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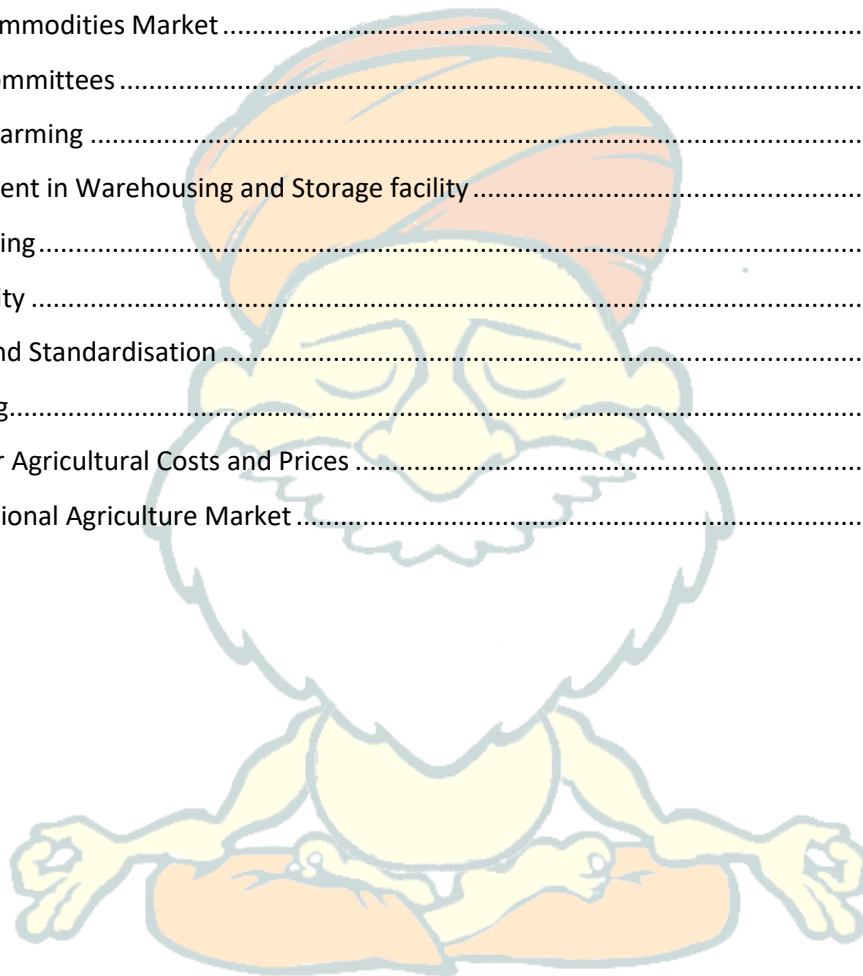


Agricultural Marketing in India and Issues- GS 3

Integrated Learning Programme 2018 is a step towards 'Enabling a person located at the most remote destination a chance at cracking AIR 1 in UPSC/IAS'

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General Introduction



In the previous Value Add notes, we have already covered about the agricultural processes in India including the challenges faced by the India agriculture in Geography Value Add and Economics Value Add. In this module we will specifically focus on the marketing aspect of agricultural products (included in GS Paper 3).

India is still a predominantly agricultural country with agriculture and allied activities contributing to 17.32% of GDP (much higher than World's average of 6.1) and almost 58% of India's population directly/indirectly dependent on agriculture. Thus proper agricultural marketing becomes an integral part of the livelihood of these people.

Market is essentially a place where sellers and buyers meet. But **agricultural marketing is slightly different from industrial marketing in following ways:**

