belonging to various principals, or to the commission agent himself and to any principal, the commission agent must separate them in invoices, mentioning the marks that identify the place of origin of each item, and separately enter in the books what relates to each owner.

### **3.8 Article 608**

#### **(Credits with different origins)**

1. A commission agent who has credits against a single person, resulting from contracts made for the account of different principals, or for his own account and for third parties, is obliged to indicate in all deliveries that the debtor makes, as well as in the receipts that he issues, the name of the interested party for whose account he has received it.
2. If the indication mentioned in the previous paragraph is missing in the receipts and in the books, calculation shall be made proportionally regarding each credit.

**3.9 Article 609**

**(Examination of goods by principal)**

The provisions of the Civil Code regarding the purchase and sale contract shall apply to the examination, denunciation of defects, or lack of conformity, of goods by a principal.

**3.10 Article 610**

**(Delay by principal)**

If a principal does not provide for the destination of goods, being obliged to do so in accordance with the circumstances, the commission agent can make use of the rights granted to the seller by articles 575 and 576.

**3.11 Article 611**

**(Remuneration)**

In the absence of agreement, remuneration is determined by professional fee schedules or, in their absence, by usage; in the absence of both, in accordance with equity.

**3.12 Article 612**

**(Acquisition of right to remuneration)**

1. A commission agent acquires the right to his remuneration as soon as and to the extent to which the third party has fulfilled the contract.
2. However, if there is a *del credere* stipulation, the commission agent can claim the remuneration due as soon as the contract has been concluded.

**3.13 Article 613**

**(Expenses)**

Unless there is an agreement to the contrary, a commission agent is entitled to reimbursement of expenses he has incurred for the execution of a commission, including compensation due for use of his warehouses and means of transport.

**3.14 Article 614**

**(Right of retention)**

The commission agent has a right of retention over a principal's merchandise under his control, regarding credits resulting from the execution of the commission, namely if he is in possession of the documents that incorporate the right to dispose of them.

**3.15 Article 615**

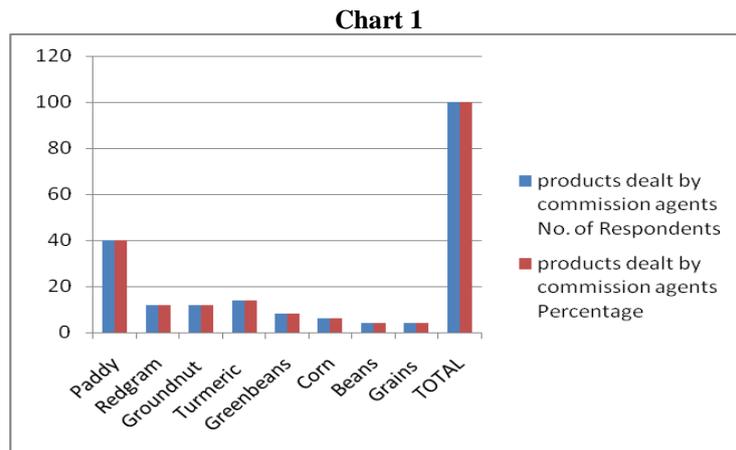
**(Commission in relation to other transactions)**

The rules on the commission for purchase and sale of goods are applicable, with the necessary adaptations, to other commissions, concluded between commercial entrepreneurs, with an object other than purchase and sale of goods.

**IV. DATA ANALYSES**

**Table-1 Products dealt by commission agents**

Particulars	No. of Respondents	Percentage
Paddy	40	40
Redgram	12	12
Groundnut	12	12
Turmeric	14	14
Greenbeans	8	8
Corn	6	6
Beans	4	4
Grains	4	4
TOTAL	100	100



