

PROBLEMS AND PROSPECTS OF AGRICULTURAL MARKETING IN INDIA

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ABSTRACT

Agriculture is the backbone of Indian economy as the economic development of this country is very much relied upon the agricultural activities. Agriculture provides not only food for the nation's population but also provides opportunities for employment generation, saving, contribution to industrial goods market and earning foreign exchange. Marketing of agricultural products means a series of activities involved in the movement of agricultural produces from the point of production to the point of consumption. Agriculture production system in India is characterised by small scale production and seasonality of production and demand and many more. This paper is an attempt to identify various problems faced by the Indian agricultural sector with solutions done by the government till today and still to do.

Key Words: Agriculture, Agricultural marketing, Economic Development

INTRODUCTION

Agriculture is the backbone of Indian economy as the economic development of this country is very much relied upon the agricultural activities. Agriculture provides not only food for the nation's population but also provides opportunities for employment generation, saving, contribution to industrial goods market and earning foreign exchange. In India, agriculture and allied sectors (including agriculture, livestock, forestry and fishery) contribute 16 per cent in GDP and employs over 58 per cent of the workforce in the country. India is the largest producer, consumer and exporter (15% of the world exports) of spices and spice products. In production of fruits, India got the second position in the world. India's horticulture output (fruits, vegetables and spices) reached to third position with the help of producing 283.5 million tonnes (MT) in 2014-15. Agriculture also contributes in export which is 10 per cent of the total country's export. India is the largest producer of milk with annual output of 146.31 MT which is 18.5 per

cent of the total world production. Along with this, India is the second largest producer (14 % of the world output) and sixth largest exporter (2.76% of the world exports) of sugar.

Increase in the production of various agricultural products is not sufficient for the economic development process in this country. It also requires a systematic and scientific marketing system for the purpose of marketing agricultural products in domestic market as well as in international market. Marketing of agricultural products means a series of activities involved in the movement of agricultural produces from the point of production to the point of consumption. 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. Prof. Faruque observed: "agricultural marketing comprises all operations involved in the movement of farm produce from the producer to the ultimate consumer. Thus,

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agricultural marketing includes the operations like collecting, grading, processing, preserving, transportation and financing." According to the National Commission on Agriculture - Agricultural marketing is a process which starts with a decision to produce a saleable farm commodity; 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 viz. assembling, grading, storage, transportation and distribution.

Since independence in India, agricultural marketing is characterized by pervasive government intervention. This intervention took place for various purposes in various forms. With the passage of time the need for agricultural marketing also changed. In the initial period, marketing for agriculture was required to increase productivity, provide a market for agri-products, arrangement for agricultural credit, etc. But in the present scenario, agricultural marketing is needed to enhance the efficiency of the producers to market their agriculture produce so that they can get good market margin. It also helps in eliminating or rather minimising the role of middlemen. Agriculture production system in India is characterised by small scale production and seasonality of production and demand. Beside this, it poses various problems which will be discussed in the paper.

OBJECTIVES

1. To identify the major problems of agricultural marketing.
2. To highlight the role of government for the development of agricultural marketing.
3. To provide suggestions for their improvement.

LITERATURE REVIEW

In recent years, there has been considerable research related to the agricultural marketing. These papers, however, mostly deal with problems, challenges and development of and the government initiatives toward agricultural marketing.

The paper on Raising Agricultural Productivity and Making Farming Remunerative for farmers (2015) done by National Institution for Transforming India (NITI) Aayog, Government of India concentrates on a select but important set of policy issues confronting Indian agriculture to come up with recommendations that would help bring about a second Green Revolution in India and sustain robust growth in agriculture. Five such issues have been chosen: measures necessary to raise productivity, policies ensuring remunerative prices for farmers, reforms necessary in the area of land leasing and titles, a mechanism to bring quick relief to farmers hit by natural disasters, and initiatives necessary to spread Green Revolution to eastern states.

Rajendran and karthikesan (2014) in their study found that 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.

K Nirmal Ravi Kumar (2014) in his book he has given detailed information about agricultural marketing in India. He discussed about the major problems involved in the practices of agricultural policies and strategies. Along with this, the role of government for agricultural development is also provided.

Shakeel-Ul-Rehman, M. Selvaraj and M. Syed Ibrahim (2012) in their article 'Indian Agricultural Marketing- A Review' bring out past and present scenario of agricultural marketing prevailing in India, its challenges and future recommendations. They pointed out several problems and challenges involved in marketing of agricultural produce. New methods of marketing like Contract farming are visible, providing farmers with better returns. 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. These trends show that there is a scope for Agri-business for profitable operations not only to individuals but to institutions as well.

