



Marketing Of Agricultural Produce: A Study On Indian Context

Dr. Md Shahjahan

Assistant Professor, Department of Commerce, Goenka College of Commerce and Business Administration, Kolkata, WB

ABSTRACT

Agriculture serves as the foundation of our nation. Agricultural marketing is a crucial input for enhancing agricultural growth in rural regions. Agriculture in India has consistently been a source of livelihood for a significant portion of the population, either directly or indirectly. The agricultural sector has been recognized as a vital instrument for economic development, as other production sectors rely on it. Cooperatives appear to be well-positioned to manage product differentiation at the farm level and to integrate into value-added processing activities. This study highlights the current landscape of agricultural marketing in India, addressing its challenges and offering future recommendations. Furthermore, the opportunities presented by agricultural marketing should be effectively leveraged by marketers.

Key Words: Agricultural marketing, regular markets, marketing strategy, farmers, agricultural market, innovations.

I. INTRODUCTION OF THE STUDY

Agriculture serves as the foundation of our Indian economy, with 42.6% of the workforce engaged in this sector. India holds the top position globally in milk production and ranks second in terms of arable land worldwide. Agricultural marketing primarily involves the buying and selling of agricultural products. In earlier times, when village economies were largely self-sufficient, marketing agricultural products posed little challenge, as farmers sold their goods directly to consumers on either a cash or barter basis. Agricultural marketing is a process that connects farmers and consumers on a common platform, making it a vital component of the economy. The scope of agricultural marketing extends beyond just the final agricultural products; it also encompasses the supply of agricultural inputs to farmers. The core concept of agricultural marketing includes all activities, agencies, and policies involved in the procurement of farm inputs by farmers.

II. REVIEWS OF LITERATURE

Sivanappan (2000) stated in his study that by moderating existing first harvest processing and establishing appropriate infrastructural facilities, a significant amount of the country's resources can be conserved, which further aids in feeding the growing population.

Ramkishan (2004) argued in his research paper that due to inadequate food processing and storage, growth is hindered, resulting in farmers receiving poor prices for their produce during peak marketing seasons, while consumers unnecessarily pay higher prices during lean seasons.

Layton (2007) offered a "working definition" of a marketing system as "a network of individuals, groups, and/or shared entities linked directly or indirectly through sequential or shared participation in economic exchange that creates, assembles, transforms, and makes available assortments of products, both tangible and intangible, provided in response to customer demand".

Pathak (2009) found that agricultural growth is dependent on the increase in their produce. The researcher asserts that the role of agriculture in a nation's growth is defined by the expansion of products within this sector.

Poonam (2017) Hindu Girls College, Sonipat, Haryana, India, in her article titled "Agricultural Marketing in India," emphasizes the challenges encountered in agricultural marketing within the country. The paper further elaborates on the significance and emerging trends in agricultural marketing. It concludes that agricultural marketing in India lacks efficiency, highlighting deficiencies in operational efficiency, pricing efficiency, and distributive justice efficiency.

The extensive network of intermediaries within the agricultural market has considerably diminished the share of profits that farmers receive (**Kumar, 2020**). Furthermore, India's transportation infrastructure is severely inadequate, with only a limited number of villages linked to mandis via railways or paved roads. Consequently, produce often needs to be transported using cumbersome methods such as bullock carts. This mode of transport is impractical for long distances, compelling farmers to sell their harvests in nearby markets, even when the prices are exceedingly low (**World Bank, 2021**). This challenge is especially acute for perishable goods, which cannot be stored for extended periods (**Singh & Verma, 2021**).

Farmers often struggle to access accurate market prices across different markets, which compels them to accept whatever prices traders propose (**Niti Aayog, 2021**). In an effort to remedy this situation, the government consistently disseminates market prices through radio and television broadcasts, while newspapers also keep farmers updated on the latest price fluctuations (**Ministry of Information and Broadcasting, 2021**). Nevertheless, many impoverished Indian farmers tend to sell their crops immediately after harvest, despite the fact that prices are generally quite low during this period (**Sharma & Gupta, 2022**).

