Introduction:

An efficient system of agricultural marketing is of much importance for the development and rapid growth of a nation. Agriculturist should get a feeling that he is engaged in gainful employment. But the system of agricultural marketing in India is far from satisfactory because the rural marketing system is so ill-organised that major share of the agriculturist's return is taken away by intermediaries who are between the producer and ultimate consumer.

Marketing:

The word 'Market' is not easy to define as it is used to give many meanings. It is derived from the Latin word 'Marketus' (Mercari) which means 'to trade'. It signifies a public place where the goods and services are brought and sold. The term 'Marketing' means the act or technique of buying and selling. Thus it constitutes two or thousands of people and money ranging from one rupee or a hundred million. The infinite variety of the application of the term marketing therefore, makes it difficult to describe and define.

The term 'Marketing' has common meanings — to the farmers it stands for the sale of his produce, to the housewife it is shopping, to a businessman it is advertising, finding new outlet for sales promotion, and to an industrialist and
administrator an opportunity to find out avenues of sale in foreign markets. These are all different phases of marketing.

The committee on Definitions of the Association of Marketing Teachers in America has defined marketing as "The activities involved in the flow of goods and services from producers to consumers".¹ The fundamental prerequisite of marketing is, it requires the availability of two types of people — one, those who have produced economic goods and have surplus with them and the other, who need this surplus; the existence of environment where it is possible to conduct this process of exchange will help in fulfilling their need.

In broader sense, it involves all those activities which create time, place and possession utility. It starts from the process of production itself because it creates the form which can be utilised at the place and time needed and will be in possession of those who need it. The product would not have been produced at all if marketing system was not there. Marketing system enables the production of a product and makes the commodity reach the consumers at the appropriate time and form. The physical distribution like transportation, storage etc. create time and space utility till they reach the place of consumption. Possession utility is involved when transfers in ownership takes place. Thus marketing involves all the activities — the flow of goods and services from producer to consumer such as buying, selling, transport, storage, finance, risk bearing, standardisation etc. It satisfies the wants at the right time and at the right place.
Sometimes the creation of time, place and possession activities may not involve marketing, for example, the transport of goods which involves the change of ownership and its activities.

**Agricultural Marketing**:

Richard L. Kohls in his book Marketing of Agricultural Products says, "Agricultural Marketing is the performance of all business activities involved in the flow of goods and services from the point of initial agricultural production until they are in the hands of the ultimate consumers". Thus agricultural marketing is the study of all activities, agencies, policies through which a commodity has to pass from the point it is produced to the point where it is finally consumed.

The National Commission on Agriculture in its twelfth report describes agricultural marketing as, "..... a process which starts with a decision to produce a saleable farm commodity, and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution".

It starts with assembling because generally the goods produced in small quantity by small farmers in different places are to be collected so as to make them marketable.
After the goods are assembled, grading, and standardisation has to be done because the goods assembled will be of different quantity, quality, colour, taste, size and utility. They are graded according to their characteristics and then standardised.

Some of the goods like wheat, cotton, oil seeds etc. may have to undergo the process of manufacture and transform into flour, cloth, oil and thus they will be more acceptable to the consumers.

These manufactured goods need storage facilities like godowns and warehouses because they cannot be immediately disposed and need to be stored.

These goods in their original form have to be subjected to cleaning, drying, packing, repacking etc. and because they may be needed at a different time they need to be stored in godowns and warehouses. To move them from the place of storage to the place of demand they need transportation facility.

Sometimes even after the goods are transferred it may be necessary to store them again for a while on arrival before they are sold to the wholesaler and through him to the retailer. The channel of distribution may be different till they reach the consumer.

Thus agricultural marketing refers to all the activities like assembling, grading, standardisation, transport, storage, wholesaling etc. It is the producer-
seller at one end the consumer-buyer at the other. The consumer (buyer) satisfies his need by purchasing the goods from the producer (seller).

Defects :

The characteristic features of agricultural marketing system in India are not satisfactory. According to N.C.A.E.R. report small farmers form a majority of the population of the country and we rarely find any activity of agricultural marketing in many places. "The typical Indian farmer cultivating his small, fragmented and dispersed holding is at a disadvantage in marketing his produce. The spatial area in which he can sell is limited by his inadequate transport facilities, the produce he has to offer is small in amount, ungraded and hence lacking uniformity of quality. Since he has no financial reserves, he usually must sell his crop immediately after harvest and because many of his neighbours must do likewise, village traders can, singly or collusively offer low prices".4

The main defects in the system of agricultural marketing in India in general are :

1. Defective Preparation for Marketing :

The process starts right from the idea to produce a particular product and the suitable preparation of the field for it. Because the type of commodity to be produced depends upon the geographical background, certain activities/processes needs to be done compulsorily. The farmers do not wait even for
curing of the products, maturity of output to enable handling and transportation. They even do not clean the produce properly and thus transport charges are borne even for the dirt or foreign matter. Later on it might need re-cleaning or extra-cleaning.

