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AGRICULTURAL MARKETING PRACTICES IN INDIA

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ABSTRACT

In recent years agricultural sector in India has grown in size and complexity. Good improvement is registered in production, marketing channels, institutional credit and regulatory reforms, etc. As per Food and Agriculture Organization of the United Nations 2010 data, we have been ranked within the world's five largest producers of over 80% of agricultural produced items, but the fact is most of the farmers in India are facing the challenges of poverty, food security and unemployment. To overcome such situations in liberalized environment, there is a need for developments in marketing infrastructure, marketing strategy, marketing policy, rural credit systems and related parameters, along with farmer friendly marketing reforms so as to make farmers to quickly adopt to the rapidly changing agricultural market system and realize the benefits. In this regard, present paper focuses on understanding the issues faced by the small and medium farmers in marketing their agricultural produce to make their living better and modify agriculture as a profitable business.

Key words:

GDP- Gross domestic product, APMC- Agricultural produce market committee, WPI- Whole sale price index, NDDB- National Dairy Development Board, CSO- Central Statistics Office.

Introduction:

Agriculture continues to be the mainstay of the Indian economy. Several major Indian industries, such as sugar, textiles, jute, food processing, and milk processing depend on agriculture. On account of its backward and forward linkages with other economic sectors, changes in agricultural performance have a multiplier effect on the entire economy.[1] India is the world's seventh-largest exporter of agricultural products in 2013, India exported $39 billion worth of agricultural products in 2013 compared to $5 billion in 2003, making it the seventh largest agricultural exporter worldwide, and the sixth largest net exporter.[2]

Post independence, improving research in terms of seeds; fertilizers, irrigation techniques and machinery have supported in increased agricultural production, now India ranks second worldwide in farm output. But, as per The State of the Indian Agricultural Report for 2012-2013, the average holding size of land has come down over the decades. The report says "As per Agriculture Census 2010-11, the average size of holdings for all operational classes (small & marginal, medium and large) have declined over the years and for all classes put together it has come down to 1.16 hectare in 2010-11 from 2.82 hectare in 1970-71" and in this, small and marginal farmer's holdings are less than 2 hectare and account for 85 percent of the total operational holdings and 44 percent of the total operated area.[3] As per latest estimates released by Central Statistics Office (CSO), the share of agricultural products and Allied Sectors in Gross Domestic Product (GDP) of the country is 13.7 per cent in 2012-13 at 2004-05 prices, compared to 51.9 per cent in 1950-51.[4] This indicates with globalization, other sectors have improved and are contributing to the better portion of GDP of the country, but agriculture sector contribution has reduced and this needs to be addressed to increase the contribution to country's GDP.As agricultural holdings in Asia are small (2 ha or less) and in many instances are getting smaller. There is currently a sharp debate among academics as to whether small-scale agriculture can continue to play its historic role. In short, how will agriculture be commercialized? Can small farms have productive cultivation that alone provide the minimum output required to earn a livelihood? Does commercialization of agriculture imply larger farms?5 It holds good for India as wel. So is there a need of policy ramification in terms of agricultural marketing and other parameters based on the farm size.

Objective:

Objective of the study is to understand about agricultural output, price index and marketing channels.

Sources of Data and Research Methodology:

The study is based on secondary data. The data has been collected from the government websites, related journals, Government of India reports, and books. The study period is 2009-10 to 2014-15. Simple percentages and graphical presentation of data have been used as statistical tools in the present study. The study would concentrate on the problems faced by the farmers in marketing their produce to get better prices and find out relationship between different parameters influencing the farmers to market their produce.

Literature Review:

Abhijit Sen Committee (GoI 2008), in their report argues, an efficiently functioning futures market presupposes efficient and spatially integrated spot markets. Efficient spot markets require integration across geographical space, which in turn requires rural communication, transport and storage infrastructure. More research is needed on the role of futures trading in geographical integration of markets and in better price discovery by farmers.[6]

Rahman (2003) in his report has mentioned that existing service capability of Market Information System was very poor in Bangladesh, and also reports that the farmers received low prices because of lack of market information which resulted in wide inter-market price variation. He suggests improvement in agricultural market information services for domestic market efficiency and to integrate domestic agricultural market with regional and international market.[7]

