

AGRICULTURAL MARKETING IN GROWTH OF RURAL INDIA

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Abstract:

The marketing of agro products is a multifarious process. Agriculture sector is facing several challenges in terms of exploring and searching new markets for the increased production. But unfortunately, Farmers are not so much aware and educated henceforth; the middlemen enjoy the benefits at the cost of poor Indian farmers. So to boost the standard of living of Rural Indian, there is a need of Agricultural marketing. It involves many activities and processes through which the nutriment and raw material move from the farm to the final consumers.

This paper is related with the concept related with the marketing of agricultural products, problems faced by the farmers in the marketing of agriculture goods and imitative taken by Indian Government to beat the problems faced by the rural farmers at the time of marketing their produced goods.

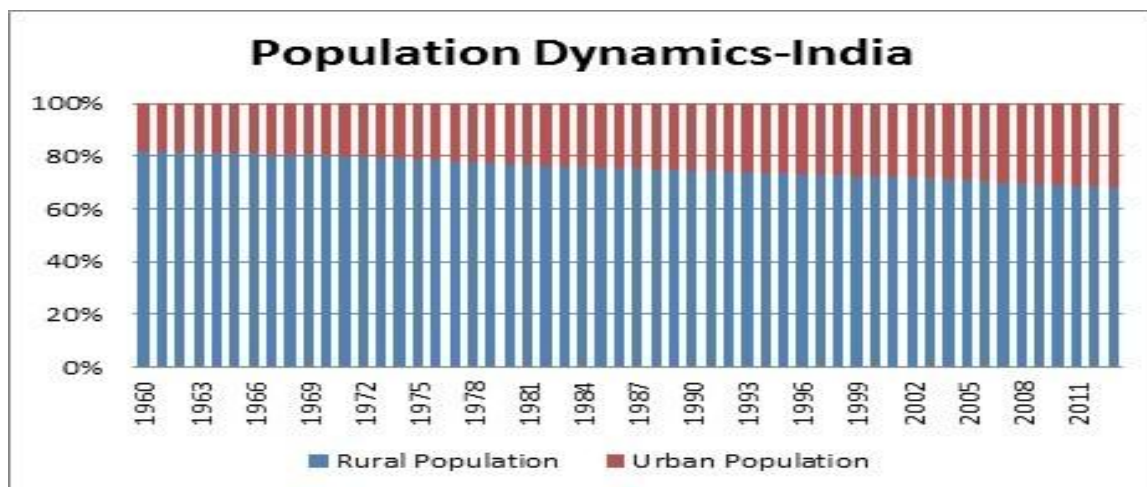
Key Words: Agro products, Marketing, Intermediaries, Farmers, Rural India, Villages

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INTRODUCTION

The golden words of Mahatma Gandhi “India lives in villages” were said several decades ago. Paradoxically in present time also a majority of the Indian population still live in the villages. Though there is significant movement from rural to urban areas in India, still almost 68% of India continues to survive in rural areas. The outskirts in India consist of about 650,000 villages. These villages are populated by about 850 million consumers making up for about 70 per cent of populace and contributing near about 50% of the country's Gross Domestic Product (GDP). 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 of village. Products are sold in various ways. For example, it might be sold at a weekly village market in the farmer's village or in an adjoining village. If these outlets are not available, then production might be sold at sporadically held markets in a nearby village or town.

Expenditure patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas. The rural FMCG market is anticipated to expand at a CAGR of 17.41 per cent to US\$ 100 billion during 2009–25. Rural FMCG market accounts for 40 per cent of the overall FMCG market in India, in revenue terms. The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US\$ 20 billion mark by 2018 and reach US\$ 100 billion by 2025.¹



¹<https://www.ibef.org/industry/indian-rural-market.aspx>

Karthikeyan G. (2016)² had discussed in his paper about the problems faced by the farmers in the marketing of agriculture goods and offered valid suggestions to overcome the problems faced by the Indian farmers at the time of marketing their produced goods. He emphasized to frame policies by Central and State government to protect the welfare of the farmers. The government should provide special incentives to the farmers to incorporate agriculture based production and marketing companies, improve the transport facility for movement of agricultural goods from farms to mandi, increase storage and warehousing facilities, fixation of standards and grades of commodities and provide special motivation to protect farmers rights and lives.

Kiruthiga et al.(2015)³ studied various concepts related with the marketing of agricultural produce. In this paper, they explained the function performed in the marketing of agro- products, the intermediaries involved, problems related with agricultural marketing in developing countries so that rectify actions could be taken to solve the problems. There should be subsidized power supply and loans to the farmers, rural development program to develop basic infrastructural facilities, Creation of direct contact network between the farmers and customers and arrangement for education and awareness program for rural farmers for revenue generation in rural areas.

