Chapter-II

AGRICULTURAL MARKETING –
THE INDIAN CONTEXT
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 for it than when it is disposed in his own village.

Report of the Royal Commission on Agriculture, 1928

INTRODUCTION

Marketing, as an economic activity, has come to play a very prominent role in modern society. The economic institutions of society, whether managed by private individuals or the State, primarily aim at satisfying the economic needs and wants of the society.

The production and distribution of goods and services in an efficient and effective manner, hence, becomes a primary objective of economic institutions in society. Marketing systems, all over the world, address this vital task of society.

While it is evident that marketing plays a pivotal role in developed economies relying on private initiative in the economic sector, marketing undoubtedly has a significant presence in developing economies, operating on the basis of either State ownership of all factors of production or the mixed economy model.

Kotler, Philip and Armstrong (2003) define marketing as “a social and managerial process whereby individuals and groups obtain what they need and want through creating and exchanging products and values with others.”

The Institute of Marketing of the United Kingdom\(^3\) states that "marketing is the management process responsible for identifying, anticipating and satisfying consumer requirements profitably".

Saxena\(^4\) (2006) defines the marketing process as a process which "involves understanding and serving customer interests that would help selling organization fulfill its objective – profit maximisation".

The American Marketing Association\(^5\) defines marketing as the "process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals".

These definitions define the task of marketing with reference to individual business firms or organisations. The primary focus of marketing is the creation of "mutually satisfactory exchange relationships" between target markets or consumers (willing to pay for goods and services) and business organisations, whose primary objectives are economic in nature. This view of the role of marketing is generally identified as the Micro-Marketing view.

The phenomenal success of the Marketing discipline in achieving its objectives has led to the demand for an application of the tools, techniques and practices of the

discipline to a wider range of tasks, activities and challenges. It was felt that the marketing discipline and marketing experts "can be and must be of service to society".

Philip Kotler⁶ coined the term Societal Marketing to refer to this new role and mission of marketing. Social marketing is based on the premise that the "organization's task is to determine the needs, wants and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and society's well being".

This approach to marketing provides a conceptual framework for the recognition of the societal dimensions of marketing and its function as more than a mere 'technology of the firm'.

The introduction of the concept of "Macro-marketing" gave a further impetus to the movement which aimed at using the marketing discipline for the performance of societal tasks.

Macro-marketing, according to Myers⁷ (1996) refers to the "study of marketing within the context of the entire economic system with special emphasis on its aggregate performance".

Hunt⁸ (2003) in his monograph on marketing theory defines Macro-marketing as "the study of: 1) marketing systems, 2) the impact of marketing systems on society, and 3) the impact of society on marketing systems".

⁶ Ibid., pp. 26-27.
Gandhi (1996) commenting on the relevance of Social marketing, Macro-marketing and related concepts in the Indian context states "the study of marketing in the larger context of the economic system is gaining increasing importance since the marketing discipline is assuming a societal dimension and as nations, particularly the developing ones, are becoming conscious of the relevance and contributions of marketing to the process of economic development".

Role of Marketing in developing economies

Over the years, Marketing has been a much neglected area in the management of economic systems in the developing countries. Most of the developing countries, since the 1950s, adopted the Soviet model of Centralised Economic Planning. Economic planners, formulating policies for the development of crucial sectors of the economy tended to give importance to problems of production, investment and finance. They were more production-oriented rather than market-oriented. In most of these countries embarking on the path of economic development, concentration on enhancing productivity and production were priority areas.

Marketing or distribution as a societal function was considered as an activity of inferior status. Marketing activity was basically associated with trading which was viewed as a parasitic activity.

Economic planners were very reluctant to deal with marketing challenges as they were less amenable to precise quantification. The higher degree of uncertainty and intangibility connected with marketing problems led to a reluctance or diffidence in dealing with marketing.

However, during the recent years, policy-makers and administrators in charge of the political and economic direction of society in Third World Nations have been exhibiting a willingness to look towards marketing as a means to solve some, if not all, of the problems in the economic sector.