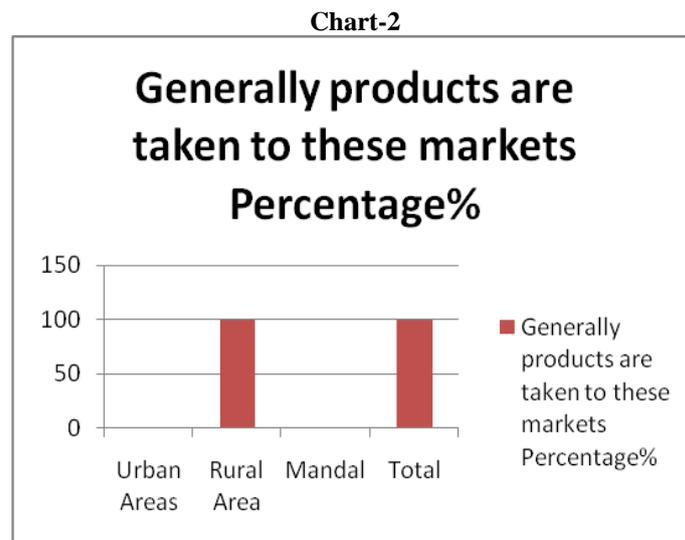
Source: Primary Data

**Interpretation:**

The above chart shows that 40% of the total 100 respondents i.e., commission agents, deal with the product paddy. 12%, of the total respondents i.e., commission agents' deal with red gram and Groundnut. 14% of the total respondents deal with turmeric. Eight percent deals with green beans, 6% of the respondents deal with corn, 4% of the respondents deals with beans and 4% with grains.

**Table 2: Products marketed in these areas**

Particulars	No. of respondents	%
Urban Areas	0	0
Rural Area	100	100
Mandal	0	0
Total	100	100



Source: Primary Data

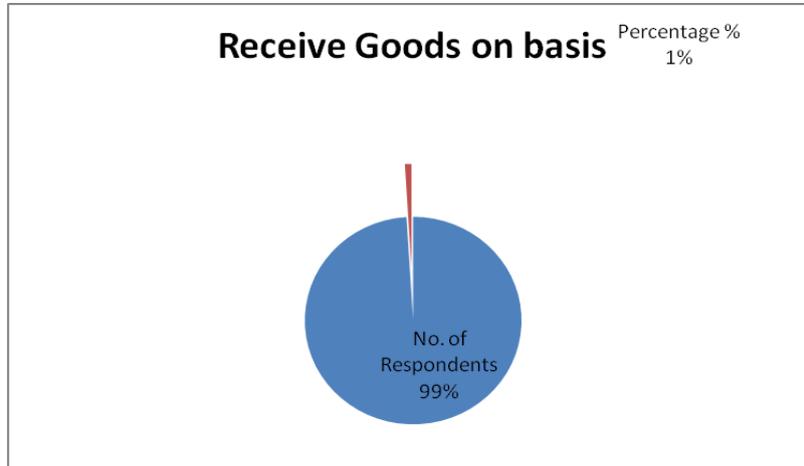
**Interpretation:**

The above chart shows that 100% of the respondents those who are in rural areas i.e. in Dharur Mandal, getting products from their farmers. Farmers those who are in and around Dharur Mandal are taking products only to their commission agents. Who are dealing with different products such as paddy, corn red gram, etc., it shows that almost all the farmers believe commission agents in their Mandal.

**Table 3 Receive Goods on basis**

Particulars	No. of Respondents	Percentage %
Seasonal	99	99%
Quarterly	1	1%
Yearly	0	0%
Total	100	100

**Chart 3**



Source: Primary Data

**Interpretation**

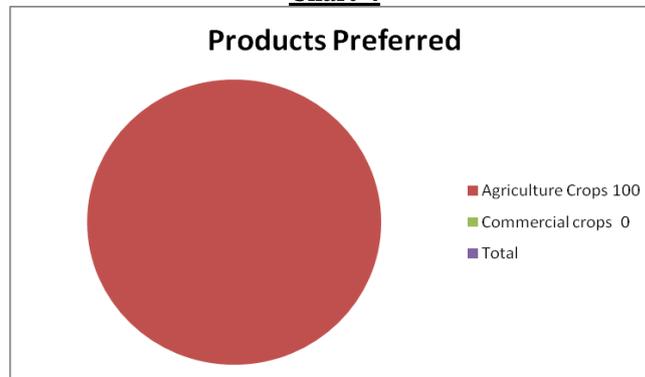
The above chart shows that, out of 100 respondent's i.e, commission agents 99% commission agents receive goods on seasonal basis and remaining 1% on quarterly basis.

