

## DEFECTS IN AGRICULTURAL MARKETING IN INDIA

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### ABSTRACT

*India is basically an agrarian society and from the very starting of the civilization in this area the economy of this country has been dependent on agriculture. In ancient times when surplus produce was at the disposal the farmer used to exchange their produce with others and is termed as barter. But they have to face certain problems in barter such as one has to find out the potential customer who requires the produce and is willing to exchange it. As time passed this problem started diminishing with the inducement of currency and gradually the scenario changed with the changing times and agriculture produce began being sold with an element of commercial value. The marketing as a term is broader than traditional trading. And agricultural marketing as a concept is still evolving in the Indian agrarian society. Agricultural marketing system is an efficient way by which the farmers can dispose their surplus produce at a fair and reasonable price. Improvement in the condition of farmers and their agriculture depends to a large extent on the elaborate arrangements of agricultural marketing. The term agricultural marketing include all those activities which are mostly related to the procurement, grading, storing, transporting and selling of the agricultural produce. Thus Prof. Faruque has rightly observed: "Agricultural marketing comprises all operations involved in the movement of farm produce from the producer to the ultimate consumer. Thus, agricultural marketing includes the operations like collecting, grading, processing, preserving, transportation and financing."*

*The scenario today shows that the conditions of the farmers in India has degraded very fast from 2013. They are not getting the right amount of their agricultural produce. NDTV research shows that a farmer in India was forced to sale his potatoes for nine paisa per kg. The production of crops in almost all segments if higher than expected which shows nothing is wrong with the productivity parameters. Problems or defects lies somewhere in marketing and policy of the government too. The MSP decided by the government assisted by CACP , is not fulfilling the requirement of the farmers . Only 6 percent of the Indian farmers are able to sell their produce on MSP.*

### PRESENT STATE OF AGRICULTURAL MARKETING IN INDIA

After independence the steps which should have been taken towards improving the agriculture market and making the considerable price available to farmers were not up to the mark. As we know that '4Ps', the acronym for price, product, place and promotion is the core

principle of marketing. In the case of agricultural marketing in India it is not exactly the marketing in the literal sense and we can call it as 'distributive handling' and to go further we may call it as 'distributive handling' of agricultural produce as there are number of intermediaries who are involved in marketing the agricultural produce. The literal meaning of agriculture marketing was never understood by our policy makers. However with the liberalization, privatization and globalization the economic scenario in India has changed a bit. As a result we have noticed the changes in the 'distributive handling' and again it reinvented and evolved as agricultural marketing. It is basically because of the rise of retail giants who are the major buyers in bulk quantity and who constantly look for differentiated, graded, standardized, processed and packaged products rather than undifferentiated ones. Agriculture plays a vital role in India's economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, is one of the largest contributors to the Gross Domestic Product (GDP). As per the 2nd advance estimates by the Central Statistics Office (CSO), the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) is expected to be 17.3 per cent of the Gross Value Added (GVA) during 2016-17 at 2011-12 prices.

India is the largest producer, consumer and exporter of spices and spice products. India's fruit production has grown faster than vegetables, making it the second largest fruit producer in the world. India's horticulture output, is estimated to be 287.3 million tons (MT) in 2016-17 after the first advance estimate. It ranks third in farm and agriculture outputs. Agricultural export constitutes 10 per cent of the country's exports and is the fourth-largest exported principal commodity. The agro industry in India is divided into several sub segments such as canned, dairy, processed, frozen food to fisheries, meat, poultry, and food grains.

The Department of Agriculture and Cooperation under the Ministry of Agriculture is responsible for the development of the agriculture sector in India. It manages several other bodies, such as the National Dairy Development Board (NDDB), to develop other allied agricultural sectors. India's GDP is expected to grow at 7.1 per cent in FY 2016-17, led by growth in private consumption, while agriculture GDP is expected to grow above-trend at 4.1 per cent to Rs 1.11 trillion (US\$ 1,640 billion).\$ As per the 2nd Advance Estimates, India's food grain production is expected to be 271.98 MT in 2016-17. Production of pulses is estimated at 22.14 MT.

