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Factors Affecting Agricultural Marketing In India: An Overview

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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. Interventions in domestic agricultural markets can affect the efficient allocation of resources negatively thus making domestic agricultural sector less competitive in international markets. While the study concluded that the Regulated markets are one of the primary institutions in the marketing of agricultural produce. In the agricultural marketing development, regulation of market is not an end, but it is only a beginning and other important factors affected in the agricultural marketing in India. Finally, these are the overall defects met in agricultural marketing in future; it will improve our Gross Domestic Product.

INTRODUCTION

Agriculture is one of the oldest of our inventions; without which the constant search for food would have precluded other development. Agriculture plays a predominant role in the progress of the country and its the backbone of Indian economy. The continuing challenge facing world agriculture is to produce enough food to feed a growing population, which is expected to reach 8 billion by 2025 or 2030. Another challenge for agriculture is to contribute in a large measure to national income by substantial capital formation and reduction of poverty for which technologies, policies and institutions to unleash agriculture's full and vast potentialities should be developed. This will require farmers to have access to both domestic and international market.

In developing economies, marketing is still in its infancy. An effective marketing system alone can bring the fruits of production to the people. Economic growth in the less developed nations of the world depends greatly on their ability to design effective marketing system to produce global customers for their raw materials and industrial output. The success of any agricultural development programme rests ultimately on the efficiency of the marketing system. Marketing of agricultural produce is an important as production itself.

ROLE OF AGRICULRE.

Agriculture is recognized as the most ancient occupation of mankind. It continues to play a critical role in the lives of people all over the world. The remark made by Carl Eicher and Lawrence Witt is very apt in this connection – "Economic historians generally concur that there are no cases of successful development of a major country in which a rise in agricultural productivity did not precede or accompany industrial development". The European voyage of discovery that began in the early 15th century greatly affected agriculture throughout the world. Agriculture development is more slowly in the French colonies, which are now part of eastern Canada. The French, who controlled most of eastern Canada fro the last 1500's until 1763, did little to encourage farming. By the late 1600's England, France, Netherlands, Portugal and Spain had colonies throughout America. Labour was supplied by black slaves imported from Africa or by the native Indians who were forced to work at low wages.

During 1700's a great change in farming called the agricultural revolution began in Great Britain. The revolution resulted from a series of discoveries and inventions that made farming much more productive than ever before. By the mid 1800's the agricultural revolution had spread throughout Europe and North America. One of the chief effects of the revolution was the rapid growth of towns and cities in Europe and the United States during the 1800's. As fewer people were needed to produce food, farm families by the thousands moved to towns and cities. A study of the economic histories of various nations would reveal that agricultural process was clearly the major contributor to their subsequent development. Some countries experienced difficulties initially for a breakthrough in agricultural development due to various factors. Though the problems faced by different Western countries differed in nature and intensity, it is a fact that their present industrial development was preceded by a long drawn period of agricultural growth.

STATEMENT OF THE PROBLEM:

Regulated markets are a benevolent alternative to the organised , decentralized trader – friendly markets of our native. The farmers are free to choose any marketing system they prefer. In order to attract the market arrivals, the regulated markets must ensure definite benefit to the farmers and same time the Indian agriculture at present are due to some fundamental factors. There are five fundamental factors resulting in various defects in the existing system of agricultural marketing.

OBJECTIVES OF THE STUDY:

1. The major objective is to identify the important factors effecting agricultural marketing.

METHODOLOGY

The factors which affecting agricultural marketing have been studied conceptually from different sources – both primary and secondary, the sources of obtaining data include websides, journals, magazines, news papers, government records and also from the farmers in person. The factors affecting agricultural marketing are

1). Economic factors,
2). Operational factors,

3). Institutional factors
4). Structural factors,
5). Motivational factors.

