



Marketing of Agricultural Commodities – An Indian Profile

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Abstract

Strengthening of agriculture is critical for facing the challenges of rural poverty, food insecurity, unemployment and sustainability of natural resources in India. In views of many economists, there is a great need to redefine agriculture as the science and practice of activities relating to cultivation, production, processing, marketing, distribution, utilization and trade of agricultural products which implies that agricultural development strategy must address not only farmers but also those in marketing, trade, processing and agri-business. In this context, efficient marketing is added an importance to the Indian agriculture. Agricultural Marketing is a process which starts with a decision to produce a profitable farm product and involves all aspects of market structure or system, both functional and institutional, based on technical and economic consideration. Agriculture sector needs structured and functional markets, preferably in vicinity of farmers, to drive growth, employment, remunerative price and economic prosperity in rural areas of the country. Enabling mechanism were also required to be put in place for procurement of agricultural commodities directly from farmers' field and to establish effective linkages between the farm production, the retail chain and food processing industries. Agriculture being a state subject, a Model APMC Act was formulated and circulated to the States/UTs in the year 2003 for adoption. The Model Act provides for contract farming, direct marketing, setting up markets in private and cooperative sector, e-trading, single point levy of market fee, single registration of market functionaries, farmer-consumer market etc. Agricultural marketing have many major implications those act as hindrances for the development of agriculture and farming community.

Keywords: Agriculture, marketing, rural market, commodities, farming community

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Introduction

India is basically an agrarian society where sole dependence has been on agriculture since time immemorial. In the olden days, the agricultural produce was fundamentally bartered by nature where farmers exchanged goods for goods and also against services (Acharya and Agrawal, 1999). Gradually the scenario changed with the changing times and agriculture produce began being sold with an element of commercial value. Trading of agriculture produce began for exchange of money. And from trading to marketing of agricultural produce began

although mostly it is a way of traditional selling. The marketing as a term is broader than traditional trading and agricultural marketing as a concept is still evolving in Indian society. In India, there are networks of cooperatives at the local, regional, state and national levels that assist in agricultural marketing. The commodities that are mostly handled are food grains, jute, cotton, sugar, milk and areca nuts. Currently large enterprises, such as cooperative Indian sugar factories, spinning mills, and solvent extraction plants mostly handle their own marketing operations independently.

Medium and small sized enterprises, such as rice mills, oil mills, cotton ginning and pressing units, and jute baling units, mostly are affiliated with cooperative marketing societies.

Concept of Agricultural marketing

Marketing is as critical to better performance in agriculture as farming itself (Saxena, 2004). Therefore, market reform must to be an integral part of any policy for Agricultural Development (Acharya and Agrawal, 1999). The term agricultural marketing is composed of two words-agriculture and marketing. Agriculture, in the broadest sense, means activities aimed at the use of natural resources for human welfare, *i.e.*, it includes all the primary activities of production. Marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption (Chapman, 1973).

Agricultural marketing involves essentially the buying and selling of agricultural produces. This definition of agricultural marketing may be accepted in olden days, when the village economy was more or less self-sufficient, when the marketing of agricultural produce presented no difficulty, as the farmer sold his produce directly to the consumer on a cash or barter basis. But, in modern times, marketing of agricultural produce has to undergo a series of transfers or exchanges from one hand to another before finally reaches the consumer. Agricultural marketing system is defined in broadest terms, as physical and institutional set up to perform all activities involved in the flow of products and services from the point of initial agricultural production until they are in the hands of ultimate consumers. This includes assembling, handling, storage, transport, processing, wholesaling, retailing and export of agricultural commodities as well as accompanying supporting services such as market information, establishment of grades and standards, commodity trade, financing and price risk management and the institutions involved in

performing the above functions (Anon., 2006). According to Khol's, marketing is the performance of all business activities involved in the flow of goods and services from the point of initial agricultural production until they are in the hands of the ultimate consumer (Saxena, 2004). The National Commission on Agriculture defined agricultural marketing as a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure of system, both functional and institutional, based on technical and economic considerations and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution.

The Indian council of Agricultural Research defined involvement of three important functions, namely (a) assembling (concentration) (b) preparation for consumption (processing) and (c) distribution. Agricultural markets are special types of markets that have special characteristics that differ from other markets. These are mainly due to factors affecting supply of agricultural products, and the situation of producers in this business. First of all the agricultural market is very competitive because the producers are all very small and large in number. Therefore, they don't have a great influence on the price of their products. Agricultural producers are what are known as price takers, producers that have little or no influence on the price of their output.

Agricultural marketing can be defined as the commercial function involved in transferring agricultural products consisting of farm, horticultural and other allied products from producer to consumer. Agricultural marketing also reflect another dimension from supply of produce from rural to rural and rural to urban and from rural to industrial consumers. In the olden days selling of agricultural produce was easy as it was direct between the producer to the consumer either for money or for barter. In brief, it was selling not marketing. In the modern

world it became challenging with the latest technologies and involvement of middlemen, commission agents who keep their margins and move the produce further. As it is well known more the number of mediatory more will be the costs as each transaction incurs expenses and invites profits. Ultimately when it comes to the producer the cost of the produce goes up steep. In the entire process of marketing the producer gets the lowest price and the ultimate consumer pays the highest as the involvement of more middlemen in the entire distribution process. Thus agricultural marketing is a system which has time and space dimension, there forms a part of geographical study. There are several complexities involved in agricultural marketing as agricultural produce involves element of risk like perish ability and it again depends on the type of produce. If the agriculture produce happens to be a seasonal one it involves another kind of risk. Likewise, there is several risk elements involved in agricultural marketing. The pricing of the produce depends on factors like seasonality and perish ability and it depends on the demand and supply also. And all these are interwoven and ultimately make a deep impact on agricultural marketing.

