

Factors influence farmers in Agricultural Marketing in India

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Abstract- Agriculture is the backbone of Indian economy as the economic development of this country is very much relied upon the agricultural activities. Agriculture provides not only food for the nation's population but also provides opportunities for employment generation, saving, contribution to industrial goods market and earning foreign exchange. Marketing of agricultural products means a series of activities involved in the movement of agricultural produces from the point of production to the point of consumption. The term agricultural marketing include all those activities which are mostly related to the procurement, grading, storing, transporting and selling of the agricultural produce. Agricultural marketing system is an efficient way by which the farmers can dispose their surplus produce at a fair and reasonable price. Improvement in the condition of farmers and their agriculture depends largely on the elaborate arrangements of agricultural marketing. Agricultural marketing refers to all those processes, which relate to taking the agricultural product from the farmers to the consumers. This paper focuses in the following aspects

- o The Present State of Agricultural Marketing in India
- o Factors influence Agricultural Marketing in India
- o Problems of marketing of the produce faced by the farmers
- o Steps taken for improvement of Agricultural Marketing in India

There is no doubt that in any marketing there is a motive towards profit involved and at the same time the marketing is to be based on certain values, principles and philosophies such as offering just and fair prices to the farmers who toil hard to till. Bringing necessary reforms coupled with proper price discovery mechanism through regulated market system will help streamline and strengthen the agricultural marketing.

“Agricultural marketing comprises all operations involved in the movement of farm produce from the producer to the ultimate consumer. Thus, agricultural marketing includes the operations like collecting, grading, processing, preserving, transportation and financing.”

- Prof. Faruque

INTRODUCTION

India is an agricultural country and one-third population depends on the agricultural sector directly or indirectly. Agriculture is the backbone of Indian economy as the economic development of this country is very much relied upon the agricultural activities. Agriculture provides not only food for the nation's population but also provides opportunities for employment generation, saving, contribution to industrial goods market and earning foreign exchange. Agriculture production system in India is characterised by small scale production and seasonality of production and demand and many more.

Indian agriculture sector accounts for 18 per cent of India's gross domestic product (GDP) and provides employment to 50% of the countries workforce. India is the world's largest producer of pulses, rice, wheat, spices and spice products. India has many areas to choose for business such as dairy, meat, poultry, fisheries and food grains etc. India has emerged as the second largest producer of fruits and vegetables in the

world. Most of the Indians are directly or indirectly depending on the agriculture. Some are directly attached with the farming and some other people are involved in doing business with these goods.

Concept and Definition:

The term agricultural marketing is composed of two words-agriculture and marketing. Agriculture, in the broadest sense, means activities aimed at the use of natural resources for human welfare, i.e., it includes all the primary activities of production. According to Thomsen, the study of agricultural marketing comprises all the operations, and the agencies conducting them, involved in the movement of farm-produced foods, raw materials and their derivatives. The term agricultural marketing include all those activities which are mostly related to the procurement, grading, storing, transporting and selling of the agricultural produce. Marketing of agricultural products means a series of activities involved in the movement of agricultural produces from the point of production to the point of consumption. Efficient

agricultural marketing is important in economic development of India.

This paper focuses in the following aspects

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Present State of Agricultural Marketing in India:

Agricultural marketing is mainly the buying and selling of agricultural products. In earlier days when the village economy was more or less self-sufficient the marketing of agricultural products presented no difficulty as the farmer sold his produce to the consumer on a cash or barter basis.

Today's agricultural marketing has to undergo a series of exchanges or transfers from one person to another before it reaches the consumer. There are three marketing functions involved in this, i.e., assembling, preparation for consumption and distribution. Selling on any agricultural produce depends on some couple of factors like the demand of the product at that time, availability of storage etc. The products may be sold directly in the market or it may be stored locally for the time being. Moreover, it may be sold as it is gathered from the field or it may be cleaned, graded and processed by the farmer or the merchant of the village. Sometime processing is done because consumers want it, or sometimes to conserve the quality of that product. The task of distribution system is to match the supply with the existing demand by whole selling and retailing in various points of different markets like primary, secondary or terminal markets.

Most of the agricultural products in India are sold by farmers in the private sector to moneylenders (to whom the farmer may be indebted) or to village traders. Products are sold in various ways. For example, it might be sold at a weekly village market in the farmer's village or in a neighboring village. If these outlets are not available, then produce might be sold at irregularly held markets in a nearby village or town, or in the mandi. As we have a tradition of agricultural production, marketing and allied commercial activities, now it is the time for us to brainstorm and come out with new ideas of value added services. With the changing agricultural scenario and global competition, there is a need of exploiting the available resources at maximum level. Another important development in the field of regulated markets is the keen interest taken by the International Development Agency (IDA) in the development of the infrastructure in regulated markets.

