



Indian Agricultural Marketing- A Review

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Abstract

Agriculture in India has directly or indirectly continued to be the source of livelihood to majority of the population. Indian agriculture has seen a lot of changes in its structure. India, predominantly an agricultural economy, has healthy signs of transformation in agriculture and allied activities. India has seen agriculture as a precious tool of economic development as other sectors of production depend on it. Efficient backward and forward integration with agriculture has led to globally competitive production system in terms of cost and quality. Cooperatives seem to be well positioned to coordinate product differentiation at the farm level and to integrate forward into value added processing activities.. Indian agriculture can be balanced and made efficient through proper and better management practices. The present study brings out past and present scenario of agricultural marketing prevailing in India, its challenges and future recommendations. Moreover the opportunities provide by agricultural marketing should be tapped effectively by the marketers.

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Introduction

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 includes all activities involved in moving agricultural produce from producer to consumers through time (storage), space (transport), form (processing) and transferring ownership at various levels of marketing channels. Agriculture is the backbone of Indian economy. Out of 320 million workforce, 170 million are employed in agriculture. It not only provides food requirements to such a huge population of India but also earns successful returns. Post independence saw a major and rapid growth in Indian agriculture at the rate of 2.6% per annum. India ranks the 1st in the world in terms of milk production. India ranks the 2nd in terms of rice, wheat, groundnut and tobacco production and 3rd in coffee production. India also ranks 2nd in the most arable land in the world, but a problem of low productivity, the yield is only 30% for each crop compared to world standards. India has adequate technology, but it is not fully implemented as our producers lack awareness.. Producers expect better returns as they work hard day and night in their fields but doesn't get. Agricultural marketing should be planned and well prepared. In developing countries like India,

agricultural markets comprise of poor infrastructure, poor transport and communication, limited rule of law, limited access to finance etc. This result leads to market failure. The emphasis on market failure gave a way to the market orientated liberalization to get "prices and institutes right". With this, there is emergence of state run marketing boards, producer marketing chains ranging from credit unions through farmer cooperatives to wholesale cooperatives. The producer should have accessed to competitive market prices which can only happen when the state inputs all its efforts in strengthening the competitive marketing system. In the mean time the marketing institutions need to maximize efficiency and transparency in transactions with the producers and also of retail/consumers price accruing to the farmers. The agricultural transition towards commercialization is natural though some external forces may slow down its pace like agricultural policies frame work, extent of market imperfections, overall standard of living etc. Indian agriculture planners must pay attention towards the demand for agricultural produce by consumers. The agricultural sector should now attempt to achieve greater market orientation nationally as well as internationally compared to its current focus on production orientation.

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Review of literature

A considerable amount of research has been done on the working and performance of agricultural marketing in India, by the academicians and researchers. The literature obtained by the investigator, in the form of reports and research studies, is briefly reviewed in this part.

Johnston and Mellor (1961) in their paper stated that commercial demand for agricultural produce increases due to income and population growth, urbanization, and trade liberalization. Marketed supply simultaneously rises due to productivity improvements in production, post-harvest processing, and distribution systems.

Hoff *et al.* (1993) in their research paper documented that in response to the de-institutionalization of rural areas that followed state compression, the reconstruction of new agrarian institutions complementary to the market and the state is thus a fundamental element of rural development. This has taken the form of either private or cooperative organizations.

Grosh (1994) believed that since the turn of the millennium, attention has shifted toward more micro-level and institutional policies. In particular, contractual arrangements with downstream processors, agro exporters and retailers, often orchestrated through farmer groups, are increasingly seen as a means of overcoming the market imperfections that led to the failure of macroeconomic and sectoral adjustment policies.

Reardon and Barret (2000) in their study suggest that when market reforms the commodity prices raise, stimulating an increase in production, especially of the export crops. The rise in price facilitates the establishment of super market chains, cooperatives, export oriented schemes, processing zones and general stimulation of agro industrialization in developing countries

Sivanappan (2000) in his study stated that with modernization of existing post-harvest processing, establishment of suitable infrastructural facilities, huge amount of countries exchequer can be saved and further helps in feeding the teeming population in the country .