India's exports of basmati rice may rise to Rs 22,000-22,500 crore (US\$ 3.42-3.49 billion), with volume to around 4.09 MT in 2017-18, backed by a rise in average realisations.#

Wheat production in India is expected to touch an all-time high of 96.6 MT during 2016-17.!

Groundnut exports from India are expected to cross 700,000 tones during FY 2016-17 as compared to 537,888 tons during FY 2015-16, owing to the expected 70 per cent increase in the crop size due to good monsoons. India's groundnut exports rose to 653,240 MT during April 2016-February 2017.@ India's export of grapes to Europe and China are expected to increase by

10 to 20 per cent this year on back of higher production on account of good monsoon and higher demand due to competitors such as Chile shifting focus to US market.

Spices exports from India grew by 9 per cent in volume and 5 per cent in value year-on-year to 660,975 tones and US\$ 1.87 billion respectively, during April-December 2016.

## **IN INDIA FOUR DIFFERENT SYSTEMS OF AGRICULTURAL MARKETING ARE PREVALENT**

### **1. Sale in Villages:**

The first method open to the farmers in India is to sell away their surplus produce to the village moneylenders and traders at a very low price. The moneylender and traders may buy independently or work as an agent of a bigger merchant of the nearby mandi. In India more than 50 per cent of the agricultural produce are sold in these village markets in the absence of organized markets.

### **2. Sale in Markets:**

The second method of disposing surplus of the Indian farmers is to sell their produce in the weekly village markets popularly known as 'hat' or in annual fairs.

### **3. Sale in Mandis:**

The third form of agricultural marketing in India is to sell the surplus produce through mandis located in various small and large towns. There are nearly 1700 mandis which are spread all over the country. As these mandis are located in a distant place, thus the farmers will have to carry their produce to the mandi and sell those produce to the wholesalers with the help of brokers or 'dalals'. These wholesalers or mahajans again sell those farm produce to the mills and factories and to the retailers who in turn sell these goods to the consumers directly in the retail markets.

### **4. Co-operative Marketing:**

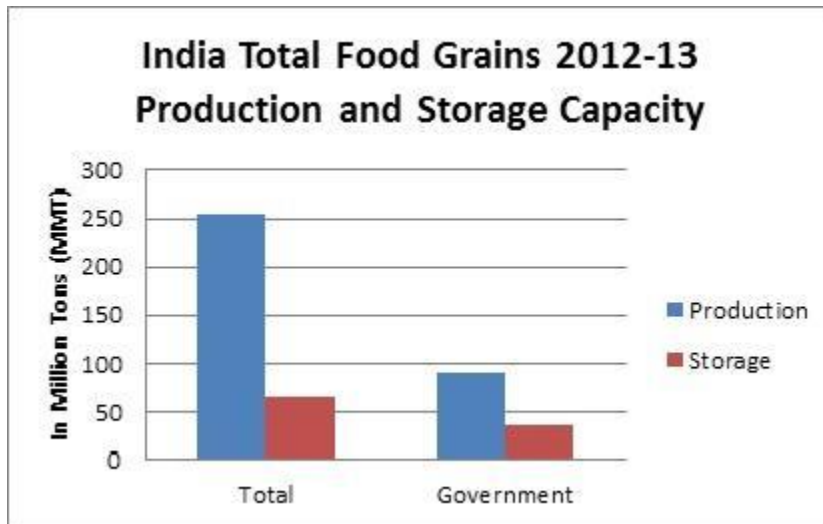
The fourth form of marketing is the co-operative marketing where marketing societies are formed by farmers to sell the output collectively to take the advantage of collective bargaining for obtaining a better price.

## **DEFECTS OF AGRICULTURAL MARKETING IN INDIA**

**Following are some of the main defects of the agricultural marketing in India:**

### **1. Lack of Storage Facility:**

There is no proper storage or warehousing facilities for farmers in the villages where they can store their agriculture produce. Every year 15 to 30 per cent of the agricultural produce are damaged either by rats or rains due to the absence of proper storage facilities. Thus, the farmers are forced to sell their surplus produce just after harvests at a very low and un-remunerative price.