In the case of agricultural marketing in India it is not exactly the marketing in the literal sense and we can call it as ‘distributive handling’ of agricultural produce as there are number of intermediaries who are involved in marketing the agricultural produce. However with the liberalization, privatization and globalization the economic scenario in India has changed drastically and tremendously. As a result we have noticed the changes in the ‘distributive handling’ and again it reinvented and evolved as agricultural marketing. It is basically because of the rise of retail giants who are the major buyers in bulk quantity and who constantly look for differentiated, graded, standardized, processed and packaged products rather than differentiated ones. They also look

for qualitative and quantitative supply of agricultural stocks continuously to beat the competition in the retail sector.

What is agricultural marketing?

The National Commission on Agriculture defined agricultural marketing as a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure of system, both functional and institutional, based on technical and economic considerations and includes pre and post- harvest operations, assembling, grading, storage, transportation and distribution. The Indian council of Agricultural Research defined involvement of three important functions, namely (a) assembling (concentration) (b) preparation for consumption (processing) and (c) distribution. Agricultural marketing can be defined as the commercial functions involved in transferring agricultural products consisting of farm, horticultural and other allied products from producer to consumer. Agricultural marketing also reflect another dimension from supply of produce from rural to rural and rural to urban and from rural to industrial consumers.

Agricultural Marketing in India

There are several challenges involved in marketing of agricultural produce. There is limited access to the market information, literacy level among the farmers is low, multiple channels of distribution that eats away the pockets of both farmers and consumers. The government funding of farmers is still at nascent stage and most of the small farmers still depend on the local moneylenders who are leeches and charge high rate of interest. There are too many vultures that eat away the benefits that the farmers are supposed to get. Although we say that technology have improved but it has not gone to the rural levels as it is confined to urban areas alone. There are several loopholes in the present legislation and there is no organized and regulated marketing system for marketing the

agricultural produce. The farmers have to face so many hardships and have to overcome several hurdles to get fair and just price for their sweat.

Status and Major Issues of Agricultural Marketing

Prior to independence, farmers, while selling their produce to traders, suffered from faulty weighing and manipulation of accounts. Farmers who did not have the required information on prices prevailing in markets were often forced to sell at low prices. They also did not have proper storage facilities to keep back their produce for selling later at a better price. Even today, more than 10 per cent of goods produced in farms are wasted due to lack of storage. Therefore, state intervention became necessary to regulate the activities of the private traders.

Let us discuss four such measures that were initiated to improve the marketing aspect. The first step was regulation of markets to create orderly and transparent marketing conditions. By and large, this policy benefited farmers as well as consumers. However, there is still a need to develop about 27,000 rural periodic markets as regulated market places to realize the full potential of rural markets. Second component is provision of physical infrastructure facilities like roads, railways, warehouses, godowns, cold storages and processing units.

The current infrastructure facilities are quite inadequate to meet the growing demand and need to be improved. Cooperative marketing, in realizing fair prices for farmers' products, is the third aspect of government initiative. The success of milk cooperatives in transforming the social and economic landscape of Gujarat and some other parts of the country is testimony to the role of cooperatives. However cooperatives have received a setback during the recent past due to inadequate coverage of farmer members, lack of appropriate link between marketing and processing cooperatives and inefficient financial management. The fourth

element is the policy instruments like (i) assurance of minimum support prices (MSP) for agricultural products, (ii) maintenance of buffer stocks of wheat and rice by Food Corporation of India and (iii) distribution of food grains and sugar through PDS. These instruments are aimed at protecting the income of the farmers and providing food grains at a subsidized rate to the poor. However, despite government intervention, private trade (by moneylenders, rural political elites, big merchants and rich farmers) predominates agricultural markets. The need for government intervention is imminent particularly when a large share of agricultural products, is handled by private player.

Status of Agricultural Marketing Infrastructure

Markets may be classified on the basis of various criteria.

Rural Primary Markets: Periodic markets or Haats and Fairs (Melas) are the major rural markets in India. Rural Primary Markets include mainly the periodical markets known as haats, baazaar, sannies, painths and fairs which are estimated to more than 21,000 to a maximum of 47,000 in the country. In spite of the development of permanent shops, these play an important role in the rural economy. They are the oldest trading institutions in existence. These markets provide an opportunity not only to purchase consumer goods but also to sell surplus agriculture and allied produce. The producers sell their produce directly to the consumers or to small rural retailers. The goods traded are generally of inferior quality and the volumes are low. These markets are largely unregulated and are generally held once in a week (Patnaik, 2008). These are located in rural and interior areas and serve as focal points to a great majority of the farmers – mostly small and marginal for marketing their farm produce and for purchase of their consumption needs.