**Products Preferred**

**Table 4**

Particulars	No. of respondents	Percentage
Agriculture Crops	100	100
Commercial crops	0	0
Total	100	100

**Chart-4**



Source: Primary Data

**Interpretation:**

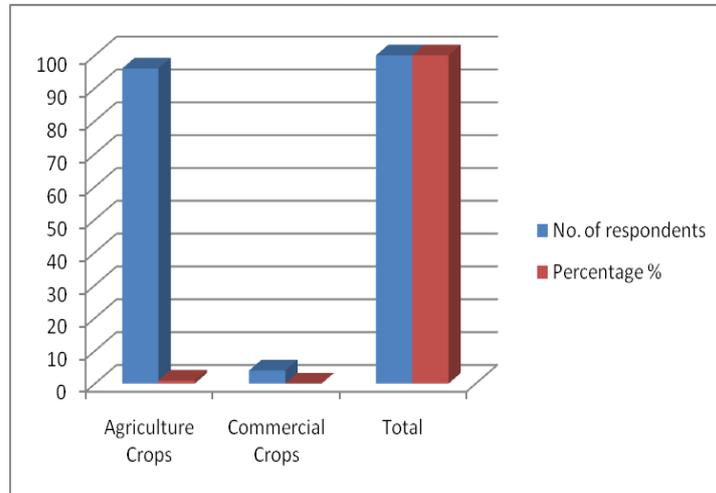
The above chart shows that out of total 100 respondents i.e., Commission agents, total respondents preferred agriculture products only.

**Commission will come from**

**Table-5**

Particulars	No. of respondents	Percentage %
Agriculture Crops	96	96%
Commercial Crops	4	4%
Total	100	100

**Chart 5**



Source: Primary Data

**Interpretation**

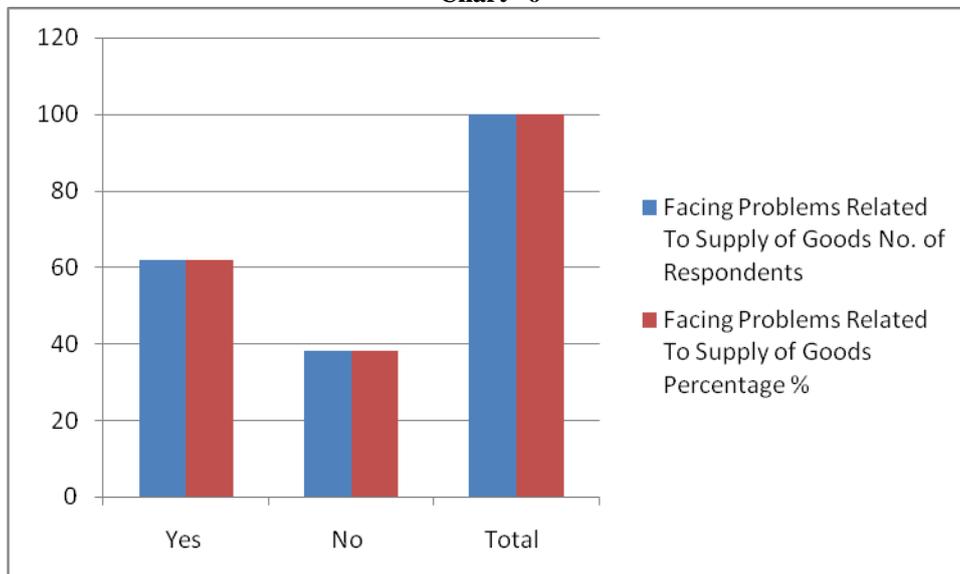
The above chart shows that out of total number of respondents, 96% of the respondents i.e., commission agents will get commission mostly from agriculture crops rather than from commercial crops. Only 4% of the commission agents are getting their commission from commercial crops.

