



A STUDY ON THE SIGNIFICANCE OF AGRICULTURE MARKETING IN INDIA

* M. KIRAN KUMAR RAJU

**Degree College Lecturer S. V. Arts College Dept. of Economics Tirupati - 517502.*

ABSTRACT

Since gaining independence, there have been substantial changes to India's agricultural industry. Our country was compelled to depend on imports and outside help. Thanks to effective government intervention, high-yielding seed varieties, fertiliser, irrigation, support from agriculture extension, and most significantly, the hard work of our farmers, we were able to increase the production of rice, wheat, and other agricultural products by four times. India generated an astounding number of food grains; from 83 million tonnes in 1960–1961 to around 275.68 million tonnes in 2017–18, the country's agricultural output increased substantially. With the ability to produce enough food grains to suit domestic needs, our nation is now able to export those grains and generate revenue from overseas sales. Even so, middle-class Indian farmers, with the exception of a tiny few, are unable to profit from the bountiful crop because of the lack of marketing channels and middlemen's monopoly on grain mandis, which drives down the prices at which their products is sold. The "riddle of agriculture marketing" needs to be solved in our nation before farmers can be paid fairly for the goods they produce. Currently, with the government pledging to quadruple the nation's farmer income, the emphasis must be on bringing about a qualitative and quantitative revolution in order to create a platform for agricultural science and marketing. The farmer is trying to improve his standard of life and revenue since he understands how important it is to use innovative production techniques. Crucially, instead of being dictated by what he needs for his own personal sustenance, the cropping pattern is now based on what is responsive to the market in terms of the prices he receives. Increasing production and consumption as well as quickening economic development are all facilitated by increased public awareness of agriculture. According to the agriculture promotion system, businesses play a dual function in economic development in countries with a predominance of agricultural resources.

KEYWORDS: *Agricultural, Marketing, Cultivation, Production, Productivity.*

INTRODUCTION

Agriculture is a vital source of raw materials for business. Agriculture has historically been regarded as the primary source of raw materials for sectors including textile, sugar, and edible oil. Horticultural and animal products have become increasingly important as raw materials over time due to changes in tastes, demographics, and technologies. Food distribution, dairy processing, and food processing based on animals have become some of the most important industries that rely on farm-sourced raw materials for their operations. As a result, agricultural marketing now has new dimensions. Agricultural marketing offers a larger social goal by increasing earnings in the rural hinterlands in addition to the simple exchange of goods which sets off a virtuous cycle of demand generation for consumer and industrial goods, and various services. This spurs economic growth of the country. The rising rural and agricultural incomes also generate opportunities for investments in farms by farmers, which helps raise production that can be exported. No wonder then that the complete economy actually waits for a good monsoon so that agriculture is munificent, rural incomes rise and the economy as a whole gets a fillip.

The total construction and productivity are being continuously greater than before though various plan periods by strategic planning and mission mode schemes, it is essential to provide the farming community better compensation for their produce by developing efficient and competitive marketing facilities with satisfactory marketing infrastructures to enable farmers to tide over situations of both extra-large production leading to glut and unexpected price fall and also in case of less production resulting in accessibility of meagre marketable surplus. Convenience of clear as crystal platform for marketing of agriculture produce is pre-requisite for discovery of fair price. Accessibility of easy to get and efficient markets with transparent and better price unearthing would entail in doubling farmers' income by 2022.

India is an agricultural nation, with one-third of its population either directly or indirectly dependent on the agricultural sector. Since the beginning of time, agriculture has been the primary sector of the Indian economy. The purchase and selling of agronomic goods is the main function of agricultural marketing. When the rural economy was more or less self-sufficient in the past, selling agricultural products to consumers was easy since farmers could sell their crops for cash.

