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## PROBLEMS AND PROSPECTS OF AGRICULTURAL MARKETING: AN OVERVIEW

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### Abstract

*Agriculture is different from industry and plays a significant role in the economic development of a state. Prosperity of a state depends upon the agricultural prosperity. There are many kinds of agricultural products produced in Karnataka 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. Agriculture provides goods for consumption and exports and manufacturing sectors. The suitable marketing system should be designed so as to give proper reward or return to the efforts of the tiller of the soil. Market information is a means of increasing the efficiency of marketing system and promoting improved price formation. It is crucial to the farmers to make informed decisions about what to grow, when to harvest, to which market produce should be sent and whether or not to store it. Awareness of farmers on different components of market information and its utility was very poor (11 to 37 %) as compared to that of traders (75%). Out of the expectations of farmers on grades, quality, prices in potential markets, price projections; only real time arrivals and prices were documented and disseminated with traditional approach. Hence there is a need to create awareness among the farmers through the agricultural extension agencies like the State Department of Agriculture, Krishi Vigyan Kendras so that the marketing information on agriculture commodities are incorporated in the extension services along with production aspects to the farmers.*

**Keywords:** Agriculture, Cultivation, Marketing, Food-grains, Commercial-crops.

### Introduction

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. Marketing systems are dynamic; they are

competitive and involve continuous change and improvement. Businesses that have lower costs, are more efficient, and can deliver quality products, are those that prosper. Those that have high costs, fail to adapt to changes in market demand and provide poorer quality is often forced out of business. Marketing has to be customer-oriented and has to provide the farmer, transporter, trader, processor, etc. with a profit. This requires those involved in

marketing chains to understand buyer requirements, both in terms of product and business conditions.

In India, there are network of cooperatives at the local, regional, state and national levels that assist in agricultural marketing. The commodities that are mostly handled are food grains, jute, cotton, sugar, milk and areca nuts. Currently large enterprises, such as cooperative Indian sugar factories, spinning mills, and solvent-extraction plants mostly handle their own marketing operations independently. Medium- and small-sized enterprises, such as rice mills, oil mills, cotton ginning and pressing units, and jute baling units, mostly are affiliated with cooperative marketing societies. Market information is an important facilitating function in the agriculture marketing system.

It facilitates marketing decisions, regulates the competitive market process and simplifies marketing mechanisms. Market information is a means of increasing the efficiency of marketing system and promoting improved price formation. It is crucial to the farmers to make informed decisions about what to grow, when to harvest, to which market produce should be sent and whether or not to store it. Improved information should enable traders to move produce profitably from a surplus to a deficit market and to make decisions about the viability of carrying out storage where technically possible. Agricultural marketing can be defined as the commercial functions involved in transferring agricultural products consisting of farm, horticultural and other allied products from producer to consumer. Agricultural marketing also reflect another dimension from supply of produce from rural to rural and rural to urban and from rural to industrial consumers. In the olden days selling of agricultural produce was easy as it was direct between the producer to the consumer either for money or for barter. In brief, it was selling not marketing. In the modern world it became challenging with the latest technologies and involvement of middlemen, commission agents who keep their margins and move the produce further. As it is well known more the number of mediatory more will be the costs as each transaction incurs expenses and invites profits.

Ultimately when it comes to the producer the cost of the produce goes up steep.

In the entire process of marketing the producer gets the lowest price and the ultimate consumer pays the highest as the involvement of more middlemen in the entire distribution process. There are several complexities involved in agricultural marketing as agricultural produce involves element of risk like perish ability and it again depends on the type of produce. If the agriculture produce happens to be a seasonal one it involves another kind of risk. Likewise, there are several risk elements involved in agricultural marketing. The pricing of the produce depends on factors like seasonality and perish ability and it depends on the demand and supply also. And all these are interwoven and ultimately make a deep impact on agricultural marketing.

### **Agricultural Marketing in Karnataka *Problems and Prospects***

There are several challenges involved in marketing of agricultural produce. There is limited access to the market information, literacy level among the farmers is low, multiple channels of distribution that eats away the pockets of both farmers and consumers. The government funding of farmers is still at nascent stage and most of the small farmers still depend on the local moneylenders who are leeches and charge high rate of interest. There are too many vultures that eat away the benefits that the farmers are supposed to get. Although we say that technology have improved but it has not gone to the rural levels as it is confined to urban areas alone. There are several loopholes in the present legislation and there is no organized and regulated marketing system for marketing the agricultural produce. The farmers have to face so many hardships and have to overcome several hurdles to get fair and just price for their sweat.

### **Globalisation**

The globalization has brought drastic changes in India across all sectors and it is more so on agriculture, farmers and made a deep impact on agricultural marketing. It is basically because of majority of Indians are farmers. It has brought several challenges and threats like uncertainty, turbulence, competitiveness, apart from compelling them to adapt to changes arising out of technologies. If it is the dark cloud there is silver lining like having excellent export opportunities for our agricultural products to the outside world.