AGRICULTURAL MARKETING IN INDIA
A Historical Overview

Nearly self-sufficient village republics were the basis of the Indian State prior to the arrival of the East India Company in the 16th century. Villages in India were less dependent on the external world than they now are. A high degree of independence, isolation and stability were the hallmarks of the village republics.

Agriculture was the main stay of these village republics. Agriculture, then and even today, in India is not a mere commercial activity carried on with a profit-motive, but is a way of life and livelihood.

Factors encouraging Marketisation: (Pre-Independence phase)

The British conquest of India, over the 17th and 18th centuries, for the first time lead to the whole Indian sub-continent being treated as one economic unit. This created a large nation-wide market for goods in India.
The Indian economic system also became an integral part of the British Empire and for the first time there was a mass movement of commodities across national boundaries. The creation of a market economy, facilitating the exchange of goods across markets spread over a large geographical area, was facilitated by the introduction of modern transportation and communication systems all over the Indian sub-continent.

The introduction of the Zamindari system led to the consolidation of small holdings and many independent farmers became mere "lessees" required to pay both rent and taxes, in the form of money. This compelled farmers to search for markets where their crops could be sold for cash.

The rapid monetisation of the economy, the introduction of a universally accepted currency, and the growth of the banking and insurance sectors gave a fillip to the trading classes. Through the act of financing farmers, they gained command over the farmers and farmers were compelled to dispose off their produce to these traders.

Modernisation of agricultural operations, the use of farm implements and the need to pay for labour and other inputs in cash also compelled the farmer to raise cash for meeting farm requirements. The introduction of cash crops and the adoption of cash crop cultivation by a large number of farmers also lead to the marketisation of Indian agriculture. The establishment of agro-based industries like cotton textiles and jute mills gave a further impetus to commercialisation of agriculture.
Post-Independence Phase

The determined efforts of the Government to bring in an agricultural revolution paid sizeable dividends. Large investments in the development of irrigation facilities, land development and agricultural research led to substantial gains in production and productivity. The Green Revolution in the 1970s was a landmark in the development of agriculture.

Farmers in India were, for the first time, in possession of a “marketing surplus” of substantial magnitude. There was a shift from subsistence farming to commercial farming in areas benefiting from the fruits of Green Revolution. The use of high yielding variety seeds (H.Y.V), fertilisers, pesticides, germicides, farm mechanisation and related techniques of intensive farming made agriculture a capital-intensive activity.

The possibility of gaining huge profits from the marketing of agricultural products was an incentive for the further exploration of markets by farmers. Rapid urbanisation in the last decades of the 20th century saw a growing demand for both fresh farm products and processed foods. This required the movement of huge quantities of agricultural products from the nearly 5.5 lakh villages in India to the nearly 5,500 urban agglomerations.

The introduction of mono-culture-farming, wherein specific geographical and climatic regions concentrated on the cultivation of one/ a few crops eminently suitable to the area compelled the marketing of such farm products in areas far removed from the sources of supply.
Growing interest in horticultural production and Government encouragement to the cultivation of fruits, vegetables, medicinal plants and aromatic plants further added to the marketisation of agriculture in India.

The marketisation of Indian agriculture led to significant changes in the nature of marketing processes, structures and conduct of marketing institutions.

Commercialisation also led to changes in the behaviour of the farmers and agencies involved in the marketing of agricultural products. Decisions pertaining to agricultural operations were primarily influenced by the profit-motive.

- Farmers were in constant search of new markets for their produce and were conscious of the need to capture markets by a judicious use of market mix elements.

- Prices in the agriculture sector were determined by impersonal operations of the market beyond the control of individual farmers.

- The complexity of the marketing task led to the development of a number of new marketing institutions and the entry of a new class of marketing functionaries.

- Farmers and traders increasingly gave importance to marketing information and were in search of systems conducive to the free and unrestricted flow of marketing information across markets.