IMPORTANCE AND OBJECTIVES OF AGRICULTURE MARKETING

The farmer is working hard to improve his standard of life and income because he understands how important it is to support innovative agricultural practices. Because of this, the cropping pattern is now determined by what is responsive to the market in terms of the prices he receives, rather than by what he requires for his own specific consumption. Marketing for agriculture has a big impact on boosting output and consumption as well as quickening the rate of economic growth. In nations where agriculture accounts for the majority of resources, the agriculture marketing system has two functions in relation to economic development. Accumulative demands for money with which to acquisitions other goods leads to increasing sensitivity to relative prices on the part of the producers, and specialization in the cultivation of those crops on which the returns are the greatest, subject to socio-cultural, ecological and economic restrictions. It is the marketing system that transmits the crucial price signals.

The Government of India has been performance an important role in developing agriculture marketing

system in the country. The marketing division of the Department of Agriculture, Cooperation and Farmers' Welfare is commended with the implementation of policy and programme related to agricultural marketing. The agriculture sector needs competitive and well-functioning market for farmers to sell their produce. In order to remove respective and monopolistic practices of present marketing system, to reduce the intermediaries in supply chain, to reduce wastage by way of promoting integrated supply and value chain and to benefit farmers through right to use to global markets, reforms in agricultural markets have to be an ongoing process.

INTEGRATED SCHEME FOR AGRICULTURAL MARKETING (ISAM)

- In the Ministry of Agriculture and Farmers Welfare, Marketing Division is also implementing ongoing Central Sector Schemes from XII plan, which have been integrated into a new scheme viz. the Integrated Scheme for Agricultural Marketing ISAM has six sub-schemes namely
- Agricultural Marketing Infrastructure (AMI)
- Marketing Research and Information Network (MRIN)
- Strengthening of Agmark Grading Facility (SAGF)
- Training, Research and Consultancy through Choudhary Charan Singh National Institute of Agricultural Marketing (NIAM)
- Agri-business Development through Venture Capital Assistance (VCA) and Project Development Facility

NATIONAL AGRICULTURE MARKET

For expediting better value of the produce by the farmers, easy to get to, competitive, efficient and barrier free markets with adequate marketing infrastructure and real time market information is being well-thought-out instrumental to supplement the Government's effort in the direction of doubling farmers' income in a time guaranteed manner.

As a part of the reform agenda, with the objectives to create barrier free market, enhance competition & transparency in transactions and widen choice to farmers for sale of their produce, Prime Minister Shri Narendra Modi launched the pilot of e-NAM - the e-trading platform for the National Agriculture Market (e-NAM) on 14th April, 2016. Initially 21 mandis in 8 states had been linked to the National Agriculture Market. Presently, 585 mandis are linked with the e-NAM platform. For this purpose, each mandi will be on condition that assistance upto Rs 75 lakhs for their basic infrastructures. In calculation to this, it has also been suggested to denotify from APMC Act (Mandi Act) those commodities which are speedilyuntreated.

Keeping in view the need of making marketing of produces laid-back for farmers, the Government of India has propelled six new user friendly features of National Agriculture Market (e-NAM) display place.

- e-NAM Mobile App
- BHIM payment facility
- New and improved Website with eLearning Module
- MIS Dashboard
- Grievance Redressal Management System for Mandi Secretaries

➤ Integration with Farmer Database.

In the National Agriculture Market scheme, only those States UTs are qualified to link their markets to e-NAM portal, which have undertaken reforms in their APMC Acts in respect of (i) e-trading (ii) single point levy market fee across the state (iii) single unified trading licence valid across the state. Government has taken several steps to provide remunerative prices to farmers for their produce which include procurement through designated procurement agencies as well as price support scheme (PSS) for pulses, oilseeds and cotton, applying e-National Agriculture Market (e-NAM) and enacting a model Agricultural Foodstuffs and Livestock Marketing Act, 2017. A Committee under the Chairmanship of Additional Secretary (Marketing) was established to draft it, which yield to the draft of new Model Act in December, 2016. Model Act submitted by the Committee be situated sent to the States and Union Territories for comments. Besides, it was also uploaded on the Agriculture Department's official website for explanations of general public. The final form of model APLM Act, 2017 has been prepared after combining the comments of all stakeholders which was inaugurated on 24th April 2017 for the follow up of the states. The progress of improvements with respect to 7 vital areas acknowledged by the Department is

- ❖ Setting up of markets in private sector.
- ❖ Direct marketing direct purchase of produce from farmers by processors/exporters/bulk buyers, outside the market yard.
- ❖ Farmer - Consumer markets to be set up by a person other than a Market Committee;
- ❖ Contract Farming.
- ❖ E-Trading.
- ❖ Single point levy of market fee across the State.
- ❖ Single trading license across the State.
- ❖ De-linking of Provisions of Compulsory Requirements of Shop/Spaces for Registration of Traders/Market Functionaries.
- ❖ Take out Fruits and Vegetables out of APMC Act.