### **Agricultural Market Reforms**

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

- Provide loans to the farmer at low rate of interest so that they will be freed from the clutches of local moneylenders who squeeze them.
- It is essential to provide subsidized power supply and loans to the farmers as the expenses towards power consumption takes considerable amount of investments.
- Generate a new distribution network that connects the farmers directly to the consumers to get maximum returns as the present channel of distribution involves multiple mediatory who take away the major portion of profits which otherwise the farmers is supposed to get.
- Elimination of the existing loopholes in the present legislations is warranted.
- There should be stringent action against black marketers and hoarders who buy the stocks from farmers at cheap prices and create artificial demand and then sell the stocks at higher prices.
- Creating local outlets at each village where the farmers sell their stocks directly to the consumers or the authorized buyers at fixed prices would help to a great extent. Intervention of government in this network is essential to bring the fruits to the farmers.
- At the village level there should be counseling centers for farmers about the worth of their stocks so that they can get fair price. The crucial role of Non-Governmental Organizations (NGOs) is needed in this context.
- The existing legislations are outdated and are not in tune with the changing trends and technological inventions and the same need to be updated forthwith.

### **Farmers Role in Marketing**

Direct marketing of the agricultural produce is the need of the hour. Efforts may be made to provide facilities for lifting the entire stock that farmers are willing to sell with incentive price. There should be provision for storing the stocks such as godowns and warehouses. It helps the farmers to hold the stocks till the prices are stabilized. Usually immediately just after the harvest the prices

would be low and if the farmers are patient in holding the same for some time it would fetch better prices. The brokers play the games during the trading of the agricultural stocks which the farmers do not know and realize because of improper information about the market prices. The brokers without any investment and with their negotiation skills transfer stocks by buying at low prices and selling at higher prices to the other end. The farmers need to be educated in this regard. There should be all-round rationalization and standardization of the prices through legislative means. Presently there is vast gap between the marketing strategies of agricultural produce in India and abroad and the same needs to be bridge. Remove the various malpractices prevalent in the present system. There is need to set up marketing committees which has the representation of growers, merchants, local bodies, traders and nominees from the govt. There should be collective and integrative efforts and energies from all quarters for ensuring just and price for farmers.

### **Need for Agriculture Market Information System**

Nickels (1978) in his book on the Principles of Marketing has stated that information is one key to increase marketing success for everyone. A market information system is an important tool used by modern management to aid in problem solving and decision making. Market Information System is a process of gathering, processing, storing and using information to make better marketing decisions and to improve marketing exchange (Amrutha, 2009). Subrahmanyam and Mruthyunjaya (1978) based on their study on marketing of fruits and vegetables in Bangalore suggested for proper dissemination of market intelligence and information through all possible means of communication, for improving the marketing efficiency of fruits and vegetables. Raigar (1988) in his conceptual analysis of Management Information System (MIS) and Management Science opined that though computers have of course a role to play in MIS, all computerized systems do not necessarily mean MIS nor does MIS necessarily imply computerized processing of data to create information.

### **System of Agriculture Market Information**

Ramamritam et al. (2000) developed a system for providing agrarian pricing information to the rural Indian populace as a

part of Media Lab Asia activities at IIT Bombay. The system, called Bhav Puchiye (meaning, "ask for the price", in Hindi), incorporates innovations from the perspective of interface design as well as from the perspective of data provisioning. Bhav Puchiye was an online application accessible using a web browser, for getting the price information of agrarian products at the needs of farmers. To ensure deeper penetration in rural India the application was designed to be made available online, accessible through kiosks or tele-centers in villages or via telephones. Kiresur et al. (2001) explored the Decision support systems (DSS) in forecasting of oilseeds scenario in India through a system dynamic model. They observed that the oilseeds scenario is rapidly changing, the forecasting needs a dynamic approach to account for the complex nature of the agricultural sector and its backward and forward linkages with other sectors of the economy. The system dynamic approach was found to fill the gap. System dynamics method is a computer aided structural modeling technique in which time varying effects can be explicitly considered.

Rai et al. (2001) in their study on application of information technology in agricultural marketing explained the necessity for developing a Farmers Agriculture Information System (FAIS) which could be operated at Zonal Agricultural Research Stations (ZARSSs), Krishi Vigyan Kendras (KVKs), Agricultural Marketing Corporations (Mandis) and Extension centers of SAU's where farmers normally assemble for various reasons.