**Facing Problems Related To Supply of Goods**

**Table – 6**

Particulars	No. of Respondents	Percentage %
Yes	62	62
No	38	38
Total	100	100

**Chart –6**



Source: Primary Data

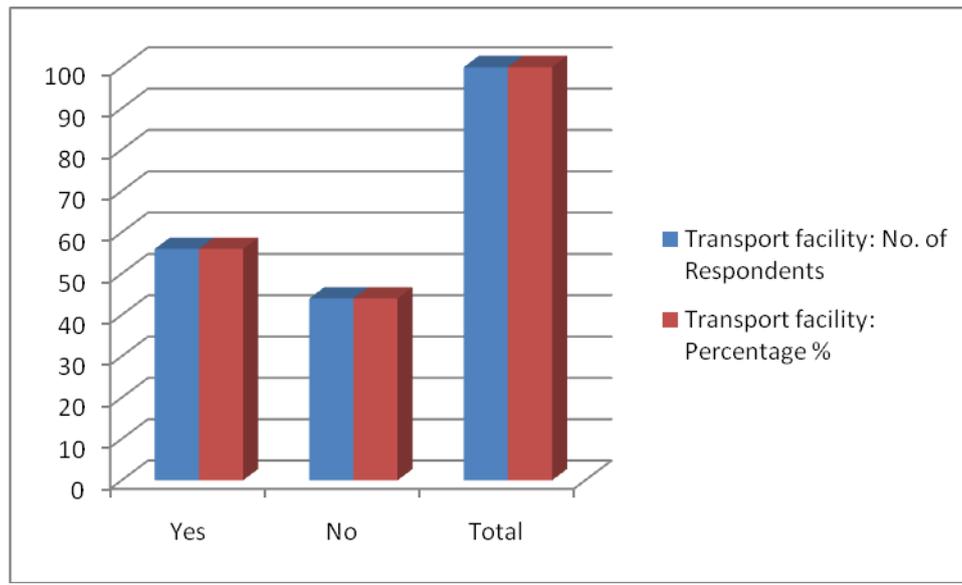
**Interpretation:** The above chart shows that 62 % of the commission agents said that they are facing problems related to supply of goods, remaining 38% of the commission agents said that they are not facing any problems related to supply of agricultural products.

**Having transport facility:**

Table 7

Particulars	No. of Respondents	Percentage %
Yes	56	56
No	44	44
Total	100	100

**Chart 7**



Source: Primary Data

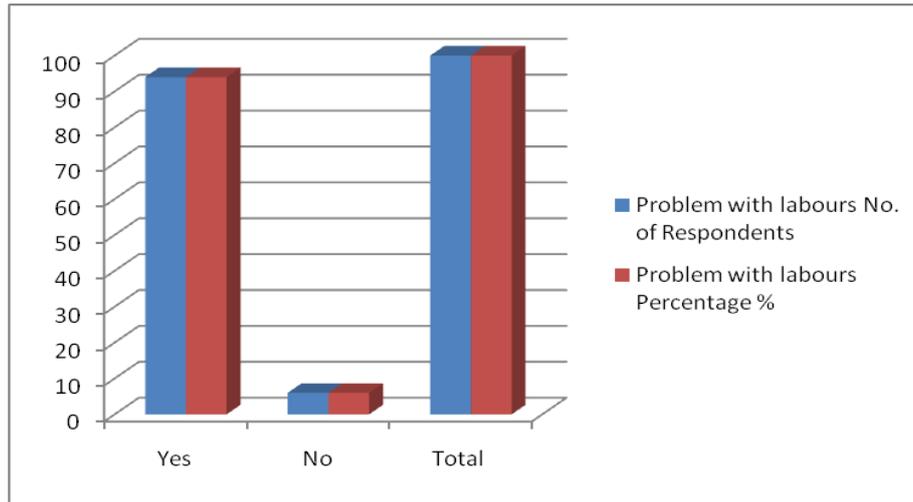
**Interpretation**

The above chart shows that 56% of the total respondents said that they have transport facility from Dharur Mandal to connecting city, remaining 48% of the total respondents said that they do not have proper transport facility.