The goods which are not prepared properly for the market will increase the cost of marketing. The prices fetched will not be reasonable. Even superior variety will not fetch fair price because of the bad name earned.

2. Lack of organisation among producers:

Due to the lack of organisation the cultivators have not realised the power of bargaining on equal terms with the buyers. Generally farmer sells his goods in the village or at the primary market level and is always at a disadvantage against traders. On the other hand the traders are well organised. At the village level the village merchants or money lenders finance the cultivators and these people have a strong bargaining capacity, who are inturn financed by city financiers.

There are various reasons for the lack of organisation among the producers—difference in land holding, caste, literacy level and other inherent characters of the Indian society at the village level as S.C.Jain points out in his book on agricultural marketing: "Among the factors responsible for the lack of any organisation, differences in holdings and caste feelings assume great magnitude".5
3. Forced Sale in Villages:

The nearest place where the farmers sell their produce is their own village. It is estimated that on an average of all the crops a sizeable portion of the produce is sold in villages. The National Planning Committee report confirms this: "The farmers in general sell their produce at an unfavourable place, at an unfavourable time and usually they get very unfavourable terms". The reason for this is the indebtedness of the producer. The farmers borrow heavily for growing the crop keeping it as security and the sale of the produce takes place as soon as the harvest is over. Even 22 years after independence the condition did not seem to have changed. The following table shows the amount of village sale in different states in India.

Table 2.1

Percentage of village sales in various states of India

<table>
<thead>
<tr>
<th>State</th>
<th>Village sales (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>23</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>28</td>
</tr>
<tr>
<td>Gujarat</td>
<td>51</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>17</td>
</tr>
<tr>
<td>Madras (Tamil Nadu)</td>
<td>45</td>
</tr>
<tr>
<td>Karnataka</td>
<td>38</td>
</tr>
<tr>
<td>Punjab</td>
<td>35</td>
</tr>
<tr>
<td>Bihar - Food Grains</td>
<td>89</td>
</tr>
<tr>
<td>Cash Crops</td>
<td>10</td>
</tr>
</tbody>
</table>

The above table shows that the village sales still form an important part of the sale of agricultural goods. In Karnataka it is a little less than 50% whereas the condition in Bihar is miserable.

The other reasons for village sales are lack of communication, transport system etc.

In the case of small cultivators availability of low quantity of marketable surplus forces them to sell their produce in the village. For such farmers it becomes economically unviable and difficult to bargain for a better price.

With respect to perishable commodities, the farmers are forced to sell them to the village merchants because of lack of good communication, storage and transportation system.

The producer, if he takes his produce to the market place, he is confronted with hosts of agents demanding for their share: the kachcha arhatiya and his tout, the dalal, weighman etc.

Lastly, lack of knowledge of market practices is also responsible for the sale at village level.

4. Superfluous Middlemen:

To benefit both the producer and consumer the functioning of unnecessary middlemen and intermediaries should be reduced. Our marketing
system has a very long chain of middlemen, e.g. there are many middlemen and 10 to 12 intermediaries for paddy, groundnut, wheat, jawar, chillies etc. Due to the existence of large number of middlemen in the channel of distribution the share of the consumer's price received by the producer is considerably reduced. It is found out that the marketing cost in our country is very high and it ranges between Rs.0.40 to Rs.0.50 in per Rs.1 on an average for different commodities. The table gives us an idea of the marketing cost of wheat as Rs.0.43 and in case of potato Rs.0.50.

Table 2.2
Share of Producers and middlemen in per Re.1 of Consumer's Price

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Producers share in consumers per Re.1</th>
<th>Middlemen share in consumer's per Re.1 (representing cost of marketing)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>0.52</td>
<td>0.48</td>
<td>1.00</td>
</tr>
<tr>
<td>Wheat</td>
<td>0.57</td>
<td>0.43</td>
<td>1.00</td>
</tr>
<tr>
<td>Linseed</td>
<td>0.62</td>
<td>0.38</td>
<td>1.00</td>
</tr>
<tr>
<td>Potato</td>
<td>0.50</td>
<td>0.50</td>
<td>1.00</td>
</tr>
<tr>
<td>Groundnut</td>
<td>0.45</td>
<td>0.45</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Source: Adviser marketing, Govt. of India, Directorate of marketing and Inspection, 1962.

The high cost of marketing is due to high freights, too many points of handling and multiplicity of middlemen and their charges. In foreign countries the high cost of marketing is due to processing, packing, storage, handling and service of high quality and standards.
Mr. Sayana in his book "Readings in Rural Problems" made a study of the excessive cost of marketing and he reveals the share of middlemen in money spent by the consumers on different commodities.