III. STATEMENT OF THE PROBLEM

There are numerous challenges associated with the marketing of agricultural products. Access to market information is limited, the literacy levels among farmers are low, and there are multiple distribution channels that impose high commissions, which must be absorbed by both farmers and consumers. While it is often stated that technology has advanced, its benefits have not reached rural areas, remaining largely confined to urban settings. Currently, there is no organized and regulated marketing system for agricultural produce in India. As a result, farmers encounter significant difficulties in marketing their products in the marketplace.

IV. OBJECTIVES OF THE STUDY

- 1) To understand agricultural marketing in Indian context
- 2) To have an overview of agricultural marketing techniques in India
- 3) To analyse the Issues pertaining to Agriculture Markets in India
- 4) To understand the initiatives taken by the government for marketing of agricultural produce

V. RESEARCH METHODOLOGY

In this research paper, secondary sources of data have been utilized. The information employed for the study has been derived from reports produced by the official website of Agricultural Markets, along with other published materials. This investigation is founded on secondary data, including books, journals, and periodicals, among others. To achieve the research objectives, the researcher conducted a review of various published papers to evaluate and examine the contributions and implications of Agricultural Marketing on the Indian economy.

In the current study, a secondary source of data has been utilized. The information has been gathered from various journals, newspapers, and publications from the agricultural department.

VI. ANALYSIS AND DISCUSSION

INDIAN AGRICULTURAL MARKETING

Agricultural marketing primarily focuses on the buying and selling of agricultural products. It encompasses all activities, agencies, and policies related to the procurement of farm inputs by farmers and the distribution of agricultural produce from farms to consumers.

The Indian Council of Agricultural Research identifies three key functions associated with agricultural marketing, which are:

- assembling (concentration)
- preparation for consumption (processing) and
- distribution.

According to the National Sample Survey Office (NSSO) report from 2019, among the 93 million agricultural households in India, around 63% reported selling crops, with 76% of these sales occurring in local markets and only 7.2% in Agricultural Produce Marketing Committee (APMC) markets. This indicates a significant portion of produce is sold outside government markets.

- Additionally, the report highlighted that merely 5.4% and 0.37% of agricultural households sold their produce to private processors and contract farming companies, respectively. This underscores the necessity for enhancing the marketing system to achieve better price realization for agricultural commodities, which is a fundamental goal of establishing an efficient marketing system.
- The survey further reveals that 60% of agricultural households expressed satisfaction with their sale outcomes, while 36% were dissatisfied due to receiving prices lower than the market rate.

Categories of Agricultural Marketing in India

Traditional Marketing Techniques

In this context, the agricultural products are sold directly by the farmers, involving several intermediaries. Approximately 50% of the agricultural produce in India is marketed through these channels.

Cooperative Marketing Approach

Agricultural products are acquired directly from farmers via the marketing network of NAFED, thereby removing intermediaries.

Innovative Models of Agricultural Marketing

- **National Agriculture Market (eNAM):** This is an online trading platform dedicated to agricultural commodities in India. It enables farmers, traders, and buyers to engage in online trading of these commodities. The platform aids in improved price discovery and offers facilities for the efficient marketing of their produce.
- **Farmer Producer Organizations (FPO):** This refers to a legal entity established by primary producers, such as farmers, milk producers, fishermen, weavers, rural artisans, and craftsmen. It can take the form of a producer company, a cooperative society, or any other legal structure that allows for the distribution of profits and benefits among its members.
- **Contract Farming:** This is a method of agricultural production conducted based on an agreement between a buyer and farmers, which outlines the terms for the production and marketing of specific farm products.
- **Commodity and Future Market:** The allowance of future trading has been introduced to safeguard market participants from risks associated with unfavorable price fluctuations.

Significance of Agriculture Marketing

1) Monetizing the Produce

Marketing enhances and streamlines the sale of agricultural goods. The worth of these goods is influenced by the conditions of demand and supply, which are, in turn, affected by the volume marketed and the price requested.

A well-established marketing infrastructure and an efficient marketing system foster competitive trade, leading to improved price realization for farmers.

2) Acting as a source of market information and price signals

The information derived from marketing plays a vital role in empowering producers who are capable of generating marketable surpluses.

It supplies them with pertinent demand-related information regarding quantity, desired quality, standards, and specifications of the produce.