**Table 8 Problem with labours**

Particulars	No. of Respondents	Percentage %
Yes	94	94
No	06	06
Total	100	100

**Chart 8**



Source: Primary Data

**Interpretation**

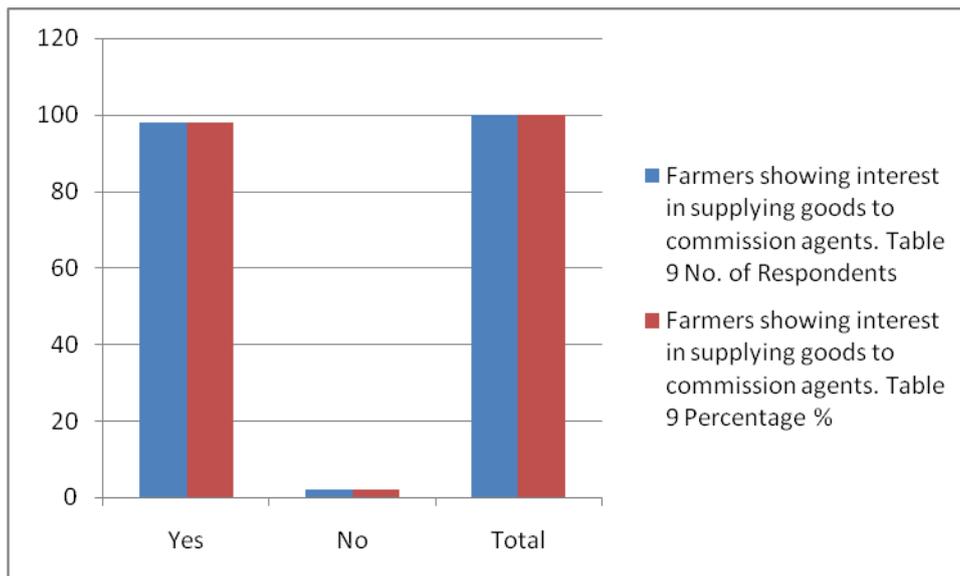
The above chart shows that 94 % of the total respondents, i.e. commission agents are facing problems with labours and remaining 6% of the total respondents said that they are not facing any problems with labours.

**Farmers showing interest in supplying goods to commission agents.**

**Table 9**

Particulars	No. of Respondents	Percentage %
Yes	98	98
No	02	02
Total	100	100

**Chart9**



Source: Primary Data

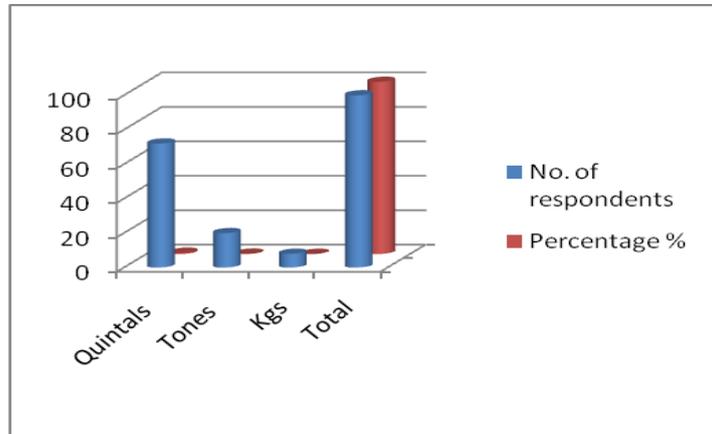
**Interpretation**

The above chart shows that 98% of the total respondents i.e. commission getting products from the farmers. It shows that most of the farmers showing interest to supply agricultural/commercial crops to their commission agents, rest of the respondents i.e. only 2% are not getting crops from farmers. It means only 2% of the farmers are not having any interest to sell their crops to these commission agent which is very less and negligible.

**Table 10 Purchase Products in**

Particulars	No. of respondents	Percentage %
Quintals	72	72%
Tones	20	20%
Kgs	8	8%
Total	100	100

Chart 10



Source: Primary Data

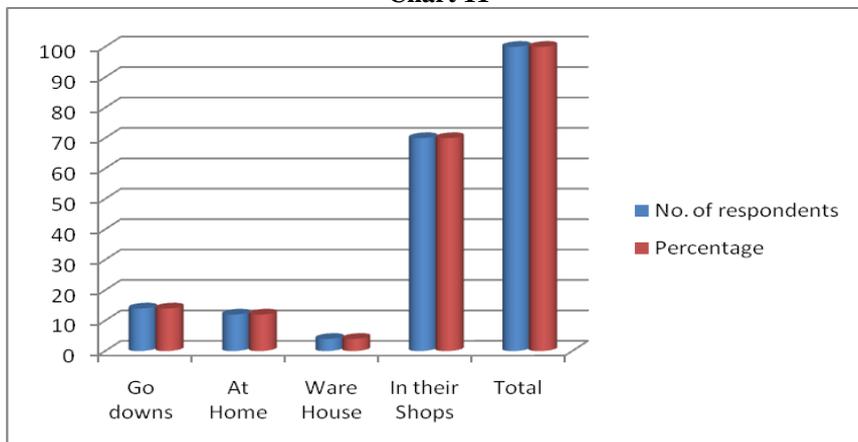
**Interpretation:**

The above 100% commission agents shops where surveyed of them 72% of Commission agents purchase in quintals and 20% tones and remaining 8% of the total respondents purchase products in Kgs.