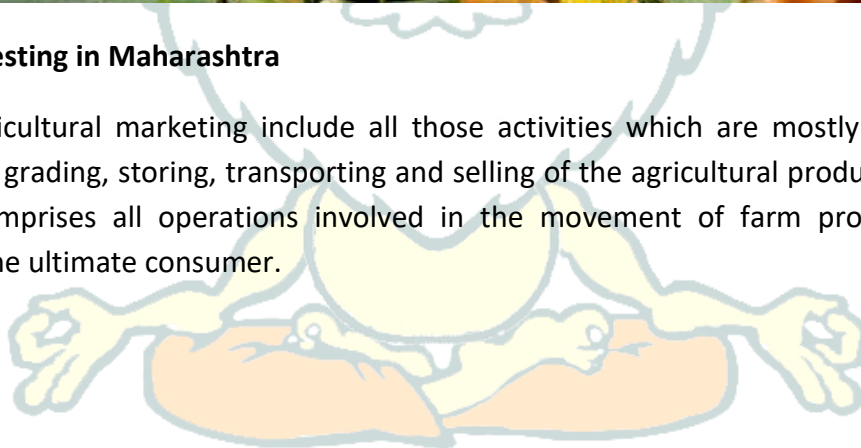
- They are **perishable** and hence need special storage facilities.
- Most of the produce is **seasonal and is available for a short duration** in year during harvest.
- Since the farm produce is **spread in a large geographical area** its collection and transportation is difficult.
- Quality checks, **assorting and grading** of agricultural produce is difficult.

- A major difference that separates agricultural market and industrial market is that, both the **demand and supply of agricultural goods are inelastic**. i.e in case of bumper crop, farmer will not get the benefit because of the fall in price and in case of poor crop, farmer won't be able to take the advantage. This is **called Farmer's Paradox**.



Farmers protesting in Maharashtra

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 comprises all operations involved in the movement of farm produce from the producer to the ultimate consumer.



Different Systems of Agricultural Markets prevalent in India

- **Direct Selling to a middleman:** Direct selling of surplus produce in the Village market or to money lenders or local traders which will further deal with the product. These markets are not organized and small farmers tend to sell their products like this to save transportation cost and logistics.
- **Village Haat:** The second method of disposing surplus of the Indian farmers is to sell their produce in the weekly village markets popularly known as 'hat' or in annual fairs.
- **Sale in Government Mandis:** Government Mandis are located in different towns and districts which act as a hub of wholesale collection and selling of surplus produce. Farmers have to bring their produce to these places and sell it with the help of 'brokers' or 'mahajans'.
- **Co – operative Marketing:** The fourth form of marketing is the co-operative marketing where marketing societies are formed by farmers to sell the output collectively to take the advantage of collective bargaining for obtaining a better price.

In India, there are several central government organisations, who are involved in agricultural marketing like, Commission of Agricultural Costs and Prices, Food Corporation of India, Cotton Corporation of India, Jute Corporation of India, etc. There are also specialised marketing bodies for rubber, tea, coffee, tobacco, spices and vegetables.

Under the **Agricultural Produce (grading and marketing) Act of 1937**, more than forty primary commodities are compulsorily graded for export and voluntarily graded for internal consumption. Although the regulation of commodity markets is a function of state government, the directorate of marketing and inspection provides marketing and inspection services and financial aid down to the village level to help set up commodity grading centers in selected markets.

Problems with Current Marketing System

Poor Storage Facility – Every year 15 to 30 per cent of the agricultural produce are damaged either by rats or rains due to the absence of proper storage facilities. Thus, the farmers are forced to sell their surplus produce just after harvests at a very low and un-remunerative price.

Distress Sale – Most of the Indian farmers are very poor and thus have no capacity to wait for better price of his produce in the absence of proper credit facilities. Farmers often have to go for even distress sale of their output to the village moneylenders-cum-traders at a very poor price.

Lack of Connectivity – In the absence of proper road transportation facilities in the rural areas, Indian farmers cannot reach nearby mandis to sell their produce at a fair price. Thus, they prefer to sell their produce at the village markets itself.

Unfavourable conditions in Mandis – In the mandis, the farmers have to wait for disposing their produce for which there is no storage facilities. Thus, the farmers will have to take help of the middleman or dalal who take away a major share of the profit, and finalizes the deal either in his favour or in favour of arhatiya or wholesalers.

Large number of Intermediaries – A large number of intermediaries exists between the cultivator and the consumer. All these middlemen and dalals claim a good amount of margin and thus reduce the returns of the cultivators.

Unregulated markets – There are huge number of unregulated markets which adopt various malpractices. Prevalence of false weights and measures and lack of grading and standardization of products in village markets in India are always going against the interest of ignorant, small and poor farmers.

