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AGRICULTURAL MARKETING SERVICES IN INDIA: SOME ISSUS

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ABSTRACT

Strengthening agriculture is critical for facing the challenges of rural poverty, food insecurity, unemployment, and sustainability of natural resources. Agriculture is the science and practice of activities relating to production, processing, marketing, distribution, utilization, and trade of food, feed and fiber. This definition implies that agricultural development strategy must address not only farmers but also those in marketing, trade, processing, and agri-business. In this context, efficient marketing and rural credit systems assume added importance. Marketing system is the critical link between farm production sector on the one hand and nonfarm sector, industry, and urban economy on the other. Indian agriculture has seen a lot of changes in structure from time to time when needed. The paper also highlights some alternative services available in agricultural marketing in India that could provide additional value in the agricultural development. In the end the paper provide some suggestions that could help to make agricultural marketing services better, more valuable and economical for the producer/farmer, the consumer and the country as whole.

KEYWORDS : Agricultural Marketing, Future Trading, Agricultural Cooperatives, Food grains and Agricultural Development.

INTRODUCTION:

Agricultural marketing consists of all the activities which are involved in the movement of agricultural produce from producers/farmers to consumers. These activities include the purchase, storage, transportation, distribution and processing of agricultural produce, the marketing arrangements structure incentives to produce and trade agricultural produce and, thereby, guide the economic activity within the agricultural sector. The government started controlling agricultural marketing especially the foodgrains in India in 1939 at the outbreak of the Second World War. A committee was set up to explore the reasons for the Bengal Famine in 1943; it concluded that the famine was due to the failure of the foodgrain distribution system and not due to the shortage of foodgrains in India as a whole. Since foodgrain markets across the country were not integrated and incorporated foodgrains from surplus areas failed to move to Bengal and prevent the famine. To correct this market failure the government became heavily involved in marketing of foodgrains to feed the needy. The Department of Food under the Ministry of Agriculture was assigned to manage the Indian food economy. Its main functions were to import and procure foodgrains from farmers for public distribution, maintain central reserves, control and regulate prices of foodgrains, construct and hire storage facilities. Rationing and controls on the inter-state movement of foodgrains were also introduced. Rise in the demand for foodgrains caused by population growth and rising incomes was a challenge, in 1957, the government set up a committee to analyze the food situation and suggest new food policies. The committee suggested state trading of foodgrains and specifically, the committee advised the government to establish a Foodgrains Stabilization Organization.

Main Problems in Agricultural Marketing:

Agricultural marketing in India is characterized by pervasive government intervention. The objectives and forms of intervention have, however, changed substantially over time. State intervention in agricultural marketing is by definition aimed at correcting perceived market failures. Several instruments of such state intervention in India have their origin in the experience of the Bengal Famine, where market failure occurred due to inadequate state intervention. In the current situation of agricultural surpluses, however, market failure is occurring due to excessive state intervention. Agricultural marketing has changed conspicuously during the last fifty years. The main reasons for this change are increased marketable surplus, increase in urbanization and income levels and consequent changes in the pattern of demand for marketing services, increase in linkages with distant and overseas markets, and changes in the form and degree of government intervention. Some basic features of the system and associated problems are:

- The market size is already large and is continuously expanding. Farmers. market linkages (both backward and forward) have also increased manifold. But the marketing system has not kept pace.
- Private trade, which handles 80% of the marketed surplus, has not invested in marketing infrastructure due to the excessive regulatory framework and dominance of the unorganized sector.
- Increased demand for value-added services and geographic expansion of markets demands lengthening of the marketing channel but this is hampered by lack of rural infrastructure.
- Direct marketing by farmers to consumers remains negligible. In the 27,294 rural periodic markets, where small and marginal farmers come to the markets, 85% lack facilities for efficient trade.
- For facilitating trade at the primary market level, 7161 market yards/sub-yards have been constructed but they are ill equipped.
- Food processing industry has a high income multiplier effect and employment potential. But in India the value addition to food production is only 7%, mainly because of the multiplicity of food-related laws.
- Due to poor handling (cleaning, sorting, grading and packaging) at the farm gate or village level, about 7% of grains, 30% of fruits and vegetables and 10% of seed species are lost before reaching the market.
- An estimated Rs. 50,000 crore are lost annually in the marketing chain due to poorly developed marketing infrastructure and excessive controls.
- State Agricultural Produce Markets Regulation (APMR) legislation hampers contract farming initiatives, which otherwise can be highly successful.
- Farmers shifting to higher-value crops face increased risk of

fluctuation in yield, price and income.