### **Pattern of Awareness and Sources of Market Information**

The awareness on market information in general was found to be relatively poor in case of farmers as compared to the traders since the accessibility of market information in terms of communication systems is very poor in case of farmers. The status of assets on audio visual and communication systems of farmers clearly indicated that radio followed by television were the only assets owned by small farmers. The advanced communication systems like mobile phones were owned by medium and large farmers. A few large farmers also subscribed to agriculture magazines like Annadata, Krishimunnade and Krishipete. However, traders with all the modern and advanced

communication gadgets were able to source the market information easily and regularly. The awareness on market information pertains to only arrivals and prices in local markets in all the categories of farmers. The other important production and marketing parameters like post harvest handlings, grading and standardization, etc were not known to the small and medium farmers but a few large farmers were aware of them. However, the traders were better informed on market information including arrivals, prices, quality/ standardization, area, prices in reference markets, imports and exports. The illiteracy of farmers (75%) might have contributed to the poor awareness on market information by farmers as compared to traders, wherein 82 per cent of the traders were with collegiate education. Thus, due to poor awareness on market information by farmers vis-à-vis traders the advantages of regulated and orderly market were not realized by the farmers. Radio and newspapers were the major sources of market information to farmers in general and a few large farmers also sought information from sources like television, magazines and internet at the house hold level. The sources of market information to farmers at village level were found to be friends, neighbours and relatives. Similarly, commission agents formed major source of market information for all categories of farmers at market level indicating that the farmers did not depend much on the market sources like notice boards and announcements. Thus, the formal agencies like RSK's, SHG's, Co-operative societies and Gram Panchayats at village level; and market intelligence cell and regulated markets at market level did not form the major sources of market information to the farmers.

### **Foreign Direct Investment (FDI) in Agricultural Retail Marketing - Indian Scenario**

Over the last two decades, Indian economy has witnessed significant rise of FDI flows as well as remarkable increase in growth rate with favourable consequences on employment, infrastructure development and business climate. Fast Growing Indian economy accompanied by growing domestic consumer markets has raised the growth of retail sector at a faster rate mostly in unorganized sector.

### Percentage of Organized Retail

Retail sector	US	Thai land	China	India
Organized	85	40	20	03
Unorganized	15	60	80	97

Source: P.Shivkumar and S. Senthilkumar, 2011

Organized retail has huge potentiality which is still at a nascent stage, compared to other developing economies. With liberalization in 1990s organized retail sector has grown many folds when many Indian players like Shoppers Stop, Pantaloon Retail India Ltd, Spencer Retail ventured into the organized retail market. With the opening up of foreign direct investment in single brand retail and cash-and-carry formats Indian retail market gets new momentum. With liberalization in foreign trade policy in 1991, the Indian Government allowed 100% (Roy, 2012).

Foreign investment in wholesale cash-and-carry and single branded retailing but prohibited foreign investment in retail. In 1997 restrictions were again imposed on retail sector but in 2006 these restrictions were lifted and opened in single brand retailing and in cash-and-carry formats. Indian retail industry becomes an attractive FDI destination of many global players and cash and carry format becomes the entry route for global retailing giants. Wal-Mart has forged an alliance with Bharti for cash-and-carry business and Bharti is concentrating on front-end retail. Tesco enters Indian retail market through an alliance with Trent (Tata Group). Many foreign brands enter Indian retail sector either through joint ventures with leading Indian retailers (like Louis Vuitton, Marks and Spencer Plc., Armani) or through exclusive franchisees to set up shops in India (like McDonald's, KFC, Domino). In agricultural retailing FDI is not permitted in general. FDI has been permitted under automatic route in Floriculture, Horticulture, Development of seeds, Aquaculture, Cultivation of mushrooms with the objective of promoting improved technology. In Tea plantation FDI up to 100 percent is permitted with prior approval and some restrictions. The share of FDI flows in agricultural sector regarding better seeds and improved technology is very low. With the entry of foreign direct investment, the Indian organized retail market has become more competitive in terms of implementing newer

business models on the operational format and pricing and reinventing and improving the supply chain. FDI was generally not allowed in agricultural retail marketing although it has enormous growth potential in India particularly in agricultural marketing considering the limitations of the present setup regarding infrastructure, communication network in rural economy, inefficient supply chain (Roy, 2012).

### Conclusion

There is no doubt that in any marketing there is a motive towards profit involved and at the same time the marketing is to be based on certain values, principles and philosophies such as offering just and fair prices to the farmers who toil hard to till. Bringing necessary reforms coupled with proper price discovery mechanism through regulated market system will help streamline and strengthen agricultural marketing. In order to avoid isolation of small-scale farmers from the benefits of agricultural produce they need to be integrated and informed with the market knowledge like fluctuations, demand and supply concepts which are the core of economy. Marketing of agriculture can be made effective if it is looked from the collective and integrative efforts from various quarters by addressing to farmers, middlemen, researchers and administrators. It is high time we brought out significant strategies in agricultural marketing with innovative and creative approaches to bring fruits of labor to the farmers.

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