Hota *et al.* (2002) in their study viewed that cooperatives occupy an important part in India's economy in terms of their coverage of rural producers, business turnover and contribution to economic welfare of their members as well as to rural economy of India.

Reardon *et al.* (2003) in their study documented that private firms now play a dominant role in countries such as China, India, South Africa in developing of improved

seed varieties producing and distributing inputs, post harvest operations and retailing through super markets.

Royce (2004) reported, even though State agencies continue to be the main buyers of output and suppliers of input limiting cooperatives management authority within. There is much greater member participation and on-farm decision making.

Ramkishen (2004) in his research paper argued that because of the lack of food processing and storage, the grower is deprived of a good price for his produce during the peak marketing season while the consumer needlessly pay a higher price during lean season.

Godara (2006) in his study described that the positive trend of economic liberalization and associated opening up of Indian economy have significantly reduced the structural rigidities in the system, this trend should be premise of India's future agricultural reform. Agricultural business has come under strong and direct influence of international market. Indian farmers have to produce quality goods to meet the international standards.

Kashyap and Raut (2006) in their paper suggested that, marketers need to design creative solutions like e-marketing to overcome challenges typical of the rural environment such as physical distribution, channel management promotion and communication. The "anytime-anywhere" advantage of e-marketing leads to efficient price discovery, offers economy of transaction for trading and more transparent and competitive setting.

Brithal *et al.* (2007) in their study suggested that by building efficient and effective supply chain using state of the art techniques it is possible to serve the population with value added food, while simultaneously ensuring remunerative prices to farmers.

Tripathi and Prasad (2009) in their paper reported that Indian agriculture has progressed not only in out-put and yield terms but the structural changes have also contributed

Pathak (2009) in his research paper stated that the contribution of agriculture in growth of a nation is constituted by the growth of the products within the sector itself as well as the agricultural development permits the other sectors to develop by the goods produced in the domestic and international market.

Traditional methods of sale prevailing in India

India has a long tradition of periodic markets, most of these are held in rural areas. Rural Primary Markets (RPM) include mainly periodic markets like Haats, Shandies, Mandis, Painths and Fairs, which are estimated

between 20,000-45,000 in the country, mostly for small and marginal farmers for marketing their farm produce and purchasing inputs also. Agricultural produce is sold in these markets by the following methods. Hatha system prevailed in India before decades and is even now practiced in most of the agricultural producing states of India, where prices of the produce are settled by the buyer and the commission agent of the seller. Codes are used in it to fix the price of the produce.

Private negotiations are buyers coming to the shops of the commission agent at the time convenient to the latter and after inspecting the sample product, price is offered. In villages private negotiations take place even now between buyer and seller. Under Quotations on the Sample the commission agent takes a sample to the buyers shop and price is offered by the buyer. The produce is sold to the highest bidder.

Dara Sale Method is another form of selling agricultural produce where the produce is mixed and then sold as one lot.

In Moghum Sale Method the produce is sold on the basis of verbal understanding between the buyer and the seller without any pre-settled price. Prospective buyers gather at a commission agents shop, where a heap of agricultural produce is assembled, examined and shout out their bids the produce is sold to the higher bidder.

In Closed Tender System the produce is displayed at the shop of commission agent with lot size. Buyers can inspect the produce after visiting the shop and offer price on a slip of paper and deposit the slip in a sealed box for buying at the shop of commission agent then the highest bidder is informed and product is sold.

Jalap sale is another method where traders try to buy the standing crop at a cheaper rate, a farmer earns without undertaking any further risk and expenses, State trading plays a major role in purchasing agricultural produce from farmers at a fixed procurement prices. The government undertakes this to enable centralized and equal distribution of the produce and assumes better returns to producers.

Cooperative movement in India

Cooperatives came into existence as people have common needs, the producers, the consumers, the workers, the borrowers, the suppliers/distributors felt that they could themselves fulfill through their joint effort and investment. The ultimate aim of the cooperatives is to earn for the welfare of its members, who uses its services has an equal say in its affairs, members of the cooperative share profit and loss in proportion to utilization of services. In India cooperative marketing

was one of the efforts to fetch better prices for the produce. Reserve Bank of India gave an institutional definition of cooperative marketing and defined a cooperative marketing society as “an association of cultivators formed primarily for the purpose of helping the members to market their produce more profitably than possible through private trade.