Recently, Government of India has broadcast minimum support prices (MSPs) for 22 mandated crops excluding paddy and wheat and fair and remunerative price (FRP) for sugarcane on the basis of endorsements of the Commission for Agricultural Costs and Prices (CACP).

APMC ACT

The legal framework for regulation and management of agricultural produce markets has been provided in the provisions of more than 27 Regulated Markets Acts in different States and Union Territories of the country in different modes. Although the purpose of enactment of these Acts is basically the same i.e. regulation of trading practices, increased market efficiency through reduction in market charges, elimination of superfluous intermediaries and protecting the interest of producer-seller, most of these differ in vital contents. The States and UTs where such regulated market acts have not been enacted and enforced have some administrative arrangements to look after the subject though basic limited principles and of varied pattern¹⁰³. An attempt has

been made to highlight the important aspects, concerns and suggestion thereof. Over a period of time, these markets have acquired the status of restrictive and monopolistic markets behaviour, with no help in direct and free marketing, organized retailing and smooth raw material supplies to agro-processing industries. Exporters, processors and retail chain operators cannot procure directly from the farmers as the produce needs to be channelized through regulated markets and licensed traders as per the rules. Thus over the years, they gradually shifted from service oriented institutions to revenue generating institutions for the state. Such monopolistic practices and modalities of the state-controlled markets have prevented private investment in the sector and thus in the process, cost of marketing has increased enormously making farmers to end up with getting low price for their produce.

As agriculture is a state subject, the wholesaling of agricultural produce is governed by the APMC Acts of various State governments¹⁰⁵. The APMC Act empowers state governments to notify the commodities, and designate markets and market areas where the regulated trade takes place. The act also provides provision for the formation of agricultural produce market committees that are responsible for the operation of the markets. The entire state is divided and declared as a market area wherein the markets are managed by the market committees constituted by the state governments. Currently there are around 7,500 regulated markets in the country. Once an area is declared a market area and falls under the jurisdiction of a market committee, no person or agency is allowed freely to carry on wholesale marketing activities.

- ❖ Lack of development in the competitive marketing system
- ❖ Lack of support to help farmers in direct marketing and organizing retailing
- ❖ Lack of support towards smooth raw material supply to agro-processing industries
- ❖ Lack of support in adopting of innovative marketing system and technologies.

In order to improve the efficiency in marketing system, large investments are required for the development infrastructure in terms of post-harvest cold-chain and storage facilities nearer to the farmer's area of crop produce. An appropriate regulatory and policy environment is necessary to encourage private players to invest in such development process. Newer policies are also required encourage the procurement of agricultural commodities directly from farmers fields and to establish effective linkage between the farm production and the retail chain and food processing industries. Accordingly, the state governments were requested to suitably amend their respective APMC Acts for deregulation of the marketing system in India.

IMPORTANCE OF AGRICULTURAL MARKETING

Agricultural marketing has been defined by the National Commission on Farmers as “a process which starts with a decision to produce a saleable farm commodity and it 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.” In an expansive manner, this definition conveys the crux that the farmer's goods reach the end consumer – either an individual or an organization such as a processor or exporter.

Agricultural marketing differs from conventionally known meaning of marketing which implies meeting the consumer's demands or expectations. Since the major output of agricultural marketing is food, and food being a basic, life-sustaining necessity and a human right, ensuring the supply of food becomes an important part of the mandate of governments across the world. Hence, in most countries, the public sector has been involved in food management – either by creating markets for farm produce, directly procuring farm produce for subsequent supply and distribution, or in imports and exports of food and food products.

