

# Problems and Prospects of Agricultural Marketing in India : An Overview

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## ABSTRACT

There are several problems 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.

**Keywords:** Agriculture, Cultivation, Marketing, Food-Grains, Commercial-Crops, Farmers.

## I. INTRODUCTION

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. The globalization has brought drastic changes in India

across all sectors and it is more so on agriculture, farmers and made a deep impact on agricultural marketing. It is basically because of majority of Indians are farmers. It has brought several challenges and threats like uncertainty, turbulence, competitiveness, apart from compelling them to adapt to changes arising out of technologies. If it is the dark cloud there is silver lining like having excellent export opportunities for our agricultural products to the outside world. In India, the organised marketing of agricultural commodities has been promoted through a network of regulated markets. Most state governments and UT administrations have enacted legislations to provide for the regulation of agricultural produce markets. While by the end of 1950, there were 286 regulated markets in the country, their number as on 31 March 2016 stood at 7566. In addition, India has 21780 rural periodical markets, about 15 per cent of which function under the ambit of regulation. The advent of regulated markets has helped in mitigating the market

handicaps of producers/sellers at the wholesale assembling level. But the rural periodic markets in general and the tribal markets in particular, remained out of its developmental ambit. The basic objective of setting up a network of regulated markets has been to ensure reasonable gain to the farmers by creating environment in markets for fair play of supply and demand forces, regulate market practices and attain transparency in transactions. However, in the pre-Independence era, the agriculture produce markets were plagued with inefficiencies and were heavily loaded against the producer. The producer was subjected to innumerable levies and charges, without having any say in the judicious utilization of the amount paid by him. He was also denied a large part of his produce by manipulation and defective use of weights and scales in the market. Many commissions and committees were set up by the Government of India to recommend measures to rectify the situation. It was recommended to enact a market legislation to regulate the markets. Most of the state governments and Union Territories have since enacted legislations (Agriculture Produce Marketing Committee Act) to provide for development of agricultural produce markets and to achieve an efficient system of buying and selling of agricultural commodities. The purpose of state regulation of agricultural markets was to protect farmers from the exploitation of intermediaries and traders and also to ensure better prices and timely payment for their produce. Over a period of time, these markets have, however, acquired the status of restrictive and Monopolistic markets, providing no help in direct and free marketing, organised retailing and smooth raw material supplies to agro industries. Exporters, processors and retail chain operators cannot procure directly from the farmers as the produce is required to be channelised through regulated markets and licensed traders. There is, in the process, an enormous increase in the cost of marketing and farmers end up getting a low price for their produce. Monopolistic practices and modalities of the state-controlled markets have prevented private investment in the sector. Post-harvest losses are estimated to be of the order of 5-7 per cent in food

grains and 25-30 per cent in the case of fruits and vegetables.

**Agricultural Marketing: Concept and Definition:** 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. But, generally, it is used to mean growing and/or raising crops and livestock. Marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. It includes all the activities involved in the creation of time, place, form and possession utility. According to Thomsen, the study of agricultural marketing, comprises all the operations, and the agencies conducting them, involved in the movement of farm-produced foods, raw materials and their derivatives.

**Marketing Channels:** Agricultural commodities move in the marketing chain through different channels. The marketing channels are distinguished from each other on the basis of market functionaries involved in carrying the produce from the farmers to the ultimate consumers. The length of the marketing channel depends on the size of market, nature of the commodity and the pattern of demand at the consumer level. The marketing channels for agricultural commodities in general can be divided into four broad groups as:

- I. Direct to consumer;
- II. Through wholesalers and retailers;
- III. Through public agencies or cooperatives; and
- IV. Through processors.

Although the quantities moving in these channels vary with commodity and from state to state, but general features of these channels are as follows:

(i) The proportion of marketed surplus going directly from the farmers to consumers continue to be small (around one or two per cent) and has decreased over the years due to the increase in marketed surplus,

shifting of processing activities from consumer to the processors and increase in the demand for processed, packed and branded products. As the price received by the farmer in this channel is higher (both in absolute term and as a proportion of consumer's price) than others, government is encouraging direct marketing by the farmers through such schemes as *Apni Mandi, Rythu Bazar, etc.*

(ii) The private sector handles around 80 percent of the marketed surplus of agricultural products. The quantity of agricultural products handled by the government agencies has been about 10 per cent of the total value of marketed surplus. Further, around 10 per cent marketed surplus was handled by the producers or consumers cooperatives.

(iii) The main functionaries in the marketing channel for agricultural commodities include village traders, primary and secondary wholesalers, commission agents, processors and retailers including vendors. Public agencies, farmers' cooperatives and consumers' organisations also perform many marketing functions.