National Agricultural Cooperative Marketing Federation of India Limited set up in 1958 promotes cooperative marketing of agricultural produce for the benefit of farmers through its own branches and the cooperative marketing network. It collects agro products directly from farmers in regulated markets eliminating middleman.

In India, ongoing initiatives in coordination have resulted in simultaneous action in three areas-evolutions of commodity and industry, evolution of supply chain integrated technology models and promotion regulation of these mechanisms. Anand Pattern Cooperatives (APC) is one such model which achieved success in development of India's dairy industry. The Chicory contract farming coordination which started in 1956 in Jamnagar Gujarat is also a successful result. Kerala Horticulture Development Program (KHDP) is also one of the successful agricultural development projects in the country. It has helped 41,000 vegetable and fruit farmers through 1886 Self-Help-Groups (SHG's).

The National Agricultural Co-operative Marketing Federation of India (NAFED) is the apex body of the co-operative marketing system at the National level. One of oldest and successful association/cooperation of farmers was Grape Growers Association of Maharashtra (Maharashtra Rajya Draksha Bagitdar Sang -MRDBS).

The other public intervention promoting coordination is Small Farmers Agriculture Consortium (SFAC), operating from 1994-1995. It was declared a financial institution by RBI under RBI Act, 1934 and was registered as public-private joint venture society. It provides both forward as well as backward linkage to farmers.

Cargill India provides farmers not only an assured marketing outlet but also eliminates them from fee, commission, brokerage etc. It is a private sector initiative aiming to squeeze out inefficiencies and intermediaries from agricultural marketing.

Khadi Gramodyog Board of Madhya Pradesh and Hindustan lever limited has entered in Public-Private sector partnership. The joint venture was launched for umbrella brand “Vindhya Valley” under which Hindustan Lever Limited will market the boards' product in the country.

A Milk Cooperative Society called Warna Bazaar in Kolhapur district of Maharashtra opened its first departmental store in 1978, more than 40 retail stores are running at present. It is a one stop shop for consumers to purchase agricultural products and other Fast Moving Consumer Goods (FMCG's).

Flourished in 20th century in developing countries, Marketing Boards have declined in number from the year 1980. These are state owned and controlled marketing boards of monopolistic and monopolistic type. These provide guaranteed market for the farmers, absorbing all marketed surplus and maintaining storage facilities. But these marketing Boards are not competitive and believed to induce inefficiency in marketing and sluggishness in price discovery.

The Indian Parliament Act, 61 of 1981 approved the setting of National Bank for Agriculture and Rural Development (NABARD). National Bank for Agriculture and Rural Development is the apex body looking for the financial needs of agriculture and rural development. This bank is working since 5 November 1982, for the welfare of farmers.

Government of India is also working with the State Government to amend the Agriculture Produce Marketing Act (APMA) by which farmers sell their produce directly to the potential processors. The number of regulated markets in Andhra Pradesh, Madhya Pradesh, Bihar, Maharashtra, Uttar Pradesh and West Bengal constitute 53% of total regulated markets. Punjab and Haryana constitute the 9.5% of the total regulated markets in the country. These regulated markets are operating throughout the country.

Non-Governmental Organizations (NGO's) have also participated in Development initiatives for Agriculture. These are Bhartiya Agro Industries Foundation (BAIF) 1967, Professional Association for Development Action (PRADAN) 1987 and Action for Food Production (AFPRO) 1966, working for agricultural welfare.

In India, Agriculture has remained as supply driven the producer has remained declined from the market. Indian agriculture will have to focus and respond on many concerns as we entered in 21st century to create new opportunities for producers, processors and consumers. The ideal situation should be to gradually move the current supply driven production system to a demand driven system. It is necessary to link agricultural production system with the preference of consumers, processors, manufacturers to achieve market orientation. It has been observed that better information flow on market price along with easy market access can bring in

much desired market orientation of the production system.