Kusugal, S. Pallavi and S. Nagaraja (2013)⁴ emphasized for the farming community benefit from the new global market access opportunities. They suggested for strengthening and integrating the internal agricultural marketing system in the country. Agricultural marketing reforms and the creation of marketing infrastructure has therefore been a prime concern of the government. They advised in their study to expand services that will develop agricultural marketing, relating to marketing system improvement, strengthening of marketing infrastructure, investment needs, possible sources of funds including that from the private sector, improvement in marketing information system using ICT, human resource development in agricultural marketing, and measures needed. There is necessity for providing a suitable backward and forward integration to

²Karthikeyan G., "Problems in the Marketing of Agricultural Goods", International Journal of Multidisciplinary Research and Modern Education (IJMRME) Volume II, Issue 1, 2016

³Kiruthiga et al.(2015), " Agricultural Marketing – An Overview", International Journal of Scientific and Research Publications, Volume 5, Issue 4, April 2015 ISSN 2250-3153

⁴Kusugal, S. Pallavi and S. Nagaraja, "Opportunities & Challenges for Agriculture Marketing", Indian Journal of Applied Research Vol. 3 Issue 8, August 2013 ISSN - 2249-555X

agriculturalists for ensuring primary value additions to the produce and enhance quality for promotion of goods.

Elamathi C.(2013)⁵ stated in her paper Agriculture- the dominant sector of Indian economy, as 65 per cent of the population still relies on agriculture for employment and livelihood which determines the growth and sustainability. She emphasized on present scenario, challenges and constraints of agricultural marketing in India. There is a need for well-functioning markets to drive growth, employment and economic prosperity in rural areas of India. In order to provide vitality and effectiveness into the marketing system, huge funds are required for the development of post-harvest and cold-storage supply chain infrastructure closer to the farmers' place, less number of intermediaries between the farmer and the consumer should be small; proper storage and efficient transport facilities; regulation of malpractices of middlemen and ample financial aids to succeed agricultural marketing among farmers.

OBJECTIVES OF THE STUDY

1. The objective of this research is to know about agricultural marketing
2. To acquaint with various initiatives made by government to develop rural India
3. To study the impact and improvement of Rural India by agricultural marketing and government initiative.

MAIN BODY

The term agricultural marketing is composed of two words –agriculture and marketing. Agriculture, in the broadest sense, means activities designed for use of natural resources for society welfare, i.e., it includes all the primary activities of manufacture. But, generally, it is used to mean growing and raising crops and livestock. Marketing encompasses a series of activities involved in moving the goods from the point of production to the point of consumption.

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

⁵Elamathi, C.(2013), "Agricultural Marketing in India", PARIPEX - INDIAN JOURNAL OF RESEARCH, Vol. : 2(8) ISSN - 2250-1991

considerations and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution.

HISTORICAL BACKGROUND

To strengthen the agricultural marketing system for effective sales promotion and to provide remunerative prices to the farm products in India, Government of India appointed various commissions and committees and enacted various Acts.

Royal Commission on Agriculture was selected by the Indian Government in 1926 submitted its report in 1928 which include the existing conditions of agriculture and rural economy and to make suggestions for the progress of agriculture to support prosperity of the rural population and economy. The India central banking enquiry committee was appointed by the government of India in 1929. It also certified commendations of the royal commission on agriculture and several local banking inquiry committees for improving and organizing agricultural marketing in India. The congress agrarian forms committee 1947 and rural marketing commission of the India national congress in 1948 were suggested establishment of regulated markets as a elucidation for many of the problems of farmers in the field of marketing and finance for rural areas.

Prof. Dantwala had stated in his report that the regulation of markets alone in lonely way cannot be able to attain the desired effectiveness in marketing. A new Committee was appointed by the government of Bombay on June 22, 1955 under the chairmanship of Dr. T.G. Shriname and they submitted its report in January 1956. The Ford Foundation team on agricultural production (1958) also highlighted the importance of regulated markets in India and suggested that development of regulated markets be stressed specially in areas with large marketable surplus of food grains.

Regulated market share been established and improved to eliminate malpractices and to provide orderly and competitive system of marketing for agricultural produce on recommendations and suggestions of National Commission & Committee on agriculture (1976). The recommendations of the various commissions and committees on agriculture and agricultural marketing in India have motivated a number of state governments in India to pass necessary legislations to regulate agricultural marketing activities in the irrelevant states and established the regulated markets in

the respective states. Government of India drafted a model legislation to regulate the agricultural marketing activities. In its legislation it has given a number of guidelines to the state governments. The state governments have taken up this model legislation as a basis for enacting a number of statutes to standardize the agricultural marketing actions in their states. Government of India selected an agricultural marketing advisor in 1935. Later on this office of the agricultural marketing advisor was transformed into the directorate of marketing and inspection.

By the end of the Second World War, the progress achieved in the matter of establishment of regulated markets, enactment of necessary legislation and implementation of the same in the sphere of regulating agricultural marketing activities was not satisfactory. After the attainment of independence, the government of India decides upon a policy of expediting the whole process of regulation of agricultural marketing activities in the country. Planning commission had also asked the state governments to pass the compulsory legislation in the issue of regulating the agricultural market activities in their respective areas. By 1980, eighteen state governments and four union territories had enacted necessary legislation to regulate the agricultural marketing activities in their respective states.

WHY AGRICULTURAL MARKETING?

1. Best possible employment of agricultural wherewithal
2. Increase the standard of living of Farmers and associated people
3. Smash the vicious circle of poverty
4. More employment generation
5. Creation of Utilities: Form, Time, Place & Possession
6. Foundation for industrial development in villages
7. Beginning of foreign trade to generate extra income
8. Source of national income generation
9. Create the environment for investment
10. Make available all products of farm origin to consumers at reasonable price without impairing on the quality of the produce

FUNCTIONS OF AGRICULTURAL MARKETING

The major marketing functions involved in agricultural marketing are:

Assembling

- Grading and standardization
- Processing
- Warehousing
- Packaging
- Distribution

Concentration: The basic function to be performed is to collect the agricultural product and make it reach the market or assembling area. Assembling is of two types:

- i. Bringing together of smaller amounts of produce for greater convenience and economy in buying, transporting or processing.
- ii. Assembling occurs in the distribution of finished products. Wholesaler buys from many processors to have on hand the commodities wanted by retailers to supply the consumers.

Grading/Standardization: Grading is the process of classifying agro production into different categories on the basis of variety, taste, color quality, size, etc. Pyle has defined standardization as the determination of the basic limits on grades or the establishment of model processes and methods of producing, handling and selling goods and services. The classification is effected on the basis of certain specific characteristics which are codified into grades and then become standard by which the assembled lots are judged. This can help to establish standards to identify and set the reasonable prices as per standards. Grading is of three types:

- Fixed Grading/ Mandatory Grading
- Permissible Grading / Variable Grading
- Centralized v/s Decentralized Grading

Processing: It is the stage where the farm raw products are transformed into consumable form. For example: Wheat grain into flours, cotton into cloth, mustard seeds into oil etc. In the processing the goods are transfigured to store perishable and semi perishable agro commodities so as to enhance their shelf life to consume in another season and make them more acceptable

among consumer than their earlier form. Processed products can be taken to distant and overseas markets at a lower cost.

Warehousing: Warehousing is storing the products from production till its final consumption and it provides time utility. This helps to preserve the products from spoil, contamination, etc. Agriculture is characterized by relatively large and irregular seasonal and year – to – year fluctuations in production. The consumption of most farm products, on the other hand, is relatively stable. These conflicting behaviors of demand and supply make it necessary that large quantities of farm produce should be held for a considerable period of time.

Packaging: Packaging of products is another essential function for easy handling, preventing from deterioration, attracts customers, etc. It is carried out on farm, not in pack houses as commonly practiced for fruits and other vegetables. After harvesting, the tubers are kept in a pile for the time being and roofed with straw. After some days, sorting is done by separating the poorly & degraded and cut tubers, which are further packed in jute bags, boxes, bottles, cartoons or parcels for sale to the ultimate consumers

Distribution: The last function performed in all marketing is distribution of products from the place of warehouse to the point of consumption. The main advantages of the distribution function are:

- Market Widening
- Reduction Price disparity Over Space
- Employment Generation
- Growth of Specialized Farming
- Revolution of the Economy and contribution in GNP
- Movement of the Factors of Production

CHALLENGES FOR AGRICULTURAL MARKETING:

The challenges and shortcomings of agricultural marketing which are faced by rural farmer are as under:

I. Lack of Output Quality and Grading

Quality standardization and grading both are important for agro-products to better market the products but there are several reasons because of low quality:

- I. Poor quality of seeds,
- II. Ancient methods of cultivation,
- III. Lack of pest and disease control measures,
- IV. Dependent on unpredictable monsoon (drought or flood), and
- V. Inadequate storage facilities to protect the crop from rains and rats

Product Grading make an assurance in the customer's mind about the quality of products. The graded products are passed in the regulated market under the label of AGMARK but this process is still in nascent stage.