1. ECONOMIC FACTORS

Normally production influences the marketing channels, costs and margins. There exists considerable economic inefficiency in the existing marketing system. Often there are wide price fluctuations without corresponding changes in supply and demand. The economic inefficiency may be due to more than one factor viz., inflationary impact, trade manipulations, and inadequacies of storage, processing and transportation facilities. In the context of wide price fluctuation it will not be desirable to leave agricultural marketing to the mercy of uncertain market forces. There is the problem of increasing marketable surplus and marketed surplus to economically viable quantities. The size of marketable surplus depends on the volume of production and the market prices. The rules and regulations of markets and levies and taxes on marketing also have an impact on the size of the marketable surplus. A developing economy, starting with a large agricultural base should aim at increasing its marketable surplus. Indian experience however, is not very steady in this respect.

The various economic inefficiencies listed are, in fact, contributed by other factors. These causes individually and jointly operate in a vicious circle causing a total inefficiency in agricultural marketing. It is said that, "Indian farmer is born in debt, lives in debt and dies in debt". In more recent times, the situation has undergone some change and they are less at the mercy of moneylenders. But much more is to be done to redeem the Indian farmer from his indebtedness13. The moneylenders force the farmers to sell their produce much below the market prices and that too immediately after the harvest.

2 OPERATIONAL FACTORS

Lack of storage and transport facilities also compel the growers to dispose off their products at the earliest. Lack of availability of market information is another important area that requires special attention. IIliteracy of Indian farmers results in their ability to make proper use of market information. The information reaches users so late that it loses its practical utility and becomes a subject of academic interest only. In our country no attention is focused on retailing without which market information is incomplete. Market information is an important marketing input necessary for orderly marketing of agricultural commodities. Information should flow from one end to the other almost continuously to make a regular assessment of the situation, because production technique or marketing procedure does not remain static.

Finally, the seller of agricultural produce is beset with the incidence of high cost of marketing. The high cost of marketing is normally reflected in the final prices paid by the ultimate consumers. One reason for this high cost is that the marketing channels for most of the agricultural produce are unduly long. Marketing costs can be reduced through the operation of a more efficient system. Some time increase in marketing costs might be due to better marketing services. In developed countries high marketing costs are often justified on the basis of better services provided to consumers. From the foregoing discussion it is clear that operational of functional inefficiency in Indian agricultural marketing is the fundamental defect. The effect of this spreads to other components thereby making them also inefficient.

3. INSTITUTIONAL FACTORS

The third major group of defects in Indian agriculture is the institutional factor. Various institutions are formed with specific objectives of helping the growers. But these institutions have mostly failed to achieve the objectives for which they were established. Some of the institutions created in the field of agricultural marketing remained inefficient partly due to the conceptual defects and partly due to the influence of other inefficient elements illustrated in Chat 1.1. The Co –operative Societies working in India are good examples of such inefficiencies,

In the Indian agricultural marketing, another important aspect to be considered under institutional factors is the absence of vertical integration. The process of vertical integration is an important development as it represents the interrelationship between market structures and firm conducts. But in India, due to lack of such an integration the farmer becomes little more than a paid employee, through he is paid for his output rather than for his time.

In India, the process of integration is weak. It is all the more so in the case of agricultural marketing. In fact one of the aims in introducing the principle of co – operation was to offer certain powers to only. In our country no attention is focused on retailing without which market information is incomplete. Market information is an important marketing input necessary for orderly marketing of agricultural commodities. Information should flow from one end to the other almost continuously to make a regular assessment of the situation, because production technique or marketing procedure does not remain static.

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One of the basic defects of Indian agricultural marketing is not the lack of institutions but the absence of efficiency in them. They are founded on certain inflexible basis which becomes easily obsolete in the fast changing economic environment, the story of marketing institution particularly that of co – operatives and regulated markets (RMS) correspond to what is stated above.

4. STRUCTURAL FACTORS

The fourth set of factors contributing as constraints to an efficient agricultural marketing system is the structural factors. Malpractices in trade, especially in the numerous unorganized markets spread out in the rural areas have often been cited as a patent defect of Indian agricultural marketing. Reasons for the malpractices are many and varied. In unorganized markets business is conducted without any set rules and regulations. Traders frame the rules for the conduct of the business and run the market. These markets suffer from various ills, ranging from unstandardized charges for marketing functions to imperfections in the determination of prices.