Sourovi De (2010) provides a detailed analysis of the various issues pertinent to the functioning of agrarian credit markets. These include the glaring chasm between demand and supply of agrarian credit, the emergence of sectors within the Indian economy which compete with agriculture for institutional credit and the aversion of institutional lenders towards agrarian borrowers.

Mishra, J.P. (2010) in his study, found that farmers are not getting benefits as per the provision made by regulated market act in favour of farmers just because these is found disputes between Govt and traders. The cooperative network in the state is inadequate and unable to procure agricultural produce from the growers for safeguard the interest of the farmers. The most important factor that exists in developing countries is widespread imperfection in market mechanism. It is due to lack of market information and presence of uncertainty in market demand.

Kashyap and Raut (2006) in their paper discussed the various challenges typical of the rural environment such as physical distribution, channel management promotion and communication. To overcome these challenges, marketers need to be equipped with technology based system like e-marketing. The "anytime-anywhere" advantage of e-marketing leads to efficient price discovery, offers economy of transaction for trading and more transparent and competitive setting.

Vikram Sorathia, Zakir Laliwala & Sanjay Chaudhary (2005) have suggested in their research paper a model act which is for implementation in all the Agricultural Produce Marketing Committees (APMC) throughout India. They demonstrate Web services based business process management system, developed to aid marketing of agricultural produce which can help a trader to execute a complete trading business process.

Ajay Verma (2002) in his paper discussed the importance of market, marketing, and export performance of vegetables in the world market. He concluded that Indian vegetables have more export potential than other crops. In 2000-01 the country exported other fresh vegetables to the tune of Rs.190.84 crores over Rs.144.14 crores in the preceding year, representing a growth of 32.89 percent.

B Alqbal (1982) in his research paper he has contributed towards problems and prospects of agro based industries in India. He has found that problems of agricultural marketing are leading huge backwardness of such industries. Government initiatives were not much focused on this area.

PROBLEM AREAS IN AGRICULTURAL MARKETING

1. **Small and scattered holding:** Farmers having small and scattered holdings are found in Indian agricultural system. Thus, the cost of producing and transporting agricultural produce increases and the marketing margin decreases.
2. **Lack of warehousing and storage facilities (cold storage or otherwise):** Farmers have to sell out their produce as soon as it is ready because there is a lack of adequate number of warehousing and storage facilities in India. It results in getting poor prices by the farmers. Most of the existing storage facilities are having very poor quality (are in very poor condition) which also affects the quality of the agricultural produce.
3. **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.
4. **Lack of Agricultural Credit facilities:** Lack of availability of cheap credit facility and

- high dependence on informal credit channel has affected the expansion and modernisation of agricultural productivity. Due to rigid norms of banking sector, farmers are forced to borrow money from moneylenders at a very high rate of interest. They use to sell their produce at the earliest to repay the amount taken from moneylenders to avoid heavy interest charge.
5. **Lack of Uniformity in Grading and Standardisation:** Lack of proper grading facilities and standardised measures for categorisation of agricultural produce at the farmers' level results in weak bargaining power and sale of produce at the lower price.
 6. **Poor Handling, Packing, Packaging, and Processing Facilities:** Lack of proper instruments for handling and processing and lack of scientific techniques for packaging of agricultural produce result in heavy wastage and loss to the farmers. Poor handling and packaging expose the product to substantial physical damage and quality deterioration.
 7. **Lack of market information:** Generally, in rural areas there is unavailability of proper infrastructure. Many villages are still out of the reach of Information and Communication Technology. Due to this, farmers are unaware of the present and future prices of their produces prevailing in big markets. Thus, they have to accept any price for their produce offered by middlemen.
 8. **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.
 9. **Lack of Farmers' Organisation:** In India, the farmers are in scattered form and they use to sell their produces individually. This results in distribution of small amount of agricultural produces with high cost of transportation. Along with this, farmers have not any authorised body to guide and protect their businesses. On the other hand, traders are in organised form which enables them more powerful to bargain over prices. Under such situations, farmers will be generally exploited and do not get remunerative prices for their produce.
 10. **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.

ROLE OF GOVERNMENT FOR THE UPLIFTMENT OF AGRICULTURAL MARKETING

The Government of India play very significant role in agricultural marketing system by framing rules and regulation, promoting infrastructure development, administrating prices and influencing demand and supply of agriculture produce in the market. A series of effective measures have been done by the government to improve the status of the agricultural marketing. Few of them are as follows:

1. **Regulated Market:** The regulated market refers to a market where the activities are to take place under a set of rules and regulations. It aims at the development of marketing structure to ensure fair price to the farmers, narrow down the price spread between producer and consumer and reduce non-functional margins of the middlemen. Table 1 shows the total number of whole sale, rural primary and regulated market in India. The analysis of the table reveals that the total number of regulated market and population served by each regulated market has declined but number of principal market has increased.