It offers insights that enhance the efficiency of the supply chain by highlighting logistical and infrastructural deficiencies, such as post-harvest and storage losses.

3) Reducing the role of intermediaries

An effective marketing chain progressively minimizes the number of transitions agricultural produce undergoes, both for economic and qualitative reasons.

In this context, the function of intermediaries is supplanted by institutional mechanisms or market structures.

4) Capital formation and investment in technology

Efficient agricultural marketing can effectively demonstrate the growth potential within the sector. This will stimulate investment and the adoption of superior technologies in the field.

5) Value addition in agriculture

Strong marketing systems facilitate access to agricultural produce for downstream industries, creating opportunities for significant value addition. For instance, the large-scale 'Makhana' snack industry has been emerging recently following marketing initiatives undertaken by the Bihar Government.

In addition to the aforementioned points, well-functioning markets can stimulate growth, ensure food security, create employment, and promote economic prosperity in rural areas of the country through the agricultural sector.

Issues pertaining to Agriculture Markets in India

Institutional Issues:

- *Licensing Barriers*: The mandatory requirement of possessing a shop or godown to obtain a license as commission agents or traders has resulted in the monopoly of specific licensed traders. This creates a significant entry barrier for new entrepreneurs in the existing APMCs, leading to cartelization and hindering competition.
- *High Incidence of Market Charges*: APMCs are permitted to impose a market fee that ranges from 0.5% to 2.0% of the sale value of the produce. Additionally, other fees, such as purchase tax and weighment charges, must also be paid. In certain States, these charges can accumulate to as much as 15%.
- *Absence of standardized grading mechanism for agricultural produce prior to sale*. This limitation prevents farmers from obtaining prices that reflect the quality of their produce.

Infrastructural Issues:

- *Poor Infrastructure in Agricultural Markets*: Research shows that covered and open auction platforms are available in only two-thirds of the regulated markets, while merely one-fourth of the markets feature common drying yards. Cold storage facilities are present in less than one-tenth of the markets, and grading facilities are available in fewer than one-third of the markets.
- *Poor economic viability of projects*: Agricultural marketing infrastructure projects typically have a lengthy gestation period. The seasonality and aggregation of small surpluses of agricultural produce further impact the economic viability of these projects, which discourages investment.

Market information system issues:

- *Lag in demand signals*: The lack of efficient real-time informational channels results in a delay in demand signals. Consequently, farmers tend to follow price trends as indicators for supply. Currently, price serves as a measure that is reactive to circumstances, which may not recur in the following season.
- *Limited information channels and content*: The existing systems for disseminating information, such as local newspapers and APMC display boards, only provide details on the prices of major commodities, are often located far from farmers, and typically do not offer information in local languages.
- *Poor awareness about new channels of information*: A mere fraction of farmers utilize the more accessible SMS-based advisories or voice interactive systems.

Other issues:

- *Absence of a National Integrated Market*: While there is a national level physical market represented by APMCs, there is a lack of national regulation for this market, and the current regulations do not facilitate a barrier-free market across the country.
- *Limited public investment*: Public spending on the agricultural marketing sub-sector constitutes only 4-5% of the total public expenditure on agriculture, with less than 1% allocated to the development of marketing infrastructure.

The cumulative effect of these challenges has resulted in low price realization for farmers, the emergence of food and nutritional insecurity, and significant wastage within the supply chain.

Regulation of Agricultural Marketing

Agriculture is categorized under the State List of the Constitution. In most states, agricultural marketing is overseen by Agricultural Produce Market Committees (APMCs) that are established by state governments in accordance with the respective APMC Acts. The APMC, commonly known as mandi, represents the physical market infrastructure present in all Indian states, with the exception of Jammu and Kashmir, Bihar, Kerala, and Manipur. These entities play a crucial role in regulating market practices, including weighing, sales methods, grading techniques, and payment procedures. As of now, there are 7,246 operational mandis across India.

Agricultural Produce Marketing Committee (APMC)

Agricultural Produce Market Committee (APMC) is a statutory market committee established by a State Government to oversee trade in specific notified agricultural, horticultural, or livestock products, as per the Agricultural Produce Market Committee Act enacted by that state government.

