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AGRICULTURAL MARKETING IN INDIA

Ashok B. Nawale

Abstract:
This paper explains how 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 percent. 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 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.

Key Words:
Agriculture, Marketing, Survey, Ideal, Financial Inclusion, Characteristics Etc.

Introduction:
The term agricultural marketing is composed of two words-agriculture and marketing. Agriculture, in the broadest sense means activities aimed at the use of natural resources for human welfare, and marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. Specification, the subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and cost, price spread and market integration, producers surplus etc. The agricultural marketing system is a link between the farm and the non-farm sectors.

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. Sometimes it 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.

In India, there are several central government organizations, 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 specialized 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.

As we have a tradition of agricultural production, marketing and allied commercial activities, now it is the time for us to brainstorm and come out with new ideas of value added services. These value added services will give the existing agricultural engine a new dimension. The next logical step could be food-processing which not only could be another revenue generating area but also can provide lots of full-time employment to our youths. With the changing agricultural scenario and global competition, there is a need of exploiting the available resources at maximum level.

There was a survey undertaken by the directorate of marketing and inspection in the ministry of agriculture in 1970-71 and 1971-72, of five hundred regulated markets was, with a view to assessing the adequacy and efficiency of the existing regulated markets and highlighting their drawbacks and deficiencies and suggesting measures to develop them. One of the most important drawbacks has been the inadequate financial resources of some of the market committees. During the fourth plan, a central sector scheme was drawn up by the ministry of agriculture to provide a grant at 20 per cent of the cost of development of market, subject to a maximum of Rs. 2 lakh. The balance will have to be provided by the commercial banks. Another important development in the field of regulated markets is the keen interest taken by the International Development Agency (IDA) in the development of the infrastructure in regulated markets. The IDA is financing the development of infrastructure in 50 markets of Bihar.

Agricultural marketing involves in its simplest form the buying and selling of agricultural produce. This definition of agricultural marketing may be accepted in olden days, when the village economy was more or less self-sufficient, when the marketing of agricultural produce presented no difficulty, as the farmer sold his produce directly to the consumer on a cash or barter basis. But, in modern times, marketing of agricultural produce is different from that of olden days. In modern marketing, agricultural produce has to undergo a series of transfers or exchanges from one hand to another before it finally reaches the consumer.

The National Commission on Agriculture, defined agricultural marketing as a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure of system, both functional and institutional, based on technical and economic considerations and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution. The Indian council of Agricultural Research defined involvement of three important functions, namely (a) assembling (concentration) (b) preparation for consumption (processing) and (c) distribution.

Importance and Objectives of Agriculture Marketing:

The farmer has realized the importance of adopting new techniques of production and is making efforts for more income and higher standards of living. As a consequence, the cropping pattern is no longer dictated by what he needs for his own personal consumption but what is responsive to the market in terms of prices received by him. While the trade is very organized the farmers are not. Farmer is not conversant with the complexities of the marketing system which is becoming more and more complicated. The cultivator is handicapped by several disabilities as a seller. He sells his produce at an unfavorable place, time and price.

The objectives of an efficient marketing system are:

1. to enable the primary producers to get the best possible returns,
2. to provide facilities for lifting all produce, the farmers are willing, to sell at an incentive price,
3. to reduce the price difference between the primary producer and ultimate consumer, and
4. to make available all products of farm origin to consumers at reasonable price without impairing on the quality of the produce.

Facilities Needed for Agricultural Marketing:

In order to have best advantage in marketing of his agricultural produce the farmer should enjoy certain basic facilities.

1. He should have proper facilities for storing his goods.
2. He should have holding capacity, in the sense, that he should be able to wait for times when he could get better prices for his produce and not dispose of his stocks immediately after the harvest when the prices are very low.
3. He should have adequate and cheap transport facilities which could enable him to take his surplus produce to the mandi rather than dispose of it in the village itself to the village money-lender-cum-merchant at low prices.
4. He should have clear information regarding the market conditions as well as about the ruling prices, otherwise may be cheated. There should be organized and regulated markets where the farmer will not be cheated by the "talals" and "zaratiyas."
5. The number of intermediaries should be as small as possible, so that the middleman’s profits are reduced. This increases the returns to the farmers.

Characteristics of Agricultural Product:
Agricultural products differ in nature and contents from industrial goods in the following respects.
1. Agricultural products tend to be bulky and their weight and volume are great for their value in comparison with many industrial goods.
2. The demand on storage and transport facilities is more heavy, and more specialized in case of agricultural products than in the case of manufactured commodities.
3. Agricultural commodities are comparatively more perishable than industrial goods. Although some crops such as rice and paddy retain their quality for long time, most of the farm products are perishable and cannot remain long on the way to the final consumer without suffering loss and deterioration in quality.
4. There are certain agricultural products such as mangoes and grapes which are available only in their seasons but this condition of seasonal availability is not found in the case of industrial goods.
5. Agricultural produce is to be found scattered over a vast geographical area and as such its collection poses a serious problem. But such is not condition in the case of industrial goods.
6. There are various kinds and varieties in farm produce and so it is difficult to grade them.
7. The farmers especially in countries like India has low holding-back. Therefore he has to sell his produce immediately after the harvest at whatever price he can fetch because of his pressing needs.
8. Finally, both demand and supply of agricultural products are inelastic. A bumper crop, without any minimum guaranteed support price from the government may spell disaster for the farmer. Similarly the farmer may not really be in a position to take advantage of shortages or deficit crop. These benefits may pass on only to the middleman.

