Volume : 1 | Issue : 7 | July 2012 ISSN - 2250-1991

Research Paper Commerce

Agricultural Marketing Infrastructure In India

*Dr. Manisha Barad ** Dr.Mahesh Barad

*Department of Commerce, KSKV Kachchh University, Bhuj

**Sheth S.V.Arts & Commerce College – Mandvi

ABSTRACT

Indian is the land of agriculture and its 70% of the population is depended on agriculture and still the most of the population is dependent on agriculture sector for its occupation. This paper of mine tries to understand the agriculture marketing infrastructure in India. There are different arrangements done in the marketing infrastructure system and also tries to explain the different plans of India perspective of marketing arrangements. Agricultural marketing and external trade in agricultural commodities are assuming increasing importance in the wake of ushering in second green revolution, improving the Living standards of farm families, making India hunger free and turning poverty into history in the shortest possible time.

Agricultural marketing system, though defined in varied ways, but for the purpose of this report, 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. Current agricultural marketing system in the country is the outcome of several years of Government intervention. The system has undergone several changes during the last 50 years owing to the increased marketed 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. There are three important dimensions of an agricultural marketing system. These are market structure, conduct and performance. Market structure determines the market conduct and performance. The structural characteristics govern the behaviour of marketing firms. The market structure has never remained static but kept on changing with the changing environment. Structure of agricultural produce markets varies from commodity to commodity and has been influenced by the intervention of the government. An important characteristic of agricultural produce markets in India has been that private trade has continued to dominate the market. With the large quantities required to be handled by the private trade, the size and structure of markets over time have considerably expanded. Around two million wholesalers and five million retailers handle the trade in food grains. Apart from traders, processors also play an important role as they also enter in the market as bulk buyers and sellers. Agriculture in India still engages about 58 percent of the work force and contributes about a quarter of the GDP. A very large majority of the farmers/cultivators belongs to the category of small and marginal holders. The number and proportion of such holdings have been growing over time. They constituted 68 percent of the total operational holdings in 1971-72 but their proportion increased to 80 percent in 1995-96. The area cultivated by them has grown from 24.01 percent of the total in 1971-72 to 34.3 percent in 1991-92. On the other hand, the number of farms in the largest category declined and the average size of the largest category was falling. The average size of operational holding has been declining since the 1960s. However, a redeeming feature is that small farmers (including landless) have higher livestock ownership (60-80 % of all livestock population) including cross-bred cattle. Dairying accounts for more than 50 percent of the household income of the landless and 30 percent of that of the marginal and small landholders. Small farms produce 41 percent of India's total grain (49% of rice, 40% of wheat, 29% of coarse cereals and 27% of pulses), and over half of total fruits and vegetables despite being resource constrained. Their contribution to incremental wheat and rice production during 1971-1991 was even higher (62% and 48% respectively). The marginal holdings have higher cropping intensity compared with that of the small, medium and large farmers, mainly owing to higher irrigated area as percentage of net sown area. The small and marginal farmers are certainly going to stay for long time in India though they are going to face a number of challenges. Therefore, what happens to small and marginal farmers has implications for the entire economy and people's livelihoods. But, they can adequately respond to these challenges only if there is efficient marketing system for handling their small surpluses. Otherwise, they will only be losers in the process of globalization and liberalization. The viability of the small holdings is an important issue and promoting agricultural diversification towards high value crops through an efficient marketing system is argued to be one of the means through which this can be achieved.

MARKETING CHANNELS -

Agricultural commodities move in the marketing chain through different channels. The marketing channels are distinguished from each other on the basis of market functionaries involved in carrying the produce from the farmers to the ultimate consumers. The length of the marketing channel depends on the size of market, nature of the commodity and the pattern of demand at the consumer level. The marketing channels for agricultural commodities in general can be divided into four broad groups as:

(i) Direct to consumer;
(ii) Through wholesalers and retailers;
(iii) Through public agencies or cooperatives; and
(iv) Through processors.

Although the quantities moving in these channels vary with commodity and from state to state, but general features of these channels are as follows:

(i) The proportion of marketed surplus going directly from the farmers to consumers continue to be small (around one or two per cent) and has decreased over the years due to the increase in marketed surplus, shifting of processing activities from consumer to the processors and increase in the demand for processed, packed and branded products. As the price received by the farmer in this channel is higher (both in absolute term and as a proportion of consumer's price) than others, government is encouraging direct marketing by the farmers through such schemes as Apni Mandi, Rythu Bazar, etc.

(ii) The private sector handles around 80 percent of the marketed surplus of agricultural products. The quantity of agricultural products handled by the government agencies has been about 10 per cent of the total value of marketed surplus. Further, around 10 per cent marketed surplus was handled by the producers or consumers cooperatives.

(iii) The main functionaries in the marketing channel for agricultural ommodities include village traders, primary and secondary wholesalers, commission agents, processors and retailers including vendors. Public agencies, farmers' cooperatives and consumers' organisations also perform many marketing functions.

(iv) Marketing channels for various cereals in India are more or less similar except for rice where processing is an essential activity.

(v) Government intervention in purchase of agricultural commodities under minimum support price programme, procurement of foodgrains, market intervention scheme (MIS), monopoly purchase, open market purchases of commodities by NAFED, CCI, JCI and state oilseed federations, have been in existence for many years. The quantity of commodities purchased by public agencies depended on the objectives of the intervention. The entry of public and cooperative agencies altered the existing marketing channels and also their importance in terms of quantity marketed through them. The basic objective of entry of these agencies is to safeguard the interest of producer-farmers along side providing food security to consumers through operating a public distribution system.