Gunatilke (2003) in his report says "private sector played a major role in production and marketing in Sri Lanka while the State sector played a supportive role in facilitating farmer's improvement.[8]

Shreshtha (2003) identified that duplication of efforts, lack of standardization, inadequate network for information flow, lack of coordination and integration among various agencies as some of the limitations of Market Information System in Nepal. The researcher also reported that

the information service served the needs of the policy makers rather than the producers and traders.[9]

Yan Bo and Bu Yibio, (2003), in his report says "main source of information to farmers in China was television, broadcast and other farmers, also mentions future market and international market did not influence the price changes. Similar results were obtained by Rana and Astuti, 2003.[10]

Kashyap and Raut, (2006) in their paper suggest that, "anytime-anywhere" advantage of e-marketing leads to efficient price discovery, more transparent and competitive setting. To overcome challenges of physical distribution, channel management promotion and communication at rural, they urge for better designs and creative solutions like e-marketing.[11]

Brithal, et.al., (2007) in their report say farmers can be rewarded with better prices by building efficient and effective supply chain management system and by providing the population with value added services/food.[12]

Some of the common observations made by above mentioned researches, reveal that the major sources of agricultural market information to the larger set of farmers were Radio and newspapers along with commission agents being the centre of information for all categories of farmers at market level. Few large farmers also sought information from sources like television, magazines and internet. At the village level the sources of market information were friends, neighbors and relatives. Farmers were not much dependent on the market sources like notice boards and announcements. Similarly, some of the researches have shown that, the formal agencies like RSKs, SHGs, Co-operative societies and Gram Panchayats at village level; and market intelligence cell and regulated markets at market level did not form the major sources of market information to the farmers in India.

Dr. T. N. Murty and and T. Abhinov, studied the role of electronic media in getting agricultural information and reports that electronic media are not playing effective role in the dissemination of agricultural information among farming community.[13]

A. K. Mishra & Paridhi Bhandari(2013), made a study on the problems faced by agriculture sector in Chhattisgarh and suggest by spreading awareness among the farmers, giving importance to education of every age group, technological advancement, credit facilities suitable

for farmers, proper arrangements of irrigation etc. Chhattisgarh state can get a respectable position in Indian economy.[14]

M. Roy (2012), made an attempt to study the new challenges in agricultural retail marketing through an empirical study. He reports the need of capital investment either by indigenous or foreign capital seems to be a powerful catalyst to spur the investment climate in agricultural marketing due to the current scenario of inefficient supply chain, lack of proper storage facilities and presence of multi-level intermediaries between farmers and direct consumers, also he mentions FDI- driven "modern retailing" being a direct interface between farmers and retailers trigger a series of reactions which in the long run can improve supply chain and transport sector of the rural agronomy of West Bengal and other states in India.[15]

Sindhu M R, et.al., (2012), in their research named E – Farming, an attempt was made in creating a website that would help Indian village farmers to sell their products in different city markets using a computerized approach. That would also help to get the current rates of market, get in touch with SMS through the cell phones, can gather the knowledge of different schemes and apply as well as check status of application. They also mentioned the website would act as unique and secure way to perform agro-marketing.[16]

The Study:

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.[17]

According to the National Commission of Agriculture (XII Report, 1976), Agricultural Marketing is a process which starts with a decision to produce a salable farm commodity, and it involves all aspects of market structure or system, both functional and institutional, based on technical and economic considerations, and includes pre and pro harvest operations, assembling, grading, storage, transportation and distribution.[18] Marketing system is the critical link between farm production sector on the one hand and non-farm sector, industry, and urban economy on the

other. Besides the physical and facilitating functions of transferring the goods from producers to consumers, the marketing system also performs the function of discovering the prices at different stages of marketing and transmitting the price signals in the marketing chain.[19]

The paper provides the data pertaining to crop-wise agricultural produce in India for the last 25 years. The trend in prices of agricultural produce is indicated by the way of agri-price index, for 2004-05 to 2010-11. The dominant marketing channels for important agricultural commodities are highlighted. And finally, observations are made and conclusion is drawn.