## 2. Distress Sale:

Most of the Indian farmers are very poor and thus have no capacity to wait for better price of his produce in the absence of proper credit facilities. Farmers often have to go for even distress sale of their output to the village moneylenders-cum-traders at a very poor price.

## 3. Lack of Transportation:

In the absence of proper road transportation facilities in the rural areas, Indian farmers cannot reach nearby mandis to sell their produce at a fair price. Thus, they prefer to sell their produce at the village markets itself.

## 4. Unfavourable Mandis:

The condition of the mandis are also not at all favourable to the farmers. In the mandis, the farmers have to wait for disposing their produce for which there is no storage facilities. Thus, the farmers will have to take help of the middleman or dalal who take away a major share of the profit, and finalizes the deal either in his favour or in favour of arhatiya or wholesalers. A study made by D.S. Sidhu revealed that the share of middlemen in case of rice was 31 per cent, in case of vegetable was 29.5 per cent and in case of fruits was 46.5 per cent.

## 5. Intermediaries:

A large number of intermediaries exist between the cultivator and the consumer. All these middlemen and dalals claim a good amount of margin and thus reduce the returns of the cultivators.

### **6. Unregulated Market's:**

There are huge number of unregulated markets which adopt various malpractices. Prevalence of false weights and measures and lack of grading and standardization of products in village markets in India are always going against the interest of ignorant, small and poor farmers.

### **7. Lack of Market Intelligence:**

There is absence of market intelligence or information system in India. Indian farmers are not aware of the ruling prices of their produce prevailing in big markets. Thus, they have to accept any un-remunerative price for their produce as offered by traders or middlemen.

### **8. Lack of Organization:**

There is lack of collective organization on the part of Indian farmers. A very small amount of marketable surplus is being brought to the markets by a huge number of small farmers leading to a high transportation cost. Accordingly, the Royal Commission on Agriculture has rightly observed, "So long as the farmer does not learn the system of marketing himself or in cooperation with others, he can never bargain better with the buyers of his produce who are very shrewd and well informed."

### **9. Lack of Grading:**

Indian farmers do not give importance to grading of their produce. They hesitate to separate the qualitatively good crops from bad crops. Therefore, they fail to fetch a good price of their quality product.

### **10. Lack of Institutional Finance:**

In the absence of adequate institutional finance, Indian farmers have to come under the clutches of traders and moneylenders for taking loan. After harvest they have to sell their produce to those moneylenders at unfavourable terms.

## FLOW OF INSTITUTIONAL CREDIT TO AGRICULTURE

### PERCENTAGE SHARE

AGENCY	1970s	1980s	2000-01	2009-10
COOPERATIVES	77.0	55.9	39.0	20
COMMERCIAL BANKS	21.0	38.9	53.0	68
REGIONAL RURAL BANKS	2.0	5.2	8.0	12