(iv) Marketing channels for various cereals in India are more or less similar except for rice where processing is an essential activity.

(v) Government intervention in purchase of agricultural commodities under minimum support price programme, procurement of foodgrains, market intervention scheme (MIS), monopoly purchase, open market purchases of commodities by NAFED, CCI, JCI and state oilseed federations, have been in existence for many years. The quantity of commodities purchased by public agencies depended on the objectives of the intervention. The entry of public and cooperative agencies altered the existing marketing channels and also their importance in terms of quantity marketed through them. The basic objective of entry of these agencies is to safeguard the interest of producer-farmers along side providing food security to consumers through operating a public distribution system.

(vi) With the intervention in the purchase and distribution of foodgrains (especially rice and wheat), government purchase agency (Food Corporation of India) entered as an important market functionary in the trade of cereals. Fair price shops also came as retail outlets for distribution of cereals to targeted sections of population. Cooperatives have also assumed importance in the marketing channel with the encouragement to producers or consumers cooperatives. In the case of sugarcane, cooperative sugar factories play a dominant role from the point of view of quantity of sugarcane handled. Cotton Corporation of India and Jute Corporation of India along with the state level cooperative federations, are now the important buyers of fibre crop products from farmers.

## II. AGRICULTURAL MARKETING IN INDIA

### Problems and Prospects

Numbers of studies have shown that the efficiency of rural markets in India 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. 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. The major problems in agricultural marketing identified are as follows:

**Neglect of Rural Markets :** There are more than 21000 rural periodic markets, which have remained outside the process of development. These markets constitute the first contact points between the producer seller and the commercial circuits. Most of these markets lack the basic minimum facilities.

**Infiltration:** A common problem faced in the farmer's markets or the direct market systems is the infiltration of the traders or intermediaries in the guise of farmers. Though identity cards have been introduced and there are periodical checks, the

problem persists in many farmers markets. There is a need to curb this malpractice through proper monitoring and penalties.

**Lack of transportation facilities:** Agricultural sector is affected mostly by lack of transport facilities which includes all weather roads, appropriate transport vehicles for transporting perishable goods and lack of linkage roads to mandis. Due to this, a chunk of money is expended over transportation costs.

**Inadequate Research on Marketing:** All the efforts of the government are directed towards maximising the agricultural production but less emphasis has been given on the conduction of new researches for developing new marketing, storage, warehousing and preservation techniques. There is also need for research on consumer demands and preferences, handling and packaging.

**Presence of large number of middlemen:** Due to lack of proper transportation, warehousing and infrastructural facilities farmers are forced to sell their produce at the point of origin. This widens the scope of middlemen as farmers are not directly connected to consumers. These middlemen charge abrupt high prices of these agricultural produce from the customers and also resort to malpractices like hoarding and black-marketing. 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.

**Farmers Role In 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 Lack of Finance:** To finance seasonal requirements more finance is necessary in a particular period. Financial need also varies from year to year depending upon the quantity of production. Most of the financial needs of the farmers in India are met by moneylenders. An agriculturist in India born in debt lives in debt and finally dies in debt.

**Large Number of Middlemen:** Concentration process is very important for agricultural goods. A long channel of distribution is needed and hence there are large numbers of middlemen. The long chain of middlemen takes a large amount of the agriculturist's share from the consumers' rupee. The middlemen sell the agricultural goods to the consumers at a higher price and give lower returns to the agriculturist.

**Branding:** Agricultural products do not create demand. Advertising is not possible due to the limited resources of agriculturists. As there are many qualities branding is also not an easy job.

**Licensing Barriers:** The compulsory requirement of owning a shop/go down for licensing of commission agents/traders in the regulated markets has led to the monopoly of these licensed traders acting as a higher

entry barriers in existing APMCs for new entrepreneurs thus preventing competitions.

**Lack of National Integrated Markets:** Under the present system, the marketable surplus of one area moves out to consumption centers through a network of middleman and traders, multiple market area and institutional agencies.

**Large Number of Marketing Channels with Long Supply Chain:** Traditionally the normal agriculture marketing in the country is fairly long with a large number of intermediaries between the producers and consumers, adding up more of costs without adding significant value.

**Lack of Store Houses:** An important deficiency of Indian agricultural marketing is lack of store houses. Due to lack of this facility the farmer is unable to keep his product safely until it can fetch a fair price, and he is forced to sell his product at a low price. The insufficient and unscientific facilities of shortage which are available, waste large quantities of grains. Approximately 20% to 30% grains are lost due to rats, insects etc. and the farmers have to bear crores of loss due to lack of these facilities.

**Lack of Standardization:** The lack of standardization and grading is clearly visible in the Indian Agricultural marketing, due to which fixing a deal in relation to these products becomes difficult. Due to lack of proper standardization and grading the customers have problem in purchasing the product.