These markets, which also function as collection centres for adjoining secondary markets, are devoid of most of the basic needed marketing facilities. The commodities collected in these markets find their way to the wholesale assembling markets in the process of movement to consumers. Despite substantial revenue collection through annual auctions or through collection of fee from the participants, little effort has been made to provide the necessary infrastructure or to develop the haat or the rural market. This is the first point of contact for the rural producer-seller for encashing his agricultural income. The small farmer, with limited surplus, does not find it economic to go to wholesale assembling markets located at distant places. They are not equipped with basic facilities like platforms for sale or auction, electricity, drinking water, facilities for grading, sorting, traders' premises etc. The participants generally sit in the open air, thus exposing themselves and their products to heat, dust, rain, cold, etc. This in turn shortens the shelf life of their agri-produce and renders other food items unhygienic and unsafe for human consumption.

Owing to these shortcomings, the potential buyers/traders do not operate in these markets and the producers do not get competitive prices for the sale of their produce. The infrastructure facilities that need to be provided in the haats include raised platforms for display of goods, temporary covered structures, adequate storage facilities, public conveniences, drinking water, electricity, etc. Provision of rural infrastructure at a level that will allow the development of a strong and productive agricultural sector is sine-qua-non for development of agrarian economy. In rural and tribal areas, a weekly market is the first link in the marketing channel for a small/marginal and tribal farmers and the price they receive at this market constitute their cash income. It is estimated that 90 percent of the total marketable surplus in the remote areas is sold through these

markets. Improving efficiency of this grass root level market outlets will facilitate proper price formation, minimize costs and pave way for introduction of innovations. A weekly haat is also a place where majority of the population buy their daily necessities such as soap, shoes, clothes, utensils, and agricultural inputs. Social information is exchanged in these markets along with settlement of marriages. Number of studies has shown that the efficiency of rural markets is poor due to number of problems, such as the high degree of congestion at market yards, less number of traders and non-availability of supporting services. This, in turn, affects the market turnover (Gupta, 1975).

The efficiency of rural assembly markets, as a link in the marketing chain have positive impact on types of crops to be grown and resource allocation by agricultural producers. Normally the programmes designed for development of Rural Primary Markets (RPMs) especially tribal markets emphasize increase in agricultural production assuming that increase in production will automatically increase their incomes. Experience has shown that increase in production may be a necessary condition, but certainly not a sufficient condition to increase farmers' income. As the tribal development envisages improving the quality of life and level of living standards by increasing their income, improvement in market outlets constitutes its integral part. Yet, very little efforts have been made by the government agencies/market authorities to develop rural tribal markets/weekly haats/shandies. A programme designed to increase tribal's income and purchasing power through a competitive market network is a much more forceful tool for direct attack on poverty alleviation (Anon. 2006).

A well planned and efficiently operated market is the nucleus of rural growth center in rural and tribal areas. Farmers wish that their produce, once brought to the haat is sold quickly

at higher price with the minimum market charges, without any malpractices in trading. With requisite technical support, weekly Haats and Shandies can also be used for effective credit delivery, input marketing, procurement and other socioeconomic activities. By bringing such services to the rural and tribal haats, rather than waiting for the people to come, much more effective services can be provided. Under the changed economic environment, rural and tribal markets can be a financially self supporting unit and a source of income to finance for further developmental infrastructure. Rural Primary Markets play a very vital role in marketing of produce, particularly of small and marginal farmers including landless labourers. Rich farmers with higher surpluses generally take their produce to nearby wholesale assembling markets. At times, they purchase surpluses from other small farmers and carry the same along with their produce to the assembling markets for disposal. The small cultivators with limited surplus find it uneconomical to go to wholesale assembling markets located at long distances from their villages. Very little efforts have been made so far by the government agencies/market authorities to develop the rural primary markets.

Secondary (Assembly) Markets:

Whereas the primary markets cater to the local demand, the secondary markets cater to the distant demand. These markets attract potential buyers/traders who assemble the produce and consolidate a truck load for sales in the city wholesale market. These operations are also primarily carried out in an informal manner. In this system, some traders/transporters establish collection centres in a production area, where farmers bring their produce, which is transported, in truckloads to a city market. The infrastructure available in these markets is generally poor and suffers from the same handicaps as do primary markets (Patnaik, 2008).

The Wholesale/Assembling Markets or the secondary markets constitute the cardinal link in the market structure of the country. Although better organized than the rural primary markets, these markets present divergent picture with regard to facilities offered and services provided. Most of these are located in the district and taluk headquarters, important trade centres and nearby railway stations and perform assembling and distribution functions. In most of these markets, a large number of commodities is traded. Specialized single commodity markets are not many except few markets for cotton, jute, oilseeds, fruits and vegetables. The layout of most of the secondary markets is inconvenient and unsatisfactory.

The business is conducted according to market practices established by age old customs or as per the regulations of APMC wherever regulated. These markets play an important role in determining the prices of agricultural produce assembled there and as such have a governing impact on terms of trade between agriculture vs. other sectors of economy. The users of these markets (buyers or sellers) have to pay fee to the managers of the market places. Facilities in the places vary extensively. Nearly 2/3rd of market yards and sub yards were laid out initially on vast land area with such facilities as auction platforms, shops, godowns, rest houses and parking land. However, studies have shown that facilities available in these yards are considerably short of the requirements and also most of them have become congested.