Table 1 - Agricultural Production – Food Grains (1991 - 2014) (In million tonnes)

Year	Cereals				Pulses	Total
	Rice	Wheat	Coarse Cereals	Total		Food Grains
1991-92	74.68	55.69	25.99	156.36	12.02	168.38
1992-93	72.86	57.21	36.59	166.66	12.82	179.48
1993-94	80.3	59.84	30.82	170.96	13.3	184.26
1994-95	81.81	65.77	29.88	177.46	14.04	191.5
1995-96	76.98	62.1	29.03	168.11	12.31	180.42
1996-97	81.73	69.35	34.11	185.19	14.24	199.43
1997-98	82.54	66.35	30.4	179.29	13.83	193.12
1998-99	86.08	71.29	31.33	188.7	14.91	203.61
1999-00	89.68	76.37	30.34	196.39	13.41	209.8
2000-01	84.98	69.68	31.08	185.74	11.07	196.81
2001-02	93.34	72.77	33.37	199.48	13.37	212.85
2002-03	71.82	65.76	26.07	163.65	11.13	174.78
2003-04	88.53	72.16	37.6	198.28	14.91	213.19
2004-05	83.13	68.64	33.46	185.23	13.13	198.36
2005-06	91.79	69.35	34.07	195.22	13.38	208.6
2006-07	93.36	75.81	33.92	203.08	14.2	217.28
2007-08	96.69	78.57	40.75	216.01	14.76	230.78

2008-09	99.18	80.68	40.04	219.9	14.57	234.47
2009-10	89.09	80.8	33.55	203.45	14.66	218.11
2010-11	95.98	86.87	43.4	226.25	18.24	244.49
2011-12	105.3	94.88	42.01	242.2	17.09	259.29
2012-13	105.24	93.51	40.04	238.79	18.34	257.13
2013-14	106.65	95.85	43.29	245.79	19.25	265.04
2014-15	104.8	88.94	41.75	235.49	17.2	252.68

Source: Compiled from data provided by Ministry of Agriculture & Farmers Welfare, Government of India.

Graph 1 - Agricultural Production – Food Grains (1991 - 2014)

