

# Marketing of Agricultural produce in India

Kaiser Qayoom Malik

Assistant Professor Commerce, GDC Handwara

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## ABSTRACT

More than three-fifths of India's population draws their livelihood from agriculture that adds just one-fifth to its GDP. There should be obvious serious concerns about efficient functioning of this sector both in terms of its output / productivity and its marketing. While output and productivity are supply side factors, markets provide an intermediate link between producers and final demand by consumers. Efficiently functioning markets add to welfare of producers as well as consumers. . Agricultural marketing is also concerned with government policies towards distribution and processing of farm produce. 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 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:** Agricultural marketing, Government initiatives, marketing strategy

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## INTRODUCTION

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 tones (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 146.31MT. therefore it is required to have a systematic and scientific marketing system for the purpose of marketing agricultural products in domestic market as well as in international market.

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.

According to **Khols**", marketing is the performance of all business activities involved in the flow of goods and services from the point of initial agricultural production until they are in the hands of the ultimate consumer". **The National Commission on Agriculture** defined agricultural marketing 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, assembling, grading, storage, transportation and distribution.

The **Indian council of Agricultural Research** defined involvement of three important functions, namely (a) assembling (concentration) (b) preparation for consumption (processing) and (c) distribution. Agricultural markets are special types of markets that have special characteristics that differ from other markets. These are mainly due to factors affecting supply of agricultural products, and the situation of producers in this business. First of all the agricultural market is very competitive because the producers are all very small and large in number. Therefore, they don't have a great influence on the price of their products. Agricultural producers are what are known as price takers, producers that have little or no influence on the price of their output.

## AGRICULTURAL MARKETING IN INDIA

There are several challenges involved in marketing of agricultural produce. There is limited access to the market information, literacy level among the farmers is low, multiple channels of distribution that eats away the pockets of both farmers and consumers. The government funding of farmers is still at nascent stage and most of the small farmers still depend on the local money lenders who are leeches and charge high rate of interest. There are too many vultures that eat away the benefits that the farmers are supposed to get. Although we say that technology have improved but it has not gone to the rural levels as it is confined to urban areas alone. There are several loopholes in the present legislation and there is no organized and regulated marketing system for marketing the agricultural produce. The farmers have to face so many hardships and have to overcome several hurdles to get fair and just price for their sweat.

### 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.

### METHODOLOGYAN DATA SOURCES

Data collections and analysis is done with the help of secondary data .The data collected mainly from websites, annual reports, research reports of directorate of economics and statistics, ministry of agriculture (DESMOA) at centre is pivotal agency for such compilation at all India level other data gathering agencies are national sample survey agency (NSSO) National Horticulture Board, Report of Expert Committee on Strengthening and Development of Agricultural Marketing etc. State directorate of economics and statistics (DESS) Entire information has been called out from the published reports and websites of the ministries Singh Sukh Pal; (2013). and other already conducted survey analysis were taken into consideration.

### LITERATURE REVIEW

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

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

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

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

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

Sivanappan (2000) in his study stated that with modernization of existing post-harvest processing, establishment of suitable infrastructural facilities, huge amount of countries exchequer can be saved and further helps in feeding the teeming population in the country . **Hota et al. (2002)** in their study viewed that cooperatives occupy an important part in India's economy in terms of their coverage of rural producers, business turnover and contribution to economic welfare of their members as well as to rural economy of India.

**Reardon et al. (2003)** in their study documented that private firms now play a dominant role in countries such as China, India, South Africa in developing of improved seed varieties producing and distributing inputs, post harvest operations and retailing through super markets.

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

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

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

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

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

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

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

### **Major problems of agriculture marketing in India**

Problems and challenges There are several problems and challenges involved in marketing of agricultural produce.

- Limited access to the market information,
- Low level of literacy among the farmers.
- Fiscal and Political instability is threatening Agricultural Policies, as there is Political disagreement and fiscal comprehension in agriculture. .
- Lack of warehousing and storage Facilities
- Lack of transportation facilities:
- Lack of Agricultural Credit facilities
- Lack of Uniformity in Grading and Standardization
- Poor Handling, Packing, Packaging, and
- Processing Facilities
- Presence of large number of middlemen:
- Inadequate Research on Marketing
- Minimization of land holdings.
- Lack of market and marketing information.
- Lack of Agricultural education.
- Multiplicity of market changes and
- Malpractices., Lack of technical training.etc.
- Lack of Market Infrastructure in Agriculture Market.
- Lesser prise realization by formers .
- Large number of marketing channels with long supply chain.

## ROLE OF GOVERNMENT FOR THE UPLIFTMENT OF AGRICULTURAL MARKETING

The Government of India plays 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

**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. There are 7157 agricultural produce regulated markets in the country by the end of March 2016. There is uneven spread of these regulated markets in the districts of the state. The average area served by each regulated market also varied considerably among the states of India. It varies from 103 Sq.Km per market in Punjab, 129 in West Bengal, 156 in Haryana, 305 in Andhra Pradesh, 347 in Assam, 350 in Maharashtra, 383 in Karnataka and 394 in Uttar Pradesh. Jairath, M. S. (2000). The states like Arunachal Pradesh, Himachal Pradesh, Meghalaya, Sikkim, and Uttarakhand were among those where average area served by each market was more than one thousand sq.km. The average area served by each market works out to 28983 sq.km. Based on the recommendation of National Commission on Agriculture there should be one market for 80 sq. km of area. Accordingly there is a deficit of 34679 markets and need to promote more markets in various states.

