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Indian Journal Of Applied Research
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Ahmedabad-380006, Gujarat, INDIA
Contact.: +91-9824097643 E-mail : editor@ijar.in

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Research Paper Management

A Study On Agricultural Marketing Practices And Constraints With Special Reference To Paddy / Rice.

* CM Maran ** Dr Raja Pranmalai

* Asst Professor(Senior), VIT Business School, VIT University, Vellore

** Associate Professor, Dept of Rural Industries & Management, Gandhigram Deemed University, Dindigul

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Introduction

Paddy is the most important and extensively grown food crop in the world. It is the staple food of more than 60 percent of the world population. Rice is mainly produced and consumed in the Asian region. India has the largest area under paddy in the world and ranks second in the production after China. Country has also emerged as a major rice consumer.

Origin

In India, paddy has been cultivated since ancient period. According to De Candolle (1886) and Watt (1892), South India was the place, from where cultivated paddy originated, whereas Vavilav (1926) opined that India and Burma should be regarded as the center of origin of cultivated paddy.

Importance

In world paddy production, Asia's share is more than 90 percent. Paddy is a primary foodgrain crop of India and occupies about 57 percent of the area under foodgrains and contributed more than 40 percent of foodgrains production in the country during 2010-11. More than 50 percent of country's population depends fully or partially on rice as it constitutes the main cereal food crop of the diet. During 2000 - 2010, in the states like Andhra Pradesh, Assam, Kerala, Orissa, Tamil Nadu and West Bengal, rice consumption accounted for more than 80 percent share in total cereal intake.

Marketing Channels, Costs And Margins

Marketing channels:

The following are the important marketing channels existing in the marketing of paddy/rice .

(i) Private:

The major marketing channels identified in the private sector are:

1) Producer Miller Wholesaler Retailer Consumer

2) Producer Commission Agent Miller Wholesaler Retailer Consumer

3) Producer Itinerant Merchant Miller Wholesaler Retailer Consumer

4) Producer Wholesaler (Paddy) Miller Wholesaler (Rice) Retailer Consumer

5) Producer Miller Retailer Consumer

6) Producer Miller Consumer

(ii) Institutional:

It covers the public and co-operative sector agencies. It plays a very significant role in the procurement and distribution of paddy/rice. Food Corporation of India is the main agency for procurement, buffer stock operations and distribution of rice. The main institutional marketing channel for rice is as under:

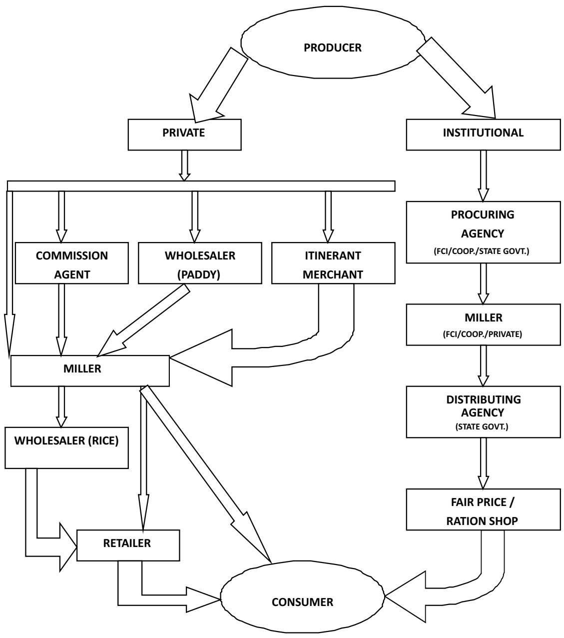
Producer Procuring Agency (FCI/State Govt./Co-operatives) Miller (FCI/Co-operatives/Private) Distributing Agency (State Govt.) Fair price/Ration shop- Consumer.

Criteria for selection of channels:

There are many marketing channels involved in marketing of paddy/rice. The following are the criteria for the selection of efficient marketing channels.

