

PRESENT CHALLENGES OF AGRICULTURAL MARKETS IN INDIA

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Abstract:

Agricultural marketing and international trade in agricultural commodities are assuming importance in the background of growth of agricultural productivity and free trade. It has been improving the living standards of farm families, making India hunger free and turning poverty into prosperity. Agricultural Marketing is a process, which starts with a decision to produce a saleable agro product and involves all aspects of market system, functional and institutional, which is based on the technical and economic considerations. An efficient agricultural marketing is essential for the development of the agriculture sector.

It provides outlets and incentives to increase production, the marketing system contribute greatly to commercialize the subsistence farmers. Worldwide Governments have recognized the importance of liberalized agriculture markets. Today the worldwide trend is to encourage direct farmer sales and promote contract farming. Today there is a need to integrate farm production and retail chains. There is a necessity to integrate farm production with national and international markets and to enable farmers to undertake market oriented production plan and adoption of modern marketing practices.

AGRICULTURAL MARKETS OVERVIEW

Current agricultural marketing system in the country is the outcome of several years of efforts of government policy. The system has undergone several changes during the last 60 years, regarding the owing to the increased marketed surplus; growing 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 policies of government.

There are three important aspects of an agricultural marketing system. These are market structure, conduct and performance. In agricultural marketing, government intervention is necessary. The intervention of the government always influences it. An important characteristic of agricultural produce markets in India has been that private trade has continued to dominate the market.

Millions of wholesalers and 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.

Agricultural development continues to remain the most important objective of Indian planning and policy. The experience of agricultural development in India has shown that the existing systems of delivery and marketing of agricultural output have not been efficient in reaching the benefits of technology to all the sections of farmers.

The timely, quality and cost effective delivery of adequate inputs are still a dream, even though there are a few marketing attempts of the corporate sector and the developmental programmes of the state. Also, the farmers are not able to sell their surplus produce properly. There are plenty of distress sales among farmers both in agriculturally developed as well as backward regions.

There are temporal variations and fluctuations in the markets and the producers' share in consumers' money has not been satisfactory, with the exception of a few commodities.

The farmer has realized the importance of adopting new techniques of production and is making efforts for more income and higher standards of living. While the trade is very organised the farmers are unorganized, the marketing system is becoming more and more complicated. The cultivator is handicapped purposely by other factors. Due to this, the farmer sells his produce at an unfavourable place, time and price. That's why the agricultural marketing has got an important place, which must work/function with following objectives.

To enable the primary producers to get the best possible returns; To provide facilities for lifting all produce of the farmers to sell at an incentive price; To

reduce the price difference between the primary producer and ultimate consumer; and To make available all products of farm origin to consumers at reasonable price without impairing on the quality of the produce.

Another important structural characteristic of market structure for agricultural commodities is the Institutional infrastructure created/ promoted by the government for improvement of marketing system. "Depending on the objectives and role, the marketing institutions can be grouped into public sector organizations, cooperatives and other formal/informal bodies."10 35 Public sector organizations include Food Corporation of India (FCI);

Cotton Corporation of India; Jute Corporation of India; Commodity Boards; APEDA; STC; MPEDA; Commission for Agricultural Costs and Prices; Directorate of Marketing and Inspection; Departments of Food and Civil Supplies; State Agricultural Marketing Boards; Central and State Warehousing Corporations, and Agricultural Produce Market Committees. The role and functions of each of these differ and include policy formulation, implementation, supervision, facilitation and direct entry in the markets. Apart from these, a large number of farmers' cooperative organizations have been promoted for undertaking marketing and processing functions on behalf of the farmers or members of cooperatives.

By and large, marketing cooperatives in India is a four-tier structure consisting of primary marketing societies, district or regional cooperatives, state marketing federations and national level marketing cooperatives. The main marketing cooperatives include National Agricultural Cooperative Marketing Federation (NAFED), Tribal Cooperative Marketing Federation (TRIFED), State Cooperative Marketing Federations (general as well as commodity specific), district level cooperatives or unions of cooperatives, and primary agricultural cooperative marketing societies (general as well as commodity specific). In addition, the government has established some public sector organizations to promote cooperatives.

These include National Cooperative Development Corporation and National Dairy Development Board. In quite a few commodities and regions, the cooperative organizations have played an important role in improvement in the

performance of the marketing system by increasing competition. They have contributed not only in marketing and processing of farm products, but also in supply of inputs, including credit to farmers. NAFED was established in October 1958 as an apex organization of marketing cooperatives.

