Chapter I

INTRODUCTION

1.1. INTRODUCTION

Agriculture has a significant role for the contribution of Gross Domestic Product (GDP) in developing countries and provides employment to bulk of the people surpassing the contribution of the other sectors. The contribution of agriculture as a proportion of GDP was more than 50 per cent in 1950’s and it declined to 29 per cent during 1980’s. The share of agriculture in GDP was only three per cent during 1980s and two per cent in late 1990s in high income countries (World Bank, 2000).

As any economy grows and matures, the production of the primary sector (Agriculture) as a percentage of the gross domestic product registers a sharp decline. The majority of the population is dependent on agriculture for their livelihood in developing countries, while rural population constitutes only 26 per cent in the developed countries. Despite industrial development in developing countries, agriculture remains the major sector and around 40 per cent of the population live in rural areas. Since the bulk of the poor are in the countryside and are dependent on agriculture for livelihood, government intervention in agriculture is
extensive and agricultural development holds the key to overall economic development.

The most significant characteristic of a sound marketing system lies in the distribution channel. Marketing is a strong instrument whereby per capita income could be raised leading to a higher standard of living (Rahman et al., 2005; William and Elizabeth, 1999; Hosley and Wee, 1988; Wood and Vitell, 1986). Using an efficient marketing channel ensures the highest price for the product, which leads to raising income (Hayami et al., 1999; Saediman et al., 2004) and thus ultimately improves living conditions. The marketing channels used by the agricultural producers are not always performing at the same efficiency in terms of their earnings i.e. different channels have different earnings. Socio-economic conditions, disorganized conditions of the producer, nature of the product, lack of infrastructural facilities, marketing complexity etc. create obstacles against the use of efficient alternative channels, although these channels help to earn more returns than the usual channels. By using efficient alternative channels, farmers create competition among the middlemen; as a result, farmers are benefited by the competitive price by enhancing their bargaining power (Modoe and Wiggins, 1996). Alternative channels encourage the product development that ensures the value addition. It reduces the distance between the farmer and the final consumer; thereby reducing the middlemen’s share in the channel, which ultimately increases the farmer’s share on the consumer’s price (Rahman et al., 2005).
Among agricultural crops, paddy undoubtedly constitutes the largest and most important sector in terms of income. During and after the green revolution, the rice production sector gained much more importance than paddy marketing. As a result, the yield rate surprisingly increased, but return is still lower than that of other crops. ‘The economic returns for paddy production, export parity prices, are much lower than for many alternative crops, including vegetables.’ There is no doubt that in recent years, commercial activities have increased in India. But increased commercial activity is not always a sign of increasing wealth: it may be an indictor of distress sales and increased poverty. Such realities emphasize the importance of protecting the farmers’ interests against powerful merchants, the need to reduce the risk of rice production through price stabilization and to protect rural livelihoods and food security at both micro-and macro-levels. In order to avoid losses and deterioration in the quality of their produce, many farmers fail to retain them for future use/sale, which leads to post harvest market glut of paddy and compels them to sell at lower price. The small marketable surplus of the individual growers, their disorganized conditions, lack of storage facilities, inadequate market information, the selling of raw products and other conditions explain the multiplicity of intermediaries. Mere production of agricultural commodities does not make any sense without development of market and marketing services to sell those commodities to the consumers or customers at right prices.
1.2. MOTIVATION FOR THE STUDY

The most significant characteristic of a sound marketing system lies in the distribution channel. Marketing is a strong instrument whereby per capita income could be raised leading to a higher standard of living. Using an efficient marketing channel ensures the highest price of the product, which leads to raising income; and thus ultimately improves living conditions. The marketing channels used by the agricultural producers are not always performing at the same efficiency in terms of their earnings i.e., different channels have different earnings. Socio-economic conditions, disorganized conditions of the producer, nature of the product, lack of infrastructural facilities, marketing complexity etc., create obstacles against the use of efficient alternative channels although these channels help to earn more returns than the usual channels.

By using efficient alternative channels farmers create competition among the middlemen, as a result, farmers are benefitted by the competitive price by enhancing their bargaining power.

1.3. NEED FOR THE STUDY

Paddy cultivation is to improve the standard of living and the capacity of people to spend for food, housing, clothing, education, medicine and the other amenities of life. Marketing costs are needed in the flow of goods from producers to consumers. They affect the prices of goods at the producers’ and the consumers’ level. Reduced marketing costs increase the farmers earnings, indicating the marketing efficiency of
the farmer. It is important to distinguish between the income from the usual marketing channel and from alternative marketing channels. By selling two different kinds of products to different kinds of intermediaries, farmers got different prices. Therefore, the researcher has conducted a scientific study on paddy marketing and its significant in the study area.

1.4. STATEMENT OF THE PROBLEM

Thanjavur district is said to be the granary of Tamil Nadu. It is naturally inferred that agriculture is the primary source of livelihood for the majority of people in Thanjavur district. The economy is predominantly agrarian with about 75 per cent of work force depending on agriculture. Paddy is the principle crop which account for the major portion of cropped area while the other crops are sugarcane, banana, coconut, pulses and oilseeds. And in the context of marketing again the farmers are not able to obtain satisfactory returns from paddy cultivation. Therefore this research has great significance from the point of view of production and marketing of paddy.