- The channel, which ensures reasonable return to producer, is considered to be good or efficient.
- Transportation cost in that channel.
- Commission charges and market margins received by the intermediaries, such as trader, commission agent, wholesaler and retailer.
- Financial resources.
- The shorter channel with minimum market cost should be selected.

Marketing Channels Of Paddy / Rice



Marketing costs and margins:

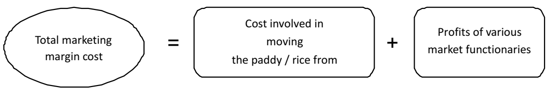
Marketing costs:

Marketing costs are the actual expenses incurred in bringing goods and services from the producer to the consumers. The marketing costs normally include:

(i) handling charges at local points
(ii) assembling charges
(iii) transport and storage costs
(iv) handling charges by wholesaler and retailer
(v) expenses on secondary services like financing, risk taking and market intelligence, and
(vi) profit margins taken by different agencies

Marketing margins:

Margin refers to the difference between the price paid and received by a specific marketing agency such as a single retailer, or by any type of marketing agency. i.e. retailers or wholesalers or by any combination of marketing agencies in the marketing system as a whole. Total marketing margin includes cost involved in moving the paddy/rice from producer to consumer and profits of various market functionaries.



The absolute value of the total marketing margin varies from market to market, channel to channel and time to time.

Market feel: It is charged either on the basis of weight or on the basis of the value of the produce. It is usually collected from the buyers. The market fee differs from state to state. It varies from 0.5 percent to 2.0 percent ad valorem.

Commission: The charges are usually made in cash and vary from market to market. These charge were observed to be nil in the states of Assam, Kerala, Madhya Pradesh, Goa, Arunachal Pradesh.

Taxes: Different taxes are charged in different markets such as toll tax, terminal tax, sales tax, octroi etc. these taxes leviable on paddy/rice differ from market to market in the same state as also from state to state. These taxes are usually payable by the seller.

Miscellaneous charges: In addition, some other charges are also levied. These include handling, weighing, loading, unloading, cleaning, charity contribution in cash and kind, etc. these charges may be payable either by the seller or by the buyers.

Marketing Practices And Constraints

Assembling:

The various agencies engaged in the assembling of paddy / rice may belong to one of the following categories:

I) Producers
ii) Village merchants
iii) Itinerant merchants
iv) Wholesale merchants and commission agents
v) Rice mill agents
vi) Co-operative organizations

Distribution:

Assembling and distribution system of marketing are closely related. The producer makes the movement of paddy from the farm to the assembling centers, while a number of market functionaries can be involved in the distribution dealing with its subsequent movement to the final consumer. In the Survey of Marketable Surplus and Post-Harvest Losses of Paddy (2008), it has been estimated that the producer retained 44.54 percent of production for their farm-family requirement. The marketable surplus was estimated to be about 55.46 percent of the total production. The total marketable surplus of paddy/rice is distributed through different ways i.e. wholesale distribution, retail distribution, direct marketing to miller, contract farming etc. the following agencies are engaged in the distribution of paddy/rice at various stages of marketing.

1) Producer 2) Commission agents
3) Village traders 4) Rice Millers
5) Itinerant trader's 6) Co-operative organization
7) Retailers 8) Government Organization
9) Wholesale merchants 10) Exporter and importer

Marketing constraints

Unstable price: Generally, the price of paddy/rice goes down in the post harvest period (3-4 months immediately after harvest) due to heavy arrivals in the market and later shoots up, which results in unstable prices.

Spurt in production and heavy arrivals: After the introduction of high yielding varieties of rice, the production has increased manifolds, increasing the arrivals in the markets, which results in distress sale after harvest.

Lack of marketing information: Due to lack of market information regarding prevailing prices, arrivals etc., most of the producers market the paddy/rice in the village itself, which deprives them of getting remunerative returns.

Adoption of grading: Grading of paddy/rice at producers' level ensures better prices to producers and better quality to consumers. However, most of the markets are lagging behind in providing grading service at producers' level.

Inadequate storage facilities in rural areas: To avoid the distress sale, storage facilities in village are found to be inadequate. Due to lack of storage facilities at rural stage, substantial quantity is lost.

