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Review Article

Challenges and Prospects of Agricultural Marketing in India - A Thematic review

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Abstract

Agriculture in India has directly or indirectly continued to be the source of livelihood to majority of the population. Indian agriculture has seen a lot of changes in its structure. India, predominantly an agricultural economy, has healthy signs of transformation in agriculture and allied activities. India has seen agriculture as a precious tool of economic development as other sectors of production depend on it. India's prosperity depends upon the agricultural prosperity. There are many kinds of agricultural products produced in India and the marketing of all these farm products generally tends to be a complex process. Agricultural marketing involves many operations and processes through which the food and raw materials move from the cultivated farm to the final consumers. Indian agriculture can be balanced and made efficient through proper and better management practices. The local farmers are facing increasing market competition in local markets. In India, the pressures of market changes are most felt by most of the farmers. In addition, these farmers face a number of challenges in produce marketing, which put their market survival at stake. This paper brings out the present scenario of agricultural marketing prevailing in India, its challenges and future recommendations. This paper also attempts to highlight the trends in agricultural marketing that should be tapped effectively by the marketers.

Keywords

Agricultural Produce,
Market competition,
Agricultural marketing.

Introduction

India is an agricultural country and one third population depends on the agricultural sector directly or indirectly. Agriculture remains as the main stay of the Indian economy since times immemorial. Indian agriculture contribution to the national gross domestic product (GDP) is about 25 per cent. With food being the crowning need of mankind, much emphasis has been on commercializing agricultural production. For this reason, adequate production and even distribution of food has of late become a high priority global concern.

Agricultural marketing

Agricultural marketing covers the services involved in moving an agricultural product from the farm to the consumer. Numerous interconnected activities are involved in doing this, such as planning production, growing and harvesting, grading, packing, transport, storage, agro- and food processing, distribution, advertising and sale. 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.

Review of literature

There were many studies carried out by different scholars, committee on agriculture, and agricultural marketing and so on. The following are the previous research work carried on agricultural marketing systems.

Hoff, et.al., (1993) in their research paper documented that in response to the de-institutionalization of rural areas that followed state compression, the reconstruction of new agrarian institutions complementary to the market and the state is thus a fundamental element of rural development. This has taken the form of either private or cooperative organizations.

Grosh, (1994) believed that since the turn of the millennium, attention has shifted toward more micro-level and institutional policies. In particular, contractual arrangements with downstream processors, agro exporters and retailers, often orchestrated through farmer groups, are increasingly seen as a means of overcoming the market imperfections that led to the failure of macroeconomic and sectoral adjustment policies.

Reardon and Barret, (2000) in their study suggest that when market reforms the commodity prices raise, stimulating an increase in production, especially of the export crops. The rise in price facilitates the establishment of super market chains, cooperatives, export oriented schemes, processing zones and general stimulation of agro industrialization in developing countries.

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.

Deshpande and Gopalappa (2003) advised to establish an effective price monitoring system including market information kiosks involving information on prices, quality, international trade centres and technology. Statistical system and database should be strengthened to improve the coverage and quality of agricultural marketing related information and to reduce the time lag in its availability. 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.

Ramkishan, (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.

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.

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Hashim (2009) states that efficiency of market, possibility of its discovery and its expansion depends on hardcore physical infrastructure. The most crucial of which are roads (transport links) and electricity. Electricity supply to rural areas, excepting some regions, is inadequate. Cold storage does not work. Transport links in rural India are weak and therefore, cost of transporting perishables is prohibitive. Fortunately, communication system has improved. Infrastructure, efficient information system and availability of credit can go a long way in developing markets for agricultural produce without which the next phase of agricultural development will remain stunted.

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.

Acharya, (2011), has evaluated the performance of the existing marketing system, institutions and policy in accelerating agricultural development in the country. The article and book contain an incisive analysis with special emphasis on marketing functions, institutions, efficiency, costs and margins, government efforts in the development of agricultural marketing and market research.

Challenges in agricultural marketing

Over the years, major changes came into effect to improve the agricultural marketing system. Many institutions viz., the regulated markets, marketing boards, cooperative marketing institutions, warehousing cooperatives etc., have been established primarily to help the farmers. However, various studies indicated that modernization in agricultural marketing could not keep pace with the technological adoptions in agriculture. The various marketing functions viz., grading,

standardization, storage, market intelligence, etc., need to be improved to meet the present day requirements of the farmers. These problems include the following:

- ✓ Large Number of Middlemen
- ✓ Small and Scattered Holding
- ✓ Forced Sales
- ✓ Technological Development Problems in Farm Production
- ✓ Lack of Transport Facilities
- ✓ Poor Handling, Packing, Packaging, and Processing Facilities
- ✓ Lack of Uniform Standardization and Grading
- ✓ Inadequate Storage Capacity and Warehousing Facilities
- ✓ Adulteration of Produce and Malpractices in Market
- ✓ Growth of Urban Centers
- ✓ Communication Problem
- ✓ Lack of Information about Production and Marketing
- ✓ Lack of Farmers' Organization
- ✓ Inadequate Research on Marketing

Suggestions to improve agricultural marketing

Improving the marketing system of agricultural products would help the farmer to better his economy. The following are suggested measures that could reflect an improved agricultural marketing system:

- ✓ Establishment of Regulated Markets
- ✓ Standardization and Grading
- ✓ Improvement in Handling and Packing
- ✓ Provision of Storage Facilities
- ✓ Improving Transport Facilities
- ✓ Market Information
- ✓ Market Research
- ✓ Market Extension
- ✓ Provision of Agricultural Marketing Training to Farmers
- ✓ Cooperative Marketing
- ✓ Provision of Cold Storage Facilities and Refrigerated Transport
- ✓ Development of Physical Market

Prospects of agricultural marketing

Role of ICT in Agricultural Marketing

Strengthening small holders' access to quality market information - especially price information - is an area where ICT has great potential and already some success in developing country agriculture. Despite multiple public and private investments in agriculture, there are very few countries that have good basic price information services. Yet this is changing with increases in connectivity and affordability of ICT tools. Market information can be provided through a diverse set of mediums including mobile phones, Internet, and radio. Using ICT, especially mobile phones, farmers can: make more informed decisions on where and when to sell the farm output, Bypass or bargain with middlemen (empowering

their negotiation prospects), Make better risk mitigation decisions based on localized weather, and Be more aware of more demanded products, scarce agri-inputs, and availing subsidies.

Eg.: Farmers in the remote border district of Pithoragarh, Uttarakhand, India have been interconnected by a special SMS service that will give them weather information, market rates of farm products, agriculture advisories, and general news. The SMS service was launched on 8 August 2014 by HC Semwal, District Magistrate of Pithoragarh. Under the first phase, 250 farmers in Uttarakhand producing 'chryura', a high-value product, will be provided access to the SMS service. The service will deliver personalized weather, market, and agricultural information directly to the farmers' mobile phones, which will help them make informed decisions about their production as well as to plan more effective marketing strategies.

Direct Marketing of Agricultural Produce:

Direct marketing involves selling products directly to the consumer in order to allow the producer the possibility of receiving a higher price. Direct marketing channels include Direct Sales to Restaurants and Retailers, farmers markets, roadside stands, and U-Pick/Pick-Your's-Own/Cut-Your's-Own operations.

Eg. : Punjab and Haryana (Apni Mandis), Andhra Pradesh (Rythu Bazaar), Tamil Nadu (Uzhavar Sandhai), Maharashtra (Shetkari Bazar), Karnataka (Raithara Santhegalu)

Direct Sales to Restaurants and Retailers

Selling directly to restaurants or retailers eliminates at least two steps in the market channel, which adds to the value the producer receives for the products. A producer often also supplies transportation, which can be looked at as value-added service.

Farmers' Markets

A farmers market is a common facility or area where several farmers or growers gather on a regular, recurring basis to sell a variety of fresh fruits, vegetables and other farm products from independent stands directly to consumers.

Roadside Markets

A roadside stand is a temporary facility set up to sell product at a roadway or other heavy traffic area away from the farm or organized farmers market. This alternative eliminates the need for transportation because products are usually sold on the farm where they are produced. Again, growers provide all of the steps from producer to retailer, which increases the price and reduces price fluctuations, thus reducing price uncertainty.

Pick-Your-Own

U-Pick/Pick-Your-Own/Cut or Choose-Your-Own operations occur when consumers visit the farm where a product is grown

and go to the field to pick, cut or choose their own product. Berries, tree fruit, pumpkins and Christmas trees are commonly marketed using this method

Contract Farming

Contract farming, is a type of farming wherein the industry or perspective buyer enters into a contract with the farmer and promises to buy the farmer's produce at a pre-negotiated price under pre-negotiated conditions. Besides, the buyer agrees to supply the required farm inputs at the required time. In this process farmers are assured of an established market and a fixed price for their produce. The buyers would be able to procure the produce of a specified quality at much cheaper rate.

Eg. : Contract farming is becoming an increasingly important aspect of agribusiness, whether products are purchased by multinationals or by smaller companies. There are few success stories on contract farming such as Pepsico India in respect of potato, tomato, groundnut and chili in Punjab, Safflower in Madhya Pradesh, oil palm in Andhra Pradesh, seed production contracts for hybrids seed companies etc. which helped the growers in realization of better returns for their produce. Other success stories of contract farming are Amul and NDDB for milk procurement, sugarcane cooperative in Maharashtra, and prawn-aqua culture in Andhra Pradesh.