**Grading and Standardization:** The grading stations have been established to grade and standardize many agricultural goods. The graded goods are stamped with the seal of the Agricultural Marketing Department-‘AGMARK’. The goods bearing the ‘AGMARK’ command better prices in the market. 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 etc

**Provision of Warehousing Facilities:** The warehousing facilities have been provided in the villages to prevent distress sale by the farmers. Apart from Central and State Government, Food Corporation of India has constructed its godowns and warehouses. 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.

**Marketing Surveys:** The market survey of agriculture products are conducted and published to benefit farmers. The surveys also discuss the problems and measures to tackle the problems associated with the marketing of agro-products. The prices of agriculture products in major markets are published widely. Further, for dissemination of information all sorts of media like radio, television, display board etc are used.

**Cooperative Movement in Agriculture Marketing:** Government has helped to establish multi-purpose cooperative societies with emphasis on credit and marketing. NAFED has been established as an apex cooperative marketing society at national level. Funds and credit facilities are provided to these cooperatives. The training facilities are provided for cooperative personnel.

**Encouragement of Exports of Agricultural Products:** The export of agricultural products has shown an increasing trend in the recent years. The trade policy of the Government has evolved various schemes to improve agro exports. The Agro Export Zones are established to encourage agriculture exports.

**Setting up of Special Boards:** The Government has set up number of special commodities boards like rice, pulses, jute etc to specifically formulate policies for these commodities. The exports councils have been established to suggest measures to improve exports of agricultural commodities.

**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.

**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 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

**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 organizations/ 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.

**Directorate of Marketing and Inspection (DMI):** DMI is the agency of Government of India 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

### CONCLUSION AND SUGGESTIONS

On There is a strong need for (i) Creation of necessary infrastructural facilities in all the regulated markets of the country. (ii) Regulation of all primary and secondary wholesale markets (iii) Develop the periodic/rural markets with minimum necessary infrastructural facilities as these are the main contact points for sale of agricultural produce by the small size farm operators. (iv) To make the agricultural marketing more effective it is required to conduct marketing research in the field of agriculture on regular basis (v) Government has started with establishing a Price Stabilization 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 Stabilization Fund, farmers will be able to get fair price for their produce while consumer would be able to purchase the same at affordable prices.

Storage front also there is need for (i) Construction of more scientific storage structures especially in rural areas for protection of produced agricultural output. (ii) Private sector involvement is necessary for creation of more storage structures and cold stores as it is highly capital intensive marketing infrastructure.

There is an urgent need to speed up the work of all weather-surfaced roads, double lane road and rapid expansion of transportation system in the various States. Besides this railway lines have to be extended to remote areas too In addition to the measures mentioned above, the Government also announces minimum support price for various agricultural commodities from time to time in a bid to ensure fair returns to the farmers. These prices are fixed in accordance with the recommendations of the Agricultural, Price Commission.

There is need for maintenance of sanitary and phytosanitary standards both for domestic market and external trade. (1v) Keeping in view the globalization grading has to be strengthened on war footing basis. It is suggested that (1) Grading units should be promoted at the village level with the help of private sector participation.

There is need for expansion of network of State Agmark laboratories at all district headquarters and in important markets of the country to ensure the availability of State Grading laboratories to the consumers of all areas. (3) The Grading standards for the remaining Commodities should also be formulated. (4) Compulsory grading and quality control be introduced for the total trade so as to reduce further chances of adulteration. The necessary infrastructural facilities for this are created by the Central and State Governments to prevent health hazards. (5) Consumers and traders should be educated about the advantages of Agmark grading by adoption of different publicity measures. It is also suggested that Government should go for compulsory grading at producer's level.

The State Government should expand administrative facilities in the markets to make the grading of agricultural commodities popular at the producer's level. (8) Presently there exists wide spectrum of Grade Standards for agricultural commodities adopted by different organizations as FCI, NAFED, and State Cooperative Marketing Federations, Civil supplies Department, Central and State Warehousing corporations. This creates confusion among the farmer – sellers and consumers. To avoid this it is suggested that Agmark standards formulated for commercial grading by Directorate of Marketing & Inspection should be adopted by all these organizations.

The Training Center for Grading is established in the various States for imparting special training to persons interested in Grading of Special commodities produced in different area of India. There is need to promote proper packaging after grading so that further chances of adulteration or temptation may not be there.



Risk management and e-trading have to be popularizing by educating various stakeholders. For this a separate resource center should be established in National Institute of Agricultural Marketing at the earliest. As all the above mentioned infrastructural facilities are crucial and requires large investment, it is suggested that offering incentives and creating enabling conditions would increase private sector participation and enhance the availability of agricultural marketing infrastructure in the country.

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