- While agricultural price policy and associated instruments have induced farmers to adopt new technology and thereby increase physical and economic access to food, they have reduced private sector initiative and created several other problems in the economy.

DISPERSION OF AGRICULTURAL MARKETING SERVICES IN INDIA:
This part of the study explores various organizations and institutions that provide direct or indirect assistance to agricultural marketing in India.

FOOD CORPORATION OF INDIA:
The Food Corporation of India under the Department of Agriculture and Cooperation Government of India was set up to provide price support to producers, to distribute foodgrains at concessional prices through to the poor trough the Public Distribution System (PDS) and to ensure national food security by carrying buffer stocks. The operation of the Food Corporation of India has been facilitated by various government policies such as concessional credit and transport, budget support and freedom from movement controls. The poverty line is price inelastic. Given the price inelasticity of demand and increase in food prices, ceteris paribus, would erode the real income of population and particularly that of the poor who spend a major share or their income on food. Also fluctuations in prices would affect adversely the long term investment and production decisions of producers and lead to a suboptimal allocation of resources.

STATE AGRICULTURAL MARKETING BOARDS (SAMBS):
State Agricultural Marketing boards (SAMBs) occur as a government agency and/or constitutional organization having the function of intervening in the marketing process, with a view to serving the cause of efficient and orderly marketing. Less frequently they are intentional organizations established by farmers/producers. Marketing boards tend to be born out of government policy rather than by agreement among commercial parties. Their chief object is to improve the income of the smallholder, grower, and/or livestock farmer. Marketing boards do not normally provide marketing services to large estates or plantations. Prior to the adoption of structural adjustment and market liberalization nearly all Marketing boards served as price stabilizing boards. Another characteristic of marketing boards is their focus on durable products. Marketing boards are normally given authority for 'controlled' or 'scheduled crops'. The crops controlled are millet, sorghum, rice, wheat, maize, groundnuts and palm oil and 'colonial' crops such as cocoa, cotton, coffee, tea, tobacco and rubber. In some cases, the marketing board performs all of the marketing functions itself but in others it cooperates with private enterprise by, for example, hiring storage facilities or appointing local buying agents. Some marketing boards, like grain boards, are concerned entirely with domestic consumer markets. **AGRICULTURE PRODUCE MARKETING COMMITTEE (APMC):**

Regulated markets are established as per the provisions of the 'Agricultural Produce marketing Committee Acts' (APMC Act) of state Government. The royal commission on agriculture 1928 studied the problem and suggested beginning with the regulated markets and consequently various market committees were incorporated in different states. These regulated markets function under the market committees as per the regulations in the APMC act. Most of the wholesale markets and some of the rural primary markets have been brought under the regulation. Many of the regulated wholesale markets have a principal markets with large area and comparatively better infrastructure and number of sub yards attached to the principal market.

The organization of these regulated markets has helped in creating orderly and apparent marketing conditions. There were a meager 286 regulated market yards at the time of independence and it increased to more than 7249 in 2011. These consist of more than 2433 principal markets and 4816 sub yards. The number of regulated markets is relatively more in geographically large states viz. Andhra Pradesh, Bihar, Maharashtra, Madhya Pradesh, Uttar Pradesh and West Bengal. The National Commission on Farmers (2004) has recommended that the facility of regulated markets should be available to the farmer within the radius of 5 km. These are one stop shop for selling the agricultural produce through fair and remunerative ways. The progress and efficiency achieved in the system of regulating the agricultural markets in bringing more of the producer's share in the consumer rupee, reducing cost and wastage in marketing agricultural produce, agricultural diversification and value addition.