Wholesale Markets: These markets provide a convenient point for gathering large amounts of produce from different sources and for its division into small assortments to meet the needs of the retailers in the country. The procurement of agri-produce by various government agencies also takes place through these markets. The volumes handled in these markets are much larger. These markets, therefore, require not only an elaborate physical

infrastructure but also some kind of regulation to protect the interest of both the producer and the consumer. Most wholesale markets are covered under the Agriculture Produce Marketing Committee Acts and are also called regulated markets. In major cities like Delhi, Kolkata, Bangalore, etc., these markets perform dual function; transit market for supplies to the hinterland and distant markets and terminal market for supplies to the retailers for local consumption.

The primary wholesale markets are located in important towns near the centres of production. The producer-farmers bring the major part of the produce for sale themselves in these markets. The secondary wholesale markets are generally located in district headquarters or important trade centres. The bulk of the arrivals in these markets are from other markets. Major transactions take place between village level commission agents and wholesalers. In the terminal markets, the produce is either finally disposed of to consumers or processors or is assembled for dispatch to distant markets and also for exports. In view of their importance in the marketing of agri-produce in the country, the Government has taken the mantle upon itself to provide the requisite infrastructure and other facilities in these markets.

Terminal Markets: Terminal markets which have become an important feature in developed countries, is expected to gain ground in India. The Safal complex of NDDDB is one such format, located at Bangalore. They are expected to be located nearer to big cities and terminal points providing the final link in the market structure. The sellers are usually the traders and not the growers in these markets unlike the primary and secondary markets. The terminal market concept promoted in India is expected to link the farmers to these markets directly through collection centres. Government of India has announced to set up eight terminal market complexes for perishables at Nagpur,

Nashik, Bhopal, Kolkatta, Patna, Rai, Chandigarh and Mumbai during 2006-07. The proposed terminal market complex will be in “hub and spoke” format, with terminal market as “hub” and collection centres near to the production areas as “spoke”. The terminal markets provide multiple options to farmers for disposal of produce. Such markets are expected to reduce post harvest losses and increase farmers’ realization.

Retail Markets: Retail markets are an assembly of retail shops centralized and located at a specific place or in a building constructed for the purpose. Retail markets handling food items are the most active elements in the food distribution chain, particularly low and middle income consumers. They serve the needs of inhabitants in a particular locality. Directly serving the common man, they constitute last links in the marketing chain. Millions of retailers are involved in the task of providing food items through retail markets to the consumers in the country. The “MOM and POP” stores are popular in the country as they provide food produce at the next door of the consumer. In recent times, there is tremendous interest in setting up of retail chains for food items including fresh produce. Number of private corporate is jumping into this area and it is expected to revolutionize the system of handling of agricultural produce.

Live Stock Markets: India is world’s largest milk producer and is the fifth largest country in egg production. The Dairy sector has a potential to employ 4.2 crore of people. The poultry industry is showing growth rate of 15 percent per annum consistently. Meat production in the country is rising and has reached a level of 5.69 million tonnes per annum. As a component of the agricultural economy, the livestock sector may become the most significant component in the days to come. The production of livestock products is through an extensive, multi-location system which keeps million of farmers occupied,

but limits the productivity to meet only the domestic demand and enable sale of the surplus to the nearby market at the earliest as they are perishable and cannot be kept long without cooling facilities. Marketing of cattle is a big business for the farmers and animal dealers. There are more than 1300 livestock markets in 11 States. These markets are generally held in open space in melas/haats. Amenities and facilities available in these haats are far from satisfactory. Most of these markets are under APMCs. However, the trade practices of livestock markets are not yet fully regulated in most of the States.

A study conducted in Haryana reveals that from 280 cattle fairs organized by Panchayat Samities or Zila Parishads, an annual income of Rs 130 lakhs is earned by the State Government. In these markets, livestock are either purchased or exchanged mainly consisting of draught animals such as bullocks, calves and camels. The market charges levied per animal are 4 percent of the sale price and are collected as registration fee from the buyer. Beside this, a fee of Rs 2 to 5 per animal is charged from the seller. In addition to this, a fee @ Rs 15-25 for issuing license to a broker is charged and a toll tax of Rs 5 per animal is charged for a 91 animal transport vehicle. So far as the amount of expenditure by the cattle fair authorities is concerned, generally the organizing authority is permitted to incur an expenditure equivalent to 10 to 20 percent of the total revenue accrued to the government. It is evident that there is high incident of market charges without providing proper infrastructural facilities and services in the livestock markets.

Livestock markets need to have adequate facilities for animals and men (water, shelter etc.) and should provide veterinary support too. The transactions need to be undertaken in a fair/transparent manner. This requires stringent guidelines on: - Animal welfare, Design of the proper auction/sale methods (registration of the

intermediaries must be compulsory), procedure of identification of the animal and availability of veterinary certificate for the same.