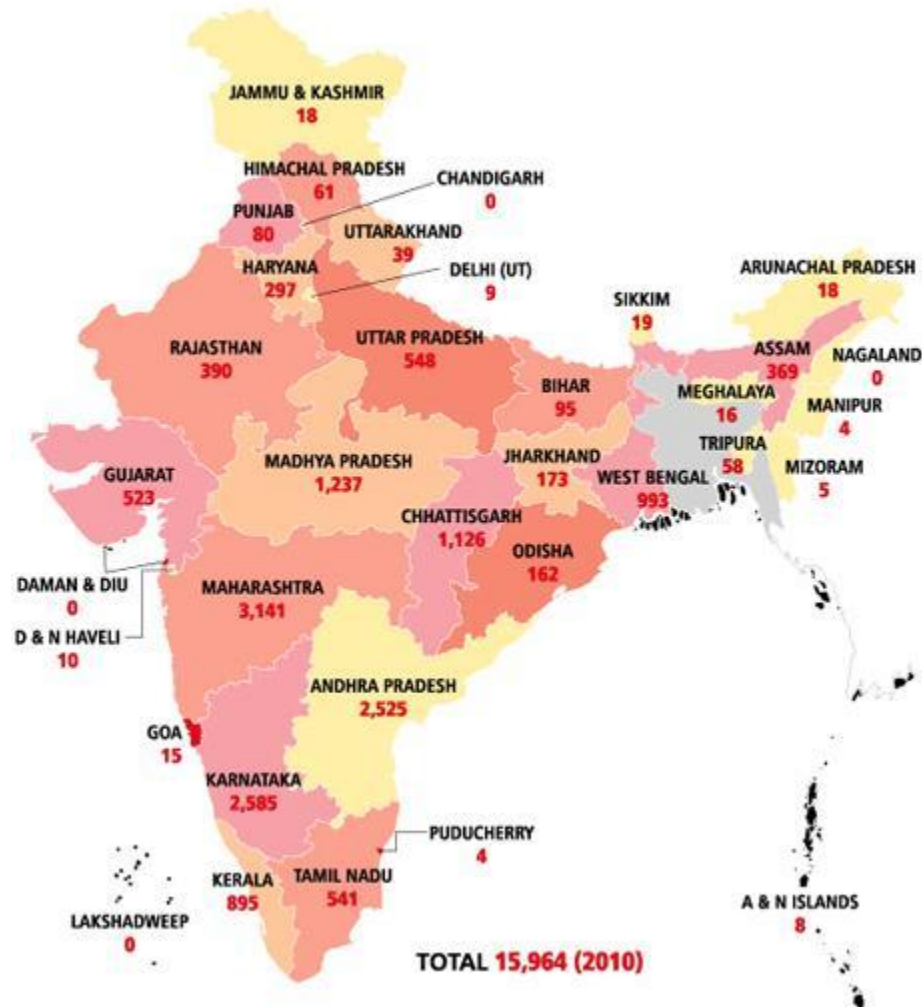
*Source: RBI bulletin, NOV 2004 & economic survey 2009-10*

### 11. Unfavorable Conditions:

Farmers are marketing their product under adverse circumstances. A huge number of small and marginal farmers are forced by the rich farmers, traders and moneylenders to fall into their trap to go for distress sale of their produce by involving them into a vicious circle of indebtedness. All these worsen the income distribution pattern of the village economy of the country.

There are certain other problems and challenges also faced by the agriculture sector in India. Some of these are long-standing and some are emerging due to the ongoing agricultural practices. **Stagnation in Production of Major Crops:** The production of some of the major crops in India like wheat has become stagnant for some time now. It is worrisome for the policy makers and planners of the country as there is a huge gap between the demand and supply of growing population and production. **Soil Exhaustion:** Although, Green Revolution has brought a positive impact in India, but on the other hand it has also resulted in negative impact. One of the biggest impacts is soil exhaustion which means depletion of nutrients in the soil due to farming of same crops again and again. Soil exhaustion generally takes place in rain forest areas. **Decrease in Fresh Ground Water:** Another negative impact of Green Revolution is the

decreasing amount of ground water. Green Revolution is successful in some areas due to the use of chemical fertilizers and irrigation. In dry regions agricultural practices are done with the help of irrigation activities which is carried out by ground water usage. This has led to an alarming situation in context of ground water situation. The continuous practice of such farming activities may result in famine-like situation. **Costly Farm Inputs:** The past few years have witnessed an increase in the prices of farm inputs such as pesticides, insecticides, fertilizers, farm labor and others. The increasing cost puts the low and medium land-holding farmers at a disadvantage. **Lack of Storage Facilities:** There is a lack of adequate food storage facilities available in the rural areas of the country. Due to this, the farmers are not left with any other option but to sell their products instantly after harvesting, and that too at prices which are below the prevailing market rates. Better storage facilities are essential for the benefit of the farmers as well as the consumers. **Affect of Global Climate Change:** In recent years, there has been a global climate change which has had a great impact on the Indian agriculture. The change in the climatic conditions has resulted in an increase of about 2-3°C which affects the agricultural practices. **Farmer Suicides:** Farmers committing suicide is another problem faced by the agriculture sector in the country. It accounts for a major share in the total number of suicides committed in India. A high number of suicides are reported in areas where there is high commercialization of agriculture and high peasant debt. The suicide rate is higher among the farmers who are involved in cash crop farming than those who grow food crops. Commercialization, privatization and withdrawal of bank credit at the time of soaring prices are some of the reasons which intensify the problems.