Transportation facilities at producer's level: Due to inadequate facilities of transportation at village level, in most of the states, producers are forced to sell paddy/rice in the village itself to itinerant merchants or traders directly at low prices.

Training of producer: The farmers are not trained in marketing system. Training shall improve their skill for better marketing of their produce.

Malpractices in markets: Many malpractices prevail in the markets of paddy/rice. i.e. excess weighment, delay in payment, high commission charges, delay in weighing and auction, different kinds of arbitrary deductions for religious and charitable purposes etc.

Financial problem: Lack of market finance is one of the major marketing problems in the smooth running of marketing chain.

Intra-structure facilities: Due to inadequate infra-structural facilities with producers, traders, millers and at market level, the marketing efficiency is affected adversely.

Superfluous middlemen: The existence of a long chain of middlemen reduces the producers share in consumer's rupee.

Alternative Systems Of Marketing

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 enables producers and millers and other bulk buyers to economise on transportation cost and improve price realization. It also provides incentive to large scale marketing companies i.e. millers and exporters to purchase directly from producing areas Direct marketing by farmers to the consumers has been experimented in the country through Apni Mandis in Pubjab and Haryan. The concept with certain improvements has been popularized in Andhra Pradesh through Rythu Bazars. At present, these markets are being run at the expense of the state exchequer, as a promotional measure, to encourage marketing by small and marginal producers without the involvement of the middlemen. In these markets, many commodities are marketed along with fruits and vegetables.

Benefits:

- Direct marketing helps in better marketing of paddy/rice.
- It increases profit of the producer.
- It minimizes marketing cost.
- It encourages distributional efficiency.
- It satisfies the consumer through better quality of produce at reasonable price.
- It provides better marketing techniques to producers.

- It encourages direct contact between producers and consumer.
- It encourages the farmers for retail sale of their produce.

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 pre-agreed price. In this agreement, agency contributes input supply and renders technical guidance. The company also bears the entire cost of transaction and marketing. By entering in to contract, farmer's risk of price reduces and the agency reduces the risk of non-availability of raw material. The inputs and extension services provided by the agency include improved seed, credit, fertilizers, pesticides, farm machinery, technical guidance, extension, marketing of produce etc.

In present scenario, contract marketing is one of the ways by which producers, especially small farmers, can participate in the production of good quality paddy/rice to get higher return. Contract marketing enables producers to adopt new technologies to ensure maximum value addition and access to new global markets. It also ensures efficient post harvest handling and meeting specific needs of customers. In the wake of economic liberalization, the national and multinational companies are selectively entering into contract marketing of rice. There are a few success stories of contract marketing in rice such a as Pepsico India Holdings Pvt. Ltd. On Basmati rice in Punjab, Western U.P. and Haryana, in collaboration with Tata Rallis India, ICICI Bank and LT Overseas Ltd. In Punjab, Satnam Overseas Ltd., Escorts Ltd., BRK Ltd., etc. for Basmati rice.

Benefits:

Contract marketing is beneficial to both producer as well as to contracting agency. These benefits are summed up below:

Benefits	To Producer	To Contracting agen cy
Risk	It minimizes the price risk	It minimizes risk of raw material supply.
Price	Price stability ensuring fair price.	Price stability as per pre-agreed contract.
Quality	Use of quality seed and inputs.	Get good quality produce and control on quality.
Payment	Assured and regular payments through bank tie up.	Easy handling and better better control on payment.
Post-harvest handling	Minimizes risk and cost of handling	Control and efficient handling.
New technology	Facilitates in farm management and practices.	For better and desired produce to meet consumer needs.
Fair trade Practices	Minimizes malpractices and no involvement of middle man.	Better control on trade practices.
crop insurance	Reduces risk.	Reduces risk.
Mutual relationship	Strengthens.	Strengthens.
Profit	Increases.	Increases.