Table 1: Number of whole sale, rural primary and regulated market in India

Particular	2010	2014
Whole sale market	6517	5964
Rural primary market	21221	22759
Total	27738	28723
Principal Market	2404	2483
Submarket Yards	4753	4631
Total	7157	7114
Area in Sq. Kms.	3287240	3288015
Total population	1027015247	1210190996
Area covered by each market in Sq. Kms.	459.30	462.19
Requirement of market	41536	41847
Population served by each market	143498	170114

Source: agmarknet.nic.in

2. Grading and Standardisation: For grading and standardisation of agricultural produce, a set of standards is provided by the Directorate of Marketing and inspection. After ensuring the standards, agricultural products are provided a certification mark, called AGMARK. The AGMARK is legally enforced in India by the *Agricultural Produce (Grading and Marking) Act of 1937 and amended in 1986*. The present AGMARK standards cover quality guidelines for 213 different commodities spanning a variety of Pulses, Cereals, Essential Oils, vegetable oils, Fruits & Vegetables, and semi-processed products like Vermicelli.

3. Storage and Warehouses: Warehousing in India has been linked to food security and agricultural growth. The Central Government established state owned and controlled warehousing corporations to enable better storage of agricultural commodities in the 1950s. In 2007, the Parliament passed the Warehousing (Development and Regulation) Act, 2007, which came into force on October 25, 2010.

This created the Warehousing Development and Regulatory Authority, a central regulator for NWRs.

Table 2: Total Storage Capacity of Different Entities

	Name of the Organization	Storage Capacity (in million metric tonne)
1	Food Corporation of India (FCI)	38.34
2	Central Warehousing Corporation (CWC)	10.38
3	State Warehousing Corporations (SWCs) and State Civil Supplies	34.84
4	Cooperative Sector	15.07
5	Private Sector	18.97
	Total	117.52

Source: Report by the committee for Strengthening Negotiable Warehouse Receipts by the Warehousing Development and Regulatory Authority in the Country

4. Improvement of transportation facilities: The Government of India has made huge investment for the improvement of roads and transportation facilities. By the implementation of Swarnim Chaturbhuj Yojana the govt. extended the roadway in India which helped in connecting villages to urban market. Along with this, mode of transportation also improved by the use of technology. Vehicles with supportive equipments like refrigerated vehicle, specially designed vehicles for liquid produce, etc.

5. Provision of finance: To provide agricultural finance, the government of India contributed significantly. The initiatives taken by the government resulted in the growth of rural branches of commercial banks (Table 3), establishment of RRBs, priority sector lending, Self Help Group (SHG)- Bank Linkage Programme, Kisan

Credit Cards, financial inclusion programmes, etc. Co-operative banks also accounted for large share of agricultural credit. In the year 1975-76, the share of co-operative banks in total agricultural credit was 75 per cent, followed by commercial banks at 25 per cent and RRBs at 0.13 per cent. In 1990-91, the shares of cooperative institutions and commercial banks were almost equal at 48 per cent and 49 per cent, respectively. Thereafter, there has been a turnaround in the position of these two institutions. There is a gradual decline in the share of co-operatives and an increase in the share of commercial banks. By 2012-13, the share of co-operative banks had fallen to around 17 per cent while that of commercial banks had increased to 73 per cent. The share of RRBs increased to 9.79 per cent in 2012-13 as compared to 3.4 per cent in 1990-91.

Table 3: Rural Branches and Population per Branch

Year	Rural Branches	Population per Branch
1975	5598	87442
1981	8471	64650
1991	11344	57992
2001	14597	52319
2011	23097	36335

Source: Handbook of Statistics on the Indian Economy. Reserve Bank of India & United Nation Population Division

6. Market intelligence: It is a process of giving farmers insights into what might happen in the near future. This process requires that to go from market data to information and then to market intelligence. Market information and intelligence are crucial to enable farmers and traders to make informed decisions about what to grow, when to harvest, where to market to produce and whether to store it or not. Marketing intelligence helps in becoming more competitive by improving strategic decisions and this leads to better

performance against competitors.