**Farmers suicide: no end to despair****REMEDIAL MEASURES FOR IMPROVEMENT OF AGRICULTURAL MARKETING**

Improvement of the agricultural marketing in India is utmost need of the hour.

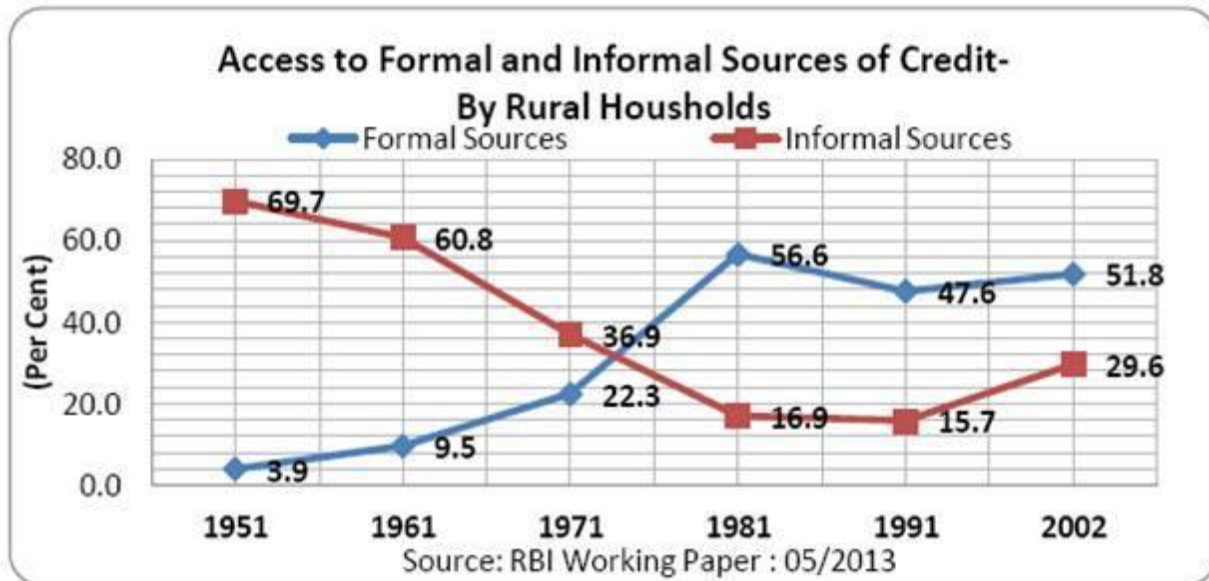
**The following are some of the measures to be followed for improving the existing system of agricultural marketing in the country:**

- (i) Establishment of regulated markets.
- (ii) Establishment of co-operative marketing societies.
- (iii) Extension and construction of additional storage and warehousing facilities for agricultural produce of the farmers.
- (iv) Expansion of market yards and other allied facilities for the new and existing markets.



(v) Provision is made for extending adequate amount of credit facilities to the farmers.

**Chart 1: Access to Formal and Informal Sources**



(vi) Timely supply of marketing information's to the farmers.

(vii) Improvement and extension of road and transportation facilities for connecting the villages with mandis.

(viii) Provision for standardisation and grading of the produce for ensuring good quality to the consumers and better prices for the farmers.

(ix) Formulating suitable agricultural price policy by the Government for making a provision for remunerative prices of agricultural produce of the country.

## AGRICULTURAL MARKET REFORMS

Below are the certain measures that can be affected to bring out the reforms in agricultural marketing so as to ensure just and fair price for the farming community.