Table 11 Storage of goods

Particulars	No. of respondents	Percentage
Go downs	14	14
At Home	12	12
Ware House	04	04
In their Shops	70	70
Total	100	100

Chart 11



Source: Primary Data

**Interpretation:**

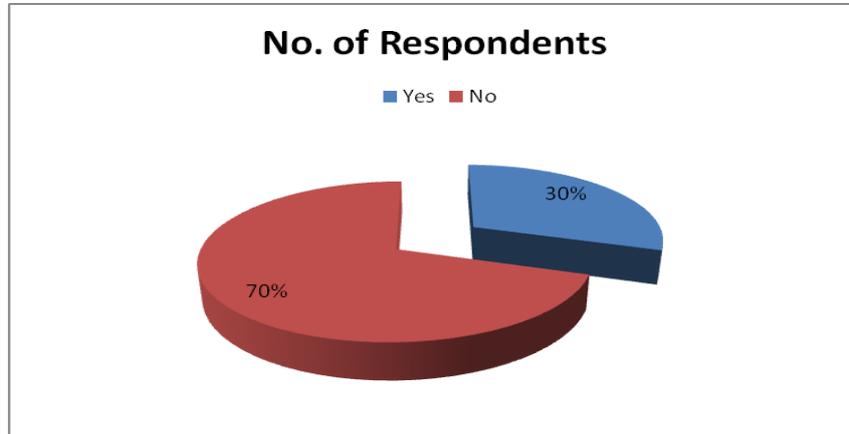
The above chart shows that 70% of the respondents, i.e .commission agents store their goods in their shops, 14% of the respondents store it in Godowns, and 12% of the respondents store at their houses, remaining 4% respondents stores the goods in warehouses.

Table 12

**Government Facilities**

Particulars	No. of Respondents	Percentage %
Yes	30	30
No	70	70
Total	100	100

**Chart-12**



Source: Primary Data

**Interpretation:**

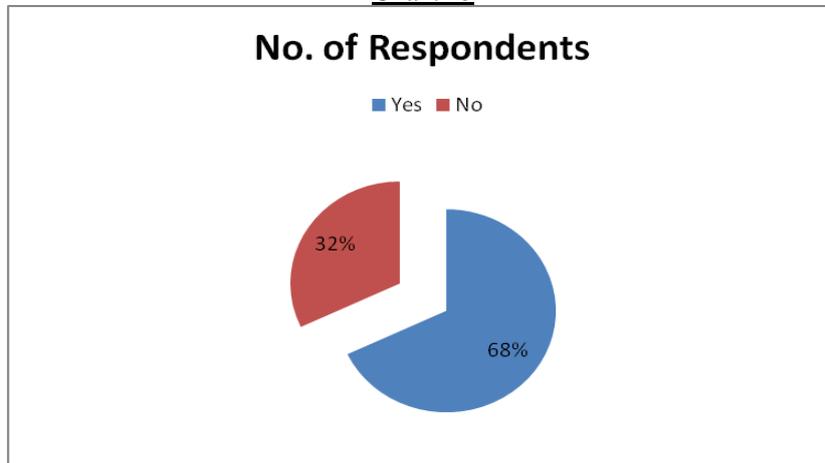
The above chart shows that out of 100 respondents i.e. Commission agents, 70% Commission agents not getting any facility from Government, and remaining 30% of the total respondents i.e. commission agents getting facility from government.