Agri Export Zones (AeZs)

The importance of agri export zones can hardly be over emphasized.⁴⁵ Already 60 AEZs have been notified in different states for specific commodities including basmati rice, fruits, vegetables, flowers, spices, wheat, vanilla, tea, coriander, cumin, sesame seed, cashewnuts and potato. The estimated investment varies from Rs 3.5 crore to Rs 212.65 crore which will be shared by the centre, state governments and private entrepreneurs in varying proportions. The present approach of diffused operation of the AEZs should be reviewed and provide for convergence of fund flow of various schemes, farmers can benefit from AEZs only if they organize into groups and are linked with players in AEZs directly or through contract farming arrangements. During the last six years, AEZs could not attract targeted private investment mainly due to lack of public investment and diffused definition of AEZs (whole district is defined as AEZ).

Reforms to be needed

The agriculture sector needs well-functioning markets to drive growth, employment and economic prosperity in rural areas of India. In order to provide dynamism and efficiency into the marketing system, large investments are required for the development of post-harvest and cold-chain infrastructure nearer to the farmers' field. A major portion of this investment is expected from the private sector, for which an appropriate regulatory and policy environment is necessary. Also, enabling policies need to be put in place to encourage the procurement of agricultural commodities directly from farmers' fields and to establish effective linkage between the farm production and the retail chain and food processing industries. Accordingly, the state governments

were requested to suitably amend their respective APMC Acts for deregulation of the marketing system in India, to promote investment in marketing infrastructure, thereby motivating the corporate sector to undertake direct marketing and to facilitate a national integrated market.

Terminal Markets

The Department has recently taken the initiative to promote modern terminal markets for fruits, vegetables and other perishables in important urban centres in India. These markets would provide state-of-the art infrastructure facilities for electronic auction, cold chain and logistics and operate through primary collection centres conveniently located in producing areas to allow easy access to farmers. The terminal markets are envisaged to operate on a „hub-and-spoke“ format, wherein the terminal market (the hub) would be linked to a number of collection centres (the spokes). The terminal markets would be built, owned and operated by a corporate/private/co-operative entity, either by itself, or through the adoption of an outsourcing model. The enterprise could be a consortium of entrepreneurs from agri-business, cold chain, logistics, warehousing, agri-infrastructure and/or related background. The enterprise would charge a user charge for the services provided. The total financial outlay for implementation of the above component during the Tenth Plan Period is Rs 150 crore. The proposed expenditure will be met from the budget outlay of the National Horticulture Mission. The operational guidelines of the scheme have been circulated to the state governments, which have amended their respective APMC Acts to allow the setting up of markets in the private sector.

Organizations dealing with agricultural marketing

The Department of Agriculture and Cooperation has three organizations dealing with marketing under its administrative control,

namely, the Directorate of Marketing and Inspection (DMI), Faridabad; the Ch. Charan Singh National Institute of Agricultural Marketing (NIAM), Jaipur; and the Small Farmers Agri-Business Consortium (SFAC), New Delhi.

Grading and Standardization

The Agricultural Produce (Grading and Marking) Act, 1937 empowers the central government to fix quality standards, known as “AGMARK” standards, and, to prescribe terms and conditions for using the seal of AGMARK. So far, grade standards have been notified for 181 agricultural and allied commodities. The purity standards under the provision of the PFA Act and the Bureau of Indian Standards (BIS) Act, 1986, are invariably taken into consideration while framing the grade standards. International standards framed by Codex/International Standards Organization (ISO) are also considered so that Indian produce can compete in international markets.

Marketing Extension

AGMARK quality control programmes as well as improvements in marketing practices and procedures are given wide publicity through mass media. The information is disseminated through documentaries, cinema slides, printed literature, exhibitions, conferences, seminars and workshops. Agricultural Marketing, a quarterly bi-lingual journal, is also published regularly.

Marketing Research and Information Network

This is a central sector scheme that was launched by the Department of Agriculture and Cooperation in March, 2000. The scheme aims at progressively linking important agricultural produce markets spread all over India and the State Agriculture Marketing Boards/Directorates and the DMI for effective exchange of market information. The market information network, AGMARKNET is being implemented jointly by DMI and NIC, using NICNET facilities

available throughout the country. The objective of the scheme is to facilitate collection and dissemination of information for better price realization. The scheme provides funds to state- and national-level institutions managing the markets and executing market-led extension activities and thus, has no separate gender-specific provisions under the scheme. The portal covers market, price, infrastructure and promotion-related information for efficient marketing.

Agricultural marketing infrastructure, grading and standardization

The scheme for the development/strengthening of agricultural marketing infrastructure, grading and standardization was launched on 20 October 2004. Under this scheme, a credit-linked investment subsidy is being provided on the capital cost of general or commodity-specific marketing infrastructure for agricultural commodities and for strengthening and modernization of existing agricultural wholesale markets, and rural or periodic markets in tribal areas. The scheme covers all agricultural and allied sectors including dairy, poultry, fishery, livestock and minor forest produce. The scheme is reform linked and is being implemented in those states/UTs that permit the setting up of agricultural markets in the private and cooperative sector and allow direct marketing and contract farming.