- The formation of associations of sellers (farmers) with the objective of increasing their relative bargaining power vis-à-vis the traders and consumers was witnessed during the period.

The entry of the State into agriculture marketing with the avowed objectives of market improvement, control and regulation lead to significant changes in the nature of marketing arrangements and systems.
All these factors led to the recognition of the importance of agricultural marketing in India.

The creation and maintenance of an efficient and effective marketing system was viewed as essential not only for the welfare and well-being of farmers and consumers but also for the achievement of a plethora of social objectives like provision of food security, equitable distribution of wealth and income, farmer empowerment and rural development.

Johl, S.S.\textsuperscript{10} (1989) summarising the different needs for the establishment of effective marketing system for agriculture products observed, \textit{"the availability of an accessible market, the certainty of remunerative prices and the surety that the produce will be lifted at the given price in whatever quantity it is offered would be the right type of marketing situation conducive to the growth of any agricultural commodity."}

\textbf{Definition of Agricultural Marketing}

Manoria, C.B.\textsuperscript{11} (1982) defines Agricultural Marketing as \textit{"Agricultural Marketing, in its widest sense, comprises all the operations involved in the movement of food and raw materials from the field to the final consumer"}.

Faryque\textsuperscript{12} (1999) defines Agricultural Marketing as \textit{"Agricultural Marketing comprises all operations involved in the movement of farm produce from the producer to the ultimate consumer"}.

\begin{footnotesize}
\begin{enumerate}
\item Mamoria 1982, \textit{op. cit.}, p. 737.
\item Lekhi, R.K. and Singh, J. \textit{"Agricultural Economics"}, Kalyani Publishers, New Delhi, pp. 111-122.
\end{enumerate}
\end{footnotesize}
The Indian Council of Agricultural Research\textsuperscript{13} states "Agricultural Marketing involves three important functions, namely: (a) assembling (concentration), (b) preparation for consumption (processing) and (c) distribution (dispersion)".

The National Commission on Agriculture (India)\textsuperscript{14} defines Agricultural Marketing as a "process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market system, both functional and institutional, based on technical and economic considerations and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution".

Kohls and Uhl\textsuperscript{15} opine that the term refers to the "performance of all business activities involved in the flow of goods from the point of initial agricultural production until they are in the hands of consumers"

**THE TASK AND CHALLENGES OF AGRICULTURAL MARKETING**

**The Indian context**

Agricultural Marketing plays a very important role in the Indian economy. In a country where agriculture contributes to 25 per cent of the national income and provides employment, either directly or indirectly, to nearly 40 per cent of the population, the efficient marketing of agricultural produce gains significant importance. The following factors contribute to the importance of the function in the Indian context:


\textsuperscript{14} Ibid., p. 336.
**Food Security:** Food Security is defined as the "physical, economic, social and ecological access to balanced diets (and safe drinking water) so as to enable every individual to lead a productive and healthy life in perpetuity". The primary task of the marketing system in the food sector is the provision of food to the more than 100 crore citizens of this nation living in the 5,50,000 villages and 5,545 urban agglomerations spread over a geographical area of 3,287,263 square kilometers.

**Welfare and well-being of farmers:** Agriculture and its allied activities provide livelihood to the nearly 60 crore Indians living in rural India. The ability of the farmer to sell the whole of his, mostly meager, produce at a reasonable price alone determines his standard of living and provides an incentive for him to carry on his occupation.

Compared to his counterparts in the industry and service sector, the farmer-producer operates in a sector marked by a very high degree of risk and uncertainty at every stage of economic operations and has a comparatively lesser degree of control over the operations. There is a high degree of uncertainty with reference to the quantity and quality of production which is dependent upon the vagaries of Nature.

The products he produces are high in bulk and low in value and are more perishable. Storage and transportation pose a number of challenges, grading and standardisation are difficult. The farmer, at least in the short run, cannot adjust supply according to changes in demand.