Major Issues Involved in the Functioning of APMCs

- Under the APMC Regulation, no exporter or processor is permitted to purchase directly from farmers, which discourages the processing and export of agricultural products. This results in a monopsony (a market condition where there is only one buyer who exerts control over the price at which they purchase) scenario.
- As a consequence of this monopsony situation, produce is acquired at artificially determined prices and sold at inflated prices, undermining the fundamental purpose of APMCs.
- The markets are excessively regulated, leading to significant corruption and the exploitation of farmers.
- Fragmented markets, the imposition of multiple license fees, limited licensing, delayed payments for purchases, and the lack of facilities and services such as grading and storage hinder the interests of farmers rather than supporting them.
- Only the State Government is authorized to establish markets, which restricts the private sector from creating markets and investing in marketing infrastructure.
- APMCs serve a dual function as both regulator and market. Consequently, their regulatory role is compromised by vested interests in profitable trade. Typically, members and the chairman are nominated or elected from among the agents operating within that market.

Model APMC Act, 2003

Due to the aforementioned inefficiencies in the functioning of APMCs, the Ministry of Agriculture developed a model legislation concerning agricultural marketing - the State Agricultural Produce Marketing (Development and Regulation) Act, 2003. The Ministry urged state governments to appropriately modify their respective APMC Acts to deregulate the marketing system in India, with the aim of encouraging investment in marketing infrastructure, thus incentivizing the corporate sector to engage in direct marketing and to support the establishment of a national market.

The Model APMC Act of 2003 granted farmers the liberty to sell their produce. Farmers had the option to sell their produce directly to contract sponsors or in markets established by private individuals, consumers, or producers. Additionally, the Model Act enhances the competitiveness of the agricultural produce market by permitting the common registration of market intermediaries.

Critiques of the Model APMC Act

- The Model APMC Act fails to sufficiently establish a unified national or state-level market for agricultural commodities.
- The Act maintains the obligatory stipulation that buyers must pay APMC fees even when the produce is sold directly outside the APMC jurisdiction.
- Although the Model Act allows for the establishment of markets by the private sector, this measure is insufficient to foster competition within the state, as the market owner is required to collect fees and taxes on behalf of the APMC in addition to their own charges.

Model Agricultural Produce and Livestock Marketing (Promotion & Facilitation) Act, 2017

The Government of India introduced a new draft model legislation, the Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act (APLM), 2017, aimed at replacing the Agriculture Produce Markets Committee Act of 2003.

Objectives

- To establish a unified agricultural market where a single license permits trading in both agricultural products and livestock.
- To enhance price realization for farmers.

- To achieve a doubling of farmers' income by the year 2022.

Major Provisions of the Draft Model Act

- Intra-state trading will be facilitated through the payment of a single fee.
- Traders will have the ability to sell perishable goods such as fruits and vegetables outside the current mandis (wholesale markets).
- The proposed legislation aims to limit the market fees and commission charges that farmers incur when bringing their produce to a wholesale market.
- A cap on the imposition of market fees is suggested at 2% (of the sale price) for fruits and vegetables, and 1% for food grains.
- Warehouses and cold storage facilities are to function as regulated markets.
- All regulatory authority will be vested in the office of the director of agricultural marketing within the state, who will also be responsible for issuing licenses to traders and new private entities. Currently, this authority is held by the mandis, which are overseen by a board of directors.
- Farmers will have the opportunity to sell their produce directly to bulk purchasers.

Model Contract Farming Act 2017

Under the framework of Contract Farming, agricultural production, which encompasses both livestock and poultry, may be conducted based on a preharvest agreement established between buyers, such as food processing units and exporters, and producers, including farmers or farmer organizations.

- Benefit: This arrangement allows the producer to mitigate the risks associated with fluctuating market prices and demand, while the buyer can lessen the risk of not obtaining quality produce.
- Issues: Current legislation regarding contract farming is limited to one or two farm commodities and primarily focuses on marketing aspects.

Consequently, the Government introduced the **Model Contract Farming Act in 2017**.