It is clear from this table that a large share of consumers money goes to the middlemen who stand between the producer and the consumer.

**Table 2.3**

Middlemen's share in Consumer's Money spent

<table>
<thead>
<tr>
<th>Crop</th>
<th>Middlemen's share (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graphs</td>
<td>73.60</td>
</tr>
<tr>
<td>Potatoes</td>
<td>57.72</td>
</tr>
<tr>
<td>Tobacco</td>
<td>43.87</td>
</tr>
<tr>
<td>Eggs</td>
<td>37.05</td>
</tr>
<tr>
<td>Rice</td>
<td>33.02</td>
</tr>
<tr>
<td>Wheat</td>
<td>31.05</td>
</tr>
</tbody>
</table>


5. Market Charges:

Market charges are the deductions made by the commission agent or the wholesale dealer from the amount payable to the producer-seller when the produce is sold in the market. In unregulated markets these charges are many. About 9 to 15 types of charges are in practice in many markets. No uniform
practice about charges that are to be paid by the seller and the buyer, is prevalent. Report on the marketing of wheat in India points out that not only the dalal but also the munim, the chaukidar, the sweeper, the waterman and many others claim their share.

6. Multiplicity of Weights and Measures:

The Central Marketing Staff in its report has clearly criticised the practice of multiplicity of weights and measures in India. The ignorant cultivators are cheated by agents. This gives rise to complications in practice in different places. Lack of standard weights and measures make the statistical calculation inaccurate.

There are absurd multiplicity of weights and measures like pauv, seer, tola, maunds, paseri etc. and weights include sticks, stones, iron bits etc. Dr. C.B. Mamoria points out how this kind of practice leads to uncertainty and fraud: "The multiplicity of weights and measures makes supervision difficult and affords greater opportunities for cheating the producers, creates an element of uncertainty in trade and renders fraud on the part of retailers as easy as it is profitable". In the Report of the Marketing Sub-committee the reasons for paying high prices on the part of the consumer is pointed out: "Deliberate malpractices, ignorance and carelessness have all combined to make the consumer in India pay an unnecessarily high price for many goods and different quality".
7. Malpractice in the Market:

The malpractices that are followed in unregulated markets are

1. Manipulation of weights and measures due to absence of standardisation.

2. Large samples are taken away without payment.

3. Arbitrary deductions for religious and charitable purposes.

4. The commission agents bargain for the traders and make secret deals with them though they are appointed by the producer.

5. In case of disputes the producer is put at loss because he does not visit the market frequently and is ignorant of what happens there.

Therefore the farmers prefer to sell their produce in the village market.

8. Adulteration:

In many of the markets a high percentage is fixed as deduction for impurities and the producers offering different percentage of impurities get the same price. So they are forced to make adulteration to the maximum limit in both commercial and food crops. While mixing the impurities unwanted things which are dangerous for human consumption are used. National Consumer Service of the Bharal Sevale Samaj made a survey regarding the adulteration.
This survey revealed shocking facts, "Dhania and Zira sold in some of the country's markets contain dried grass while curry powder in several cases has been found heavily adulterated with horse dung... In red chillies, many unscrupulous traders use lead oxide to brighten the colour and add weight".9

9. Absence of Grading and Standardisation:

Grading and standardisation of farm products are important activities and they help "...inefficient performance of all other market services".10 Grading is sorting of goods into lots of uniform type, size and quality and when we give same specification or fix grade, it is called as standardisation. They are helpful activities of marketing. In India very little of grading is done by farmers. Soon after the grain is separated from the husk in a conventional manner the product is kept for sale. This enables the trader to underquote the prices and thus the producer is at the mercy of the purchaser.

"The traders have their own specification and even the civil supply department and warehousing corporation does not stick to the standard laid down by the Government of India".11 The absence of standard grading fetches them ordinary market rate. The reputation of Indian agricultural produce in the international markets is spoiled by selling of ungraded product of mixed quality. If uniform grading and standardisation method is followed, the cost of marketing can be reduced, the market information can be better, prices will be fair. Thus, uniform production of goods will reduce the number of varieties of produce and
limit the marketing techniques applied to improve the performance of agricultural marketing.

10. Absence of Market Intelligence:

Market intelligence is not only the information of the prices of various commodities in different markets, but also a knowledge of production, arrivals of different commodities, their volume, kinds and time; changes in sales, stocks, consumer demand and supply; price bids and offers, crop forecast factors affecting the market etc.

This information helps in making an analysis of market behaviour, formulation of suitable and effective price policy and in taking measures to correct the factors. The main purpose of the price policy in India is to get fair price to the producer, safeguarding the interests of the consumer, the middlemen can be utilised at reasonable costs. Thus market information also helps the farmer in taking decisions about the time and place of the sale of his produce.