Governments have played an active role in supporting agricultural research and extension to raise yields and production, besides a prominent role in accessibility of food to all kinds of consumers at affordable prices. Further, agricultural marketing also provides livelihood to a large number of intermediaries, market functionaries, and semi-skilled and unskilled labour across the supply chain. The externalities arising out of agricultural products lead to development of vibrant warehousing, transport, agricultural finance and insurance systems, each with its own set of complexities and dynamics that generate employment and value addition. The role of agricultural marketing in economic development was summarized as a means for optimization of resource use and output management, raising farm income, expanding the market geography, supporting and driving the growth of agro-based industries, employment generation, enhancing economic growth and improving the living standards. Thus agricultural marketing assumes significance not only to meet the food and nutrition needs of the country, but also to support the growth of the economy as a whole.

AGRICULTURAL MARKETING IN INDIA

The basic driver of agricultural marketing is marketable or marketed surplus. As the marketable surplus of a farmer increases, the need to have efficient markets and marketing systems becomes important. The marketable surplus of agriculture in India has shown a healthy, growing trend. From being a subsistence enterprise in the pre-Green Revolution period to market-oriented, commercial production, Indian agricultural production has covered a great gap, leading to self-sufficiency as well as export capacity in most crops.

A huge marketed surplus calls for efficient marketing system to enable fast and effective movement of goods from producers to consumers. Farmers and consumer segments not only need marketplaces, but also facilities for storage, transportation, market information, financing and risk mitigation. Further, the basket of agricultural production has also changed with a huge output coming from high-value agriculture, encompassing horticulture, dairy, fisheries and animal products. Horticultural production has exceeded agricultural production in the country. The growth in dairy, poultry and fisheries is actually driving growth of the primary sector. Fish, poultry and other animal products are often sold in different markets and may have an entirely differentiated marketing system. Fruit and vegetables have usually been sold in the same wholesale markets as food grains or in similar kind of physical markets. Their increasing output points out the need for having special infrastructure to address their specific product characteristics like perishability.

THE APMC SYSTEM

The varied agro-climatic conditions in the country have favoured production of a wide gamut of crops encompassing cereals, pulses, fibres, sweeteners, spices, narcotics, and an equally diverse range of fruits and vegetables. The marketing system evolved in local settings and remained mired in local and traditional systems for a very long time. Farmers typically sold to local traders at a pittance, amidst opaque and deceptive price discovery methods, with hardly any knowledge of prices. Marketing assumed greater importance as yields and production started rising after farmers embraced high-yielding varieties, chemical inputs and other advanced technologies. Thus, there was a need for to support the farmers and avoid them getting manipulated in the market. It was in such a period that the Agricultural Produce Marketing Committees (APMC) Acts were passed by different states to regulate agricultural marketing.

REGULATORY REFORMS IN AGRICULTURAL MARKETING

A set of conditions such as changing nature of agricultural production, rising price spread, food inflation, non-remunerative returns to the farmer, seemingly outdated agricultural marketing practices and advent of technology created and supported the necessity of reforms in agricultural marketing.

THE MODEL APMC ACT, 2003

The Ministry of Agriculture, Government of India proposed a Model APMC Act in 2003 based on the recommendations of an inter-ministerial task force. The Model APMC Act proposed modifications to various provisions in the existing laws with an objective of encouraging competition by welcoming the cooperative and private sector to set up wholesale markets. According to the Economic Survey of 2014-15, the Model APMC Act of 2003.

- A. Direct sale of farm produce to the sponsors of contract farming.
- B. Establishment of special markets for specified agricultural commodities such as perishables.
- C. Establishment of new markets for agricultural produce by farmers, consumers, or private persons in any area.
- D. Registration of market functionaries instead of licensing, which facilitates them to operate in the entire state.
- E. Single levy of market fee in the entire notified area.
- F. Establishment of producers' or consumers' markets to facilitate direct sale and purchase of agricultural produce.
- G. Investment of revenue earned by APMC for market infrastructure. Several studies found that the response to the implementation of the model

APMC Act was not very enthusiastic. A few States adopted the recommendations, while other States only amended the rules. In certain cases, the changes were applied only to select commodities. Thus, some reluctance was observed in liberalizing agricultural marketing.