Challenges Associated with Contract Farming

- Reluctance from States: There has been a noticeable hesitance among states to advance reforms due to concerns over potential revenue losses.
- Restrictions on Stockholdings: The limitations imposed on stockholdings of contracted produce under the Essential Commodities Act of 1955 are overly restrictive, discouraging buyers from entering into contracts.
- Inconsistency in State Laws: There is a lack of uniformity or homogeneity in state laws concerning the types of produce and conditions necessary for facilitating contract farming.
- Promotion of Regional Disparities: Currently, contract farming is predominantly practiced in agriculturally advanced states such as Punjab and Tamil Nadu, while states with a high concentration of small and marginal farmers are unable to benefit from it.
- Supply-Side Challenges: Buyers lack incentives to engage in contract farming with numerous small and marginal farmers, as the average landholding size in India is only 1.15 hectares (according to the Agriculture Census of 2010-11). This situation leads to high transaction and marketing costs, resulting in socio-economic distortions and a preference for larger farmers.
- Capital-Intensive and Unsustainable Practices: This method of cultivation is capital-intensive and less sustainable, as it encourages the increased use of fertilizers and pesticides, which adversely affect natural resources, the environment, and both human and animal health.
- Promotion of Monoculture: This practice not only jeopardizes soil health but also poses risks to food security and the necessity for food grain imports.
- Increased Dependency on Corporations: Farmers become more reliant on corporations for inputs, which renders them vulnerable.
- Fixed Pricing Issues: Predetermined prices can prevent farmers from benefiting from higher market prices for their produce.

Other Government Measures to Enhance Agricultural Marketing in India

The e-NAM initiative:

- In 2016, the Government launched the National Agriculture Market (e-NAM) to facilitate farmers in selling their produce transparently to a wide array of buyers through electronic access to multiple markets.
- Consequently, the e-NAM portal was designed to connect mandis under the concept of "One Nation One Market" for agricultural commodities across the nation.

- To date, 1361 APMC mandis have registered with e-NAM, with 365 mandis actively engaging in online trading.
- The e-NAM has shown commendable progress and plays a crucial role in enhancing farmers' income by offering numerous advantages such as trade transparency, improved price discovery, access to additional markets, real-time price data from nearby markets, and expedited online payments.

AGMARKNET

This is a G2C e-governance portal that addresses the requirements of various stakeholders, including farmers, industry representatives, policymakers, and academic institutions, by delivering agricultural marketing-related information through a single platform.

Gramin Agricultural Markets (GrAMs):

Initiatives are underway to develop and upgrade the existing 22,000 rural haats (Rural Primary Markets) into GrAMs. These will be integrated with e-NAM and will operate outside the regulations of the APMC Act.

Scheme for the Formation and Promotion of Farmer Produce Organizations (FPOs):

This scheme aims to establish 10,000 FPOs over a five-year period from 2019-20 to 2023-24, while also providing ongoing support to each FPO.

Agriculture Infrastructure Fund (AIF):

The Government is executing this Central Sector Scheme with a budget of Rs. 1,00,000 Crore to offer medium to long-term loan facilities for investments in viable projects related to post-harvest market infrastructure, including warehousing facilities and community farming assets, through interest subvention and financial assistance.

Agricultural Marketing Infrastructure (AMI)

- The Government is executing AMI, a component of the Integrated Scheme for Agricultural Marketing (ISAM), which offers support for the construction of godowns and warehouses in rural regions across the States to improve the storage capacity for agricultural products.
- Under this scheme, the Government grants a subsidy of 25% and 33.33% on the capital costs of the project, depending on the category of the eligible beneficiary.

PROSPECT OF AGRICULTURE MARKETING:

1. India possesses a diverse agro-climate that supports the cultivation of temperate, subtropical, and tropical agricultural products.
2. The demand for agricultural inputs such as feed and fodder, inorganic fertilizers, and bio-fertilizers is on the rise.
3. The use of biotechnology in agriculture offers significant potential for seed production, bio-control agents, and the industrial application of microbes in bakery products.
4. Export can be utilized as a means of fostering economic growth. As a member of the World Trade Organization, India possesses significant potential to enhance its current standing in the global trade of agricultural products, both in their raw and processed forms.
5. The range of products includes cereals, pulses, oilseeds and oils, oil meal, spices and condiments, fruits and vegetables, flowers, medicinal plants and essential oils, agricultural advisory services, agricultural tools and implements, meat, milk and dairy products, fish and fish products, ornamental fish, forest by-products, and more.
6. Currently, processing occurs only at the primary level, and the increasing standard of living creates opportunities for secondary and tertiary processing of agricultural commodities.