Methods of Sale and Marketing Agencies:
The marketing of agricultural produce is generally transacted in one of the following ways.

Under Cover or the Hatta System:
Under this system, the sale is effected by twisting or clasping the fingers of the sellers agent under cover of a cloth. The cultivator is not taken into confidence until the final bid is cleared.

Open Auction System:
Under this system the agent invites bids for the produce and to the highest bidder the produce is sold.

Data System:
Another related system is to keep the heaps of grains of different quantities and sell them at flat rates without indulging in weightment etc.

Moghum Sale:
Under this system, sale is based on the verbal understanding between buyers and sellers and without mentioning the rate as it is understood that the buyers will pay the prevailing rate.

Private Agreement:
The seller may invite offers for his produce and may sell to one who might have offered the highest price for the produce.

Government Purchase:
The government agencies lay down fixed prices for different qualities of agriculture commodities. The sale is effected after a gradual processing for gradation and proper weightment. This practice is also followed in co-operative and regulated markets.

Marketing Agencies:
The various agencies engaged in the marketing of agricultural produce can be classified into two categories, viz., (i) government and quasi private agencies like the co-operative societies and (ii) private agencies. A chain of middlemen may be found operating both in Government and private agencies. The more important among these are as follows:

a. Merchant is the most usual purchaser of the produce, he deals in his individual capacity.
b. Itinerant Beoparis (merchants) visit different villages, collect the produce, and take to the nearest market.
c. Take the weighing men from the villages to the dealers in town.
d. Agents are concerned with the assembling and distribution of agricultural produce.

Agricultural Marketing in India:
The existing systems of agricultural marketing in India are as briefly described here.

Sale to Moneylenders and Traders:
A considerable part of the total produce is sold by the farmers to the village traders and moneylenders. According to an estimate 85% of wheat, 75% of oil seeds in U.P., 90% of jute in West Bengal and 60% of wheat, 70% of oil seeds and 35% of cotton in Punjab are sold by the farmers in the villages themselves. Often the money lenders act as a commission agent of the wholesale trader.

Hats and Shanties:
Hats are village markets often held once or twice a week, while shanties are also village markets held at longer intervals or on special occasions. The agents of
the wholesale merchants, operating in different mandies also visit these markets. The area covered by a “hat” usually varies from 5 to 10 miles. Most of “hats” are very poorly equipped, are uncovered and lack storage, drainage, and other facilities. It is important to observe that only small and marginal farmers sell their produce in such markets. The big farmers with large surplus go to the larger wholesale markets.

**Mandies or Wholesale Markets:**

One wholesale market often serves a number of villages and is generally located in a city. In such mandies, business is carried on by arhatiyas. The farmers sell their produce to these arhatiyas with the help of brokers, who are generally the agents of arhatiyas. Because of the malpractices of these middlemen, problems of transporting the produce from villages to mandies, the small and marginal farmers are hesitant of coming to these mandies. The arhatiyas of these mandies sell off the produce to the retail merchants. However, paddy, cotton and oilseeds are sold off to the mills for processing. The marketing system for sugarcane is different. The farmers sell their produce directly to the sugar mills.

**Co-operative Marketing:**

To improve the efficiency of the agricultural marketing and to save farmers from the exploitation and malpractices of middlemen, emphasis has been laid on the development of co-operative marketing societies. Such societies are formed by farmers to take advantage of collective bargaining. A marketing society collects surplus from its members and sells it in the mandi collectively. This improves the bargaining power of the members and they are able to obtain a better price for the produce. In addition to the sale of produce, these societies also serve the members in a number of other ways.

**Improvement of Agricultural Marketing System:**

Government of India has adopted a number of measures to improve agricultural marketing, the important ones being establishment of regulated markets, construction of warehouses, provision for grading, and standardization of produce, standardization of weight and measures, daily broadcasting of market prices of agricultural crops on All India Radio, improvement of transport facilities, etc.

**Marketing Surveys:**

In the first place the government has undertaken marketing surveys of various goods and has published these surveys. These surveys have brought out the various problems connected with the marketing of goods and have made suggestions for their removal.

**Grading and Standardization:**

The government has done much to grade and standardize many agricultural goods. Under the Agricultural Produce (Grading and Marketing) Act the Government has set up grading stations for commodities like ghee, flour, eggs, etc. The graded goods are stamped with the seal of the Agricultural Marketing Department—AGMARK. The “Agmark” goods have a wider market and command better prices. A Central Quality Control Laboratory has been set up at Nagpur and eight other regional laboratories in different parts of the country with the purpose of testing the quality and quality of agricultural products applying for the Government’s “Agmark.”