There are four different systems of Agricultural marketing in India. These are as follows:

(a) Sale in Villages: The first method open to the farmers in India is to sell away their agricultural products to the village moneylenders and traders at a very low price. The moneylenders and traders may buy independently or work as an agent of a bigger merchant of the local products.

(b) Sale in Markets: The second method of disposing surplus of the Indian farmers is to sell their products in the weekly village markets popularly known as 'hat' or in annual fairs. These markets are established for selling the agricultural products of the local cultivators.

(c) Sale in Mends: The third form of Agricultural marketing in India is to sell the surplus products through mends located in various small and large towns. There are nearly 1700 mends which are spread all over the country. As these are located in distant place, thus the farmers will have to carry their products to the mends and sell those products to the wholesalers with the help of brokers. These wholesalers again sell those farm products to the factories and to the retailers who in turn sell these goods to the consumers directly in the retail markets.

(d) Co-operating Marketing: The fourth form of marketing is the co-operative marketing where societies are formed by farmers to sell the output collectively to take the advantage of collective bargaining for obtaining a better price. Co-operative marketing is the most standard form of Agricultural marketing in the country.

Factors influence Agricultural Marketing in India:

The following are the various factors influencing the agricultural marketing.

- Volatile Prices / volatile supply
- Low and volatile income for farmers
- Environmental costs of intensive farming (negative externalities)
- Agriculture key component of rural life (positive externalities)
- Monopsony power of food purchasers

1. Volatile Prices in Agriculture:

Prices in agricultural markets are often much more volatile than other industries. This is because (a) Supply is price inelastic in the short term. (It takes a year to grow most crops) (b) Demand is price inelastic. (Food is essential, and people are not usually put off by higher prices) and (c) Supply can vary due to climatic conditions.

2. Low income for farmers:

Often farmers don't share the same benefits of economic growth. As the economy expands, firms don't see a similar increase in income. Food has a low-income elasticity of demand. As incomes rise, people don't spend more on food. Also, technological advances can lead to falling prices rather than rising incomes. Many developed economies feel it is necessary to subsidise farmers to protect their incomes. For a developing economy, their current comparative advantage may lie in producing primary products. With global growth, the demand for agricultural products doesn't increase as much as manufacturing. Therefore, relying on agriculture can lead to lower rates of economic growth.

3. Environmental costs of intensive farming:

Modern technology has enabled increased crop yields. However, this often requires chemical fertilizers which cause pollution. As farming becomes more competitive, there is a

greater pressure to produce more leading to increased use of chemicals. However, artificial fertilizers have diminishing returns, so it becomes more expensive and greater environmental cost for little benefit. Many farming methods have led to deforestation and cutting down trees.

4. Positive externalities of farming:

We could argue farming communities play an integral role in rural life. If farmers go out of business, it has adverse consequences for rural communities and the environment they live in. This is often a justification for subsidising farmers (e.g. the social benefit of subsidising sheep farmers in the Lake District)

5. Monopsony:

Supermarkets can have Monopsony buying power over local farmers. This means farmers may see their profit margins squeezed by the big supermarkets that have substantial buying power. If farmers don't sell to the big supermarkets they can't sell their products; this is why it puts them in a difficult position.

Problems of marketing of the produce faced by the farmers: The agriculture business nowadays extends its growth and plays a vital role in India. Mostly marketing in India has been through various channels like middlemen, traders, retailers and by direct marketing. In order to overcome this limitation and to provide greater benefits to the farmer which were previously taken by middlemen, Direct Marketing was implemented. The Direct marketing is a big support of rural economic development. The Tamilnadu government established the uzharvar santhai, local mandi's, regulated districts markets are some of the farmer's direct market place. Even though direct marketing supports the farmer and provide solution to some extent, there few practical barrier which challenges the farmers to avail expected benefits. There are millions of problem farmer of India face. Problems differ from crop to crop but some of basic problem that they face day to day are

- Lack of proper water supply
- Costly farming equipment
- Lack of knowledge over scientific method

Common Farmer Problems:

Some of the problems encountered by farmers, between production and marketing of products, are discussed briefly below.

Production:

Low production is a major limitation for some of the commodities considered. In many cases this results from the small acreage of land owned or leased by farmers. Also, the quality of planting stock used by farmers is generally poor, resulting in poor-quality products that cannot compete on the market. This acts as a disincentive to increasing production. Further, technologies used by most farmers are not conducive to large-scale production, they do not use fertilizer or other methods of soil enrichment, and generally trees are tended only when all other agricultural work is at a minimum.