- Provide loans to the farmer at low rate of interest so that they will be freed from the clutches of local moneylenders who squeeze them. It is said that farmer in born into debt, lives in debt and dies in debt. Right from the beginning of the life, the poor farmers approach money lenders for investing into cultivation who levies very high rate of interest and who takes away the maximum amount of the share from the produce. In case if the crop fails due to natural calamities then the situation would be worse as the farmer is not in a position to pay his loans. And ultimately he is forced to sell the land at throw away price to the money lender.

- It is essential to provide subsidized power supply and loans to the farmers as the expenses towards power consumption takes considerable amount of investments.
- Generate a new distribution network that connects the farmers directly to the consumers to get maximum returns as the present channel of distribution involves multiple mediatory who take away the major portion of profits which otherwise the farmers is supposed to get.
- Elimination of the existing loopholes in the present legislations is warranted.
- There should be stringent action against black marketers and hoarders who buy the stocks from farmers at cheap prices and create artificial demand and then sell the stocks at higher prices.
- Creating local outlets at each village where the farmers sell their stocks directly to the consumers or the authorized buyers at fixed prices would help to a great extent. Intervention of government in this network is essential to bring the fruits to the farmers.
- At the village level there should be counseling centers for farmers about the worth of their stocks so that they can get fair price. The crucial role of Non-Governmental Organizations (NGOs) is needed in this context.
- The existing legislations are outdated and are not in tune with the changing trends and technological inventions and the same need to be updated forthwith.
- The retail revolution has brought several changes in the retail sector where the retail giants buy in bulk directly from the suppliers and sell to the consumers directly and in this process they pass the benefits to the consumers as well. In the past the consumers were paying more for less as there were many channels of distribution system and now the consumers pay less for more.
- The government is already fulfilling the objective of providing reasonable prices for the basic food commodities through Public Distribution System with a network of 350,000 fair-price shops that are monitored by state governments. It is more effective in states like Punjab, Haryana and some parts of Uttar Pradesh. And the same needs to be strengthened across the country.
- Government should levy single entry tax instead of levying multiple entry taxes either directly or indirectly for the transactions and activities that are involved in agricultural marketing such as transportation, processing, grading etc., as it would benefit both farmers and consumers directly

## **HOW TO GET FAIR AND JUST PRICES FOR FARMERS?**

Direct marketing of the agricultural produce is the need of the hour. Efforts may be made to provide facilities for lifting the entire stock that farmers are willing to sell with incentive price. There should be provision for storing the stocks such as godowns and warehouses. It helps the farmers to hold the stocks till the prices are stabilized. Usually immediately just after the harvest the prices would be low and if the farmers are patient in holding the same for some time it would fetch better prices. The brokers play the games during the trading of the agricultural stocks which the farmers do not know and realize because of improper information about the market prices. The brokers without any investment and with their negotiation skills transfer stocks by buying at

low prices and selling at higher prices to the other end. The farmers need to be educated in this regard.

There should be all-round rationalization and standardization of the prices through legislative means. Presently there is vast gap between the marketing strategies of agricultural produce in India and abroad and the same needs to be bridge. Remove the various malpractices prevalent in the present system. There is need to set up marketing committees which has the representation of growers, merchants, local bodies, traders and nominees from the govt. There should be collective and integrative efforts and energies from all quarters for ensuring just and price for farmers.

## **CONCLUSION**

There is no doubt that in any marketing there is a motive towards profit involved and at the same time the marketing is to be based on certain values, principles and philosophies such as offering just and fair prices to the farmers who toil hard to till. Bringing necessary reforms coupled with proper price discovery mechanism through regulated market system will help streamline and strengthen the agricultural marketing. 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. Marketing of agriculture can be made effective if it is looked from the collective and integrative efforts from various quarters by addressing to farmers, middlemen, researchers and administrators. It is high time we brought out significant strategies in agricultural marketing with innovative and creative approaches to bring fruits of labor to the farmers.

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