**Table 13**

**Providing Travelling Charges**

Particulars	No. of Respondents	Percentage %
Yes	68	68
No	32	32
Total	100	100

**Chart 13**



Source: Primary Data

**Interpretation:**

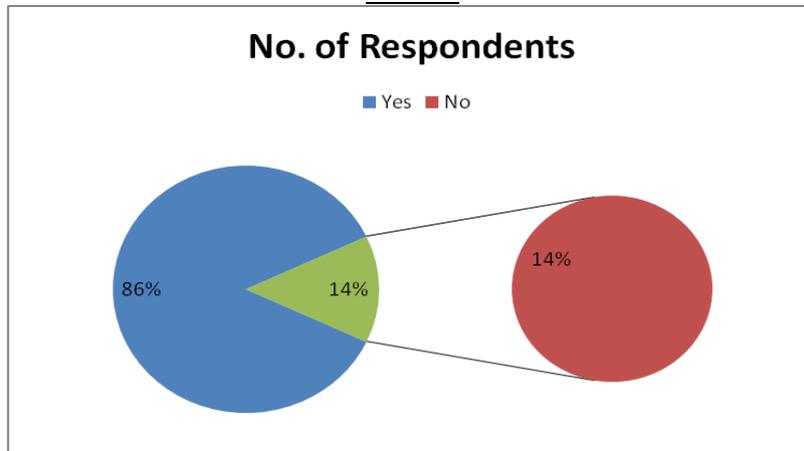
The above chart shows that 68% of the Commission agents out of total 100 respondents are providing travelling charges to farmers and 32% of the commission agents not providing any travelling charges to the farmers.

**Table 14**

**Providing Other Helps**

Particulars	No. of Respondents	Percentage %
Yes	86	86
No	14	14
Total	100	100

Chart 14



Source: Primary Data

**Interpretation:**

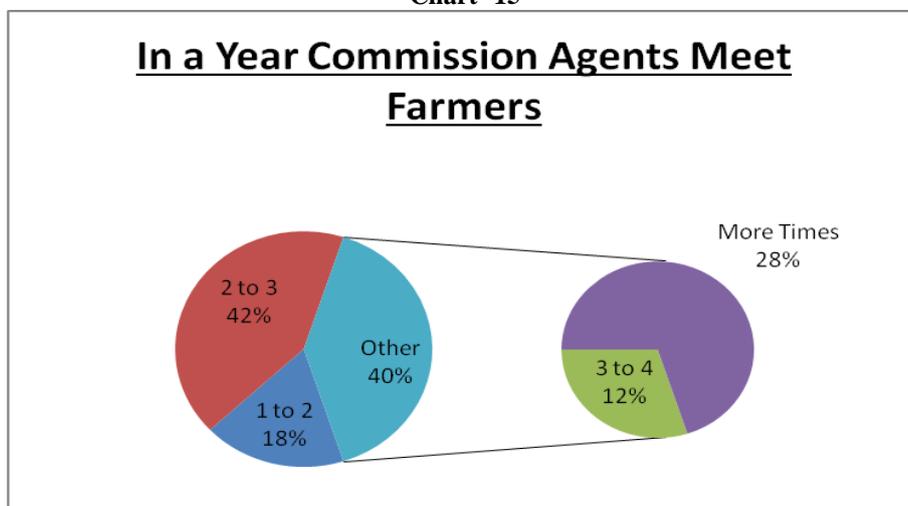
The above chart shows that out of 100 Commission agents, 86% of the commission agents are benevolent other helps like providing fertilizers, pesticides etc. 14% of the commission agents are not providing any type of help to the farmers.

Table 15

**In a Year Commission Agents Meet Farmers**

Particulars	No. of Respondents	Percentage %
1 to 2	18	18
2 to 3	42	42
3 to 4	12	12
More Times	28	28
Total	100	100

Chart- 15



Source: Primary Data

The above chart shows that out of the total 100 respondents 42 % of the respondents i.e. Commission Agents meet farmers in a year 2 to 3 times, 28 % of the total Commission agents meet more times in a year i.e.,

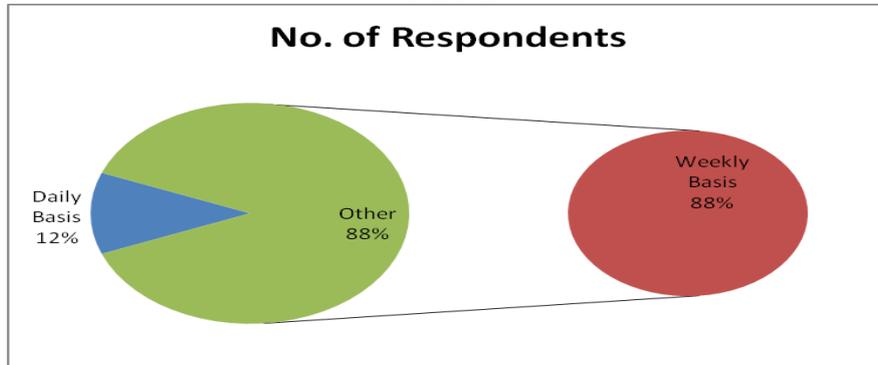
more than 4 times. 18% of the Commission agents meet their farmers in a year 1 to 2 times, and 12% of the total respondents meet their farmers in a year 3 to 4 times.

**Table 16**

**Buying Goods on Weekly Basis**

Particulars	No. of Respondents	Percentage %
Daily Basis	12	12
Weekly Basis	88	88
Total	100	100

**Chart 16**



Source: Primary Data

**Interpretation:**

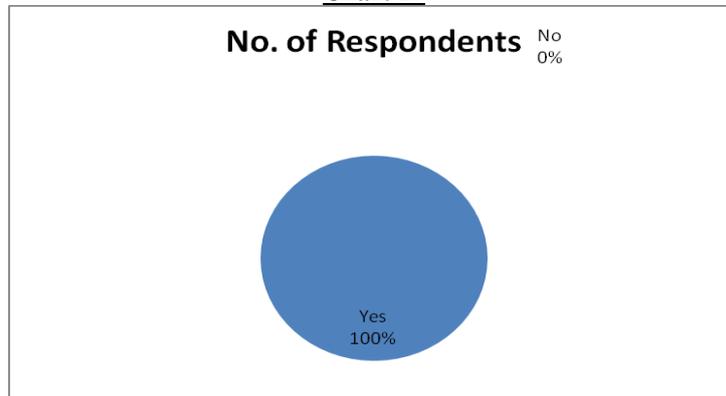
The above 100 chart shows that out of total respondents 88 % of the Commission agents purchase products on weekly basis and remaining 12% of the total respondents buy products on daily basis.

**Table 17**

**Having Committees**

Particulars	No. of Respondents	Percentage %
Yes	100	100
No	0	0
Total	100	100

**Chart 17**



Source: Primary Data

**Interpretation:**

The above chart shows that, out of total 100 respondents, almost all i.e.100percentage said that they have committees for Commission Agents.

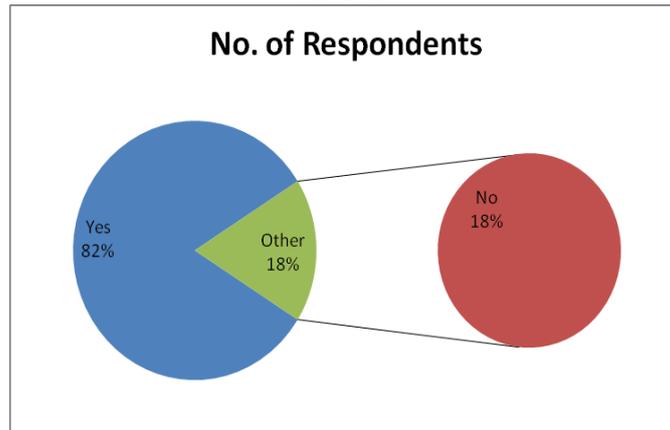
**Table 18**

**Rectifies Problems Related to Commission Agents**

Particulars	No. of Respondents	Percentage %
Yes	82	82
No	18	18

Total	100	100
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Chart 18



Source: Primary Data

**Interpretation:**

The above chart shows that out of total respondents i.e. commission agents 82% of the respondents said that their committees redress their problems, remaining 18% of the respondents said that their committees will not settle their problems.

**V. CONCLUSION**

In Dharur Mandal commission agents are playing important role in protecting interests of the farmers. Commission agents are providing transport facility, warehouse/storage facility, they are only facing the problems with laborers. Not only the above said facilities, rather they are giving assistance in relation to fertilizers and pesticides also. It shows that Commission agents in Dharur Mandal are totally different from other segment commission agents. Because, farmers are showing interest only to sell their products to these Commission agents only.

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