Lack of Grading and Standardisation – There is no proper grading and standardization of farm produce. This leads to Dhara (heap) sales in which all qualities of produce are sold in one common lot. Farmer is unable to get better price for better produce and this implies that there are no incentives to use better farm inputs and produce better varieties.

Measures taken by Government to improve the condition of 'Agricultural Marketing'

Following measures have been taken by the Government to improve the condition of agricultural marketing

Establishment of Regulated Markets

In India, agriculture is a “state subject”. Thus, the wholesaling of agricultural produce is governed by the Agricultural Produce Marketing Acts of various State governments. The specific objective of market regulation is to ensure that farmers are offered fair prices in a transparent manner.

The APMC Act empowers state governments to notify the commodities, and designate markets and market areas where the regulated trade takes place.



APMC Mandi

Union Government had prepared a Model APMC Act in 2003. As of 2014 some 16 states have adopted this Model Act. The salient features of this act are as follows:

Aim of model APMC Act -

- To provide efficient marketing system.
- Promotion of agri-processing and agricultural exports.
- Lay down procedures and systems for putting in place an effective infrastructure for the marketing of agricultural produce.

Establishment of New Markets:

Under the existing acts, the markets are setup only at the initiative of State Governments. The 2003 act provides that Legal persons (such as individuals, organizations and companies), growers and local authorities are permitted to apply for the establishment of new markets for agricultural produce in any area. Further, in a market area, more than one market can be established by private persons, farmers and consumers.

Note: Farmers are not forced to sell their produce through existing markets established by APMC.

Special Commodities Market

The act makes separate provision for notification of 'Special Markets' or 'Special Commodities Markets' in any market area for specified agricultural commodities to be operated in addition to existing markets.

Market Committees

The act makes separate provision for notification of 'Special Markets' or 'Special Commodities Markets' in any market area for specified agricultural commodities to be operated in addition to existing markets.

Responsibilities of Market Committees –

- Ensuring complete transparency in pricing system and transactions taking place in market area;
- Providing market-led extension services to farmers;
- Ensuring payment for agricultural produce sold by farmers on the same day;
- Promoting agricultural processing including activities for value addition in agricultural produce;
- Publicizing data on arrivals and rates of agricultural produce brought into the market area for sale.
- Setup and promote public private partnership in the management of agricultural markets.

Contract Farming

A new chapter has been added in Model APMC Act to promote Contract farming. Contract farming is an agreement of a marketing firm with the producers at predetermined price. The company provides production support to get desired quality of products.

The provisions under this chapter enable direct sale of farm produce to contract farming sponsor from farmers' field without the necessity of routing it through notified markets.

Direct marketing helps the farmers to

- Reach and fulfill specific demands of the wholesalers or traders
- Dynamically take advantage of favorable prices
- Reduce marketing cost

Direct marketing also allows the farmer to undertake sorting, grading and quality marking at the farm gate itself. It helps him to obviate the regulated markets which are not necessarily equipped with all required services and facilities affecting the marketing efficiency adversely.

In India, the direct marketing model This model has been experimented in Punjab and Haryana via the **Apni Mandis** , in Andhra Pradesh via the *Rythu Bazar* and in Tamil Nadu via the *Uzhavar Santhaigal* .

Improvement in Warehousing and Storage facility

Storage is an important marketing function, which involves holding and preserving goods from the time they are produced until they are needed for consumption.

- The storage of goods, therefore, from the time of production to the time of consumption, ensures a continuous flow of goods in the market.
- Storage protects the quality of perishable and semi-perishable products from deterioration;
- Some of the goods e.g., woollen garments, have a seasonal demand. To cope with this demand, production on a continuous basis and storage become necessary;
- It helps in the stabilization of prices by adjusting demand and supply;
- Storage is necessary for some period for performance of other marketing functions.

- Storage provides employment and income through price advantages.

Warehousing

Warehouses are scientific storage structures especially constructed for the protection of the quantity and quality of stored products.



Warehouse in Nasik

Importance

- **Scientific storage**

The product is protected against quantitative and qualitative losses by the use of such methods of preservation as are necessary.