Current condition of regulated markets in India

Although the establishment of regulated markets began in the 1930s, the initiative gained significant traction only after independence. The quantity of regulated markets rose from 236 prior to the initiation of the first five-year plan (April 1951) to 7157 by March 2010. Currently, each regulated market across the nation covers an area of 459 square kilometers.

The National Commission on Agriculture (1976) has suggested that a regulated market facility should generally be accessible within a 5 km radius. Consequently, the nation requires 41,838 markets. Currently, there are approximately 27,738 markets distributed throughout the country. Among these, 21,221 are primary rural markets, while the remaining 6,261 consist of wholesale assembling and terminal markets. The infrastructure, amenities, and commodities available differ significantly across various states. Wholesale markets operate under the regulation program.

VII. CONCLUSION & SUGGESTIONS

It is not the author's intention to reiterate the conclusions that have already been established; rather to highlight those that warrant particular attention. the establishment of essential infrastructural facilities across all regulated markets within the country.

- (i) There exists a significant necessity for the regulation of both primary and secondary wholesale markets is crucial to reduce the discrepancies in their spreads.
- (ii) It is imperative to develop periodic and rural markets with the minimum required infrastructural facilities, as these serve as the primary contact points for the sale of agricultural products by small-scale farm operators.
- (iii) In terms of storage, there is also a pressing need for the construction of more scientifically designed storage structures, particularly in rural areas, to safeguard the agricultural output produced.
- (iv) The involvement of the private sector is essential for the establishment of additional storage facilities and cold storage units, given that this type of marketing infrastructure is highly capital-intensive.
- (v) It is recommended that grading units be established at the village level with the assistance of private sector involvement.
- (vi) There is a necessity to expand the network of State Agmark laboratories at all district headquarters and in key markets across the country to guarantee that consumers in all regions have access to State Grading laboratories.
- (vii) Risk management and electronic trading must be promoted through the education of various stakeholders. To facilitate this, a dedicated resource center should be established at the National Institute of Agricultural Marketing as soon as possible.

Suggestions of the study

1. There should be an increase in the availability of products.
2. It is essential to eliminate intermediaries in agricultural marketing.
3. Transportation facilities need to be improved in rural regions to enhance agricultural marketing.
4. The number of markets should be expanded for the benefit of both consumers and farmers.
5. The capacity of storage facilities should be increased to accommodate harvested products.

VIII. REFERENCES

- [1]. **Brithal, P. S., Jha, A. K., & Singh, H. (2007)**, Linking farmers to market for high value agricultural commodities. *Agricultural Economics Research Review*, 20(conference issue), 425-439.
- [2]. **Godara, R. (2006)**. Rural job opportunities agribusiness centres – some realities. *Kurukshetra*, March, 14-17.
- [3]. **Grosh, B. (1994)**. Contract farming in Africa: An application of the new institutional economics. *Journal of African Economies*, 3(2), 231-261.
- [5]. **Hoff, K., Braverman, A., & Stiglitz, J. (1993)**. The economics of rural organization: Theory, practice, and policy. Oxford: Oxford University Press.
- [6]. **Hota, S. K., Kishor, B., & Sharma, V. (2002)**. Agri-business cooperatives in 21st century-challenges and opportunities. *Agricultural Marketing-A National Level Quarterly Journal of Agricultural Marketing* July-Sep., 65(2), pp. 33-38.
- [7]. **Johnston, B. F., & Mellor, J. W. (1961)**. The role of agriculture in economic development. *American Economic Review*, 51(3), 566-593.
- [8]. **Kashyap, P., & Raut, S. (2006)**, “ The rural marketing book. Biztantra, New Delhi, India
- [9]. **Chand Ramesh (2017)** Doubling Farmers Income – Rational, Strategy, Prospects and Action Plan. NITI Policy Paper No. 1/2017. National Institute of Transforming India, Government of India.
- [10] **Madhu Sharma (2021)** The Future of Indian Agriculture, Down to earth
- [11] **Rajesh Chandha (2021)** National council of Applied Economic Research, Doubling Farmers Income. Government of India