The very nature of dispersed production of agricultural commodities, in very small quantities, widespread and scattered consumption, created an atmosphere for malpractices. This in turn attracted numerous intermediaries to perform certain functions thereby making the entire marketing operation costly. In order to increase the income, the intermediaries introduced multiplicity of charges besides adopting a number of malpractices. In spite of various measures taken against this, it is still true that numerous middlemen exist and that they try to exploit the unorganized and illiterate small producers. The introduction of Regulated Markets in India following the report of the Royal Commission on Agriculture in 1993 was a clear proof of the existence of malpractices in the channel of distribution at that time.

The second element that contributes to structural inefficiency is the land tenure system which has been subjected to constant changes. As the experiences prove, land ceiling was not an unmixed blessing, though it was founded on theories of social justice and equalitarianism. From the marketing point of view, small holdings also post difficult problems. Marketable surplus and marketed surplus in such circumstances may dwindle and will, therefore, affect the efficiency of marketing.

5. MOTIVATIONAL FACTORS

Finally, motivational or human factors also contribute to inefficiencies in the existing agricultural marketing system. The illiteracy among the farmers has paved the way for adoption of heterogeneous methods of marketing. As such marketing varies, from commodity to commodity, region to region and from season to season. The Indian agricultural marketing mechanism has not been very effective. It has failed to cater to the interests of the consumers and producers.

The primary consideration for the development of agricultural marketing is to organize the existing systems in such a way as to ensure the farmer his due share of price paid by the consumers and subserve the need for planned development. For agricultural development to take place, it is essential that farms become more and more commercial, producing increasingly for the market. The reorganization of the agricultural marketing system is closely linked to the development of agricultural production ensure the grower in getting his due share. Regulations of market practices, especially for agricultural commodities, is also one among such interventions. The present study is concerned with this area of government interventions.

ROLE OF GOVERNMENT IN AGRICULTURAL MARKETING

The government interventions may be classified into three groups.

(i) Direct intervention in the trade
(ii) By initiating voluntary organizations
(iii) Direct regulator role

(i) Direct intervention in the trade means:-

(a) Establishment of exclusive agencies to handle trade in certain selected commodities. Eg: Food Corporation of India

(b) Price support, procurement of levies and open market operations.

(ii) By initiating voluntary organizations like co – operative societies. It is a voluntary business organization established by its member patrons to market farm products collectively for their direct benefit.

(iii) Direct regulator role means regulation of markets and market practices

This study is concerned with the third type of government intervention in agricultural marketing through creating physical markets to help growers against the market manipulations of organized and powerful private trade. The specific institutions under evaluation here are the regulated markets which aim at ensuring justice, fair play and genuine and free competition in the sale and purchase of transactions of agricultural produce, by removing malpractices in the marketing centers which are detrimental to the interest of the agriculturists.

The first project report (1973) prepared by the Tamil Nadu Directorate of Agricultural Marketing pointed out the need for regulation of market practices as one to ensure fair play of economic forces, to insure against catastrophic price depression and ruinous spiraling. This was to be achieved through providing a “strong organization through building up of a chain of RMS”, which “will regulate the prices, ensure quality of products and will provide the organizational support to fight against exploitation”.

A committee appointed by the Government of Kerala to study the regulated markets explained clearly that regulation was necessary to eliminate the middlemen and to prevent the undesirable practices incidental to the transaction.

The Dantwala Committee (1952) appointed by the Bombay state stated that the best that marketing legislation could to “is to only be secured by separate state legislation. The reasons advanced by the Royal Commission were that the interest of growers wound not be adequately safeguard by the local Bodies where vested interests were strongly represented. Further the objects of regulation wound be largely frustrated as the markets would be generally regarded by them as a source of revenue. Hence, the Royal Commission rightly recommended that the regulation of markets should be under special enactment only. In pursuance of this recommendation the marketing legislation was taken up by the various states in India.

CONCLUSION

Regulated markets are one of the primary institutions in the marketing of agricultural produce. In the agricultural marketing development, regulation of market is not an end, but it is only a beginning and other important factors affected in the agricultural marketing in India. Finally, these are the overall defects met in agricultural marketing in future, it will improve our Gross Domestic Product.

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