**Regulation of Agricultural Marketing:** The features like high marketing cost, unauthorized deductions and prevalence of various malpractices prompted regulation of agricultural marketing in different states of the country. Establishment of regulated markets has been able to overcome the problems of traditional marketing system to a great extent. However, these problems still persist in the case of village sales.

**Moisture and free water damage :** High humidity and free water (e.g. rain) quickly weaken cardboard boxes, which get soggy and collapse when wet. This problem can be addressed during the manufacturing stage itself by waxing the cardboard or by facing it with moisture resistant plastic. Decay of produce packed in wet sacks or in wet wooden or cardboard boxes will be accelerated.

**Other Problems:** One of the worst problems faced by the farmers is that of marketing their products for which majority of the farmers fail to get remunerative prices and compel to dispose their products at a very low price and thereby the middlemen avail the opportunity of deriving undue benefits. It is no denying the fact that the present scenario of agricultural marketing in India is very unacceptable and unfavorable which is mainly due to the major constraint that the farmers usually do not have information about the prevailing market prices of commodities. These shortcomings help the middlemen to play a dominating role in collecting the produce from the producers than what they pay in return. Marketing is critical to agricultural farming.

#### **Need for Reforms**

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. The Department of Agriculture and Cooperation also formulated a model law on agricultural marketing for guidance and adoption by the state governments. The model legislation provides for the establishment of private markets/yards, direct purchase centres, consumer/farmers' markets for direct sale and promotion of Public- Private Partnership (PPP) in the management and development of agricultural markets in India.

### III. SUGGESTIONS FOR IMPROVEMENT OF AGRICULTURAL MARKETING

- ✓ Another prominent problem is of low retaining power/bargaining power of the farmers, it is suggested that the farmers more particularly the marginal and small farmers should be provided the loans at lower rates for which the formalities should be reduced to the bare minimum.
- ✓ The production process is complete only when the produce has been marketed at a remunerative price. It is imperative that the marketing activity should be guided by certain principles, which could help in increasing the income of the farmers.
- ✓ Impurities, stones or the straw particles present in the grains lower the price offered by the traders-buyers in the mandis. It is therefore suggested to always bring the produce to the mandis for sale after duly cleaning it and removing the foreign particles.
- ✓ It is again suggested that all the varieties should be sold separately. The farmers could get a higher price because of the purchaser's preferences for specific varieties.
- ✓ The transportation system which may help the marginal and small farmers could be improved or it could be market linked transportation system.
- ✓ Storage facilities in the production area as well as in the mandis need to be improved where the farmers could store their produce for a certain period on rent basis.
- ✓ As the procurement agencies/sheller owners accept a particular range of moisture content, so many a times it is rejected. This problem of the farmer should be properly addressed and the crop with more moisture content or defective/dicoloured and damaged grains be accepted.
- ✓ The prices of the farm produce should be linked with the price index as also with the inputs price cost. Moreover the MSP of the produce should be enhanced as per the index of production inputs.
- ✓ To help farmers decrease the cost of production, it is essential to provide free/subsidized power supply.
- ✓ The time gap between the arrival of the produce in the mandi and the time of auction is very high and hence needs to be reduced.
- ✓ The existing legislations are out-dated and are not in tune with the changing trends and technological inventions and the same needed to be updated.
- ✓ Various infrastructure facilities like parking facilities, medical aid/hospital/veterinary hospital needs to be improved.
- ✓ Action should be taken against hoarders, and black marketers, who create artificial scarcity and sell their stocks at higher prices affecting the consumers and producers alike.
- ✓ Counseling centers should be set up in the villages at Panchayat level for awareness of the farmers regarding the worth of their stocks that they can sell at better price.
- ✓ To get the fair, just and remunerative prices for farmers, direct marketing is another good option. Efforts could be made to lift the entire stock that the farmers are prepared to sell at an incentive price.
- ✓ Contract farming needs to be encouraged.

#### IV. CONCLUSION

There is no doubt that in any marketing there is a motive towards profit involved and at the same time the marketing is to be based on certain values, principles and philosophies such as offering just and fair prices to the farmers who toil hard to till. Bringing necessary reforms coupled with proper price discovery mechanism through regulated market system will help streamline and strengthen agricultural marketing. The overall environment prevailing in agriculture market needs to be improved. The ever present problem of corruption at various levels in the process, which seriously affects the impact on agricultural marketing. Marketing of agriculture can be made effective if it is looked from the collective and integrative efforts from various quarters by addressing to farmers, middlemen, researchers and administrators. It is high time we brought out significant strategies in agricultural marketing with innovative and creative approaches to bring fruits of labor to the farmers.

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