Recent trends

With the emergence of new inputs and new technologies in the market. Agriculture has changed from deficit oriented to surplus oriented sector. New methods of marketing like Contract farming are visible, providing farmers with better returns. Contract farming is more practiced now a days. The Tata's, The Birla's, The Mahindra's and other corporate houses are entering and expanding agricultural business. With 68,000 plus branches, commercial banks and regional banks have phenomenal strength in financing agri-business ventures. With the newer and newer areas emerging, there is a scope for Agri-business for profitable operations not only to individuals but to institutions as well. The administrators of public and private/corporate have taken the responsibility of translating the research findings and discoveries to concrete programmes and policies of action. The Cooperatives, the Panchayat's, the NGO's and the Media must also join hands in the process of transmission of knowledge and information and to provide better market connectivity.

Bilateral, Regional and Trade agreement have provided way in reducing tariff and non-tariff barriers to cross boarder flows of agricultural output and increased openness of financial markets, leading to enhanced capital flow into developing countries especially in the form of Foreign Direct Investment (FDI). Moreover, FDI liberalizations have paved many opportunities for making investments in post-harvesting process and agricultural retailing in developing countries since 1990's, this also fostered improved market efficiencies and competitiveness, integration of fragmented markets providing product diversification through differentiation, value additions and technology transfer. These market liberalizations and globalizations have provided opportunities in transforming agro-food markets in India. Food procurement and distribution system is also witnessing the institutional innovations like contract farming, producer associations and super markets. Out of 7310 wholesale markets in the country 7161 are covered under Agriculture Produce Marketing Committee (APMC). As per rule in APMC market, commodity brought by farmer for sale should be kept open on auction floor, where buyers in presence of APMC officials and commission agents bid price and highest bidders are entitled the produce.

National Spot Exchange Limited (NSEL) is another type of nationalized transparent electronic spot exchange established in 2005 headquartered in Mumbai. It is a state of art market place providing customized solutions to various problems faced by agricultural producers,

processors, exporters, importers, investors and general commodity stakeholders.

Indian Public Distribution System (PDS) though old, but has a wider coverage than any other system prevailing in the country. It is estimated that out of 11.2 crore households, 4 crore utilize services of PDS. PDS distributes essential commodities like wheat, rice, sugar, edible oils etc. Food Corporation of India (FCI) transport bulk quantity to its godowns and then uses PDS to distribute the commodities through its 4.76 lakh Fair Price Shops, is the largest of its type in the world.

Grameen Sanchar Society (GRASSO), the e-seva Kendra provides agri-related services like access to market, price for agricultural products, availability of cold storage facilities, availability of labor and work opportunities. It is a bulk franchisee of Bharat Sanchar Nigam Limited in West Bengal, Odisha and Jharkhand.

AGMARKNET-The internet based information system aims at providing “single window” service catering to diversified demands of information with the development of information and data infrastructure market prices will perform role of information service providers, online marketing information will connect distant marketers and promote the efficient marketing in near future. There are several other areas of agricultural marketing with which the user get awareness like adopting best market practices for improving price realization and knowledge is imparted in areas as market driven production programs, post harvest management, market finance, facilities for quality assurance and standards, packaging and labeling storing and transporting, contract farming, direct marketing, alternative markets, commodity exchange etc.

Agricultural and Processed Food Products Export Development Authority an autonomous organization to the Ministry of Commerce, Government of India. It functions as a link between Indian producers and the global markets and also provides financial assistance under various schemes to promote and develop agricultural exports. It has extensive data base of Indian Exporters of Agri produce from all major cities and large towns.

Indian Tobacco Company’s e-choupal (ITC’s e-choupal) also achieved considerable success in agricultural marketing, ITC has set up a small internet kiosk at the village level to provide farmers real time market and pricing related information and highlighting arbitrage opportunities in sales between various mandis. It also provides information related to availability of inputs, weather, market conditions etc. ITC believes that their intervention in this chain has increased their realization on crops between 10%-15% than earlier.

Indian leading tractor manufacturing company Mahindra and Mahindra limited has entered the Private sector extension scene through forming subsidiary Mahindra Shublabh Services Limited (MSSL), that runs centre as Mahindra Krishi Vihar (MKV) first operated in Madurai district of Tamil Nadu in October 2000. It provides agriculture extension services and buyers a lot of agricultural produce from the farmers Krushak Bazaars in the state of Odisha fetch 4-41% of higher prices than wholesale market price. Government of Odisha established 40 Krushak Bazaars in the state in 200-01. The price fixation policy in these Bazaars involve the farmers decision making.