II. Inadequate Storage and Warehousing Facilities of Food Grains

Production of agricultural products is seasonal. The consumption is regular and the demand is regular throughout the year. Average farmer is not having ample storage facilities so he can sell his crops after harvesting and need to compromise with cheap returns at that point of time. He can't wait for better prices later on. So warehousing and storage facilities have to be provided which may also utilize as a better security to get financial aids from co-operative societies and financial banks.

III. Improper Transportation Services

There is high demand for road and rail transportation facilities in order to protect the produce from deterioration in quality. But the condition of rural areas is very worse in this regard which become worst during monsoon season. India's rail network is inadequate to cater its needs. There are hardly 2.8km of rail tract per 100 square km area in India.

IV. Lack of Market Information

In India Majority of farmers are uneducated and ignorant of the correct prices prevailing in the markets. Due to lack of communication facilities, the true information about market rarely reach to them therefore they depend upon inaccurate information. They depend on hearsay reports of village merchants who never reveal correct price. However daily prices of essentials commodities are broadcast through A.I.R. and TV both in rural areas, but No. of farmers benefitted are very small.

V. Multiplicity of Charges

There are multiplicity charges on seller which also varies from market to market. The market fee range varies between 0.5 to 2% of the sale value of products. Except this commission charges vary from 1 to 2.5% in food crops and 4 to 8 % in fruits and vegetables. Farmers are also paid other charges such as octroi, purchase tax, weighment charges, terminal tax, and municipal poll.

VI. Long Chain of Intermediaries

A long channel of distribution is required to serve the target customers so there are large numbers of middlemen between producers and consumers. Large no of intermediaries takes a major amount of margin from the agriculturist's share from the consumers' rupee. The middlemen sell the agricultural goods to the consumers at a higher price and give lower returns to the agriculturist so the farmers get very less return compared to efforts and time he invested.

VII. Unethical Practices

Most of the financial needs of the farmers in India are met by moneylenders. An agriculturist in India born in debt lives in debt and finally dies in debt. The entire method of selling crops is against the interests of the buyer. The false weight and measures, unnecessary deductions, pretention of inferior quality and many more reasons are made by intermediaries to exploit the farmers.

Inadequacy in the wholesale markets result in a long chain of mediators, multiple handling, loss of quality and increase in the gap between the farmers and user prices. A large number of retailers, handling less quantity, make high overheads leading to a high marketing margin on the produce. The reason of regulation of agricultural markets was to protect farmers from the exploitation of intermediaries and also to provide reasonable prices and timely payment for the commodities. However, due to lack of development of sound market infrastructure with changes in production, intermediation has made to continue resulting in post-harvest losses at every stage henceforth reducing the farmer's share in price. There is a strong need for a sound backward and forward integration to producers for ensuring primary value additions to the produce and enhance quality.

INITIATIVES BY GOVERNMENT TO PROMOTE RURAL INDIA

1. Union Cabinet has passed Pradhan Mantri Krishi Sinchae Yojana (PMKSY), with a proposed outlay of Rs 50,000 crore (US\$ 7.5 billion) aims to provide irrigation to every village in India by converging various ongoing irrigation schemes into a single focused irrigation program. The Government of India aims to spend Rs 75,600 crore (US\$ 11.34 billion) to supply electricity through separate feeders for agricultural and domestic consumption in rural areas. This initiative is aimed at improving the efficiency of electricity distribution and thereby providing uninterrupted power supply to rural regions of India.

2. **Grameen Bhandaran Yojana' (Rural Godown Scheme)** A capital investment subsidy scheme for construction / renovation of rural godowns with scientific storage capacity and allied facilities in rural areas to meet the requirements of farmers for storing farm produce, processed farm produce and agricultural inputs; promotion of grading, standardization and quality control of agricultural produce to improve their marketability; prevention of distress sale immediately after harvest by providing the facility of pledge financing and marketing credit; strengthen agricultural marketing infrastructure in the country. Under the scheme subsidy @ 25% is being given to all categories of farmers, Agriculture Graduates, Co-operatives & CWC/ SWCs.

