**UNIT: 2**

**CONCEPTS OF AGRICULTURAL MARKETING**

Definitions of Agricultural Marketing:

The term agricultural marketing is composed of two words- agriculture and marketing. Agriculture, generally means growing and/or raising of crops and livestock while, marketing  
encompasses a series of activities involved in moving the goods from the point of production  
to point of consumption. Many scholars have defined agricultural marketing and incorporated  
essential elements of time, place, form and passion utility.

Key aspects of agricultural marketing:

1. Agricultural marketing comprising of all activities involved in supply of farm inputs to  
the farmers and movement of agricultural products from the farms to the consumers.  
2. The agricultural marketing system includes two major sub-system viz. product marketing  
and input (factor) marketing. The product marketing sub-system includes farmers,  
village/primary traders, wholesalers, processors, importers, exporters, marketing  
cooperatives, regulated marketing committees and retailers. The input sub-system  
includes input manufacturers, distributors, related associations, importers, exporters and  
others who make available various farm production inputs to farmers.

3. The marketing system should be such as may bring about the overall welfare to all the  
segments (producers, consumers, middlemen and traders) society. Government act as a  
watch-dog in ensuring the interest of all the groups associated in the marketing.  
4. The subject of agricultural marketing includes marketing functions, agencies, channels,  
efficiency and costs, price spread and market integration, producer’s surplus, government  
policy and research, training and statistics on agricultural marketing and imports/exports  
of agricultural commodities.  
5. The overall objective of agricultural marketing in a developing country like India is to  
help the primary producers viz. the farmers in getting the remunerative prices for their  
produce and to provide right type of goods at the right place, in the right quantity and  
quality at a right time and at right prices to the processors and/or ultimate consumers on  
the other.

Importance of Agricultural Marketing:

* Optimization of Resource use and Output Management  
  An efficient agricultural marketing system leads to the optimization of resource use and output management. An efficient marketing system can also contribute to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation. A well-designed system of marketing can effectively distribute the available stock of modern inputs, and thereby sustain a faster rate of growth in the agricultural sector
* Increase in Farm Income  
  An efficient marketing system ensures higher levels of income for the farmers reducing the number of middlemen or by restricting the cost of marketing services and the malpractices, in the marketing of farm products. An efficient system guarantees the farmers better prices for farm products and induces them to invest their surpluses in the purchase of modern inputs so that productivity and production may increase. This again results in an increase in the marketed surplus and income of the farmers. If the producer does not have an easily accessible market-outlet where he can sell his surplus produce, he has little incentive to produce more.
* Widening of Markets  
  An efficient and well-knot marketing system widens the market for the products by taking them to remote corners both within and outside the country, i.e., to areas far away from the production points. The widening of the market helps in increasing the demand on a continuous basis, and thereby guarantees a higher income to the producer.
* Growth of Agro-based Industries  
  An improved and efficient system of agricultural marketing helps in the growth of agro- based industries and stimulates the overall development process of the economy. Many industries like cotton, sugar, edible oils, food processing and jute depend on agriculture for the supply of raw materials.
* Price Signals  
  An efficient marketing system helps the farmers in planning their production in accordance with the needs of the economy. This work is carried out through transmitting price signals.
* Adoption and Spread of New Technology  
  The marketing system helps the farmers in the adoption of new scientific and technical knowledge. New technology requires higher investment and farmers would invest only if they are assured of market clearance at remunerative price.
* Employment Creation  
  The marketing system provides employment to millions of persons engaged in various  
  activities, such as packaging, transportation, storage and processing. Persons like commission agents, brokers, traders, retailers, weighmen, hamals, packagers and  
  regulating staff are directly employed in the marketing system. This apart, several others find employment in supplying goods and services required by the marketing system.