Cooperative marketing:

"Cooperative marketing" is the system of marketing in which a group of producers join together and register them under respective State Cooperative Societies Act to market their produce jointly. The members also deal in a number of cooperative marketing activities i.e. processing of produce, grading, packing, storage, transport, finance, etc. the cooperative marketing means selling of the member's produce directly in the market, which fetches best prices. It helps the member to produce better quality of paddy/rice, which has good demand in the market. It also provides clean handling, fair trade practices and protect against manipulations/malpractices. The main objectives of cooperative marketing are to ensure remunerative prices to the producers, reduction in the cost of marketing, reduces the monopoly of traders and improve the marketing system. The cooperative marketing structure in the different states consists of;

1. PMS (Primary Marketing Society) at the Mandi level.
2. SCMF (State cooperative Marketing Federation) at the State level.
3. NAFED (National Agricultural Cooperative Marketing Federation of India Ltd.) is at the National Level.

There are many cooperative Marketing Societies dealing with marketing of paddy/rice. National Cooperative Development Corporation (NCDC) and State Governments are providing financial assistance and other facilities to such Cooperative Marketing Societies. By the end of 2000-2001, 597 cooperative rice mills were installed in different states with the financial assistance of National Cooperative Development Corporation (NCDC).

Benefits:

- Remunerative price to producers.
- Reduction in cost of marketing.
- Reduction in commission charges.
- Effective use of infra-structure.
- Credit facilities.
- Collective processing.
- Easy transportation.
- Reduces malpractices.
- Supply of agricultural inputs.
- Marketing information.

Forward and 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. It is a type of trading, which provides protection against the price fluctuations of agricultural produce. Producers, traders and millers utilize the future contracts to transfer the price risk. Presently, future markets in the country are regulated through Forward Contracts (Regulation) Act, 1952. The Forward Markets Commission (FMC) performs the functions of advisory, monitoring, supervision and regulation in future and forward trading. Forward trading transactions are performed through exchanges owned by the associations registered under the Act. These exchanges operate independently under the guidelines issued by the FMC.

After the recent decision during February 2003 of the Cabinet Committee on Economic Affairs (CCEA), Government of India, future trading has been allowed for 148 commodities including rice, under section 15 of the Forward Contracts (Regulation) Act of 1952. Earlier, rice was not allowed for future trading. Only rice bran, its oil and oilcake were allowed only through the Bombay Commodity Exchange Ltd. Mumbai.

Forward contracts are broadly of two types. i.e. (a) Specific delivery contracts; and (b) Other than specific delivery contracts.

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. These contracts are generally negotiated directly between parties depending on availability and requirement of produce. During negotiation, terms of quality, quantity, price, period of delivery, place of delivery, payment terms etc. are incorporated in the contracts. Specific delivery contracts are again of two types.

i) Transferable specific delivery contracts (T.S.D.)

ii) Non-transferable specific delivery contracts (NTSD)

In the TSD contracts, transfer of the rights or obligations under the contracts is permitted, while in NTSD, it is not permitted.

Other than specific delivery contracts: Though this contract has been specifically defined under the act but these are called as 'futures contracts'. Futures contracts are forward contracts other than specific delivery contracts. These contracts are usually entered under the auspices 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.

Benefits:

Futures contracts perform two important functions i) Price discovery and ii) Price risk management. It is useful to all segments of economy.

Producers: It is useful for producers because they can get idea of price likely to prevail at a future point of time and, therefore help to decide time and planning of production that suits them.

Traders/Exporters: The futures trading is very useful to the traders/exporters as it providers an advance indication of the price likely to prevail. This helps the traders/exporters in quoting a realistic price and, thereby, secure trading/export contract in a competitive market.

Millers/Consumers: Futures trading enables the millers/consumers to get an idea of the price at which the commodity would be available at a future point of time.

The other benefits of future trading are:

Price stabilization: In times of violent fluctuations, futures trading reduce the price variations.

Competition: Futures trading encourages competition and provides competitive price to farmers, millers or traders.

Supply and demand: It ensures a balance in demand and supply position throughout the year.

Integration of price: Futures trading promotes and integrated price structure throughout the country.

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