Handling and Storage:

Handling and storage facilities are below standard, with worst consequences for perishable products that bruise and spoil easily. This result in losses estimated between 25 to 50 percent. There is a general lack of strict standards to guide grading and packaging for most commodities and buyers often re-grade/sort and package before reselling to companies. Availability of storage facilities among the poor is inadequate or non-existent.

Processing:

Farmers seldom process their products before marketing them, which could earn them added income, increase product value (especially in the case of fruits and edible oils) and allow adjustments to seasonal excess of supplies. Processing techniques are not easily available to farmers and in some cases farmers feel that even if they process their products they would still only earn a small income, but this has not been proven.

Transportation and Infrastructure:

In urban areas, infrastructure and transportation are usually well developed, but not in remote areas where poor infrastructure and high costs of transportation are barriers for potential market entrants, leading to a less competitive market environment. Some bulky commodities, such as fuel wood, a low-value product, are expensive to transport and therefore less lucrative. Poor transportation decreases quantities available for the market and acts as a disincentive to increased production. Most farmers do not own vehicles so overhead costs of transportation of certain commodities may be even higher than expected returns.

Credit Facilities:

For credit facilities, farmers tend to rely on family members, traders and middlemen. Few farmers borrow from formal financial institutions because they lack collateral. However, even where farmers would have been eligible to borrow, long delays between application and receipt of loan have generally deterred them. Repayment methods seldom suit farmers who prefer to repay with produce at time of harvest rather than cash. Monthly installments for the repayments of debts are inappropriate, as farmers receive only one or two lump-sum "paychecks" a year. Generally, governments in developing countries have intervened heavily in rural financial markets, with the aim of supplying affordable credit to small farmers and rural business people to spur investment.

Policy:

Governments need to assist small farmers to market their produce both locally and internationally. Whatever policies are implemented should reflect this. There is a need to review existing policies and ensure that they offer sufficient incentives and stability to encourage growth of efficient marketing enterprises.

Marketing Information:

Market information systems must be made available and efficient. Governments should fund and develop ways in which market information can be disseminated. Small-scale

farmers are often short of resources, so information must be disseminated at little or no cost to them.

Steps taken for improvement of Agricultural Marketing in India:

In the mean time, the Government has taken following important steps for the improvement of agricultural marketing in India:

(i) Warehouses:

For constructing the network of warehouses in the town and mantis, the All India Warehousing Corporation has already been set up. Moreover, State Warehousing Corporations (SWCs) also owned and managed

(ii) Development of Marketing Societies and Regulated Markets:

Again about 2633 general purpose primary co-operative marketing and processing societies have also been formed for assuring reasonable prices to the farmers and also to remove all existing intermediaries from the market.

(iii) Infrastructure Facilities:

The central Government is also providing assistance for the creation of infrastructural facilities in the markets and also for setting up godowns in rural areas. These schemes have been transferred to different States and Union Territories

(iv) NAFED:

NAFED is a central nodal agency for undertaking price support operations for pulses and oilseeds and market intervention operation for horticultural items like Kinnu/Malta, onion, potato, grapes, black pepper, red chilies etc.

(v) Commodity Boards:

Moreover, specialized Commodity Boards continue to operate for rubber, coffee, tea, tobacco, spices, coconut, oilseed and vegetable oils, horticulture etc. The National Dairy Development Board is also engaged in the marketing of agricultural commodities. Separate Directorates have been functioning for the development of agro-raw materials like sugarcane, jute, tobacco, oilseeds, rice, millets, cotton, pulses, cashew-nuts, cocoa, areca-nut, spices etc.

(vi) Standardisation and Grading:

In order to improve the marketability of products within and outside the country, an effective quality control mechanism is essential. Accordingly, the Agricultural Produce (Grading and Marking) Act, 1937 was the first legislation enacted by the Central Government to formulate standards and carry out grading and marking of agricultural and allied commodities. At present, 22 Regional Ag-mark Laboratories are operating under the Apex Central Ag-mark Laboratories, Nagpur. These laboratories also provide training to chemists of the laboratories of States and Union Territories.

India is being a country where economy is largely depends on the agriculture still there is a space for major changes and new infrastructure implementation. New tools and technology can change the future of agricultural marketing. Government should give rebate to those who are ready to investment in agriculture. Marketing of agriculture can be made effective if it is looked from the collective and integrative efforts from various quarters by addressing to farmers, middlemen, researchers and administrators.

It is high time we brought out significant strategies in agricultural marketing with innovative and creative approaches to bring fruits of labor to the farmers.

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CONCLUSION: