Chapter V

PROBLEMS IN AGRICULTURE MARKETING

5.1 INTRODUCTION

Agriculture as an economic activity is subjected to serious risk of natural conditions and price risk. At every level i.e international, national and APMC level there exists number of problems related to Agriculture Marketing. Before independence, Indian agriculture was mostly in the nature of subsistence farming. The farmers sold only a small part of their produce to pay off rents, debts and meet their other requirements. The farmers sold a considerable part of the total produce to village traders and moneylenders often at prices considerably lower than the market prices.

The farmers who took their produce to mandies i.e whole sale market also faced number of problems. There was a large chain of intermediaries in the agriculture marketing system like village traders, kutcha arhityas, pucca arhatiyas, brokers, wholesalers, retailers, and moneylenders. As a result the share of framer in the price of agriculture produce was reduced substantially. Farmers were required to pay arhat to the arhatiyas, tulaii for weighing produce, palledari to unload the bullock carts and for other type of miscellaneous types of works, garda for impurities in the produce. Absence of proper warehousing facilities in the villages, made to farmer to store his produce in pits, mud-vessels, kutcha storehouses etc. These unscientific methods of storing led to considerable wastage. These problems are not only applicable to India but exits worldwide. For many
such problems researcher has tried to take overview of the problems at different levels.

5.2 UNIVERSAL PROBLEMS IN AGRICULTURAL MARKETS

As per International Fund for Agricultural Development (IFAD)\(^1\) research, the scenario of agriculture markets has changed as compared to scenario before two decades especially for smallholder producer due to trends in national and international agriculture markets. Markets no longer have fixed nominal prices. Instead, new commercial relations must be established with a myriad of suppliers and buyers, and prices. Selling produce or purchasing inputs are now largely negotiated. For farmers particularly those producing export crops in areas enjoying good communications this has created new opportunities. For many others, especially those trying to produce market staples in remote areas of low agro-ecological potential, it has created major problems. The issue of market access may usefully be considered according to three dimensions: physical access to markets; structure of the markets; and producers’ lack of skills,

5.2.1 Physical access to markets:

Distance to markets and lack of roads to get to them or roads that are impassable at certain times of the year is a central concern for rural communities throughout the developing world. It undermines the ability of producers to buy their inputs and sell their crops. It results in high transportation costs and high transaction costs, to both buyers and sellers, and it leads to uncompetitive, monopolistic markets. Transport costs
combined with storage constraints are particularly important for sellers, who tend to trade locally in vegetables and other perishables. Difficult market access restricts opportunities for income-generation. Remoteness increases uncertainty and reduces choice. It results in more-limited marketing opportunities, reduced farm-gate prices and increased input costs. It also worsens the problem of post-harvest losses, which can reach as high as 50% in some areas. In doing so, it weakens incentives to participate in the monetized economy, and results in subsistence rather than market-oriented production systems. By contrast, improved infrastructure leads to increased market integration and more commercially oriented production systems. Market access is thus a key determinant of household production systems.

5.2.2 Market Structure:

Rural markets are characterized by extreme asymmetry of relations between producers/consumers and market intermediaries. On one hand, large numbers of small producers/consumers, and on the other, a few market intermediaries. Such market relations are characteristically uncompetitive, unpredictable and highly inequitable. Rural producers who face difficulties in reaching markets often become dependent on traders coming to the village to buy their agricultural produce and to sell those inputs and consumer goods. However, especially in remote areas, a trader may not arrive reliably or at all, and producers are often faced with little choice, but to accept the first offer of the first trader who shows up, however unfavorable it might be. Such a situation exacerbated when the trader is also the only source of information on prices and other relevant market information. In many countries, there has been rapid growth in smallholder-based contract farming and through this; many poor producers
have established an important, assured commercial relationship. However, in the context of monopolization of processing, credit, marketing and technical capabilities by agri-business companies, smallholders have been entering a commercial relationship that has been fundamentally inequitable. Although experiences have varied, and there are clear examples of companies acting with enlightened self-interest. Smallholder producers found themselves effectively operating as employees rather than as partner. Ultimately, they have derived very low net returns as the large-scale private sector exercises. This offers a scenario of growth of smallholder production without smallholder development.

5.2.3 Lack of skills, organization and information:

Poor producers find themselves at a major disadvantage in agricultural markets. Many have a poor understanding of the market, how it works? Why prices fluctuate? They have little or no information on market conditions, prices and the quality of goods. They lack the collective organization that can give them the power. They require interacting on equal terms with other, generally larger and stronger, marketing intermediaries. They have no experience of market negotiations and little appreciation of their own capacity to influence the terms and conditions upon which they trade. With little experience, no information and no organization, they have no basis upon which either to plan a market-oriented production system or to negotiate market prices and conditions. Ultimately, their lack of knowledge means that they are passive, rather than active players in the market. They can be exploited by those with whom they have market relations. They fail to realize the full value of their production.
5.3 PROBLEMS OF AGRICULTURE MARKETING IN INDIA

Numbers of studies have shown that the efficiency of rural markets in India is poor due to number of problems, such as the high degree of congestion at market yards, less number of traders and non-availability of supporting services. This, in turn affects the market turnover. The efficiency of rural assembly markets, as a link in the marketing chain have positive impact on types of crops to be grown and resource allocation by agricultural producers. The major problems in agricultural marketing identified are as follows:

5.3.1 Absence of a Common Trade Language

Different set of standards/specifications for agricultural commodities are followed by different organizations in the country. The standards laid down in the Prevention of Food Adulteration (PFA) Act are the National Standards. Besides this, there are AGMARK Standards, Bureau of Indian Standards (BIS), Standards followed by Army, Standards fixed by Warehousing Corporations and those by Food Corporation of India for procurement purposes. Traders of different commodities have their own trade standards in different localities in the country. Thus, the absence of common trade language is a major deterrent for evolving a competitive agricultural marketing system in the country.