Its primary objective is to strengthen cooperative marketing structure in the country. Specific objectives of establishing NAFED include (a) to coordinate and promote the marketing activities of affiliated cooperative institutions; (b) to promote inter-state and international trade in agricultural and related commodities; (c) to make arrangements for the supply of agricultural inputs required by its member cooperatives; and (d) to act as an agency of the government for purchase, sale, storage and distribution of agricultural products and inputs. To fulfill its objectives, NAFED has been undertaking internal trade, exports and imports, price support and market intervention operations, production and marketing of inputs, promotional activities, developing cooperative marketing of tribal produce, and processing and marketing of fruits, vegetables and other agricultural commodities.

The availability of marketing infrastructure affects the structure, conduct and performance of the market. Studies have shown that due to the considerable expansion in infrastructure, there has been significant increase in both horizontal and vertical integration of agricultural markets. It has improved the process of price discovery and transmission of price signals from deficit to surplus area. However, the existing situation is far from adequate.

Nearly 51 percent of the villages are still not connected by roads. Grading at primary market level is inadequate. Only around seven percent of the total quantity sold by farmers is graded before sale. The scientific storage capacity is only 30 percent of the required capacity. Cold storage facility is available for only 10 percent of fruits and vegetables. Physical infrastructure in market yards is inadequate. Most of the rural periodic markets (including livestock markets) have no infrastructure.

Nearly 41 percent of the villages have no telephone facility. Due to lack of proper handling (cleaning, sorting, grading and packaging) at the village level, about seven percent of food grains, 30 percent of fruits and vegetables and 10 percent of spices are lost before reaching the market. The index of infrastructure at state level compiled by the Centre for Monitoring Economy shows that the infrastructure is relatively well developed in the state of Kerala, Tamil Nadu, Haryana and Gujarat. But it has continued to be weak in Madhya Pradesh, Bihar and Rajasthan.

The system of market information has continued to be far from satisfactory. While the traders and processors use their own informal sources, farmers depend both on formal and informal sources. Farmers are more interested in market news. The market news of interest to farmers is collected and provided by APMCs, SAMBs, state departments of agricultural marketing, field staff of Directorates of Economics and Statistics and Departments of agricultural marketing, field staff of Directorates of Economics and Statistics and Department of Food. The information is disseminated through display boards in market yards, announcements during open auction, newspapers, radio broadcasts and some TV channels also.

Farmers also gather information through personal contacts with other farmers and traders. The development in information technology has great potential for integration of agricultural markets. The Directorate of Marketing and Inspection, Government of India, has set up an Internet based system (AGMDRKNET) for market information networking across the country. The Market Research and Information Network (MRIN), which has already connected 735 wholesale markets, is aimed at catering to all stakeholders. Wholesale data for 154 commodities compiled by the Directorate of Economics and Statistics (GOI) are available on internet but this information mostly serves to the policy makers and researchers.

The information technology (IT) revolution, aided by the revolution in telecommunication has the potential to help in not only market information system but may also change the nature of market functioning altogether. The e-commerce introduced by the IT revolution has led to enhanced market access and

better information. "The model of E-choupals (rural markets) promoted by ITC is the use of e-commerce in procuring agricultural commodities and selling inputs and other goods to the farmers.^{12 39} The ITC's E-choupal initiative was launched in 2000 and by the end of 2003 had grown to 2700 Chou pals, covering 18000 villages and 1.2 million people in five states (Madhya Pradesh, Karnataka, Andhra Pradesh, Uttar Pradesh and Maharashtra). The commodities covered are soybean, wheat, rice, pulses, coffee and shrimp. The company plans to extend it to 15 state with 20000 Chou pals covering 10 million people.

The model consists of village Internet kiosks located around company's supply clusters operated by 'Sinkholes' from among farmers/rural youths. The kiosks provide real time information to the farmers on inputs, practices, credit availability, product quality required and expected price. A few problems occurred here are tackled successfully for the benefits of farmers. The problem of illiteracy of farmers was solved by providing information in local language through 24x7 helps desks. The issue of contractual laws and regulations was tackled by giving public oath to Sanchalaks, as social contracts are more binding then the legal ones.