- 7. Co-operative marketing societies:** Cooperative marketing societies are established for the purpose of collectively marketing the products of the member farmers. National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) was setup with the object to organise, promote and develop marketing, processing and storage of agricultural, horticultural and forest product to benefit the farmers. Agricultural farmers are the main members of NAFED, who have the authority to say in the form of members of the General Body in the working of NAFED.
- 8. Standard weights and measures:** The Standard of Weights and Measures Act, 1976 was passed in India for the purpose of regulating inter-state trade or commerce in weights, measures. The Act extends to the whole of India.
- 9. Commodity Boards:** The Government of India has set up specific commodity boards and export promotion council for monitoring and increasing the production, consumption, marketing and export of various agricultural commodities. Some of these organisations/boards are Cotton Corporation of India (CCI), Jute Corporation of India (JCI), Tea Board, Coffee Board, Spice Board, National Horticulture board (NHB), National Agricultural Marketing Federation (NAFED), Agricultural Products Export Development Authority (APEDA), etc.
- 10. Small Farmers' Agro-business Consortium (SFAC):** Small Farmers' agri-business Consortium was established in 1994 to promote agri-business by encouraging institutional and private sector investments linkage to ensure empowerment of all farmers in the country. This consortium links small farmers to technology as well as to the markets in association with private, corporate or cooperative sector.
- 11. Directorate of Marketing and Inspection (DMI):** DMI is the agency of Government of India. Main functions of this

organization are to render advice on statutory regulation, development and management of agricultural produce market to the States/ Union territories, to promote grading and standardization of agricultural and allied products under the Agricultural Produce (Grading & Marketing) Act 1937, to conduct marketing research, survey and planning, training of personnel in agricultural marketing, and administering Cold Storage order, 1980 and Meat Food Products Order, 1973.

- 12. National Institute of Agricultural Marketing (NIAM):** National Institute of Agricultural Marketing, established in Jaipur has started its functioning from 8th August, 1988. Main functions of this institute are to expand the agricultural marketing infrastructure of the country through programs of teaching, research and consultancy services and to design and conduct training courses appropriate to the specific identified needs of the personnel and enterprises and institutions that they serve.

SUGGESTIONS FOR IMPROVEMENT IN AGRICULTURAL MARKETING

The Government of India have taken several steps to uplift the status of agricultural sector. But all these efforts are insufficient for the development of this sector. Here, few suggestions have been given for the improvement in agricultural marketing. These are:

- 1. More investment in Market Research and Surveys:** To make the agricultural marketing more effective it is required to conduct marketing research in the field of agriculture on regular basis. This involves huge amount to conduct marketing research to get the real and effective solutions for agricultural problems. For this, the government should allocate sufficient amount for marketing research and survey.
- 2. Dissemination of marketing information:** The government has made various efforts to provide marketing information to the farmers relating to market trends, market price, consumer behaviour, technical equipments, etc. This information should be provided to the farmers in time so that they can use this information for improving their performance in agricultural marketing.
- 3. Establishment of regulated market:** The govt. of India has established number of regulated markets in all over India. But it is insufficient to serve large number of population of the country. Table 1 shows that total number of regulated market has declined as it was 7157 in the year 2010 which came down to 7114 in the year 2014. Along with this, population served by each regulated market also slashed down during same period. It is suggested that government should establish more regulated market in the country.
- 4. Storage and warehousing facilities:** The government should extent and construct additional storage and warehousing facilities and improve their features to improve and retain the qualities of agricultural produce of the farmers. The government should provide loan facilities to the farmers for storage facilities.
- 5. Improvement and extension of transportation facilities:** It is suggested that the government should make investment for the improvement and extension of roads and transportation facilities for connecting the villages with mandis. This will help the farmers to sell their produce to the customers directly, i.e. without taking the services of number of intermediaries.
- 6. More easy norms for credit facilities:** The banks are providing credit facilities to the farmers but it is insufficient for completing their requirements. Marginal and small farmers are facing los of problems for getting credit facilities. For this, the government should make adequate arrangements for providing loans to the farmers on more easy norms.
- 7. Agricultural price policy:** The government decide the Minimum Support Price (MSP)

for various agricultural commodities. It is a form of market intervention by the Government of India to ensure agricultural producers against any sharp fall in farm prices. It is suggested that more agricultural products should be taken under this pricing policy.

CONCLUSION

In India farmers are facing lots of problems weather it would be created by nature or by man made. It will take much time to solve their problems. Every year in budget, government sanctions huge funds and formulates various policies and programs for the purpose of developing agriculture sector in India. In the recent year, Government has established a Price Stabilisation Fund for Cereals and Vegetables of Rs.500 crore in order to reduce price volatility in perishable agricultural commodities (onions, potatoes & tomatoes etc.). With the setting up of this Price Stabilisation Fund, farmers will be able to get fair price for their produce while consumer would be able to purchase the same at affordable prices. Along with this, an agri-tech infrastructure fund has been proposed to create a common e-marketing platform for agri-commodities in the Agriculture Produce Marketing Committees (APMCs) in the State, as a first step towards creation of a national market. On the other hand, Government is in the process of developing an Insurance product which could ensure farmers against both yield loss and price fluctuations.

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