Role of farmers in agricultural marketing

Direct marketing of the agricultural produce is the need of the hour. Efforts may be made to provide facilities for lifting the entire stock that farmers are willing to sell with incentive price. There should be provision for storing the stocks such as godowns and warehouses. It helps the farmers to hold the stocks till the prices are stabilized. Usually immediately just after the harvest the prices would be low and if the farmers are patient in

holding the same for some time it would fetch better prices. The brokers play the games during the trading of the agricultural stocks which the farmers do not know and realize because of improper information about the market prices. The brokers without any investment and with their negotiation skills transfer stocks by buying at low prices and selling at higher prices to the other end. The farmers need to be educated in this regard. There should be all-round rationalization and standardization of the prices through legislative means. Presently there is vast gap between the marketing strategies of agricultural produce in India and abroad and the same needs to be bridge. Remove the various malpractices prevalent in the present system. There is need to set up marketing committees which has the representation of growers, merchants, local bodies, traders and nominees from the govt. There should be collective and integrative efforts and energies from all quarters for ensuring just and price for farmers.

Need for agriculture market information system

Principles of Marketing has stated that information is one key to increase marketing success for everyone. A market information system is an important tool used by modern management to aid in problem solving and decision making. Market Information System is a process of gathering, processing, storing and using information to make better marketing decisions and to improve marketing exchange. Subrahmanyam and Mruthyunjaya (1978) based on their study on marketing of fruits and vegetables in Bangalore suggested for proper dissemination of market intelligence and information through all possible means of communication, for improving the marketing efficiency of fruits and vegetables. In his conceptual analysis of Management Information System (MIS) and Management Science opined that though computers have of course a role to play in MIS, all computerized systems do not

necessarily mean MIS or does MIS necessarily imply computerized processing of data to create information, reported that the growers received low prices in Bangladesh because of lack of market information which resulted in wide inter-market price variation.

Around 53% of the land has been brought under irrigation with areas of Punjab, Haryana giving very high per hectare yield. Over the years, due to growing industrialization and overall growth of tertiary sector, share of Agriculture has shown a little declining trend. But, it still continues to be the primary occupation in spite of numerous problems like High dependency on irregular Monsoon, lack of irrigation facilities and growing facilities.

Activities Related to Agricultural Marketing

Agricultural marketing mainly focused on some things, which are the major pillar of the agricultural marketing. They are explain in the following table.

1. Grading: It helps the producer and seller to determine the price.

- It reduces the cost of marketing and helps the consumers to get standard potato at fair price.
- It facilitates the scope to widen the avenue for potato export.
- It has a direct influence on utilization point of view, as the small to medium sized tubers are prepared for “seed tubers” and large sized tubers for processing Purpose.

2. Packaging: Handling and packaging of crop is done on farm, not in pack houses as commonly practiced in fruits and other vegetables. After harvesting, the tubers are kept in a heaped temporarily and covered with straw. After few days, sorting is done by separating the diseased and cut tubers, which are further packed in hessian cloth bags or netlon bags.

3. Storage: The practice of storage helps to stabilize the prices in the market. Storing crops for longer period in normal temperature is not possible as it is a living material and through respiration, the changes occurs due to heat, resulting in loss of dry matter and ultimate deterioration of quality of crops.

4. Assembling: Assembling is the first step in marketing of farm produce. It involves collection of small surpluses from number of small farms scattered over large areas and bulking the same for subsequent distribution in volume.

Functions of MandiSamiti/Regulated Market

The market committee shall also be responsible for:

- The supply of all such information which the Director or any other Officer not below the rank of Senior Agricultural Marketing Inspector authorized by the State government in this behalf may require;
- The maintenance of proper checks on all receipts and payments by its officers and servants;
- The proper execution of all works chargeable to the market committee fund;
- Keeping a minute book of its proceedings;
- Maintaining an account for each cart, truck, consignment or load brought into the market yards; Maintaining a register of fees collected;
- Taking security from its officers & servants;
- Providing persons authorized to collect fees, a cash box and counterfoil receipts books;

- Keeping accounts in such forms as may be specified in its bye-laws;
- Regulating expenditure according to budget;
- Preparing and adopting budget for the ensuing agricultural year;
- Arranging for temporary storage or stocking of the specified agricultural produce;
- Arranging for temporary storage or stocking of the specified agricultural produce;

Methods of Sale

The marketing of agricultural produce is generally transacted in one of the following ways.

- **Under Cover or The Hatta System:** The sale is affected by twisting or clasping the fingers of the sellers' agent under cover of a cloth. The cultivator is not taken into confidence until the final bid is cleared.
- **Open Auction System:** The agent invites bids for the produce and to the highest bidder the produce is sold.
- **Dara System:** The system is to keep the heaps of grains of different quantities and sell them at fiat rates without indulging in weightment etc.
- **Moghum Sale:** Sale is based on the verbal understanding between buyers and sellers and without

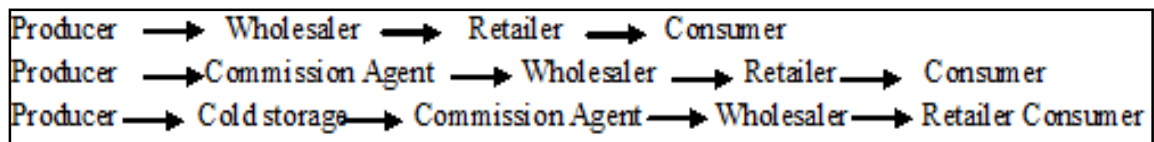
mentioning the rate as it is understood that the buyers will pay the prevailing rate.