---

India is a land of small and marginal farmers operating in farmlands of 1-5 acres. Krishnamurthy,17 Assistant General Manager, NABARD, the National Bank for Agriculture and Rural Development states, "About 80% of the landholdings of individual farmers is below 1.5 acres which is far from viable equation".

At the best of times, the marketable surplus of such farmers is of a very small quantity and does not justify serious marketing efforts by the farmers. In addition, low holding capacity, low credit worthiness and high indebtedness compel the small farmer to sell off his produce at a very early stage of the marketing process.

These are the challenges confronting the marketing system and the success in meeting these challenges could have a significant impact on the welfare and well being of a sizeable proportion of the population of the nation.

**Farmer involvement in Marketing**: The inability or reluctance of the farmer to play an active role in the marketing process in India poses a special challenge. Most of the farmers sell their produce at the farm level and do not take their produce to the market. They are not conversant with marketing processes. Marketing to many of them is a specialised activity and is the exclusive domain of the trading classes. Low levels of literacy, low social status and lack of familiarity with marketing processes lead to farmer passivity. One of the greatest challenges and tasks of the agricultural marketing system is to encourage farmer involvement in the marketing processes.

---

The marketing system prevalent in any nation evolves and functions in a given social, cultural, economic and political context. The nature of the system, its dynamics and mission are determined in the larger context of the economic and social needs of the society of which it is an integral part. Marketing tools and even the philosophy of Marketing have to be reoriented in the light of the marketing problems faced by a given society.

Marketing solutions designed without taking into consideration the socio-cultural and economic environment of the society in which they are to be implemented are bound to be impractical and redundant in the real world.

It is evident that Agricultural marketing has a very significant role to play in the Indian economy. Its task and objectives extend beyond the mere task of “delivering consumer satisfaction while assuring reasonable economic returns to the farmer”.

The tasks of Agriculture Marketing in the Indian context include:

i) providing an assurance of food security to all the citizens of the nation.

ii) enhancing marketable surplus and marketed surplus at the farm level.

iii) providing opportunities for value-addition to agricultural produce.

iv) widening the markets for farm products.

v) providing incentives for the development of agro-based industries and processing industries.

vi) seeking and exploiting export avenues for agricultural products.

vii) providing mechanisms for price stability.

viii) generating employment in the marketing of agricultural products.
ix) providing incentive for the adoption of better farm practices by farmers.

x) playing a positive role in rural development.

xi) playing a role in the integration of the rural and urban sectors of the economy.

Functions of Agriculture Marketing

The performance of a number of specialised activities is required to ensure that agricultural products originating in a multitude of farm holdings reach the ultimate consumers. These activities are referred to as the “functions” of marketing. These functions need to be performed and the tasks involved may be undertaken by the (a) farmer himself (b) the customer or (c) a specialist marketing intermediary.

The following are the important functions of agricultural marketing in the Indian context:

Buying: The buying process ensures that the marketable surplus of the farmers is available for consumption to the customers. It involves the search for sources of supply, purchase and assembly of marketable lots from farmers. In India, this function is handled by a chain of traders and intermediaries.

Selling: The selling function effectively transfers goods from the farm level to the points of consumption. There are a number of nodal points in the system where ownership is transferred for a price. In view of the variety of agricultural products, seasonality of availability and fluctuations in demand, the selling function is seen as a very complex task.
Creation of Demand: Marketing intermediaries are not passive order takers. They are constantly in search of new and more profitable markets for their produce. They are involved in promotional activities which increase the demand for produce purchased by them. In the Indian context, a number of niche products owe their present popularity to trader promotion and propagation.

Storage: The storage function creates time utility for goods. This function gains importance in agricultural marketing in view of the fact that supply is restricted to a season whereas demand is spread over the year. Storage function also ensures that produce is not subject to deterioration and degradation in terms of both quantity and quality. An efficient storage system is essential for price-stability over time.

In view of the opportunity for speculative profits in this activity, traders dominate the storage sector of marketing in India.