ALTERNATIVE SYSTEMS OF MARKETING:
Besides the above systems there are some optional and well organized systems of agricultural marketing in India, Some of these are: Cotton Corporation of India (CCI), Jute Corporation of India (JCI), State Trading Corporation (STC), Commodity Boards – Tea, Coffee, Cardamom, Rubber, Tobacco, Spices, Areca nut, Dairy Products etc., Commission for Agricultural Costs and Prices (CACP), Commodities Export Councils. Special Commodities Marketing Societies (Sugarcane, Cotton, Oilseeds, Milk etc.), Cotton Processing and Ginning Societies, Fruits and Vegetables Preservation Societies, Oilseeds Processing Societies, Sugarcane Crushing Societies, Milk Processing and Chilling Societies, Tribal Cooperative Marketing Federation. Further there are some innovative agricultural marketing services prevailing in India, these are briefly described below.

DIRECT MARKETING:
Direct marketing is an innovative concept, which involves marketing of produce i.e. paddy/rice by the farmers directly to the consumers/millers without any middlemen. Direct marketing by farmers to the consumers has been experimented in the country through Apni Mandis in Punjab and Haryana and Rythu Bazaars in Andhra Pradesh. Farmers can take advantage of these markets by selling directly through these facilities.

CONTRACT MARKETING:
Contract marketing is a system of marketing in which the commodity is marketed by farmers under a pre-agreed buy-back contract with an agency engaged in trading or processing. In contract marketing, a producer will produce and deliver to the contractor, a quantum of required quality of produce, based upon anticipated yield and contracted acreage, at a prepared price. In this agreement, agency contributes input supply and renders technical guidance. The company also bears the entire cost of transaction and marketing. In the wake of economic liberalization, the national and multinational companies are selectively entering into contract marketing of agricultural produce.

FORWARD & FUTURES MARKETS:
Forward trading means an agreement or a contract between seller and purchaser, for a certain kind and quantity of a commodity for making delivery at a specified future time, at contracted price. The Forward Markets Commission (FMC) performs the functions of advisory, monitoring, supervision and regulation in future and forward trading. Forward contracts are broadly of two types; (a) Specific delivery contracts: Specific delivery contracts are essentially merchandising contracts, which enable producers and consumers of commodities to market their produce and cover their requirements respectively. Specific delivery contracts are again of two types: i) Transferable Specific Delivery contracts (TSD) and ii) Non-Transferable Specific Delivery contracts (NTSD). (b) Other than specific delivery contracts: These are called as 'futures contracts'. These contracts are usually entered under the sponsorship of an Exchange or Association. In the futures contracts, the quality and quantity of commodity, the time of maturity of contract, place of delivery etc. are standardized and contracting parties have to

negotiate only the rate at which contract is entered into.

MANAGERIAL IMPLICATIONS:

The defections in the Indian agricultural marketing can be removed by providing both the forward and backward linkages to integrate agriculture, especially the marketing organizations and institutions must be integrated and coordinated to make the essential marketing services available not only to farmer but to the consumer also. Conflicting goals of farmers (who want higher prices) and consumers (who want cheap food), must be efficiently met. The producer must have ease and accessibility to the market for selling his produce; he must have sufficient information flow about the market. On the other hand the customer must get value of his purchase. Producer must also be free to choose the market to sell the produce according to his convenience. There should be encouragement in following more liberal policies in foodgrain management, policies that dovetail international trade with domestic market reforms allowing greater role of private sector in an open economy environment. Social mobilization, community participation and decentralized approach are necessary to make the market available at low cost to the farmer community. Private trade in agricultural commodities must be enforced. Moreover there should be an agricultural marketing awareness program, which should have a reach to whole of the country.

CONCLUSION:

India has become self-sufficient in the agricultural production especially in the foodgrains, India stands among the top agricultural producing nations of the world today. No doubt India is an exporter of various agricultural commodities but there are some constraints in agricultural marketing. The paper although highlighted the primary agricultural marketing institutes and organizations providing agricultural assistance in India at large, still much of the agricultural produce is getting spoiled due to inefficient storage facilities, overtime delivery and mismanagement. So much more is needed as; India has huge potential for agricultural production, because it has a wide geographical range. As most of the rural people in India are engaged in agriculture and its allied activities, more and more provisions must be made available to integrate the marketing systems for agriculture, which must be available all over the country.

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