CONTRACT FARMING

The Contract farming has been given prominence in the Model APMC Act, 2003. However new model Contract Farming acts 2017 have also been formulated. It has been practiced for quite some time in India. Seed production by seed companies and sugarcane production under the catchment area of a sugar factory are classic examples of contract farming that have been around in the country for at least a few decades. Contract farming by Pepsico for tomato in Punjab, SAB Miller for barley, and McCain for potato in Gujarat are some classic success stories that created a win-win for both the contracting company and the farmer, of course, with their own learning curves. Contract farming has since been used by various companies for specialized farm produce such as medicinal plants, fruits, vegetables, spices, organic cotton and other organic produce etc.

The main advantages of contract farming for farmers were found to be the lowering of market risk with the sponsor contracting in advance to buy the farmer's produce within a reasonable range of quality parameters. Additionally, farmers also gain from the technical, managerial and advisory services that the sponsor provides. In most cases, the sponsor facilitates or directly provides inputs required for farming seeds, crop growth and crop protection chemicals, credit, technology and a ready market. In several cases farmers benefit out of the transfer of new technology and skills by the sponsor or contracting company. Since the costs and prices are known in advance, the enterprise usually turns out profitable. However, critics of contract farming point out that it is an unequal contract with the sponsor being more powerful and the farmer gets into a relationship of monopsony with the sponsor as there is a single buyer.

On the other hand, the sponsor finds advantages of lower production risk, consistency of quality, political acceptability of working with small farmers and raising their technological, skill and financial standards as compared to working of owned estates, and lower costs of production. However, sponsors too face challenges such as the farmers not following the recommended practices resulting in undesirable quality of output, diversion of inputs to other crops or purposes, and biggest of all, breach of contract where the farmer sells the produce to buyers other than the sponsors. Sponsors have also raised concerns of bringing contract farming under a separate legal ambit. Industry feedback sought for preparing this report indicates that a standardized law will be detrimental since a single model will not be suitable for contract farming of different crops. Fragmented lands also pose a problem as transaction costs rise. Land leasing through legal means facilitates the sponsors to enter into multi-season contracts with farmers. In spite of all the drawbacks, the success stories of contract farming indicate that the process holds promise, if executed properly. For the farmer, it greatly reduces market risk and to some extent price risk. Contract farming brings the farmer in direct contact of the buyer, thus eliminating middlemen in marketing. It helps the farmer understand market requirements and tailor his production methods to suit market needs.

Thus, contract farming does have potential in improving not just the marketing aspect, but also the production features of a farm. It is for these reasons that states such as Punjab enacted a law for contract farming in 2013, while states such as Maharashtra, Gujarat and a few others modified rules to encourage contract farming. Government intervention in technology transfer, research and germplasm development especially for medicinal

herbs and plants, and generally educating farmers about contract enforcement and regulation is also desirable. Interference by vested interests in cases where the contracting parties squabble due to breach of contract in different ways is an undesirable method of tackling the issue. Researchers have suggested that it will be worthwhile to learn from successful and failed experiments and devise ways whereby contract farming benefits small landholders. Although policy measures may not hold complete solutions, they can address generalizable issues based on lessons drawn from prevailing and past examples of contract farming.

DIRECT MARKETING

Direct marketing is another concept that has been emphasized in Model APMC Act of 2003 and Model APLM Act, 2017. Direct marketing can occur in two ways the producer sells directly to the consumer or consumer markets are established where producers can directly go and sell. The main objective in this case was to remove intermediaries in the chain and reduce price spread. Government-backed initiatives such as “rythu bazars” in Andhra Pradesh, “apni mandi” in Punjab and “uzhavar santhai” in Tamil Nadu helped urban areas get fresh farm produce at low prices and better returns to farmers. Sugarcane procurement is another example of direct purchase where the processor interacts directly with the producer. Several states, which had implemented the reforms, have also given out Direct Marketing Licenses (DMLs) to various kinds of buyers including corporate houses such as Tata, Mahindra and Godrej. Maharashtra was one state which had issued almost 200 DMLs. But it was reported that most of these licenses were unused. One of the reasons identified for poor response to DMLs was the high bank guarantee and security, which put off several buyers. Secondly, it is also a difficult task to coordinate with a large number of small farmers. This raises costs of coordination, monitoring, and negotiation, which eventually dents into the savings made by purchasing at lower prices than the market. Land fragmentation also leads to low productivity and profitability, which results into migration. Hence, land leasing for agricultural purposes should be legalized so that the combined holding will be of economical scale, if not profitable.