Futures Trading/Forward Contracts

Agricultural commodity futures are market-based instruments for managing risks and they help in orderly establishment of efficient agricultural markets. Future markets are used to hedge commodity price risks.

They also serve as a low cost, highly efficient and transparent mechanism for discovering prices in the future by providing a forum for exchanging information about supply and demand conditions. The hedging and price discovery functions of future markets promote more efficient production, storage, marketing and agro-processing operations and help in improvement in overall agricultural marketing performance. Although India has a long history of trade in commodity derivatives, this sector remained underdeveloped due to government intervention in many commodity markets to control prices. The production, supply and distribution of many agricultural commodities are still governed by the state. At present, 25 commodity exchanges are in operation in India carrying out futures trading in as many as 81 commodity items. Most of these exchanges are regional and commodity specific exchanges.

Public-Private Partnerships in Agricultural Marketing

Public-private partnerships are often at the forefront of marketing agendas. It is acknowledged that creating timely, actionable, and reliable content means investing in large fixed costs. Investment funds are needed for the following purposes:

- Knowledge transfer - capacity building may be required to teach farmers how to use new tools or applications.
- Infrastructure - mobile operators and telecommunications industries may not be willing to extend networks to rural areas if it is not profitable. This requires public investment.
- Marketing - to change consumer behavior and support farmers in accepting and adopting new mediums of information.

Eg. : ITC's Agri Business Division, one of India's largest exporters of agricultural commodities, has conceived e-Choupal as a more efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis. The e-Choupal model has been specifically designed to tackle the challenges posed by the unique features of Indian agriculture, characterised by fragmented farms, weak infrastructure and the involvement of numerous intermediaries, among others. e-Choupal links directly with rural farmers via the Internet for procurement of agricultural and aquaculture products like soybeans, wheat, coffee, and prawns. e-Choupal tackles the challenges posed by Indian agriculture, characterized by fragmented farms, weak infrastructure and the involvement of intermediaries. The programme installs computers with Internet access in rural areas of India to offer farmers up-to-date marketing and agricultural information.

Co-operative Marketing

Government's measures have improved the system of agricultural marketing to some extent a major part of the benefits has been denied by large farmers who have adequate 'Marketable surplus'. Therefore it is essential to form Co-operatives of small and marginal farmers to enable them to obtain fair price for their produce. The Co-operative marketing gives the some advantages to small farmers for obtaining fair price for their produce.

The Co-operative societies works on the co-operation basis. It offers facilities to improve agriculture product marketing such as establishment of regulated market, construction of warehouses, provision for grading and standardization of product, standardization of weight and measures, daily broadcasting of market prices of agricultural crops on All India Radio, improvement of transport facilities etc. the above mentioned facilities are provided by the cooperative societies so that the development in agriculture product marketing is very possible and the exploitation of farmers by the middle mans is minimized. A co-operative marketing is thus to store, transport, process the farm goods in the form, at the time and at the place that consumers desire.

Eg. : In Tamil Nadu, the public distribution system is operated through the fair price shops run by Tamil Nadu Civil Supplies Corporation and cooperatives. The cooperatives play a prominent role in the distribution of essential commodities to

around 1.68 crore cardholders through an extensive network of 21644 fair price shops. In addition to this, the cooperatives are also running 5602 part-time fair price shops and 36 mobile fair price shops to serve the families in remote and inaccessible areas. There are 617 sub-retail outlets run by women and self help groups. The cooperatives also run 266 kerosene bunks to distribute kerosene in the state.

Regulated market

Regulated market is wholesale market where buying and selling is regulated and controlled by the state government through the market committee. It aims at the elimination of unhealthy and unscrupulous practices reducing marketing charges and providing facilities to producers and sellers in the market. The prevalence of various malpractice's such as short-weights, excessive market charges, unauthorized deduction, adulteration of produce and the absence of machinery to settle disputes between sellers and buyers were recognized as the main hindrances in agricultural marketing.

Conclusion

Agricultural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development. To maintain this tempo and pace of increased production, an assurance of remunerative prices to the farmer is a prerequisite, and this assurance can be given to the farmer by developing an efficient marketing system. The agricultural marketing system plays a dual role in economic development in countries whose resources are primarily agricultural. It is the marketing system that transmits the crucial price signals. On the other hand, and in order to sustain the growth of the non-agricultural sector, resources have to be extracted from the agricultural sector – physical resources to guarantee supplies of food and raw materials for the agro-industry and financial resources for investment in non-farm economy as well as for re-investment in agriculture.

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