(vi) With the intervention in the purchase and distribution of foodgrains (especially rice and wheat), government purchase agency (Food Corporation of India) entered as an important market functionary in the trade of cereals. Fair price shops also came as retail outlets for distribution of cereals to targeted sections of population. Cooperatives have also assumed importance in the marketing channel with the encouragement to producers or consumers cooperatives. In the case of sugarcane, cooperative sugar factories play a dominant role from the point of view of quantity of sugarcane handled. Cotton Corporation of India and Jute Corporation of India along with the state level cooperative federations, are now the important buyers of fibre crop products from farmers.

MAIN CONSTRAINTS IN EXISTING SYSTEM -

Organized marketing of agricultural commodities has been promoted in India through a network of regulated markets owned, operated, and managed by Agricultural Produce Market Committees (APMCs). Most of the State Governments and Union Territories have enacted legislation (APMC Act) to provide for regulated markets and as on today, 7557 markets have been covered under regulation. Besides, there are 2,1731 Rural Periodic Markets (RPMs), about 15 percent of which function under the ambit of regulation. The major constraints in domestic agricultural marketing are as follows:

Variation in Market Fees/Market Charges

According to the provisions made in the APMC Act of the States, every market Committee is authorized to collect market fees from the licensees (traders) in the prescribed manner on the sale of notified agricultural produce brought by the farmers or traders in the market area at such rates as specified by the State Government. The number of commodities brought under the ambit of regulation varies from state to state. The market fee varies between 0.50 percent in Gujarat to 2 percent in Punjab and Haryana. The charges payable by buyers and sellers are also different. Several state governments have introduced other taxes/fees/cess/that create considerable confusion.

Neglect of Rural Markets

There are more than 21000 rural periodic markets which have remained outside the process of development. These markets constitute the first contact points between the producer seller and the commercial circuits. Most of these markets lack the basic minimum facilities.

Absence of a Common Trade Language

Different set of standards/specifications for agricultural commodities are followed by different organizations in the country. The standards laid down in the PFA Act are the National Standards. Besides this, there are Agmark Standards, BIS Standards, Standards followed by Army, Standards fixed by Warehousing Corporations and those by Food Corporation of India for procurement purposes. Traders of different commodities have got their own trade standards in different localities in the country. Thus, the absence of common trade language is a major deterrent for evolving a competitive agricultural marketing system in the country.

Variation in Entry Tax/Octroi and Sales Tax

The rates of entry tax/octroi tax and sales tax levied on different agricultural commodities vary from State to State which increases the cost of agricultural produce and gives distorted signals to farmers hampering production growth, and brings trade distortions. These also create hassles on the state borders causing considerable delays in interstate movement of goods.

Controls Under Essential Commodities Act

Though central government removed all restrictions on storage and movement of commodities, many state governments are still enforcing several control orders promulgated under the EC Act. These control orders give rise to rent-seeking by the enforcement functionaries at the border check points creating artificial barriers on the movement and storage of agricultural commodities. There has not been sufficient publicity about the withdrawal of restrictions under ECA. With the reintroduction of stocking limits recently, the situation has again become complex.

Other Barriers

Lack of infrastructure like storage, transportation, telecommunication, quality control, packaging, price risk management, integration of spot markets with commodity exchanges, pledge financing through a chain of accredited storage and warehouse receipt system, cool chains, market led extension, and conducive framework for promotion of contract farming are some of the other important constraints for competitive agricultural marketing system in the country.

CONCLUSION –

The above discussion on the marketing infrastructure of the Indian marketing channels and its constraints leads us to conclusion that there is need for the regulation in the marketing channel system, Thus my paper has no conclusion as such but it leads for the further interventions and this paper of mine give the planners to have the proper interventions in the present marketing channel and revive the existing policies.

REFERENCES

1) Vision,Strategy and Action plan for Food Processing Industries,Volume I and Volume II, Prepared by Rabobank, India for the Ministry of Food Processing Industries, Government of India, December 2004 (Downloadable from http://mofpi.nic.in/visdoc/visndoc.htm)|2).Delivering Simultaneous Benefits To The Farmer And The Common Man:Time To|Unshackle The Agricultural Produce Distribution System,S.Raghunath,and D Ashok,IIM Bangalore,June2004|3)Business Strategies for Managing Complex Supply Chains in Large Emerging Economies: The Story of AMUL, Pankaj Chandra and Devanath Tirupati Indian Institute of Management, Ahmedabad 380015 India, April 2003 | 4) India's Sleeping Giant: Food, Mckinsey Quarterly, 1997 |5)FAIDA Revisited Realizing the potential, CII- Mckensey report, January 2004|6) Retail scenario in India : Unlimited opportunity, Mckinsey-CII report, 2003|7)Food Processing Policy 2005, http://www.mofpi.nic.in | 8) Developing a Rural Market e-hub:The case study of e-Choupal experience of ITC, B.|Bowonder, Vinay Gupta and Amit Singh | 9). Organic farming: Its relevance to the Indian context, P. Ramesh*,Mohan Singh and|A. Subba Rao, Current Science,vol. 88, no. 4, 25 february 2005 563|10).http://www.mofpi.nic.in/venturesetup/foreign_collabration/foreign_collabration.htm | 11) http://www.mofpi.nic.in/ |