FARMER PRODUCER ORGANIZATIONS

Another major problem farmer’s face in marketing is small quantities for sale. Although the percentage of marketed surplus is very high in most crops, the absolute figures could be small due to predominance of small and marginal holdings. This affects scale economies which are an important factor in marketing. Uneconomical lot sizes raise cost of transportation and other transaction costs, leading to high cost of marketing. Small quantities also lower the bargaining power of the farmer. They also cause storage, financing and value addition uneconomical and also infeasible due to apathetic attitude of the warehouse service provider and financier. Hence, farmer associations in the form of self-help groups, cooperatives and farmer producer companies have been found as a way to overcome the above mentioned handicaps.

CONCLUSION

The Government of India has been playing an important role in developing agriculture marketing system in the country. The marketing division of the Department of Agriculture, Cooperation & Farmers’ Welfare is entrusted with the implementation of policy and programme related to agricultural marketing. The agriculture sector needs competitive and well-functioning market for farmers to sell their produce. . Farmers and consumer segments not

only need marketplaces, but also facilities for storage, transportation, market information, financing and risk mitigation. Further, the basket of agricultural production has also changed with a huge output coming from high-value agriculture, encompassing horticulture, dairy, fisheries and animal products. Horticultural production has exceeded agricultural production in the country. The growth in dairy, poultry and fisheries is actually driving growth of the primary sector. Fish, poultry and other animal products are often sold in different markets and may have an entirely differentiated marketing system. Fruit and vegetables have usually been sold in the same wholesale markets as food grains or in similar kind of physical markets

REFERENCES

- [1].Dey, K. (2016). National agricultural market-rationale, rollout and ramifications. *Economic & Political Weekly*. 51(19).
- [2].Krishna, P. (2017). Major agricultural marketing reforms – the way forward. *Business word*, August 21st Available at: <http://businessworld.in/article/-major-agriculturalmarketing>.
- [3].Kumar, R., Kumar, S. & Meena, P.C. (2018). Smart micromandi for better price realization and reduced market risks for the smallholders. Policy brief, April 2018, no. ICAR-National Academy of Agricultural Research Management, Hyderabad.
- [4].Minten, B., Vandeplas, A. & Swinnen, J. (2012). Regulations, brokers, and inter-linkages: the institutional organization of wholesale markets in India. *Journal of Development Studies*, 48(7).
- [5].Mishra, R. & Mishra, S.N. (2017). Reforms in agricultural marketing, policy issues and sustainable market development in Odisha. *Indian Journal of Agricultural Marketing*, 31(3).
- [6].Moloney, C. (2016). India's agriculture produce losses Rs 92,000 Cr, 3 times more than agriculture budget. *India Spend*, August 11, 2016.
- [7].Mustaquim, M. (2017). Agriculture marketing reforms: benefiting farmers? Available at: <https://www.ruralmarketing.in/industry/agriculture/agriculture-marketing-reforms-benefiting-farmers>.
- [8].Narayanamoorthy, A. & Alli, P. (2018). Agriculture market reforms are a must. *Business line*, January 1, 2018. Available at: <https://www.thehindubusinessline.com>.
- [9].SFAC (2015). National agriculture market scheme. Available at: <http://sfacindia.com/Nam.aspx>.
- [10]. Sharma, P. (2017). Agricultural market reforms: back to the future in the mandi again. Available at: <http://indianexpress.com/article/India/agricultural-market-reforms-back-to-the-future-in-the-mandi-again>,