Hadaspar vegetable market in Pune city is a model for direct marketing of vegetables, there are no commission agents and middle man the purchaser makes payment direct to the farmer.

Commodity Future Trading came into existence in 2003 trading for 54 agricultural commodities.

The national Horticulture Mission was launched in May 2005 as a major initiative to bring about diversification in agriculture marketing

The other initiatives include DCM shiram consolidated Haryali Kisan Bazaars. The Godrej group runs a chain of Agri-stores named Adhaar in Maharashtra and Gujarat. These serve as one stop shop for farmers selling agricultural products. More over websites like ikisan.com, krishivihar.com, agriwatch.com and commodityindia.com provide information to farmers on production and marketing of agricultural commodities.

Problems and challenges

There are several problems and challenges involved in marketing of agricultural produce. Limited access to the market information, low level of literacy among the farmers. There are also many imperfections in the marketing system of agricultural commodities in India. So much has been done to improve the agriculture sector of India, but still it is facing a lot of problems. Some of these can be listed as below.

- Fiscal and Political instability is threatening Agricultural Policies, as there is Political disagreement and fiscal comprehension in agriculture.
- Rising domestic demand for food due to rise in population, restricting our exports.
- Developing people and developing markets.
- Private market intermediation.
- Multi languages and dialects.
- Natural calamities, drought and uneven rainfall in the country.

- Subsistence farming to commercial farming.
- Supply driven technology to demand driven.
- Minimization of land holdings.
- Lack of proper physical communication.
- Infrastructural weakness.
- Less media coverage.
- Lack of professionalism in management.
- Lack of market and marketing information.
- Lack of Agricultural education.
- Inadequacy of institutional markets.
- Multiplicity of market changes and malpractices.
- Lack of technical training.etc.

Recommendations

Below are the certain measures that can be implemented to bring out the reforms in agricultural marketing so as to ensure just and fair deal for farming community.

- Establish physical communication.
- Develop Agricultural infrastructure.
- Establishment of Regulated markets.
- Storage and warehouse facilities must be established up to the most remote areas.
- Education of Agriculture to masses.
- Information Technology must reach all over the country.
- There must be proper road connectivity and good all weather roads.
- Enhance control and coordination over the agricultural markets.
- Extent of financial support to farmers and agro-processing units.
- Training of new marketing techniques should be implemented.
- Enhancement and support for Public-Private cooperation.
- Standardization of contract.
- Enhancement for more cooperative marketing.

Opportunities

India is the third largest producer of fruits [27.83 MT] and 2nd largest producer of vegetables [54 MT]. At present our floriculture contribution to total world export is 0.31%, it can be improved by Green House Technology, timely transportation, storage facilities and good marketing policies. India's existing post-harvest processing capacity can handle only 0.5% of total annual production. But it can be increased by providing industry processing centers with infrastructural establishments. Every year the loss of fruits and vegetables due to lack of post-harvest processing is worth Rs 300 crores. The country must not therefore fitter away the opportunity to diversify and commercialize agriculture, add value to produce, generate employment and income, and export processed food. There is also much scope to promote agriculture through information and communication technology.

Conclusion

There is an eminent need for the Agri-marketing initiatives to be large and organized. The present market must cover two aspects of marketing network and actual regulation of the conduct of market. The need to strength the regulated market system arises from changing nature of linkages between agriculture and markets. It has been observed that better and easy market access and efficient information flow can bring much desired market orientation of the production system. Indian agriculture, moving from commoditization to commercialization drives it towards market orientation. India can claim to have largest network of agri-business cooperatives in the world, engaging in performing manufacturing, procurement and marketing of agricultural produce. These have proven to occupy important place in our economy. The government must examine its policies and regulations with view to strength the marketing network and ensure that prices are being determined on competitive basis and markets are being manipulated. Using modern ICT can bring out better solutions as it can facilitate agricultural marketing functions and processes include buying and selling, payment, grading, standardization, transportation in an efficient manner.

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