**Provision of Warehousing Facilities:**

To prevent distress sale by the farmers, particularly the small and marginal farmers, due to prevailing low prices. The government has done much to provide warehousing in towns and villages. The Central Warehousing Corporation was set up in 1957 with the purpose of constructing and running go downs and warehouses for the storage of agricultural produce. The states have set up the State Warehousing Corporations with the same purpose. At present the Food Corporation is constructing its own network of go downs in different parts of the country. The total storage capacity in the country was 27 million tonnes at the end of the sixth plan.

**Dissemination of Market Information:**

The government has been giving attention to the broadcasting of market information to the farmers. Since most villages have radio sets, these broadcasts are actually heard by farmers. The newspapers also publish agricultural prices either daily or weekly accompanied by a short review of trends.

An allied task is the one related to marketing research and survey. This should aim at determination of best handling methods of produce to minimize losses, damage and costs, improved methods of wholesaling and retailing and planning for new marketing facilities at appropriate centres. With this aim in view, the Directorate is currently implementing two schemes:

- Market research and planning.
- Market planning and design.

Under the former scheme, the Directorate has been carrying out country-wide marketing surveys on livestock and important agricultural and horticultural commodities to identify and study the problems of agricultural marketing. Under the latter scheme, the
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Directorate has set up a Marketing Planning and Design Centre at Faridabad and a training centre and Workshop at Nagpur to study the packaging grading and marketing of selected fruits and vegetables and also advise the authorities on the designing of fruits and vegetable markets.

Government Purchases and Fixation of Support Prices:

In addition to the measures mentioned above, the Government also announces minimum support price for various agricultural commodities from time to time in a bid to ensure fair returns to the farmers. These prices are fixed in accordance with the recommendations of the Agricultural Price Commission. If the prices start falling below the declared level (say, as a result of glut in the market), the Government in agencies like the Food Corporation of India intervene in the market to make direct purchase from the farmers at the support prices. These purchases are sold off by the Government at reasonable price through the public distribution system.

Cooperative Marketing:

Though the above measures have improved the system of agricultural marketing to some extent, a major part of the benefits has been derived by large farmers, who have adequate marketable surplus. However, the small and marginal farmers continue to sell a major part of their produce to moneylenders to meet their credit needs and these moneylenders offer them very low prices. Therefore it is essential to form cooperatives of the small and marginal farmers to enable them to obtain fair prices for their produce. The advantages that co-operative marketing can confer on the farmer are multifarious, some of which are listed below.

Ideal Marketing System:

The ideal marketing system is one that maximizes the long run welfare of society. To do this, it must be physically efficient, otherwise the same output could be produced with fewer resources, and it must be electively efficient, otherwise a change in allocation could increase the total welfare and where income distribution is not a consideration. For maximum physical efficiency, such basic physical functions as transportation, storage, and processing should be carried on in such a manner as to achieve the highest output per unit of cost incurred on them. Similarly an ideal marketing system must allocate agricultural products in time, space and form to intermediaries and consumers in such proportions and at such prices as to ensure that no other allocation would make consumers better off. To achieve this condition, prices throughout the marketing system must be efficient and must at the same time be equal to the marginal costs of production and marginal consumer utility.

The following characteristics should exist in a good marketing system.

1. There should not be any government interference in free and market transactions. The method of intervention include, restrictions on food grain movements, restrictions on the quantity to be processed, or on the construction of processing plant, price supports, rationing, price ceiling, entry of persons in the trade, etc. When these conditions are violated, the inefficiency in the market system creeps in and commodities pass into the black market. They are not then easily available at the fair prices.

2. The marketing system should operate on the basis of the independent, but systematic and orderly, decisions of the millions of the individual consumer and producers whose lives are affected by it.

3. The marketing system should be capable of developing into an intricate and far-flung marketing systems in view of the rapid development of the urban industrial economy.

4. The marketing system should bring demand and supply together and should establish an equilibrium between the two.

5. The marketing system should be able to generate employment by ensuring the development of processing industries and convincing the people to consume more processed foods, consistent with their tastes, habits and income levels.

Conclusion:

A good marketing system is one, where the farmer is assured of a fair price for his produce and this can happen only when the following conditions are obtained.

1. The number of intermediaries between the farmer and the consumer should be small;

2. The farmer has proper storing facilities so that he is not compelled to indulge in distress sales;

3. Efficient transport facilities are available;

4. The malpractices of middlemen are regulated;

5. Farmers are freed from the clutches of village moneylenders and

6. Regular market information is provided to the farmer.

The two institutions: co-operative marketing societies and regulated markets, together can assure the presence of all these conditions. Accordingly if cooperative marketing societies are developed on the lines indicated above (along with regulated markets), the Indian agricultural marketing system can be considerably improved.

References:

practices to enhance a Country’s Performance”