In recent years the agricultural problem has become more severe and intense. Thanjavur district has suffered from deficit of irrigation. Thanjavur district agricultural has continued to be a gamble in the hands of monsoons, failure of rainfall and excessive rains and consequent floods also affected these areas. The Mettur Dam was not opened for delta irrigation on the usual date of June 12, but was opened later.
This study attempts to analyse the different situations of marketable surplus of paddy and how the farmers in terms of channel, price, time pattern of sales. In addition to that it attempts to study the character of marketing practices and channels involved in marketing of paddy, to estimate the marketing cost, margins and price spread in different channels and to find out constraints experienced in the post harvest period.

1.5. OBJECTIVES OF THE STUDY

(i) To identify the marketing practices and channels involved in marketing of paddy (private trader and DPC).

(ii) To estimate the marketing cost, margins and price spread in different channels.

(iii) To find out constraints experienced in the post harvest period i.e. from field level to consumer.

1.6. HYPOTHESES OF THE STUDY

(i) There is a significance relationship between the intermediary influences and paddy marketing.

(ii) There is no correlation between cost of marketing of paddy and price realised.

1.7. THEORETICAL FRAMEWORK FOR THE STUDY

Marketing requires the orchestration of everyone who plays a part in the common goal of pleasing the consumer. For a small business owner who has no employees, this means that he needs to mentally tear down the
walls between varied business functions and think holistically when it comes to marketing strategies.

Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. Marketing is the management process that identifies, anticipates and satisfies customer requirements profitably.

Marketing is essentially about marshalling the resources of an organization so that they meet the changing needs of the customer on whom the organization depends. This is a more recent and very realistic definition that looks at matching capabilities with needs.

Marketing is the process whereby society, to supply its consumption needs, evolves distributive systems composed of participants, who interacting under constraints – technical (economic) and ethical (social) – create the transactions or flows which resolve market separations and result in exchange and consumption.

The marketing concept is a philosophy. It makes the customer and the satisfaction of his or her needs, the focal point of all business activities. It is driven by senior managers, passionate about satisfying their customers.
Marketing is much broader than selling, it encompasses the entire business. It is the whole business seen from the point of view of the final result, that is, from the customer’s point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise. This customer focused philosophy is known as the ‘marketing concept.’ The marketing concept is a philosophy, not a system of marketing or an organizational structure. It is founded on the belief that profitable sales and satisfactory returns on investment can only be achieved by identifying, anticipating and satisfying customer needs.

1. Marketing focuses on the satisfaction of customer needs, wants and requirements;
2. The philosophy of marketing needs to be owned by everyone;
3. Future needs have to be identified and anticipated;
4. There is normally a focus upon profitability, especially in the corporate sector. However, as public sector organizations and not for-profit organizations adopt the concept of marketing, this need not always be the case.

The marketing environment surrounds and has impact upon the organization. There are three key perspectives on the marketing environment, namely the ‘macro-environment,’ the ‘micro-environment’ and the ‘internal environment.’

Micro environment influences the organization directly. It includes suppliers that deal directly or indirectly with consumers and customers,
and other local stakeholders. Micro tends to suggest small, but this can be misleading. In this context, micro describes the relationship between firms and the driving forces that control this relationship. It is a more local relationship, and the firm may exercise a degree of influence.

Macro environment includes all factors that can influence organization, but are out of their direct control. A company does not generally influence any law (although it is accepted that they could lobby or be part of a trade organization). It is continuously changing, and the company needs to be flexible to adapt. There may be aggressive competition and rivalry in a market. Globalization means that there is always the threat of substitute products and new entrants. The wider environment is also ever changing, and the marketer needs to compensate for changes in culture, politics, economics and technology.

All factors that are internal to the organization are known as the internal environment.’ They are generally audited by applying the ‘Five Ms’ which are Men, Money, Machinery, Materials and Markets. The internal environment is as important for managing change as the external. Marketers call the process of managing internal change as ‘internal marketing.’ Essentially marketing approaches are used to aid communication and change management.

The marketing mix is probably the most famous phrase in marketing. The elements are the marketing ‘tactics.’ Also known as the
four Ps’, the marketing mix elements are price, place, product, and promotion.

1.8. LIMITATIONS OF THE STUDY

The present study covers only three villages in the Thanjavur district and further data collected from 300 respondents’ household. The findings of the study are relevant and applicable to those geographical areas which are having same marketing practices and agronomy conditions. Therefore generalization of finding should be made with care because marketing practices differ region to region.

1.9. PLAN OF THE STUDY

The thesis has been divided into seven chapters.

**Chapter I** Includes introductory aspects, significance of the study, need for the study, statement of the problems, objectives, hypotheses, limitations and plan of the study.

**Chapter II** This chapter records the findings of the research studies conducted previously on paddy marketing in India and abroad.

**Chapter III** Brings out the materials and methods; And the second section brings out procedure followed in the selection of the study area and sampling households.

**Chapter IV** Deals with the analysis of the food grain production and marketing agencies in Tamilnadu.
Chapter V  Brings out the analysis of marketing cost, margins and price spread in different channels.

Chapter VI  Consists of the analyses of constraints experienced by the farmers in the post harvest period.

Chapter VII  Deals with the summary and conclusions of the study area.