- **Financing**

Warehouses meet the financial needs of the person who stores the product. Nationalized banks advance credit on the security of the warehouse receipt issued for the stored products to the extent of 75 to 80% of their value.

- **Price Stabilization**

Warehouses help in price stabilization of agricultural commodities by checking the tendency to making post-harvest sales among the farmers.

- **Market Intelligence**

Warehouses also offer the facility of market information to persons who hold their produce in them.

Note: The warehouses (CWC and SWCs) work under the respective Warehousing Acts passed by the Central or State Govt.

Types of warehouse

1. On the basis of Ownership

- Private warehouses: These are owned by individuals, large business houses or wholesalers for the storage of their own stocks. They also store the products of others.
- Public warehouses: These are the warehouses, which are owned by the govt. and are meant for the storage of goods.
- Bonded warehouses: These warehouses are specially constructed at a seaport or an airport and accept imported goods for storage till the payment of customs by the importer of goods. These warehouses are licensed by the govt. for this purpose. The goods stored in this warehouse are bonded goods.

Following services are rendered by bonded warehouses:

- The importer of goods is saved from the botheration of paying customs duty all at one time because he can take delivery of the goods in parts.
- The operation necessary for the maintenance of the quality of goods - spraying and dusting, are done regularly.
- Entrepot trade (re-export of imported goods) becomes possible.

2. On the basis of Type of Commodities Stored

- General Warehouses: These are ordinary warehouses used for storage of most of foodgrains, fertilizers, etc.
- Special Commodity Warehouses: These are warehouses, which are specially constructed for the storage of specific commodities like cotton, tobacco, wool and petroleum products.
- Refrigerated Warehouses: These are warehouses in which temperature is maintained as per requirements and are meant for such perishable commodities as vegetables, fruits, fish, eggs and meat.

Warehousing in India

Central warehousing corporation (CWC)

This corporation was established as a statutory body in New Delhi on 2nd March 1957. The Central Warehousing Corporation provides safe and reliable storage facilities for about 120 agricultural and industrial commodities.

State Warehousing Corporations (SWCs)

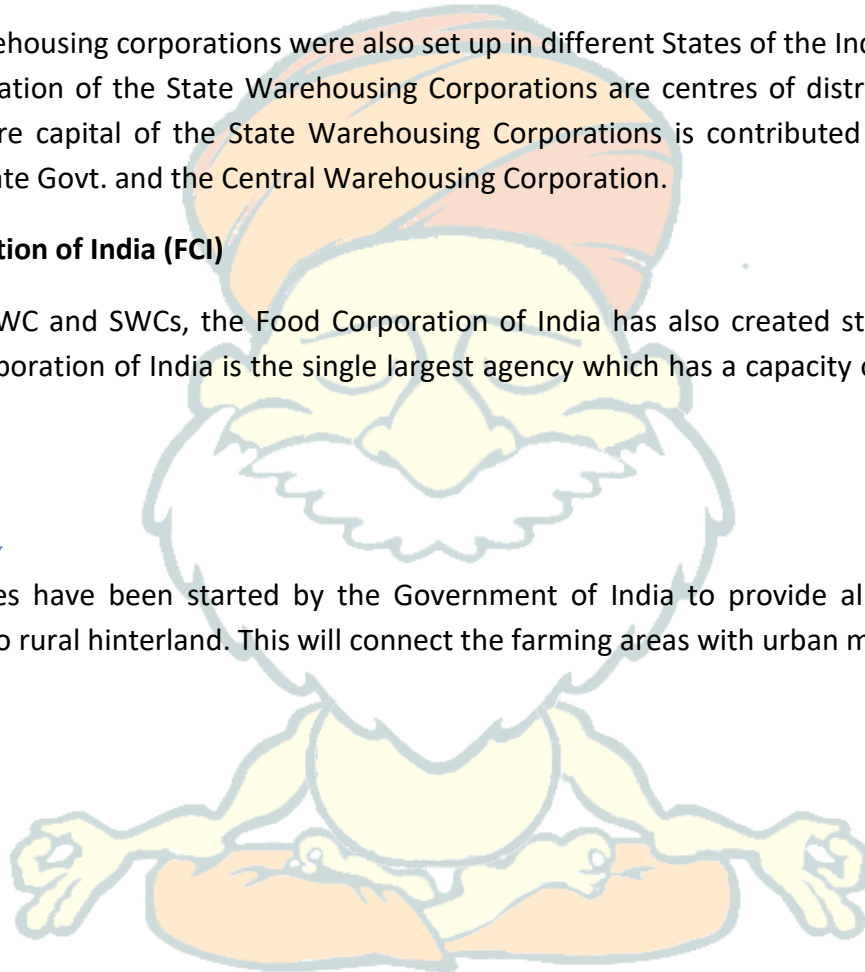
Separate warehousing corporations were also set up in different States of the Indian Union. The areas of operation of the State Warehousing Corporations are centres of district importance. The total share capital of the State Warehousing Corporations is contributed equally by the concerned State Govt. and the Central Warehousing Corporation.