- **Private Agreement:** The seller may invite offers for his produce and may sell to one who might have offered the highest price for the produce.
- **Government Purchase:** The government agencies lay down fixed prices for different qualities of agriculture commodities. The sale is affected after a gradual processing for gradation and proper weightment.
- **Marketing Agencies:** The various agencies engaged in the marketing of agricultural produce can be classified into two categories, viz., (i) government and quasi private agencies like the co-operative societies and (ii) private agencies.

Marketing Channels

Market channel is group of interrelated intermediaries who market the produce from the farmers to consumer, private and institutional channels are the important marketing channels in the movements or distribution major agricultural commodities.

(A) **Private:** Different private agencies namely village merchants, wholesalers, commission agents, processors, retailers are involved in potato marketing channels as follows:



(B) Institutional: Marketing of potato is complicated because it is a semi perishable and bulky commodity. It's marketing and export depends upon the type of end uses *i.e.* either for seed purpose or table purpose. Various institutions are involved in marketing and export of potato. National Agricultural Co-operative Marketing Federation (NAFED) and co-

operative societies are entrusted for procurement operations in domestic markets where as the Agricultural and Processed Food Export Development Authority (APEDA), Marketing Federation (MARKFED) of Punjab deals with potato export. The institutions involved in the potato marketing channels are as follows:



Emerging Alternate Marketing Channels

It has been realized that if farmers directly sell their produce to consumers, it increases their incomes. Some examples of these channels are *ApniMandi*(Punjab, Haryana and Rajasthan); *HadasparMandi*(Pune); *Rythu Bazars* (vegetable and fruit markets in Andhra Pradesh) and *UzhavarSandies*(farmers markets in Tamil Nadu). Further, several national and multinational fast food chains are increasingly entering into contracts/ alliances with farmers to encourage them to cultivate farm products (vegetables, fruits, etc.) of the desired quality by providing them with not only seeds and other inputs but also assured procurement of the produce at predecided prices. It is argued that such arrangements will help in reducing the price risks of farmers and would also expand the markets for farm products.

Marketing Institutions

Another important structural characteristic of market structure for agricultural commodities is the institutional infrastructure created/promoted by the government for improvement of marketing system. Depending on the objectives and role, the marketing institutions can be grouped into public sector organizations, cooperatives and other formal/informal bodies. Public sector organizations include Food Corporation of India (FCI); Cotton Corporation of India; Jute

Corporation of India; Commodity Boards; APEDA; STC; MPEDA; Commission for Agricultural Costs and Prices; Directorate of Marketing and Inspection; Departments of Food and Civil Supplies; State Agricultural Marketing Boards; Central and State Warehousing Corporations; and Agricultural Produce Market Committees. The role and functions of each of these differ and include policy formulation, implementation, supervision, facilitation and direct entry in the market.

Salient Features of Indian Agriculture

- **Subsistence Agriculture:** As mentioned earlier, most parts of India have subsistence agriculture. This type of agriculture has been practised in India for several hundreds of years and still prevails in a larger part of India in spite of the large scale change in agricultural practices after independence.
- **Pressure of population on Agriculture:** Despite increase in urbanization and industrialization, about 70% of population is still directly or indirectly dependent on agriculture.
- **Mechanization of farming:** Green Revolution took place in India in the late sixties and early seventies. After more than forty years of Green Revolution and revolution in agricultural machinery

and equipments, complete mechanization is still a distant dream

- **Dependence upon Monsoon:** Since independence, there has been a rapid expansion of irrigation infrastructure. Despite the large scale expansion, only about one third of total cropped area is irrigated today. As a consequence, two third of cropped areas is still dependent upon monsoon. As you know, monsoon in India is uncertain and unreliable. This has become even more unreliable due to change in climate.
- **Variety of Crops:** Can you guess why India has a variety of crops? As mentioned in the beginning of the lesson, India has diversity of topography, climate and soil. Since India has both tropical and temperate climate, crops of both the climate are found in India. There are very few countries in the world that have variety comparable to that of India. You would realize that when we would discuss the different type of crops in detail. Look at the table No.1 to get an idea.
- **Predominance of Food Crops:** Since Indian agriculture has to feed a large population, production of food crops is the first priority of the farmers almost everywhere in the country. However, in recent years, there has been a decline in the share of land used for food crops due to various other commercially most advantageous uses of this land.
- **Seasonal Patterns:** India has three distinct agricultural/cropping seasons. You might have heard about *kharif*, *rabi* and *zaid*. In India there are specific crops grown in these three seasons. For example rice is a *kharif* crop whereas wheat is a *rabi* crop.

Suggestions

- Indian industries should show greater enthusiasm in agri-businesses and be more active to market the country's farm produce.
- Agricultural growth, particularly in staple crops, is among the best routes for achieving these and other development goals in developing countries.
- The world's agriculture and food systems must become more productive, more resource-efficient, more resilient, and less wasteful.
- There are multiple technology choices and paths for agriculture. Those resources must be exploited.

