

# Agricultural Marketing System in India – A Review

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## ABSTRACT

*This paper enlighten on the role of agricultural marketing and its contribution and its implications on Indian economy. Efficient backward and forward integration with agriculture has led to globally competitive production system in terms of cost and quality. Cooperatives seem to be well positioned to coordinate product differentiation at the farm level and to integrate forward into value added processing activities. Indian agriculture can be balanced and made efficient through proper and better management practices. The present study brings out past and present scenario of agricultural marketing prevailing in India, its challenges and future recommendations. Moreover the opportunities provide by agricultural marketing should be tapped effectively by the marketers.*

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

## I. INTRODUCTION

This result leads to market failure. 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.

## II. 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.

Kashyap and Raut, (2006) in their paper suggested that, marketers need to design creative solutions like e- marketing to overcome challenges typical of the rural environment such as physical distribution, channel management promotion and communication. The “anytime-anywhere” advantage of e-marketing leads to efficient price discovery, offers economy of transaction for trading and more transparent and competitive setting.

Brithal, et.al., (2007) in their study suggested that by building efficient and effective supply chain using state of the art techniques it is possible to serve the population with value added food, while simultaneously ensuring remunerative prices to farmers.

Tripathi and Prasad, (2009) in their paper reported that Indian agriculture has progressed not only in out-put and yield terms but the structural changes have also contributed

Pathak, (2009) in his research paper stated that the contribution of agriculture in growth of a nation is constituted by the growth of the products within the sector itself as well as the agricultural development permits the other sectors to develop by the goods produced in the domestic and international market.

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).

Source: CSO./ State of Indian Agriculture 2011-12, Ministry of agriculture, Government of India; Note: GSDP estimates are at 1993-94 prices.

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.

### III. 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.

#### IV. RECOMMENDATIONS

Below are the certain measures that can be implemented to bring out the reforms in agricultural marketing so as to ensure just and fair deal for farming community.

- Establish physical communication.
- Develop Agricultural infrastructure.
- Establishment of Regulated markets.
- Storage and warehouse facilities must be established up to the most remote areas.
- Education of Agriculture to masses.
- Information Technology must reach all over the country.
- There must be proper road connectivity and good all weather roads.
- Enhance control and coordination over the agricultural markets.
- Extent of financial support to farmers and agro- processing units.
- Training of new marketing techniques should be implemented.
- Enhancement and support for Public-Private cooperation.
- Standardization of contract.
- Enhancement for more cooperative marketing.

#### V. 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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