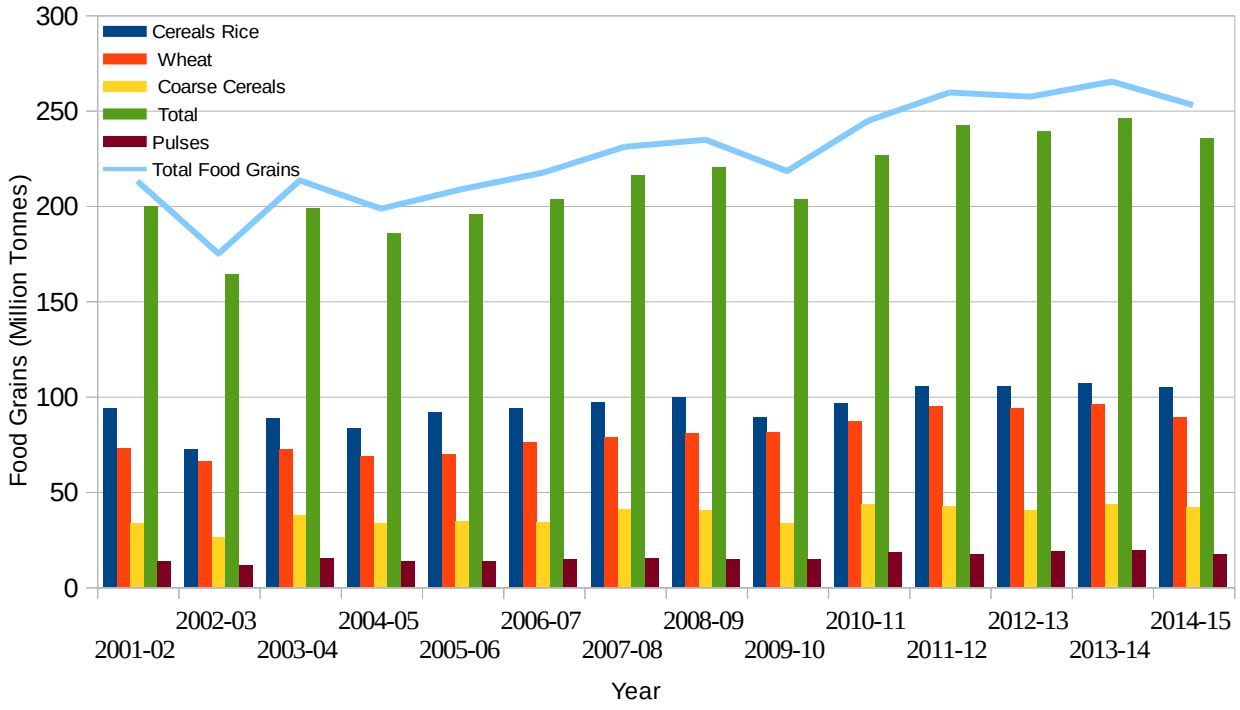
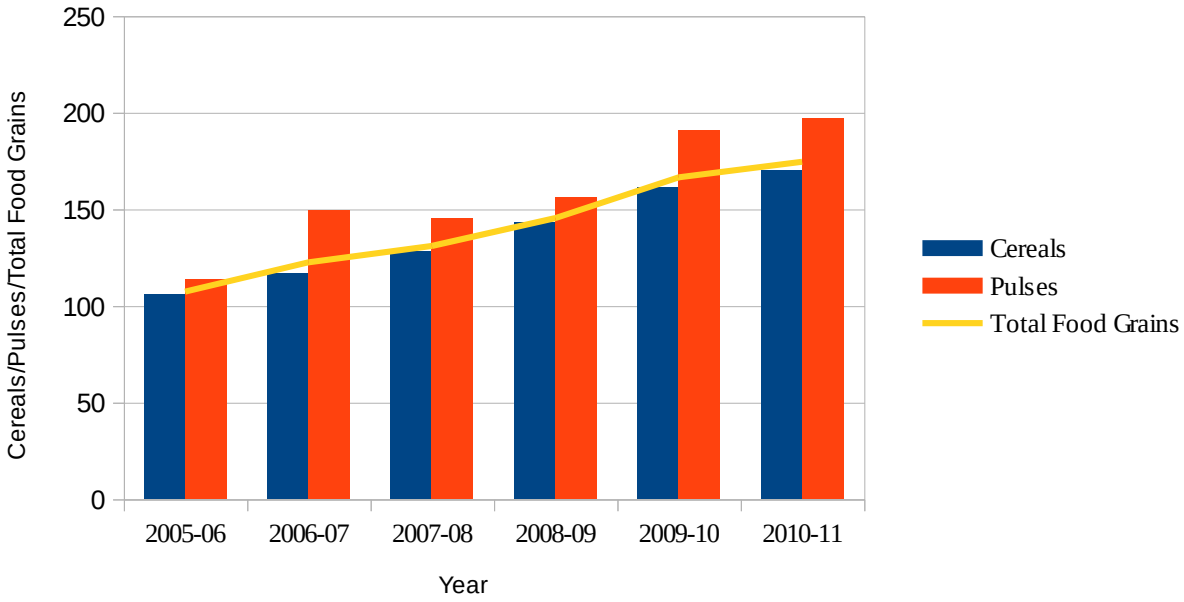


Table 2 - Wholesale Price Index of Food grains (BASE: 2004-05=100) (2005 - 2011)

Commodity/Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Cereals	106.0	116.7	127.9	143.1	161.2	169.7
Rice	105.2	110.0	122.5	140.6	157.9	167.2
Wheat	105.0	125.1	134.3	147.6	166.5	171.4
Jowar	109.5	124.6	148.0	151.2	168.6	189.5
Bajra	110.5	122.5	128.0	139.2	168.1	175.6
Maize	113.1	122.5	130.2	139.1	153.3	168.9
Barley	114.8	123.7	136.6	152.9	150.6	165.7
Ragi	101.4	112.2	123.4	134.9	174.7	173.8
Pulses	113.3	149.2	144.9	155.8	190.8	196.9
Gram	113.9	156.2	149.0	153.8	152.2	150.0
Arhar	98.1	108.3	126.1	144.3	214.7	205.1
Moong	121.7	160.3	141.2	150.4	233.8	280.4
Masur	102.5	115.0	145.7	196.2	228.2	194.5
Urad	131.1	191.3	159.8	159.8	228.4	271.8
Total Food Grains	107.3	122.4	130.9	145.3	166.4	174.4

Source: Compiled from data provided by Office of the Economic Adviser, Ministry of Commerce & Industry.