But the information provided by the village traders to the farmers at present about prices in wholesale markets is not reliable and comparable. The various trade names and descriptions confuse the buyers and sellers, the prices quoted are often inaccurate. This results into inefficiency of market system and the producer pays price for it.
11. Lack of Transport facility:

Transport is the most important sector of Agricultural Marketing. About 25% of the consumer price comprises of transport costs. The transport cost is very high due to lack of roads, railways, metalled roads, use of traditional system of transport like bullock carts etc. Due to this reason the mobility of goods is affected and the price fluctuation will be high.

The transport costs in India is very high. India's condition is very bad if we compare it with other countries of the world in respect of mileage of road to the surface of territory. The following table makes it clear.

<table>
<thead>
<tr>
<th>Country</th>
<th>Road mileage per square mile of territory</th>
<th>Road mileage per 1,00,000 of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.K.</td>
<td>3.24</td>
<td>284</td>
</tr>
<tr>
<td>France</td>
<td>3.03</td>
<td>1,502</td>
</tr>
<tr>
<td>USA</td>
<td>1.00</td>
<td>1,834</td>
</tr>
<tr>
<td>Spain</td>
<td>0.38</td>
<td>251</td>
</tr>
<tr>
<td>Ceylon</td>
<td>0.38</td>
<td>115</td>
</tr>
<tr>
<td>India</td>
<td>0.25</td>
<td>82</td>
</tr>
</tbody>
</table>

Source: Report of the Road Transport Re-organisation Committee (Masani committee) 1960 p.4.
The above table shows that road mileage per square mile of territory and per 1,00,000 population in India is only 0.25 and 82 respectively as against 3.24 and 284 in U.K.

12. Lack of Storage Facility:

The storage facility is needed both at the time of assembling and distribution and from the date of production to the date of consumption. This forms one of the important forms of marketing system.

The storage is of vital importance for agricultural goods because some of the goods are seasonal and are perishable. These cannot be disposed or consumed immediately after harvest as they are needed continuously on a day to day basis. The storing of agricultural goods is necessary in a country like India because the production of them is periodic and fluctuating whereas consumption is continuous.

The storage system helps in shortening the time-lag between production, marketing and consumption. The goods are available in all seasons and the producer and consumer get an advantage of the stable prices: "It would enable the producers to obtain the commodities during the period of scarcity and their prices would be reduced as more of the commodities are available in off season." 12

Unfortunately, in India the storage facilities are very less and the government taking steps in providing storage infrastructure is slow.
Foodgrains Investigation Committee has made a study of the loss incurred in storage because of inadequate storage facility.

Shri. R.N. Chaturvedi of the Directorate of Marketing and Inspection has carried out a study of the losses in lack of storage facility. The following table gives an idea of the loss in respect with different commodities as estimated by him.

Table 2.5

Losses in storage in marketing channel

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Average storage period (months)</th>
<th>Losses suffered in storage</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>6 to 9</td>
<td>5</td>
<td>9</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td>Rice</td>
<td>4 to 8</td>
<td>2</td>
<td>6.50</td>
<td>4.25</td>
<td></td>
</tr>
<tr>
<td>Barley</td>
<td>6</td>
<td>1.50</td>
<td>2.50</td>
<td>2.00</td>
<td></td>
</tr>
<tr>
<td>Maize</td>
<td>3 to 6</td>
<td>9</td>
<td>11</td>
<td>10.00</td>
<td></td>
</tr>
<tr>
<td>Millets</td>
<td>4 to 6</td>
<td>-</td>
<td>-</td>
<td>5.00</td>
<td></td>
</tr>
<tr>
<td>Pulses</td>
<td>8 to 10</td>
<td>6</td>
<td>12</td>
<td>9.00</td>
<td></td>
</tr>
<tr>
<td>Potato</td>
<td>7</td>
<td>50</td>
<td>65</td>
<td>57.50</td>
<td></td>
</tr>
<tr>
<td>Groundnut</td>
<td>6 to 8</td>
<td>1</td>
<td>5</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Tobacco</td>
<td>3 to 8</td>
<td>-</td>
<td>-</td>
<td>10.00</td>
<td></td>
</tr>
</tbody>
</table>


The table makes it very clear that the loss because of inadequate storage ranges from a minimum 2 percent to 57.50 percent. This is not a small amount of
loss because, "Even at 5 percent the loss of cereals, millets, spices, oilseeds, jute, cotton and tobacco would come to over Rs.4000 million every year in India."\(^{13}\)

The loss incurred due to lack of storage facility is very high. It is estimated approximately to be 5 to 15 per cent. Even at 10 percent loss it amounts to starving the whole population of India for an year.

Thus there is hardly any stage of agricultural marketing in India which is not suffering and needs to be corrected.
References:


