

# DESCRIPTIVE STUDY OF AGRICULTURAL MARKETING AND IMPLICATIONS ON INDIAN ECONOMY

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## ABSTRACT

This paper enlighten on the role of agricultural marketing and its contribution and its implications on Indian economy. The emphasis on market failure gave a way to the market orientated liberalization to get “prices and institutes right”. With this, there is emergence of state run marketing boards, producer marketing chains ranging from credit unions through farmer cooperatives to wholesale cooperatives. The producer should have accessed to competitive market prices which can only happen when the state inputs all its efforts in strengthening the competitive marketing system. In the meantime the marketing institutions need to maximize efficiency and transparency in transactions with the producers and also of retail/consumers price accruing to the farmers. The agricultural transition towards commercialization is natural though some external forces may slow down its pace like agricultural policies frame work, extent of market imperfections, overall standard of living etc. Indian agriculture planners must pay attention towards the demand for agricultural produce by consumers. The agricultural sector should now attempt to achieve greater market orientation nationally as well as internationally compared to its current focus on production orientation.

**Keywords:** Agricultural Marketing, Marketing Cooperatives, Contract Farming, Commercialization, Foreign Direct Investment (FDI)

## I.INTRODUCTION

Agricultural marketing includes all activities involved in moving agricultural produce from producer to consumers through time (storage), space (transport), form (processing) and transferring ownership at various levels of marketing channels. Agriculture is the backbone of Indian economy. Out of 320 million workforce, 170 million are employed in agriculture. It not only provides food requirements to such a huge population of India but also earns successful returns. Post independence saw a major and rapid growth in Indian agriculture at the rate of 2.6% per annum. India ranks the 1<sup>st</sup> in the world in terms of milk production. India ranks the 2<sup>nd</sup> in terms of rice, wheat, groundnut and tobacco production and 3<sup>rd</sup> in coffee production. India also ranks 2<sup>nd</sup> in the most arable land in the world, but a problem of low productivity, the yield is only 30% for each crop compared to world standards.

India has adequate technology, but it is not fully implemented as our producers lack awareness.. Producers expect better returns as they work hard day and night in their fields but doesn't get. Agricultural marketing should be planned and well prepared. In developing countries like India, agricultural markets comprise of poor infrastructure, poor transport and communication, limited rule of law, limited access to finance etc. This result leads to market failure.

## REVIEW OF LITERATURE

A considerable amount of research has been done on the working and performance of agricultural marketing in India, by the academicians and researchers. The literature obtained by the investigator, in the form of reports and research studies, is briefly reviewed in this part.

Hota, et.al., (2002) in their study viewed that cooperatives occupy an important part in India's economy in terms of their coverage of rural producers, business turnover and contribution to economic welfare of their members as well as to rural economy of India .

Reardon et.al., (2003) in their study documented that private firms now play a dominant role in countries such as China, India, South Africa in developing of improved seed varieties producing and distributing inputs, post harvest operations and retailing through super markets.

Royce, (2004) reported, even though State agencies continue to be the main buyers of output and suppliers of input limiting cooperatives management authority within. There is much greater member participation and on-farm decision making.

Ramkishen, (2004) in his research paper argued that because of the lack of food processing and storage, the grower is deprived of a good price for his produce during the peak marketing season while the consumer needlessly pay a higher price during lean season.

Godara, (2006) in his study described that the positive trend of economic liberalization and associated opening up of Indian economy have significantly reduced the structural rigidities in the system, this trend should be premise of India's future agricultural reform. Agricultural business has come under strong and direct influence of international market. Indian farmers have to produce quality goods to meet the international standards.

## II.SIGNIFICANCE OF AGRICULTURE, AGRICULTURAL MARKETING AND REGULATIONS OF THE AGRICULTURAL MARKETS

Government of India, 2008). For these reasons, performance of the agriculture becomes one of the primary determinants of India's socio-economic progress and wellbeing of majority of its population. Steady growth with efficient functioning of the agriculture sector, both in terms of food productivity and marketing of agricultural produce has significant implications on poverty and livelihoods<sup>2</sup> in India (Bhaumik 2008). Nonetheless, for the last decade or so, the only mode in which agriculture has been discussed in India is that of crises and distress (Jodhka, 2008). Though in the literature context of this crisis are several, the most immediate and urgent one has been cumulative case of inefficient and

underdeveloped regulation of agricultural marketing system.

### III.OBJECTIVES OF THE STUDY

This study has the following objectives:

- a. To explore the significance of Agriculture and Agricultural marketing in India
- b. To exhibit the contribution and implications of Agricultural Marketing on Indian economy.

### IV.METHODOLOGY USED IN THE STUDY

The data used for the research has been extracted from reports generated from official website of Agricultural Markets and other published sources. This study carried based on secondary data such as books, journals and periodicals etc. For fulfilment of objectives, the researcher had a review of various published papers to assess and explore the contribution and implications of Agricultural Marketing on Indian economy.

### V.DATA ANALYSIS AND DISCUSSION

In a current phase of India's development, agriculture sector is facing multiple and complex challenges of growth, sustainability, efficiency and equity (Chand, 2008). The growth performance of the agriculture sector has been fluctuating across the plan periods (Figure 2.1). The annual growth rate of agricultural GDP in India decelerated from 4.8 percent per year during 1992-97 (Eighth plan period) to only about 2.4 percent during 1997-2002 (Ninth plan period) and 2.5 percent during 2002-07 (Tenth plan period). The trend rate of growth during the period 1992-93 to 2010-11 is 2.8 percent while the average annual rate of growth in agriculture & allied sectors- GDP during the same period is 3.2 percent (State of Indian Agriculture, Government of India, 2011-12).

The divergence between the growth trends of the total economy and that of agriculture & allied sectors indicates an underperformance by agriculture (see Figure 2.1). Such fragile growth rate of 2.4 percent in agriculture as against a robust annual average overall growth rate of 7.6 per cent for the economy during the tenth plan period is a cause for concern. The prognosis is that stagnation in farm incomes in the agricultural markets is largely responsible for slowdown in output growth and is causing a lot of rural distress (Chand, 2008:42). The biggest policy challenge seems to be to reverse the sharp decline in the growth rate of the agriculture sector experienced after the mid-1990s.

Table 2 further suggests that the poor performance of agricultural GDP growth, although most witnessed in rainfed areas, occurred in almost all states (Eleventh Five Year Plan, 2007-2012, Government of India, 2008:4). These economic scenarios have persuaded policy makers and planners to be particularly concerned about persisting variation and fluctuation in productivity growth at state level, which recently varies from - 3.54 percent to 3.51 percent. The sharpest decline of agricultural growth is observed in the case of Kerala

where productivity growth declined from 4.70 percent per annum during early 1990s to negative -3.54 percent during the late 1990s and recent times. Other states which witnessed negative growth in recent time are Madhya Pradesh and Tamil Nadu while growth rate in Orissa, Karnataka, Rajasthan and Maharashtra are close to zero. Andhra Pradesh since 1990s and West Bengal for all periods showed better growth among all states and is more than growth rate of the country. Studies, however, suggest that even the states which are relatively faring well in agricultural production are also not performing up to their full potential (Chand & Chauhan, 1999).

Source: column 2, 3, 7 & 8 are from, ICAR Policy Brief, 8, 1999 (Indian Council of Agriculture Research, New Delhi) and column 4, 5, 9 & 10 are from National Account Statistics, (State series) Central Statistical Organisation, Ministry of Statistics and Programme Implementation, New Delhi (cited in 11th Five Year Plan, Planning Commission, Government of India, 2007-2012:4)

\* AP: Andhra Pradesh; Assa: Assam; Bih: Bihar; Guj: Gujarat; Har: Haryana; Kar: Karnataka; MP: Madhya Pradesh; Maha: Maharashtra; Ori: Orissa; Pun: Punjab; Raj: Rajasthan; TN: Tamil Nadu; UP: Uttar Pradesh; WB: West Bengal

Such inter-state variation in agricultural progress can also be seen from variation in National State Domestic Product (NSDP) agricultural per rural person (see Table 2.3). Among states, agricultural income per rural person during early 1980s exceeded Rs. 1500 in Haryana and Punjab, whereas, it was below Rs.700 in the case of Bihar, Orissa, West Bengal, Kerala and Tamil Nadu. By the year 1996-97, agricultural income per person was below Rs. 400 in Bihar compared to Rs. 952 for the whole country at 1980- 81 prices. Orissa and Assam were second and third from the bottom.

The statistics reveal that there is tremendous variation in per hectare and per person agricultural income across states. The calculated estimates suggest that regional disparities in agricultural productivity increased from 36 percent during 1980-81 to 1984-85 to 40 percent during later half of 1980's. During the 1990s regional divergence further increased to around 43 percent (Chand & Chauhan, 1999).

The pattern in inter-state agricultural growth indicates that geography is unlikely to be a driving factor behind differences in regional growth in India. In India, landlocked states like Punjab and Haryana almost maintained high performance in agricultural growth throughout while geographically fertile region and some states situated near the coast like Bihar, Orissa, Assam and eastern Uttar Pradesh have shown mostly weak erratic agricultural growth performance. Differences in climatic conditions such as altitude, soil quality in the region are also not the factors alone responsible for non- uniform agricultural development, which may have left their mark but the differences are the result of policy regimes supported. For example, though the state of Uttarakhand has similar climate and agro ecological conditions as in the state of Himachal Pradesh but it lags far behind in productivity compare to Himachal Pradesh. Productivity level in various districts of Himachal Pradesh ranges between Rs. 33 thousand to Rs. 1.5 lakh whereas productivity



level in various districts of Uttarakhand ranges between less than Rs. 17.5 thousand to Rs. 60 thousand (Chand et al., 2009).

Furthermore, unlike the overall economic growth pattern, agricultural performance in India has been quite volatile. The Coefficient of Variation (CV) during 2000-01 to 2010-11 was 1.6 compared to 1.1 during 1992-93 to 1999-2000. This is almost six times more than the CV observed in the overall GDP growth of the country indicating that high and increasing volatility is a significant challenge in agriculture (See Figure 2 & 3) (State of Indian Agriculture 2011-12, Ministry of Agriculture, Government of India).

Clearly, apart from overall dismal performance with regard to steady agriculture growth, India has not been successful in reducing inter-state disparities by promoting level of agricultural development in underdeveloped states (Sawant & Achutan; 1995;

Cashin & Sahay 1996; Bhalla & Singh, 1997). The Indian economy stands at a crossroads at the current juncture and the main objective of India's development policy is to accelerating economic growth and reducing inter-personal and regional disparities. India's last two Five Year Plans estimate that for the overall economy to grow at 9 percent, it is important that agriculture should grow at least by 4 percent per annum. Achieving an 8-9 percent rate of growth in overall GDP may not deliver much in terms of poverty reduction unless agricultural growth accelerates. The prognosis of planners and policy makers is that the overall economic growth with inclusiveness in India can be achieved only when agriculture growth accelerates and is also widely shared amongst people and regions of the country. These policy challenges point one thing which is that agriculture has to be kept at the centre of any reform agenda or planning process in order to make a significant dent on poverty and record an overall growth in the economy as a whole (Eleventh Five Year Plan, 2007-2012, Government of India, 2008).

Extensive literature on India's agricultural marketing documents that the performance of the agricultural sector is, in turn, heavily dependent on the development of the agricultural marketing system in the country, which is assumed to have a governing impact on sustaining higher levels of agricultural productions in the states of India (Riley & Staats, 1981; Rajagopal, 1993; Gosh, 1999; Acharya, 2004; Acharya & Agarwal, 2009). Ability of the agricultural marketing system to bring steadiness and boost agriculture growth depends on the regulatory framework for regulations of the agricultural markets which are administered by the state government. In India, , spanning over more than five decades, marketing of agricultural produce has been governed by the state level statutory bodies – the Agricultural Produce Marketing Committees established under the Agricultural Produce Marketing Commission Act (APMC Acts & Rules). India is a federal country composed of number of states with a fairly high degree of political autonomy and legislative powers. The legislative powers and jurisdiction between the Central and State Governments are demarcated under the Constitution of India. Agriculture is a state subject, and therefore it means that state government is sovereign as regards the enactment of laws and regulations in relation to agriculture. Agricultural marketing regulations at the level of each state of India thus play a key role in influencing performance in the agricultural sector.

Most states of India have their respective APMC Act and Rules, which govern, organise and guide all transactions and conduct (market entry, movement, storage, processing, sale and purchase) of post-harvest farm produce of the regulated markets in the states of India.

## VI. PROBLEMS AND CHALLENGES

There are several problems and challenges involved in marketing of agricultural produce. Limited access to the market information, low level of literacy among the farmers. There are also many imperfections in the marketing system of agricultural commodities in India. So much has been done to improve the agriculture sector of India, but still it is facing a lot of problems. Some of these can be listed as below.

- Fiscal and Political instability is threatening Agricultural Policies, as there is Political disagreement and fiscal comprehension in agriculture.
- Rising domestic demand for food due to rise in population, restricting our exports.
- Developing people and developing markets.
- Private market intermediation.
- Multi languages and dialects.
- Natural calamities, drought and uneven rainfall in the country.
- Subsistence farming to commercial farming.
- Supply driven technology to demand driven.
- Minimization of land holdings.
- Lack of proper physical communication.
- Infrastructural weakness.
- Less media coverage.
- Lack of professionalism in management.
- Lack of market and marketing information.
- Lack of Agricultural education.
- Inadequacy of institutional markets.
- Multiplicity of market changes and malpractices.
- Lack of technical training.etc

## OPPORTUNITIES

India is the third largest producer of fruits [27.83 MT] and 2nd largest producer of vegetables [54 MT]. At present our floriculture contribution to total world export is 0.31%, it can be improved by Green House Technology, timely transportation, storage facilities and good marketing policies. India's existing post-harvest processing capacity can handle only 0.5% of total annual production. But it can be increased by providing industry processing centers with infrastructural establishments. Every year the loss of fruits and vegetables due to lack of post-harvest processing is worth Rs 300 crores. The country must not therefore

fitter away the opportunity to diversify and commercialize agriculture, add value to produce, generate employment and income, and export processed food.

## VII.CONCLUSION

There is an eminent need for the Agri-marketing initiatives to be large and organized. The present market must cover two aspects of marketing network and actual regulation of the conduct of market. The need to strength the regulated market system arises from changing nature of linkages between agriculture and markets. It has been observed that better and easy market access and efficient information flow can bring much desired market orientation of the production system. Indian agriculture, moving from commoditization to commercialization drives it towards market orientation. India can claim to have largest network of agri-business cooperatives in the world, engaging in performing manufacturing, procurement and marketing of agricultural produce. These have proven to occupy important place in our economy. The government must examine its policies and regulations with view to strength the marketing network and ensure that prices are being determined on competitive basis and markets are being manipulated. Using modern ICT can bring out better solutions as it can facilitate agricultural marketing functions and processes include buying and selling, payment, grading, standardization, transportation in an efficient manner.

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