Food corporation of India (FCI)

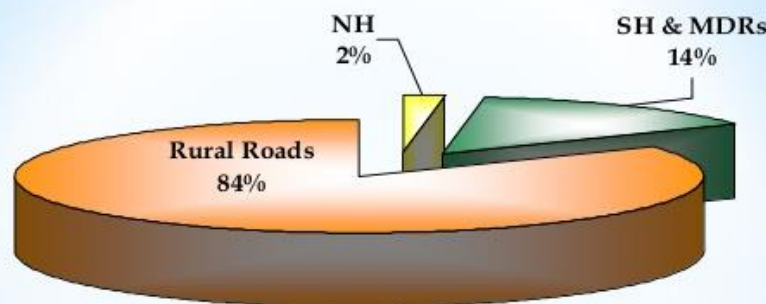
Apart from CWC and SWCs, the Food Corporation of India has also created storage facilities. The Food Corporation of India is the single largest agency which has a capacity of 26.62 million tonnes.

Connectivity

Many Schemes have been started by the Government of India to provide all weather road connectivity to rural hinterland. This will connect the farming areas with urban markets.



Status of Road Network in India



Total length of road network in India : 32 Lakh km

National Highways (NH) : 65,600 Km (2.05%)

State Highways & Major District Roads (SH & MDRs) : 4,32,000 Km (13.5%)

Rural Roads : 27 Lakh Km (84.4%)

80 % of Rural Roads unsurfaced

3.42 lakh habitations (39%) out of 8.88 lakh rural habitations lacked all-weather connectivity in the year 2000.

Connectivity also includes internet and telephonic connections.

The schemes have been dealt before in different VANs.

Grading and Standardisation

AGMARK is a certification mark employed on agricultural products in India, assuring that they conform to a set of standards approved by the *Directorate of Marketing and Inspection*, an agency of the Government of India. The AGMARK is legally enforced in India by the *Agricultural Produce (Grading and Marking) Act of 1937 (and ammended in 1986)*. The present AGMARK standards cover quality guidelines for 205 different commodities spanning a variety of Pulses, Cereals, Essential Oils, Vegetable Oils, Fruits & Vegetables, and semi-processed products like Vermicelli.



Agmark Laboratories

The Agmark certification is employed through fully state-owned Agmark laboratories located across the nation which act as testing and certifying centers. In addition to the *Central AGMARK Laboratory (CAL)* in Nagpur, there are *Regional AGMARK Laboratories (RALs)* in 11 nodal cities (Mumbai, New-Delhi, Chennai, Kolkata, Kanpur, Kochi, Guntur, Amritsar, Jaipur, Rajkot, and Bhopal). Each of the regional laboratories is equipped with and specializes in the testing of products of regional significance. Hence the product range that could be tested varies across the centers.