The model has come out to be beneficial to both the farmers and the company.¹³ Another example of corporate sector initiative in improving information system and application of e-governance is the Gramdoot project, launched in Rajasthan by Aksha Broadband Ltd., an optical fiber manufacturing company in January 2002. The objective of the project is to link the villages with national and global markets. With the launch of on-line futures trading in food grains, pulses and sugar in National Commodity Exchanges (NCDEX), the government has permitted banks and Department of Posts to set up bulletin boards in all the rural branches to display future prices for NCDEX on real time basis. This helps the farmers to know the harvest time prices in advance at the sowing time in near future; this may enable them to sell their product in advance at future prices. The NCDEX also has tied up with Echoupals of ITC for such displays. This initiative will help all stakeholders in the supply chain of traders, processors, wholesalers and bulk consumers.

The government of India is trying to force upon the states to amend their respective APMC Acts to promote the interests of multinational firms. In fact, the real objectives are seemingly to facilitate to the agri-business multinational corporations to make purchases of agricultural produce from farmers outside 'mandis'. But such kind of reforms, wherever adopted have not only endangered the food security but also have pushed the farmers to the miseries. Though fully fledged impact of the reforms are yet to come, agri-business firms have started expanding their activities in this sector.

Therefore the issue of reforms in agricultural marketing requires an immediate inquiry to safeguard the interests of Indian agriculture in general and small and marginal farmers in particular. After independence there was a general feeling that agricultural markets do not function in a proficient manner. Apart from inefficiencies in distribution, including wastage of agricultural produce, the farmers suffer due to exploitation by traders on different accounts such as weight, 46 illegitimate deductions, delayed payments etc. To overcome such problems different state governments enacted their respective APMC Acts.

These Acts made provisions to save the farmers from exploitation, promoted efficiency and made norms for spending market fees on different heads including infrastructural developments. Structure of Agricultural Produce Marketing Committee (APMC) and its decision making body are made in such a way, that farmers would be in the majority and chairman of the Committee would also be a farmer. There is no doubt that, we have to bring amendments in the laws, though it looks very good in its original form. Emerging changes in the field of agriculture, call for such changes in laws in the agricultural marketing. But this cannot be an argument to make amendments to favour multinational agri-business firms.

For this, the elections should be held at regular intervals and democratic functioning of the mandis should not be allowed to be diluted in any case. Now a days instead of providing sufficient safeguards to the farmers, entering into contract farming, new rules take away the legal right of the farmers to seek justice from courts. The Model APMC Act leads to de-democratization of agricultural markets and therefore limits the rights of the farmers to control agricultural

markets. In some states of region, the private yards of the companies have been allowed to be established by the companies.

Heavy profits have been made by these companies without giving any benefit to the farmers. For instance in 2009-10 the average price of Soya paid by ITC to the farmers in Madhya Pradesh was around Rs. 1150/- per quintal, it was sold by the company at an average price of Rs. 1555/- per quintal. Even the rules of contract farming, given by Model APMC Act and adopted by various state governments also in favour of multinational agribusiness firms. Small and marginal farmers, which constitute 90% of the farming community, have been left at the mercy of these firms. In earlier acts, the agriculturist was defined as "one, whose livelihood depends directly on farming."

This is changed as "A person who is a resident of the notified area of the market and who is engaged in production of agricultural produce himself or by hired labour or 47 otherwise. This definition is changed to suit the best interests of the various corporations only, in some states and region the private yards of the companies have been allowed to be established by the companies. Heavy profits have been made by these companies without giving any benefit to the farmers for instance in 2009-10. The Model APMC Act makes us remember alien rule, when Indian farmers were given unequal legal status. The Model Contract Farming Agreement provided by Model APMC Act refers to corporations as 'contract farming sponsor'. Contracts oblige farmers to produce, but does not oblige corporation to buy. In case of a dispute, farmers cannot seek justice from courts. The Model Act puts a bar to civil suits. Act 105 of Article 89 states "No court shall take cognizance of any offence punishable under this Act or any rule or any by-laws made there under, except on the complaint made by the Collector or Chairman, Vice Chairman, Chief Executive Officer of the Market Committee or any person duly authorized by the market committee in this behalf". In other words, the farmers are disfranchised of all legal and civil rights. This is a system of slavery. This spells the end of democracy. The clause of restriction for the farmers to approach courts, make them handicapped in this event.