Transportation: Transportation enhances place-utility of goods. This function ensures that farm products are physically available at the centers of consumption. In India, this involves the movement of goods across different nodal points in the marketing chain spread over a very large geographical area. The transportation function involves other subsidiary functions like loading, unloading and protection of goods in transit. The decision on the mode of transportation is very important in view of its impact on the marketing cost and the physical efficiency of transportation.

One of the major concerns of parties in agricultural marketing is the need to avoid excessive and avoidable delays. Procedures and formalities concerned with effective
implementation of legislation on inter-state movement of goods often lead to delays in the arrival of goods at the destination.

It is reported that bribery to circumvent invigilation procedures and payment of bonuses to drivers for over speeding are established practices in transporting agriculture commodities in India.\textsuperscript{18}

**Packing:** Packing and packaging not only ensure ease in handling of agricultural products but they also help in preserving the quality of products and increasing the shelf-life of processed products. Regulatory agencies in agricultural marketing have made packing and packaging specifications an integral part of quality specifications in the case of some food products. Packaging, today, is seen as a tool for value-addition in agricultural marketing.

**Grading and Standardisation:** Standardisation refers to the establishment of uniform measurements or parameters for quantity and / or quality of agricultural commodities. Standardisation facilitates the sale of produce by description or sample. It is a prerequisite for mass marketing and widening the market for products. The adoption of standards may be either mandatory or voluntary.

Grading refers to the process of assessing the intrinsic value of commodities. Grading ensures that produce of a higher quality defined in terms of freshness, size, colour and other product features brings a premium in the market for the producer. Grading assists the customer in exercising his choice and also provides him with an

64
assurance of quality. Grading and standardisation increase quality-consciousness in commodity markets.

**Processing:** Processing of agricultural products is aimed at increasing the convenience in use for customers. It has the effect of increasing the form-utility of commodities. It leads to substantial value addition in agricultural marketing. Processing also facilitates making the product available all round the year, irrespective of the seasonal nature of production. It makes the produce amenable to storage and transport. It increases the shelf-life of commodities and facilitates the development of food marketing chains.

**Price-Determination:** In a monetised economy, price is an important element of the marketing mix. Price is the value of a commodity, expressed in terms of money, determined by the interaction of the forces of demand and supply in a given market. The price of a commodity is an essential "cue", reacting to which individual suppliers and consumers take decisions relating to production and consumption. The price of any commodity must make consumption an attractive proposition for the consumer and must be remunerative for the supplier.

The final price, as determined by impersonal market factors operating in a market, is affected by factors like demand, supply, elasticity of demand and supply, the length of the marketing chain, relative bargaining capacities of participants in the marketing process, price expectations of parties and other related factors.

---

**Financing:** Financing, along with information and risk-bearing functions, is classified as a facilitating function. Funds are required for the time-period over which the producer holds stocks without disposing off the marketable surplus. Funds are also required in the pre-harvest stage in agriculture. While all parties involved in marketing agricultural products require credit to meet their financial requirements, the farmers' need for pre- and post-harvest finances are quite substantial. The quantum of credit utilised, the source of funds, the time period of finance, etc., determine the interest burden on the borrower.

**Market Information:** Market information is essential for proper decision-making by farmers, consumers and marketing intermediaries. It refers to "*data collected, analysed, interpreted and disseminated pertaining to aspects of marketing variables like goods offered for sale, quantum of supply, specific arrivals into the market and demand estimated for the commodity, etc.*" Every other function can be performed efficiently only in the presence of relevant, reliable and timely information.

The collection and dissemination of marketing information over a very large geographical area encompassing different linguistic and cultural sub-regions and local markets with different customs and usages, adopting different terminologies and dealing with a huge variety of products makes the function a very challenging task in the Indian context.

**Risk-taking:** The fact that Indian agriculture is a gamble with the monsoon is widely accepted and acknowledged. Marketing risks refer to risks in the post-harvest stage. Such risks can be broadly classified into: (a) Physical risks and (b) Market risks.
Physical risk refers to losses in quantity of marketable surplus which are caused due to processes of Nature and handling activities.

Marketing risks refer to risks relating to fluctuations in both demand and price. While insurance can protect the farmer from physical risks, hedging, contract sale of produce, price support schemes and procurement schemes can provide cover against marketing risks.

CONCEPTUAL FRAMEWORK FOR THE APPRAISAL OF AGRICULTURAL MARKETING IN INDIA.

A Macro-Marketing view

The Indian agricultural marketing system functions within an economic framework referred to as “Mixed Economy”. Ever since the 1950s, when the Indian State adopted the Welfare State model of governance, the Government of India has been a major player in the economic system. The adoption of the Socialistic Path to economic development provided a framework for State participation, regulation, direction and control in all spheres of economic activity.

The Government undertook the major task of regulating, controlling and developing the agricultural marketing system through a series of activities like providing for legislation, procurement schemes, price support schemes, creation of regulated markets, encouragement to co-operative societies, promotion of rural banks, etc. Given the above context, we must choose the “Macro-Marketing” framework for appraising the performance of the agricultural marketing system.
Market Structure Analysis

Market Structure Studies attempt to study the organisational characteristics of the marketing system and its operations with reference to the benchmark of an "ideal market system".

Such an approach attempts to study the number of agents, the types of agents in the marketing system, the relative bargaining power of farmers vis-à-vis traders and consumers, the methods of price determination, modes of disposal of the produce and the ease of entry and exit of parties in the marketing system.

Attempts are also made to measure the extent of deviation in real-life operations from a state of perfect competition.

Market Conduct Analysis

Market Conduct Studies aim at studying the trading practices, customs and usages prevailing in the market for a commodity or a group of commodities. A study is made of the trade practices and patterns with reference to specific functions of marketing like handling, grading, standardisation, weighing and measuring, storage, documentation, arbitration of disputes, etc.

Market Performance Analysis

Market Performance Studies attempt to study the economic and other benefits flowing from marketing operations to different parties in the marketing process. Such studies attempt to determine the success of the marketing system with reference to predetermined objectives.
Performance Studies also aim to measure the resilience of the marketing system and the ability of markets to adapt themselves to changing tasks, challenges and opportunities. The efficiency of market performance may be judged with reference to:

(a) Operational efficiency.
(b) Economic efficiency and
(c) Distributive efficiency

Operational efficiency refers to "the efficiency with which produce is handled and processed through the system". It is achieved through the adoption of the best methods for performing every marketing job and the design of effective organisational structures for the management of operations.

Economic efficiency refers to "the capacity of the market structures to provide the optimal returns to parties in the process with the expenditure of least resources". It is achieved by the elimination of unjustified costs, wastages and exploitative profits in the market.

Distributive efficiency refers to "the ability of the market to ensure justice and equity to all parties participating in the marketing process". No party to the marketing process should be discriminated against in the market. The system should act as a "level play-field" so that all participants have an equal opportunity to enjoy a justified share in the economic benefits of the process.

**Defects and shortcomings of the Indian Agri-Marketing System**

"It is common knowledge that in most of the underdeveloped and developing countries, production efforts of the farmers gets thwarted at the doorsteps of the
markets", comments S. S. Johl,\textsuperscript{19} pointing out the defects and shortcomings of the agricultural marketing system in India.

The Report of the National Planning Commission\textsuperscript{20} observes "The Indian farmer, in general, sells his produce at an unfavourable place, at an unfavourable time and usually he gets very unfavourable terms".

A number of studies have been made to identify the defects, shortcomings and weaknesses of the agricultural marketing system in India. Over the years, the Government, agricultural experts and academicians have tried to unearth the primary reasons which have lead to the prevalence of an undesirable state of affairs wherein 'customers pay exorbitant prices for agricultural products while farmers do not get a fair price for their produce'.

It is with reference to similar situations that the Marketing Committee of the UNO\textsuperscript{21} (1945) has observed, "It would be useless to increase the output of food, it would be equally futile to set up standards of nutrition, unless means could be found to move them from the producer to the consumer at a price which represents a fair remuneration to the producer and is within the consumers' ability to pay".

A number of factors contribute to these undesirable results of the functioning of the system. They are:

\textsuperscript{19} Johl, S.S. \textit{op. cit.}, p. 137.
\textsuperscript{20} Tyagi, B.P. \textit{op. cit.}, p. 372.
\textsuperscript{21} Mamoria, \textit{op.cit.}, p. 767.
Forced Sales: Farmers in India are robbed of the fruits of their hard-work as they are forced to sell their produce immediately after harvest, when there are large arrivals in the market. Prices are depressed and at their lowest level.

Farmers are compelled to sell their produce in view of their need for “immediate cash”. Other factors weakening the holding capacity of the farmer are: i) non-availability of institutional credit, ii) high level of indebtedness, and iii) lack of storage facilities.

Poor storage facilities: Storage facilities are in short supply in rural areas. Where they do exist, they are based on outdated and obsolete technologies and afford scant protection for the produce of the farmer.

It has also been observed that farmers are reluctant to make use of modern State-sponsored and managed storage facilities and it is the traders who benefit from such Government initiatives. Indian farmers suffer huge quantity and quality losses on produce due to the absence/shortage of efficient storage facilities.

Inefficient transport systems: The transport facilities available in rural India are inadequate and inefficient. Village roads and feeder roads connecting farm lands to arterial roads are not motor-worthy round the year. Even today, only a few farmers can afford to use motorised means of transportation. There is a heavy reliance on bullock-carts. Hence, farmers are compelled to down load their produce in the local markets. Inefficient transportation has been the main block in all attempts to widen the market for agricultural products.
Poor arrangements for grading and standardisation: Grading and standardisation practices are not well established in the market. There is an absence of uniformly accepted standards of quality. Grading is based on ill-defined parameters. The final decision on ascribing a grade for the produce of the farmers is mostly in the hands of the trader.

Traders frequently downgrade the produce of the farmers. Small farmers are in the habit of selling their whole "marketing lot". No distinction is made between bad and good produce. Absence of scientific grading robs the farmer of due benefits and it acts as a disincentive for quality-improvement efforts.

Multiplicity of weights and measures: The adoption of standard weights and measures is not a widely prevalent practice in agricultural markets. Traders have a total control over the processes of weighing and measuring the produce and the process is generally manipulated to suit the interests of the traders.

A number of unlawful and unethical practices are adopted at the markets to cheat the farmers. Even the final consumer is a loser. The only beneficiaries are unscrupulous middlemen.

Low levels of processing: Facilities for processing of agricultural commodities are inadequate and inefficient in India. Processing leads to value addition. In addition, it facilitates the function of storage. The farmer can hold processed agricultural products till he is assured of a fair price in the market. The absence of adequate processing facilities is a major lacuna in the agriculture marketing sector.
High price fluctuations: The marketing system has not been able to establish uniform prices across individual markets. Price variances in markets are not justified, either over place or time. Under such conditions, there is an incentive for speculative marketing. Traders are adept at creating unjustified price-differentials. Farmers, reluctant to deal with such uncertainties, prefer to sell their produce at the rate offered by local traders.

Adulteration: Unscrupulous middlemen often resort to adulteration of agricultural commodities to earn supernormal profits. In a market where consumers are not aware of quality parameters, it is easy for traders to sell adulterated commodities. It is the farmer who suffers ultimately from the loss of confidence on part of the consumers.

Trader domination: Middlemen and traders enjoy a very high degree of control over the marketing process. This is because of their economic, social and political dominance in rural India.

In addition, most of the marketing middlemen have control over the supply of scarce farm inputs to the farmer. They also undertake financing of agricultural operations. The farmers cannot demand a fair price for their commodities. Collusion agreements between traders restrict the choice of traders for farmers.