Fair Pricing

Minimum Support Price:

- Minimum Support Price (MSP) is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices.
- The minimum support prices are announced by the Government of India at the beginning of the sowing season for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP).
- The major objectives are to support the farmers from distress sales and to procure food grains for public distribution. In case the market price for the commodity falls below the announced minimum price due to bumper production and glut in the market,

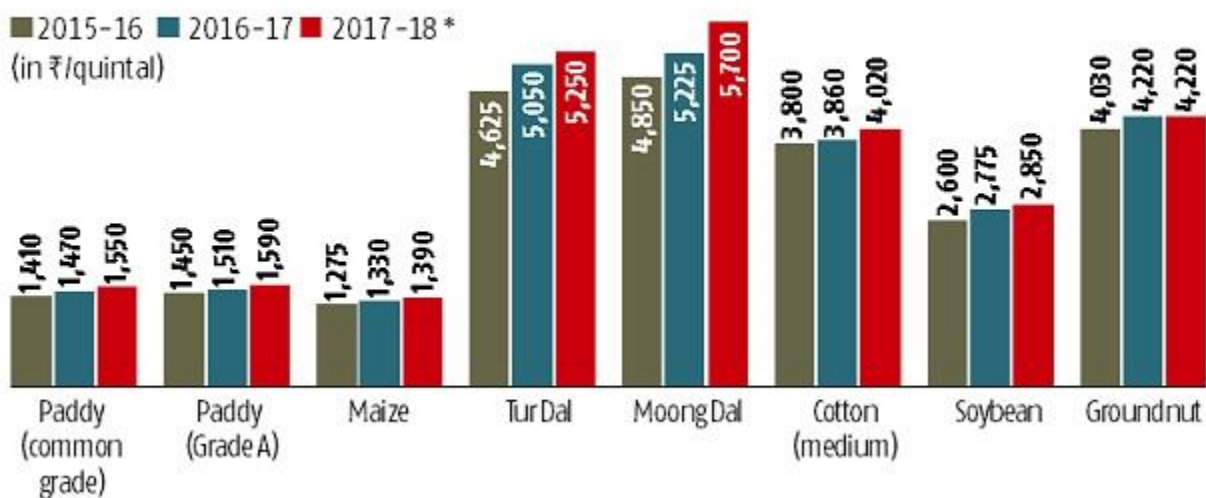
government agencies purchase the entire quantity offered by the farmers at the announced minimum price.

Crops Covered

26 commodities are currently covered. They are as follows.

- Cereals (7) - paddy, wheat, barley, jowar, bajra, maize and ragi
- Pulses (5) - gram, arhar/tur, moong, urad and lentil
- Oilseeds (8) - groundnut, rapeseed/mustard, toria, soyabean, sunflower seed, sesamum, safflower seed and nigerseed
- Copra
- De-husked coconut
- Raw cotton
- Raw jute
- Sugarcane (Fair and remunerative price)
- Virginia flu cured (VFC) tobacco

MSP FOR 2017-18 KHARIF CROPS AS RECOMMENDED BY CACP



* As recommended by CACP

Source: Government officials

Commission for Agricultural Costs and Prices

The Commission for Agricultural Costs & Prices (CACP) is an attached office of the Ministry of Agriculture and Farmers Welfare, Government of India. It came into existence in January 1965.

It is mandated to recommend minimum support prices (MSPs) to incentivize the cultivators to adopt modern technology, and raise productivity and overall grain production in line with the emerging demand patterns in the country. Assurance of a remunerative and stable price environment is considered very important for increasing agricultural production and productivity since the market place for agricultural produce tends to be inherently unstable, which often inflict undue losses on the growers, even when they adopt the best available technology package and produce efficiently.