Growth of agricultural marketing in India

Marketing of agricultural commodities developed after the man was able to produce more  
food than he needed for himself, and exchange of his products with others started. This  
transition from production for consumption to production for exchange came about slowly. About a century ago, farmers used to consume most of what they produced; but, now most of what the farmers produce is exchanged for other things what they require. This tendency has increased their dependence on marketing, which has resulted in the overall development of the market mechanism. The importance of an efficient marketing system as a vital link between the farmer and consumer was recognised way back in 1928 by the Royal Commission on Agriculture. Since then a good deal of progress has been achieved by adoption of various administrative and legislative measures by the government from time to time. The establishment of Directorate of Marketing and Inspection in 1935, the enactment of the act for the grading and standardization of agricultural commodities in 1937, the conduct of market surveys, and the  
establishment of regulated markets in the country are some of the measures to improve the marketing situation and make agricultural marketing as efficient as possible.  
During the first and second five year plans, agricultural marketing did not receive importance. Whatever development took place in the sphere of marketing was due to the  
gradual progress towards commercialization of agriculture and not because any specific  
government efforts. National Commission on Agriculture (the first commission which suggested measures for the development of agriculture in the post-independence period) remarked that “there is an increasing awareness that it is not enough to produce a crop or animal product, it must be marketed well. Increased production, resulting in a greater percentage increase in the marketable surplus accompanied by the increase in demand from urban population, calls for a rapid improvement in the existing marketing system”. Since then, lots of efforts were made in various five year plans to promote organized marketing of agricultural commodities through a network of regulated markets. Most of the states and union territory governments enacted legislations (Agricultural Produce Market Regulation Acts), and the number of regulated markets went upto 7139 as on March 31, 2009. These have helped mitigate the market handicaps of producers/sellers at the wholesale assembling level. During the 10th Five year plan, the union Ministry of Agriculture formulated another modified Model Law on agriculture marketing, which provides for establishment of private markets/yards, direct purchase centres, consumers or farmers’ market for direct sale, and promotion of public- private partnership in the management and development of agricultural markets in the country.

Problems in agricultural marketing in India:

Indian system of agricultural marketing suffers from a number of defects. As a consequence,  
the Indian farmer is deprived of a fair price for his produce. The main defects of the  
agricultural marketing system are discussed here.

* Improper Warehouses: There is an absence of proper ware housing facilities in the villages. Therefore, the farmer is compelled to store his products in pits, mud-vessels, "Kutcha" store houses, etc. These unscientific methods of storing lead to considerable wastage. Approximately 1.5% of the produce gets rotten and becomes unfit for human consumption. Due to this reason supply in the village market increases substantially and the farmers are not able to get a fair price for their produce. The setting up of Central Warehousing Corporation and State Warehousing Corporation has improved the situation to some extent
* Lack of Grading and Standardization: Different varieties of agricultural produce are not graded properly. The practice usually prevalent is the one known as "dara" sales wherein heap of all qualities of produce are sold in one common lot Thus the farmer producing better qualities is not assured of a better price. Hence there is no incentive to use better seeds and produce better varieties.
* Inadequate Transport Facilities: Transport facilities are highly inadequate in India. Only a small number of villages are joined by railways and pucca roads to mandies. Produce has to be carried on slow moving transport vehicles like bullock carts. Obviously such means of transport cannot be used to carry produce to far-off places and the farmer has to dump his produce in nearby markets even if the price obtained in these markets is considerably low. This is even truer with perishable commodities.
* Presence of a Large Number of Middlemen: The chain of middlemen in the agricultural marketing is so large that the share of farmers is reduced substantially. For instance, a study of D.D. Sidhan revealed, that farmers obtain only about 53% of the price of rice, 31% being the share of middle men (the remaining 16% being the marketing cost). In the case of vegetables and fruits the share was even less, 39% in the former case and 34% in the latter. The share of middle- men in the case of vegetables was 29.5% and in the case of fruits was 46.5%. Some of the intermediaries in the agricultural marketing system are -village traders, Kutchaarhatiyas, puccaarhatiyas, brokers, wholesalers, retailers, money lenders, etc.
* Malpractices in Unregulated Markets: Even now the number of unregulated markets in the country is substantially large. Arhatiyas and brokers, taking advantage of the ignorance, and illiteracy of the farmers, use unfair means to cheat them. The farmers are required to pay arhat (pledging charge) to the arhatiyas, "tulaii" (weight charge) for weighing the produce, "palledari" to unload the bullock-carts and for doing other miscellaneous types of allied works, "garda" for impurities in the produce, and a number of other undefined and unspecified charges. Another malpractice in the mandies relates to the use of wrong weights and measures in the regulated markets. Wrong weights continue to be used in some unregulated markets with the object of cheating the farmers.
* Inadequate Market Information: It is often not possible for the farmers to obtain  
  information on exact market prices in different markets. So, they accept whatever price the traders offer to them. With a view to tackle this problem the government is using the radio and television media to broadcast market prices regularly. The news papers also keep the farmers posted with the latest changes in prices. However the price quotations are sometimes not reliable and sometimes have a great time-lag. The trader generally offers less than the price quoted by the government news media.
* Inadequate Credit Facilities: Indian farmer, being poor, tries to sell off the produce  
  immediately after the crop is harvested though prices at that time are very low. The safeguard of the farmer from such "forced sales" is to provide him credit so that he can wait for better times and better prices. Since such credit facilities are not available, the farmers are forced to take loans from money lenders, while agreeing to pledge their produce to them at less than market prices. The co-operative marketing societies have generally catered to the needs of the large farmers and the small farmers are left at the mercy of the money lenders.