Graph 2 - Wholesale Price Index of Food grains (BASE: 2004-05=100) (2005 - 2011)



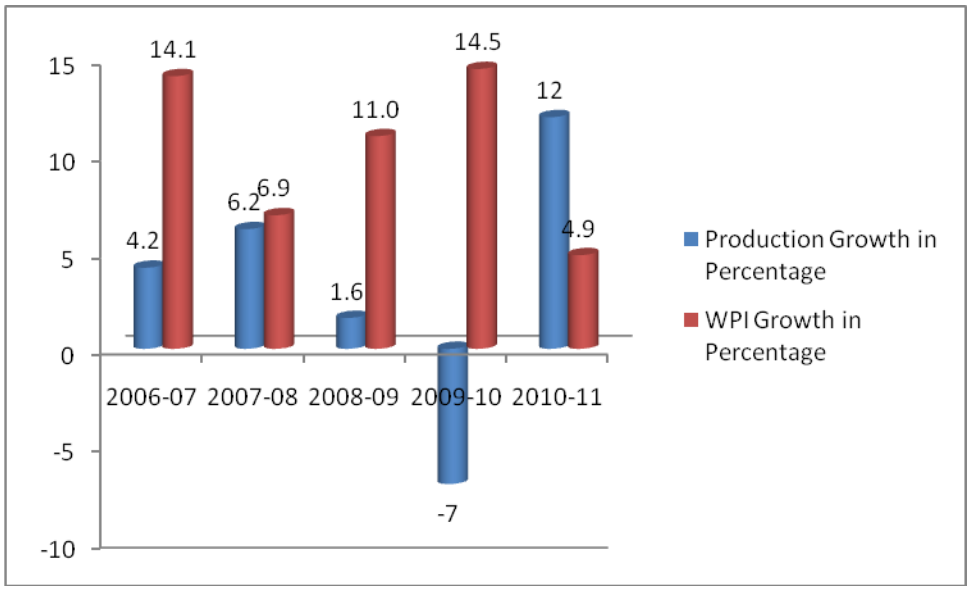
Below Table 3 and Graph 3, shows percentage-wise comparison of growth in total food grain production and whole sale price index from 2006 to 2011.

Table 3: Comparison of Growth in Food Grain Production Vs WPI (2006 - 2011) in Percentage

Food Grains/Year	2006-07	2007-08	2008-09	2009-10	2010-11
Production Growth in Percentage	4.2	6.2	1.6	-7.0	12.0
WPI Growth in Percentage	14.1	6.9	11.0	14.5	4.9

Source: Compiled from data provided by Office of the Economic Adviser, Ministry of Commerce & Industry, Ministry of Agriculture & Farmers Welfare, Government of India

Graph 3: Comparison of Growth in Food Grain Production Vs WPI (2006 - 2011) in Percentage



From the above tables and graphs, it can be seen that production of food grains has increased considerably from 168.38 million tonnes in 1991-92 to 252.68 million tonnes in 2014-15(estimated) and wholesale price index table shows that, wholesale price index of food grains has also considerably increased from 100 in 2004-05 to 174.4 in 2010-11. But as far as small/medium farmers are concerned, they are not getting better prices for their produce and still struggle for the survival.

From graph 3, we can see that though there is increase in both production and WPI of food grains compared to last few years but there is very less/no correlation between percentage growth of production and WPI of food grains. The reasons may be several for not having relation between the two, but are the farmers getting benefited with such improved growth?

According to different studies and research, there is a need for improved farmer access to agriculture markets through policy reforms and investments that would aim to reform regulated wholesale markets and provide farmers with alternative market opportunities. Better rural infrastructure is needed by improving road connectivity to the main markets. Getting together small/medium farmers through collective action to public services through societies, NGO's,

Self-Help Groups (and SHG federations) needs to be done. There is a need of improved methodologies in providing agricultural insurance for example, techniques like remote sensing technology can be used to measure yields/affected area. Creating awareness to the farmers on different component of market information, prices and its utility as and when required is also one of the most important factors that needs to be improved.