3. **Soil Health Card Scheme:** Government has initiated Soil Health Card scheme to provide farmers Soil Health Card in a mission mode. Through this card, the farmers will know the fertility of their fields and monitor the change of quality related to the soil after prolong use of the farms in agriculture process and they will benefit from the soil card to maintain the health of the soil. The expert will also sort out the problem concerned with soil.

4. **Pradhan Mantri Fasal Bima Yojna:** This is truly a farmer welfare scheme to provide relief to the farmers inflicted with the loss of crop damage and also to relieve the farmers from the losses in harvesting aftermath scenario. Under this scheme, the burden of premium will be reduced and their cases will be sorted out expeditiously. This scheme provides assessment of local calamities along with a list on unseasonal rain form, land slide and floods. Under this scheme the farmers are supposed to pay 2% for Kharif and 1.5% for Rabi. Rest of the premium will be deposited by the Government. The remaining premium is 90% that will be paid by the Government. Under this scheme, remote sensing, smart phone and drone use is mandatory for the expeditious assessment of the crop damage.

5. **India emergence campaign through village emergence:** Government of India has launched a campaign named as India emergence through village emergence so as to improve the means of livelihood amongst the rural, to accelerate rural development process to strengthen Panchayati Raj across the country to establish social equality to create awareness about the agricultural schemes⁶.

6. **National Agriculture Market (e-NAM):** National Agriculture Market (e-NAM) is all India electronic trading portal which aims at to form a unified national market for agricultural products by making a network for the markets related to the existing Agricultural Product Marketing Committee (APMC). By September, 2016 eNAM will cover more than 200 agricultural markets and by March, 2018 such methodology will be developed for 585 markets which will facilitate the transportation of agricultural products to the market. Now, there will be only one license for the whole State and duty will be levied only on one point. Electronic auction will be conducted to know about the prices. It will facilitate the way to convert the whole state to one market. The farmers will obtain more alternative to sell out their products. The transparency will be increased due to online platform and farmers will get better return.

7. **My Village My Pride:** Under this scheme, scientists are apparently to honestly provide support farmers to make agro-business more profitable, sustainable with advanced technology. They are supposed to share knowledge, advisories and information on a regular basis. For this purpose, all the scientists have been concerned by making four core groups of 5-6 scientists, every involving multi disciplinary and varied subject matter specialist and led by a superior and experienced member with one secretary to regularly interact with the farmers and make the farmers aware and make them acquainted with newer innovative agricultural and allied technologies. They are providing multi dimensional information and benefits to the farmers within set time limit.

8. To promote agriculture-based businesses, the Government of India has started 'A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE) with an objective to set up a network of technology centers, incubation centers to accelerate entrepreneurship and also to promote start-ups for innovation and entrepreneurship in rural and agriculture based industry with a fund of Rs.210 crores⁷. Under this scheme, a network of technology centers and

⁶http://riceplusmagazine.blogspot.in/2016_05_09_archive.html

⁷<http://pib.nic.in/newsite/PrintRelease.aspx?relid=133532>

incubation centers would be set up to accelerate entrepreneurship and to promote start-ups for innovation and entrepreneurship in agro-industry.

9. Government of India plans to make a committee to understand various innovations and present their reports to the concerned Department or Ministry. The program called the 'NavKalpana Kosh' aims to improve rural areas at various levels, such as governance, agriculture and hygiene.

10. Government of India mentioned that it is on course to achieve 100 per cent village electrification by May 1, 2018 in Union Budget 2017-18. The Government of India has required Parliament's approval for an additional expenditure of Rs 59,978.29 crore (US\$ 8.9 billion), which will be used to maintain the government's rural jobs scheme, construction rural infrastructure, urban growth and farm insurance.

11. National Bank for Agriculture and Rural Development (NABARD) plans to offer around 200,000 point-of-sale (PoS) equipment in 100,000 villages and distribute RuPay cards to over 34 million farmers across India, to facilitate farmers to carry out cashless business.

CONCLUSION

Agriculture is a vital sector contributing more income to rural areas and Indian Economy. Marketing is the solution of the whole food and agricultural problem in almost all developing countries. It would be ineffective to raise the agricultural production as well as productivity, unless ways could be found to move the agricultural produce from the farmers' field to the consumers' room at a reasonable price which gave fair remuneration to the producers on the one side and the consumers' ability to pay on the another side. There is a need to expand services that will develop agricultural marketing, relating to marketing arrangement improve, strengthening of marketing infrastructure, warehousing and transportation, investment requirements, ample sources of funds (including private sector), improvement in marketing information system, human resource development in agricultural marketing, and actions needed for promotion of exports.

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