Need for Market Regulation:

Under the traditional system of marketing of agricultural products, producer sellers incurred a high marketing cost, and suffered from unauthorized deductions of marketing charges and the prevalence of various malpractices. To improve marketing conditions and with a view to creating fair competition conditions, there is a strong need of market regulation. A regulated market is one which aims at the elimination of the unhealthy and unscrupulous practices, reducing marketing charges and providing facilities to the producer-seller in the market. Any legislative measure designed to regulate the marketing of agricultural produce in order to establish, improve and enforce standard marketing practices comes under the market regulation. The establishment of regulated market is not intended at creating an alternative marketing system. The basic objective has been to create conditions for efficient performance of private trade, through facilitating free and informal competition. In the regulated markets, the farmer is able to sell his marketed surplus in the presence of several buyers through open and competitive bidding. The legislation for the establishment of regulated markets does not make it compulsory for the farmer to sell his produce in the regulated market yard. The basic  
philosophy of the establishment of regulated markets is elimination of malpractices in the  
system and assignment of dominating power to the farmers or their representatives in the  
functioning of the markets.

Objectives of market regulation:

1. To prevent the exploitation of farmers by overcoming the handicaps in the marketing of their products;

2. To make the marketing system most effective and efficient so that farmers may get  
better prices for their produce, and the goods are made available to the customers at  
reasonable prices;

3. To provide incentive prices to the farmers for inducing them to increase the  
production both in quantitative and qualitative terms; and

4. To promote and orderly marketing of agricultural produce by improving the infrastructural facilities.

Present status of regulated market in India:

Though the establishment of regulated market was started during 1930s, the programme got momentum only after the independence. The number of regulated market has increase from 236 before the commencement of first five year plan (April, 1951) to 7157 in March 2010. At present, all the wholesale markets are functioning under the regulation programme. On an average, each regulated market in the country serves an area of 459 square kilometre. The National Commission on Agriculture (1976) has recommended that the facility of a regulated market should be available in general, within a radius of 5 km. Accordingly the country needs 41838 markets. There are as many as 27738 markets spread all over the country. Of these, 21221 are primary rural markets. The remaining 6261 are wholesale assembling and terminal markets. The infrastructural facilities, amenities, commodities covered vary considerably across different states.

ANC NOTES