Marketing Costs and Margins

Marketing Costs

- Marketing costs are the actual expenses required for bringing crop from farm gate to the consumers. It includes the following:
 - Handling charges at local points
 - Assembling charges
 - Transportation and storage costs
 - Handling charges by wholesaler's and retailer to consumers
 - Expenses on secondary services like financing, risk taking and market intelligence
- Profit margins taken out by different agencies.
 - Retailer
 - Consumer
 - Producer
 - State marketing
 - Agencies
 - NAFED
 - MARKFED
 - Export
 - Co-operative Societies

1. **Market Fee:** It is collected from buyers and not from sellers. The rates of market fees are determined by respective Agricultural Produce Market Committees in some states like Gujarat, Maharashtra, while in most of the states these are fixed for the entire state under the respective State Marketing Regulation Acts.
2. **Commission Charges:** In some regulated markets, the commission agent exists and they collect the charges.
3. **Market Charges:** These are the charges, which are incurred towards loading, unloading, weighing, brokerage, cleaning, etc. These charges are fixed by the market committee and vary from market to market. The operational charges starting from unloading, cleaning, preparation lot for sale and sometimes weighments are borne by farmers /sellers. From weighing, the subsequent operational charges are borne by the buyers/ traders. In case of some regulated markets, entry fee is charged for the vehicle.

Marketing Margins

The marketing margins of crop are the difference between the actual price paid by the consumer and the price received by farmer for an equivalent quantity and quality of crop. It may be explained in terms of price spread applied for a particular situation. Studies on marketing margins or price spread reveals that as the number of market functionaries increases, they add cost to the commodity in the marketing channel which results in the fall of producers show in consumer's rupee.

Alternative System of Marketing

Forward Trading: Forward trading means an agreement or a contract between seller and purchaser, for a certain kind and quantity of a commodity for making delivery at aspecified future time, at contracted price. It is a type of

trading, which provide protection against the price fluctuations of agricultural produce.

Benefits:

- Price risk management of an agricultural commodity e.g. potato.
- Facilitates production, and improve the quality of produce.
- Acts as a price barometer to farmers and other trade functionaries.
- It benefits indirectly to the exporters / farmers through better information, lower and more stable marketing and processing margins. It gives an idea of prices to the consumers, which enable them to enter forward contract margins.
- It ensures a balance in demand and supply position throughout the year.
- It promotes an integrated price structure throughout the country

Contract Marketing: The “Contract marketing” is a system in which the commodity is marketed by farmers under a pre-agreed buy-back contract with an agency engaged in trading or processing. In contract marketing, a producer will produce and deliver to the contractor, a quantum of required quality of produce, based upon anticipated yield and contracted acreage, at a pre-agreed price. In this agreement, agency contributes input supply and renders technical guidance. The company also bears the entire cost of transaction and marketing. By entering in to contract, farmer's risk of price reduces and the agency reduces the risk of non-availability of raw material. The inputs and extension services provided by the agency include improved seed, credit, fertilizers, pesticides, farm machinery, technical guidance, extension, marketing of produce etc. In present scenario, Contract marketing is one of the way by which producers, especially small farmers, participates in the production of good quality potato to get higher return.

Direct Marketing: Direct marketing is an innovative concept, which involves marketing of produce *i.e.* Red gram by the farmer directly to the consumer/ miller without any middlemen.

- Direct marketing helps in better marketing of the produce.
- It increases profit of the producer.
- It minimizes marketing cost.
- It encourages distribution efficiency of the marketing system.
- It promotes employment to the producer.
- Direct marketing satisfy the consumer.
- It provides better marketing techniques to producers.
- It encourages direct contact between producers and consumer. It encourages the farmers for retail sale of their produce

Co-Operative Marketing: The co-operative societies sale the member's produce directly in the market, which fetches the remunerative price. Co-operative societies, market the member's produce collectively and secure advantages of economy of scale to its members.

Benefits:

- Remunerative price to producers
- Reduction in cost of marketing
- Reduction in commission charges
- Effective use of infrastructure
- Credit facilities
- Timely transportation service
- Reduces malpractices
- Marketing Information
- Supply of agricultural inputs
- Collective processing

Challenges for Agricultural Marketing and Prospects ahead

Since the mid 1990s, there has been an increasing convergence on the need for reforms in agricultural marketing because pervasive regulations have unnecessarily increased

marketing costs and risks and uncertainty. The excessive marketing margins have placed downward pressure on farm prices, increased the cost to consumers, reduced competitiveness of exports and depressed demand of local consumers. Independent of the amendments in state APMR Acts, there are certain problems relating to the functioning of APMCs, which require immediate attention. These pertain to bureaucratization of market committees, non-ploughing back of market fees for market development, and cartelization of traders and market functionaries. One other problem relates to the over-emphasis of market committees on collection of market fees rather than promotion of marketing efficiency. These problems can be tackled by the state governments even without amendment in the APMR Acts.

Conclusion

It may be concluded that, the necessary reforms coupled with proper price discovery mechanism through regulated market system will help streamline and strengthen agricultural marketing. In order to avoid isolation of small-scale farmers from the benefits of agricultural produce they need to be integrated and informed with the market knowledge like fluctuations, demand and supply concepts which are the core of economy. Marketing of agricultural commodities can be made effective if it is looked from the collective and integrative efforts from various quarters by addressing to farmers, middlemen, researchers and consumers. It is right time to bring out significant strategies in marketing of agricultural commodities with innovative and creative approaches to benefit to the farmers.

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