e – NAM National Agriculture Market

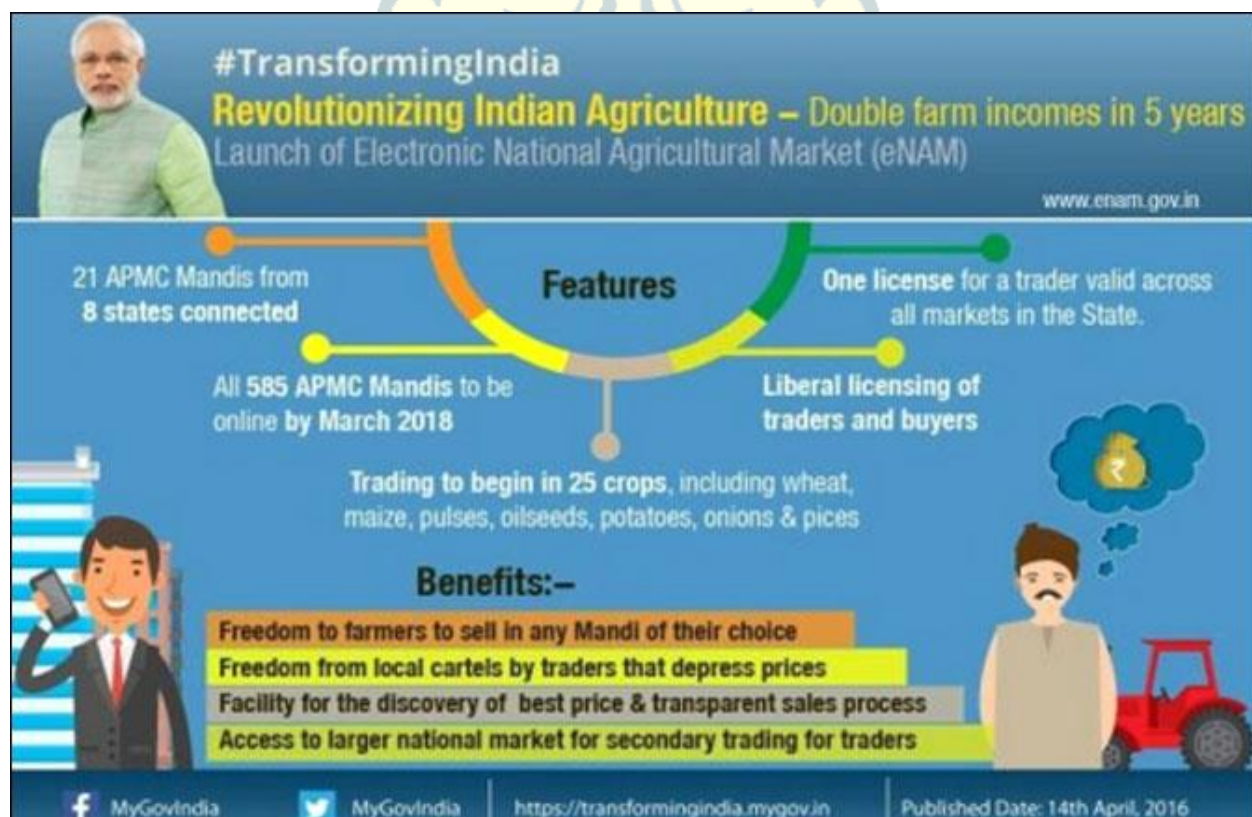


National Agriculture Market (NAM) is a pan-India electronic trading portal which networks the existing APMC mandis to create a unified national market for agricultural commodities.

The NAM Portal provides a single window service for all APMC related information and services. This includes commodity arrivals & prices, buy & sell trade offers, provision to respond to trade offers, among other services. While material flow (agriculture produce) continues to happen through mandis, an online market reduces transaction costs and information asymmetry.

The fragmentation of markets, even within the State, hinders free flow of agri commodities from one market area to another and multiple handling of agri-produce and multiple levels of mandi charges ends up escalating the prices for the consumers without commensurate benefit to the farmer.

NAM addresses these challenges by creating a unified market through online trading platform, both, at State and National level and promotes uniformity, streamlining of procedures across the integrated markets, removes information asymmetry between buyers and sellers and promotes real time price discovery, based on actual demand and supply, promotes transparency in auction process, and access to a nationwide market for the farmer, with prices commensurate with quality of his produce and online payment and availability of better quality produce and at more reasonable prices to the consumer.



Objectives of NAM

- A national e-market platform for transparent sale transactions and price discovery initially in regulated markets.
- Liberal licensing of traders / buyers and commission agents by State authorities without any pre-condition of physical presence or possession of shop /premises in the market yard.
- One license for a trader valid across all markets in the State.
- Harmonisation of quality standards of agricultural produce and provision for assaying (quality testing) infrastructure in every market to enable informed bidding by buyers.
- Single point levy of market fees, i.e on the first wholesale purchase from the farmer.
- Provision of Soil Testing Laboratories in/ or near the selected mandi to facilitate visiting farmers to access this facility in the mandi itself.

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