Fraudulent market practices: There is a lack of transparency in trader operations. Farmers, or at least a majority of the farmers, are illiterate. Their knowledge of marketing procedures is very limited. In the name of rules, regulations, customs and practices, traders deprive the farmer of his income.
A number of unauthorised and illegal charges towards handling, grading, weighting and development are levied and deducted from sale proceeds. The farmer ends up paying a fee for yard cleaning, conduct of festivals and even for charities made by the traders. No records are maintained in proof of transactions conducted or payments made by the trader.

While farmers deliver lots at different points of time, spread over the whole season, traders make a ‘One-time settlement’ at the end of the season.

Traders after taking deliveries from the farmers evade payment by declaring themselves or their firms as bankrupt and insolvent, while continuing to carry on their business under a different name.

**Long chain of middlemen:** A long chain of village traders, merchandising wholesalers, brokers, dalals and retailers link the farmer with the ultimate consumer of food-products. Each of these traders extracts his profit from the exchange transaction. As a result of this phenomenon, the farmer gets a very small share of the price paid by the final consumer. While they do contribute to value-addition, the price that they extract is exorbitantly high.

It is reported that the Indian farmer receives only 28.57 per cent of the consumer rupee while traders retain 71.43 per cent.²²

**Poor marketing information:** Farmers do not have access to reliable, relevant and timely market information. This problem is very serious in the remote villages. Farmers

---

take decisions on the basis of market information, mainly provided by traders who manipulate information to suit their interests. They are easily swayed by rumours, hearsay and planted information.

Information available through different media is neither accurate nor specific. Farmers tend to routinely discount information provided by the media. The low level of farmer participation in marketing process precludes their access to reliable marketing information.

**Inadequate financial assistance:** Finance is required by farmers and marketing functionaries for successful marketing operations. While farmers can rely to some extent on the organised sector financial institutions for pre-harvest operations, they have to rely on funds from the unorganised sector for their post-harvest requirement of funds.

Market intermediaries also rely on the unorganised sector for funding their activities. Interest rates are very high and accounting systems are designed to defraud the borrowers. The high cost of borrowings makes agriculture unprofitable for the farmer and inflates the prices charged to the ultimate customer.

**Lack of farmer organisations:** Institutions aimed at joint action by farmers to protect their interest and further the achievement of common objectives are virtually non-existent. While farmers are aware of the benefits of joint-action, a number of divisive forces thwart efforts towards united action of farmers. Lack of organisational skills, low levels of operational literacy, geographic dispersion and loyalty to feudal social groups
like caste, class, etc., in addition to political affiliations stand as barriers to farmer unity and collective efforts to end their exploitation.

**Anachronistic laws and regulations:** Free movement of agricultural products is restricted by a number of laws, rules and regulations which were framed in a period when shortages of farm products was widespread and the primary objective of Governments was to 'ensure the availability of essential commodities to the general public'.

These laws and regulations have become redundant and counter productive in view of changes in the nature of the economy, the topography of the nation, methods of agricultural production and technology. There is a need for a review of such laws regulating agricultural market operations.

**Farmer Passivity:** One of the major defects or shortcomings of agriculture marketing in India is “farmer passivity”. Farmers are, in general, either reluctant or/ and incapable of playing an active role in the marketing of their produce. Most of the farmers sell their produce at the farm.

In some cases, traders and middlemen also acquire substantial control over the pre-harvest production operations. As a result, the farmer gets a very meager share of the “customer rupee”.

A major share of the final price is appropriated by a number of marketing intermediaries. Late Sri N.G. Ranga, freedom fighter and agricultural expert observes,
"Money lenders, merchants, processors and transport operations provide key services and they extract too high a price for their machinations".\textsuperscript{23}

It is evident, from an overall review of the nature, performance and results of the existing arrangements for the marketing of agriculture products that there is a need for serious, systematic and concerted efforts for "Marketing Improvement".

\textsuperscript{23} Mamoria, C.B., 1982, \textit{op.cit.}, Foreword, p. ii.