Types of Markets and Marketing Channels:

Rural Primary Markets – These markets are the oldest trading institutions. In this type of market producers sell their produce directly to the consumers or to small rural retailers. Such markets play a very vital role in marketing of produce, particularly of small and marginal farmers including landless laborers. Number of studies has shown that the efficiency of rural markets is poor due to 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.

Secondary/Assembly Markets – These markets attract potential buyers/traders who assemble the produce and consolidate a truck load for sales in the city wholesale market. The infrastructure available in these markets is generally poor and suffers from the same handicaps as do primary markets. Most of these are located in the district and taluk headquarters and perform assembling and distribution functions. The business is conducted according to market practices established by age old customs or as per the regulations of APMC wherever regulated.

Wholesale Markets – The procurement of agricultural produce by various government agencies takes place through such markets and volumes handled are much larger here. These markets, therefore, require not only better 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. However, studies have shown that facilities available in these yards are considerably short of the requirements and also most of them have become congested.

Terminal Markets – In this type of markets the sellers are usually the traders and not the producers unlike the primary and secondary markets. The Safal complex of NDDB is one such format, located at Bangalore. The terminal market concept promoted in India is expected to link the farmers to these markets directly through collection centers. 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. But still the awareness of such markets is less among the farmers.

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 to 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. In recent times, there is tremendous interest in setting up of retail chains for food items including fresh produce. Numbers of private corporate are jumping into this area and it is expected to revolutionize the system of handling of agricultural produce.

General Marketing Channels for agricultural produce:

1. Producer -> consumer (village sale)
2. Producer -> village merchant -> consumer (local sale)
3. Producer -> wholesaler-cum-commission agent retailer -> consumer
4. Producer -> primary wholesaler -> secondary wholesaler -> retailer -> Consumer
5. Producer -> Primary wholesaler -> miller -> consumer (Bakers).
6. Producer -> government to procurement -> retailer -> consumer.
7. Producer -> government -> miller -> retailer -> consumer.

There are several channels of distribution depending upon type of farm size, small farms usually sell their produce to village traders, it may or may not enter main market but large farms sell their produce in the main market. The marketing channels also depend upon agricultural commodity, with below factors:

1. Perishable nature - fruits, vegetables, flowers, milk, meat, etc.
2. Weight and bulkiness - cotton, fodders are bulky but light in weight.
3. Storage facilities.
4. Distance between producer and consumer.

With expansion in transportation and communication network, changes in the structure of demand and development of markets, marketing channels for farm products in India have undergone a considerable change, both in terms of length and quality.

Observations and Conclusion:

In the recent years agricultural markets in India have grown in size and complexity, not only in terms of volumes and commodity prices but also in terms of regulatory reforms and new marketing channels and arrangements, with support from governments and private sector.

Many researchers have suggested that farmers should be supported reasonably with adequate storage, transport and finance facilities that would enable small and medium farmers to sell their produce at better prices at the mandi/apmc rather than selling at lower price to broker/merchant who lends the money to them. An improved channel/system needs to be in place so that farmers would be updated on the price information and the market conditions to avoid the cheating on the prices. Better channels for marketing the produce need to be incorporated to reduce the price spread over the lengthy marketing channels in which larger portion of the price is taken away by the third persons rather than producers.

With increase in agricultural production, improvements are needed in different parameters like processing, marketing, distribution, utilization and trade of food, feed and fiber, which implies agricultural development strategy must address not only farmers but also those in marketing, trade, processing and agribusiness that would directly/indirectly help the framers in getting better prices for their produce. Finally, efficient marketing, initiatives to upgrade the infrastructure of the market yard facilities, transparent rural credit systems, increased capital investment, improved technology and management skills in equal measure are required to make agriculture a profitable venture.

With all these researches and suggestions, still we see small/medium farmers are not able to take the advantage of such growth and make their living better instead they are facing the challenges of poverty, food security and unemployment. In this regard there is a need of research, that would penetrate deeper in identifying the practical issues faced by farmers in terms of agricultural marketing and related parameters, so that farmers can quickly adopt to the rapidly changing agricultural markets and developments to get better prices for their produce.

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