CHAPTER II

PROBLEMS IN AGRICULTURAL MARKETING
INTRODUCTION

An attempt is made in this chapter to examine the various problems involved in agricultural marketing. The concept of marketing in a changing society is also discussed here. Among others, role of middlemen in agricultural marketing, problems relating to transport, storage, finance, grading, market information and malpractices in unorganised markets are briefly discussed in this chapter.

Marketing is an evolutionary one. In the primitive age people could satisfy their limited desires with the products they themselves produced. As civilization advanced desires multiplied and hence the need for many products arose. One began depending upon others and this lead to barter system first and later to marketing of goods with money as medium of exchange.

The common usage of market is a place where buyers and sellers meet and where exchange of goods takes place. But in modern times exchange of goods is taking place without the actual meeting of buyers and sellers at any specific place, so the term marketing is viewed
in several ways "Marketing is the economic process by means of which goods and services are exchanged and their values determined in terms of money".1 Another writer observed "Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to present and potential consumers".2 It is also rightly observed that "Marketing is concerned with the people and the activities involved in the flow of goods and services from producer to the consumer".3 Further it is opined "Marketing is the economic process by which goods and services are exchanged and their values are determined in terms of money prices".4 Thus the term marketing has a variety of meaning.

Rural development depends, among others, upon the development of well organised rural marketing. The concept of agricultural marketing is a major segment of rural marketing, because agriculture is the prime occupation of a vast majority of rural people. In the words

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3 Committee on Definitions of the American Marketing Association, 1935.
of J.R. Moore "Agricultural Marketing includes all the business activities involved in moving foodgrains from producers to consumers through time (storage), space (transport), form (processing) and transferring ownership at the various stages in the marketing channels".5

PROBLEMS OF AGRICULTURAL MARKETING

It is well known fact that the agricultural production is subject to many risks and uncertainties, marketing of agricultural products is more complex than that of industrial products. Even though a farmer can systematically plan a crop production, he is not assured of expected output and remunerative price. Agricultural production is seasonal and the yields are highly influenced by the weather conditions. Even if weather conditions facilitate higher production, farmer is not certain to get remunerative price. Farm production cannot be adjusted according to market situations as in the case of industrialist. Agricultural marketing, therefore is

more complicated than that of industrial marketing. A farmer faces many other hardships while marketing his produce.

Even after about three decades of planning in India, marketable surplus of farm produce remains low. Due to the smallness of the produce and inconvenience to the farmer in marketing the produce, the farmer often is not directly marketing it, middlemen dominate the agricultural marketing system. Due to the predominant role of middlemen, the share received by the farmer in the price paid by the consumer is very low. There are several intermediaries who play their role at various stages of marketing. These intermediaries make huge profits. There is a long chain of middlemen in agricultural marketing who perform several functions of marketing and they undertake several functions with profit motive. In the case of agricultural products we find vast differences between the price paid by the consumer and the price actually received by the producer. The price received by the producer remains to be low since the middlemen pocket a considerable portion of the price paid by the consumer.
In underdeveloped countries like India, most of the farmers fall under the category of small and marginal farmers and they are in pressing need of finance. So they are compelled to sell away the produce as soon as harvesting is over, irrespective of the price prevailing in the market. "The farmer in general sells his produce at an unfavourable place and at unfavourable time and usually he gets very unfavourable terms." Normally the farmer disposes his produce at his village or nearby town to the private trader where the farmer is compelled to pay many unauthorised, charges leading to low earnings. "The marketing charges payable by the producer are numerous and varied in unregulated markets and they tend to reduce considerably the return to the producer from the sale of his produce." All goods are not produced in all areas but are demanded everywhere for consumption. It is therefore necessary to transport goods from surplus areas to deficit areas. Transportation will facilitate the farmer in marketing the produce more advantageously.


Efficiency in transport depends upon the mode of transportation and roads. In most of the rural areas the roads are not useful for any mode of transport. "Inadequate transport facilities are largely responsible for the slow rate of increase in marketing efficiency and for the continuance of subsistence farming in many areas."  

Most of the villages are cut away by any type of road. Railways are also not access in transporting the farmers produce, as the railway lines are far away from the villages. The other modes of transport, except road transportation is little significance in agricultural marketing.

The utility of roads get reduced by the substandard with narrow width, unbridged river crossing and numerous missing links. Most of the villages are not connected even by road transport system, due to bad roads which lead not only to lower speed but also to greater wear and tear and larger fuel consumption.

It is well known fact that still some villages are cut away from the civilized life. Considerable

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number of villages do not have contacts with other world affecting adversely the communication and transport of the goods. Under these conditions farmers are forced sell in the village at the disadvantageous position.

Again due to poor storage facilities farmer is at a disadvantageous position. Many farmers do not have access to warehousing facilities. In view of inadequate and unscientific storage facilities, the losses are more in the process of storage which will have an impact on the farmer's income. The farmers find it difficult to store even grain intended for seed and consumption requirements.

Most of the farm operations are carried on only during certain seasons, while consumption is continuous. In order to meet the continuous demand, the farmer needs storage facilities. The storage methods adopted in the villages do not adequately protect the produce from dampness, etc. "The losses due to inadequate storage range from 1.5 per cent (Foodgrains Investigation Committee) to 5 per cent (as estimated by Dr. Balajeet Singh). A recent estimate puts the loss from 5 per cent to 15 per cent by weight of the produce and it is said to be due to defective storage". Any increase in production will

9 Thomas, P.M., Scientific Warehousing in Public Sector, Conference on Research and Industry, New Delhi, 20 and 21 December, 1956.
become meaningless if it is not saved from deterioration and damage. It is evident that the storage losses are due to moisture, absorption, excessive heat, rats, rodents and birds. "It is estimated that roughly 6.6 per cent of India's marketed foodgrains are lost in storage each year, of this amount 2.55 per cent is attributed to insects, 2.50 per cent to rodents and the remainder to birds and moisture". 10

A farmer particularly small and marginal farmers requires several types of credit. Due to the misuse of credit it is said that credit supports the farmer as the hangman's rope supports the hanged. Credit used for production purpose will helps in improving the income of the farmer.

But credit secured with high rate of interest and used for consumption purpose leads in heavy debt situation. The farmer mostly depends upon the non-institutional credit, particularly money lenders. A farmer who gets credit from non-institutional sources has to pay high rate of interest. The credit through non-

institutional agencies makes the farmer to sell his produce at an unremunerative price. It is because the landlord cum money lender or trader who finance the farmer forces him to sell his produce at a price fixed by the lender irrespective of prevailing market prices. Normally the farmer gets an unremunerative price.

In a vast country like India, soil, climate, farm practices, market practices etc., vary from area to area. These factors influence the quality of the produce which varies considerably from one area to another and sometimes even within the same field or same unit of land. It is common knowledge the farm produce passes through a chain of middlemen in the marketing channel before it reaches the final consumer. Therefore, the possibility of waste, adulteration. The producer as well as the ultimate consumer of farm products are at a great disadvantage. If different qualities come up the trader normally fixes up the rate to his own advantage. It means the trader will pay a low and one price irrespective of quality. The farmer is not benefited when he sells the produce without grading. If the farmer has grading facility, he can get good price for good quality which will help in increasing his income. "Standardisation and grading provides the ethical basis for
marketing transactions”. Due to the poor grading facilities, the farmer is denied of remunerative price for the produce. There are inadequate arrangements for the grading and standardisation of products. Whatever has been done in this regard is not practiced fully and honestly.

In fact successful implementation of agricultural marketing development programmes such as market news services, warehousing, market finance, transport etc., largely determine the adoption of a standardised grading system. Grading is therefore considered as an essential link in the programme of promoting orderly marketing of agricultural produce. Without grading the produce, the farmer cannot obtain a price commensurate with the quality of his produce. "It has become increasingly evident that for many commodities there is little or no relationship between prices paid by consumer and the grade of the product. This of course means that the principal objective of grading standards is not being fulfilled". The wider the practice of selling

on a graded bases the less is the possibility of fraud and deceit in the selling of goods by farmers.

"Market information includes all facts, estimates, opinions and other information used in marketing decisions which affect the marketing of goods". Market information is just like a compass to the farmer which will show way in marketing of his produce. Market information is essential for successful agricultural marketing. The farmer is not getting the required information for marketing his produce. Lack of information keeps the farmer in darkness relating to the market situations. In the absence of market information, goods are flooded on a market, price will be depressed considerably and goods are either sold at a lower price or transferred to some other market.

It is disappointing to note that still most of the villages do not have communication facilities. Market information does not mean the information regarding prices of products various markets alone. Sound and accurate market information is essential for successful agricultural marketing. Large number of farmers produce

a variety of commodities. They are handled by large number of people and distributed over a large area. The commodities are not directly passing from producer to consumer. The commodities are passing through various stages such as assembling, wholesaling, processing and retailing etc. In order to have an efficient market system accurate and timely market information is essential for producers, traders and consumers. Especially the producer-seller is having little access for market information.

In the absence of any agency to disseminate information relating to markets, farmers are guided by the money lenders, traders etc. Information supplied by the aforesaid agencies are generally wrong and biased in favour of purchaser and against the interest of farmer-seller. The above stated problems will adversely affect the farmers income which will discourage the farmer in several ways.

Generally the farmer sells his produce in the village markets with many malpractices. (1) Scales and weights are manipulated against the farmer. In villages we find crude type of scales and weights adopted by the
village trader. "Till recently there had been an absurd multiplicity of weights and measures in India." It is said that in many cases, no standard weights and measures are practiced in the villages. In certain villages, the use of stone weights and balances made of sticks are still in vogue.

Still farmers market their produce through mediators or middlemen. These middlemen always work to the benefit of the trader than the farmers. "The broker whom the cultivator employs is more likely to favour the purchaser with whom he comes into contact almost daily than the seller whom he only sees very occasionally."  

Farmers bargaining capacity is also less, because often he borrows money from the trader or trader cum money lender which compel him to sell the produce at the rate fixed by the trader or money lender irrespective of price prevailed in the open market. Lack of ownership right on the land is also one of the reasons, for selling the produce to the landlord at low price.

UN REMUNERATIVE PRICE

For various reasons the farmer is denied of remunerative price for products marketed by him. In India, we notice vast difference between price received by the producer and price paid by the consumer. Normally, the farmer is in hurry in marketing his produce as soon as harvesting operations are completed. It is because of pressing cash needs and hence the farmer is also denied of remunerative price. The traders or village merchants take the advantage of the farmers weakness and offer a low rate which is unremunerative.

PROBLEM OF FORCED SALES IN THE VILLAGE

For various reasons, the farmer is marketing most of his produce in the village itself. The nearest place where a farmer sells his produce is his own village. "It has, we think, been established that where the cultivator is in a position to dispose of his produce in a market, however limited its scope and badly organised its character be, he obtains a much better price it even when he disposes of it in his own village".17 "The All

India Rural Credit Survey showed that about 65 per cent of the total sales of crops are effected in the village. The effective price realised by the cultivator is further reduced by malpractices adopted in the market. The Rural Credit Survey Committee found that in nearly two-thirds of the sale transactions entered into with the traders the commodity is delivered in the village.

Some of the important causes for forced sales in the villages are worth examining.

Due to poverty the farmer oftenly visit money lenders house or shakur's farmer takes credit for consumption, production and for other purposes. Once the farmer habituated for unproductive purpose he never comes out from the clutches of indebtedness. As the Royal Commission on Agriculture remarked "The Indian peasant is born in debt, lives in debt, dies in debt and bequeaths debt".

Generally the landlord provides finance to the farmers on the understanding that they will sell the

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18 Reserve Bank of India, All India Rural Credit Survey Committee Report, 1951, p. 42.
produce only to them. The money lender offer a low price for the produce, but the farmer has to pay exorbitant rate of interest. A cultivator who has to borrow heavily for growing a crop often mortgages it in advance so that sale of produce which is hardly more than a mere formality taken almost in his field as soon as the crop is harvested. In other cases, where the crop is not formally pledged, it has to be disposed of almost immediately after harvest in order to pay off the debts of the Sahukar. 20

The farmers cannot meet their domestic as well as farm requirements without credit either from the village landlord, or commission agent. Sometimes the farmer may borrow from trader also who will finance him by adopting a number of malpractices. Unsatisfactory nature of communication with the nearest market also results in sales in villages only. With bad roads transport costs tend to become heavier. The farmer generally finds it very difficult to get timely and accurate market information. Even if he gets it, it is very difficult for him to transport the goods with bad roads.

20 Reserve Bank of India, All India Rural Credit Survey Committee Report, p. 42.
It is already stated that the poor farmers are badly in need of immediate cash. In order to get the cash, the farmers sell away the produce in the village itself, as soon as harvesting operations are completed even though the prevailing prices remain low. Even when they know fully well that by holding up the crop for a few months, they would be able to secure a better net return, they have usually no other alternative but to market the produce immediately in order to meet their urgent cash requirements.

The farmers produce not only non-perishable but also perishable goods. In marketing the perishable products, the element of time factor is more important. In view of the perishability, the farmers have to sell away the perishables without any delay, irrespective price prevailed in the village market.

Even in regard with non-perishable most of the farmers are hurry in marketing the produce for various reasons, so that the income of the farmers come down considerably. In order to reduce the village sales and also eliminating the malpractices in the unorganised markets, several steps become necessary. Steps taken for eliminating the above said problems, are examined briefly in succeeding chapters.
CONCLUSION

In agricultural marketing there are several problems involved which have a direct influence on farmers income. Various problems are examined keeping in view the groundnut marketing in Anantapur district. This chapter highlights the issues in agricultural marketing. Due to middlemen's intervention in marketing activity, the share received by the farmer is reduced. On the other hand the consumer has to pay more for the products he purchased. The storage problem compells the farmer to market his produce at a disadvantageous position. Most of the rural areas do not have access to any type of transport facilities. So farmers face difficulty in moving produce to distant places where he gets reasonable rate. It is also historically evident that farmer has to depend upon the non-institutional sources of credit. The non-institutional agencies supply credit and other inputs needed by the farmer with an agreement of selling the farmer produce to the lender. This type of sales reward less for the produce, most of the farmers are not aware of the importance of grading and standardisation of the produce, in marketing, so they are denied the price commensurate with quantity and quality. The non-availability
of market information may also make the farmer ignorant of the prevailing and forthcoming market situations which will obstruct the farmer in marketing his produce efficiently. In view of sales in the village itself, the farmer is often cheated by the village traders or landlords in several ways. The different problems faced by the farmers in marketing their produce make out a clear case for well organised regulated markets. The succeeding chapter is devoted to examine the regulated markets in Andhra Pradesh.