5.3.2 Variation in Market Charges

According to the provisions made in the APMC Act of the States, every market Committee is authorized to collect market fees from the licensees (traders) in the prescribed manner on the sale of notified agricultural
produce brought by the farmers or traders in the market area at such rates as specified by the State Government. The number of commodities brought under the ambit of regulation varies from state to state. The market fee varies between 0.50 percent in Gujarat to 2 percent in Punjab and Haryana. The charges payable by buyers and sellers are also different. Several state governments have introduced other taxes/fees that create considerable confusion.

5.3.3 Neglect of Rural Markets

There are more than 21000 rural periodic markets, which have remained outside the process of development. These markets constitute the first contact points between the producer seller and the commercial circuits. Most of these markets lack the basic minimum facilities.

5.3.4 Controls under Essential Commodities Act (ECA)

Though Central Government removed all restrictions on storage and movement of commodities, many State Governments are still enforcing several control orders under the EC Act. These control orders give rise to rent-seeking by the enforcement functionaries at the border check points creating artificial barriers on the movement and storage of agricultural commodities. There has not been sufficient publicity about the withdrawal of restrictions under EC Act. With the reintroduction of stocking limits recently, the situation has again become complex.
5.3.5 Infiltration

A common problem faced in the farmer’s markets or the direct market systems is the infiltration of the traders or intermediaries in the guise of farmers. Though identity cards have been introduced and there are periodical checks, the problem persists in many farmers markets. There is a need to curb this malpractice through proper monitoring and penalties.

5.3.6 Grading Infrastructure

Grading at primary market level is grossly inadequate. As per Planning Commission Report, there are only 1968 grading units at the primary level, which include 587 units with cooperatives and 298 units with other organizations. At the level of regulated markets, there are only 1093 grading units in 7557 regulated market yards/sub-yards. Only seven percent of the total quantity sold by farmers is graded before sale. During 2004-05, 6.62 million tonnes of agricultural produce and 26.1 crore pieces valued at Rs 6224 crore were graded at primary market level. Due to lack of proper handling i.e. cleaning, sorting, grading and packaging etc. facilities at the village level, about 7 percent of food grains, 30 percent of fruits and vegetables and 10 percent of spices are lost before reaching the market.

5.3.7 Other Barriers

Lack of infrastructure like storage, transportation, telecommunication, quality control, packaging, price risk management, integration of spot markets with commodity exchanges, pledge financing through a chain of accredited storage and warehouse receipt system, cool chains, market led extension, and conducive framework for promotion of contract farming are
some of the other important constraints for competitive agricultural marketing system in the country.

5.4 PROBLEMS IN APMCS’

As mentioned in Planning Commission Report, the facilities created in market yards continue to be inadequate. The market committees have not popularized the cleaning, grading and packaging of agricultural produce on a sufficient scale before sale by the farmers. Even facilities for these have not been created in most of the market yards. The institution of State Agricultural Marketing Boards was created for speedy execution of the market development work. So far 25 States and two UTs (Delhi and Chandigarh) have established the Agricultural Marketing Boards in their respective States/UTs. Although, the purpose of establishment, of State Agricultural Marketing Board is almost the same, in all the States there exist a broad variation in their composition/constitution and functioning. It is necessary to bring more uniformity in powers and functions of Boards and demarcations of activities between the Directorate of Marketing and State Agricultural Marketing Boards. This can facilitate proper regulation of marketing practices as well as building more infrastructure facilities to achieve a faster growth and better private participation.

Report further states that the benefits available to the farmers from regulated markets depend on the facilities/amenities available rather than the number of regulated markets in the area. Both covered and open auction platforms exist in 66% of the regulated markets. Only 25% of the markets have common drying yards. Traders modules viz. shop, godown and platform in front of shop exist in 63% of the markets. The cold storage units exist in only 9% of the markets and grading facilities exist in less than
33% of the markets. The basic facilities viz., internal roads, boundary walls, electric light, loading and unloading facilities and weighing equipment’s are available in more than 80% of the markets. Farmer’s rest houses exist in 50% of the regulated markets.

**Problems in Maharashtra Agriculture Marketing Board:**

Maharashtra State is spread over an area of 3.07 Lakh Sq. km. The total population of the State is 10.3 Crore (estimated 2004-05), out of which, 57.8% population is dependent on agriculture. Agriculture plays an important role in the State’s economy. The total number of farmers in the State is 1.66 Crore, of which, 43 % and 27 % are small farmers and marginal farmers, respectively. The average land holding is 1.66 Ha. In the year 2004-05, the area under cultivation in the State was 22.66 Million Ha, which is 73.66 % out of the total physical area of 30.76 Million Ha. In the same year, the area under irrigation was 4.03 Million Ha, which is 17.78%. The food crops including cereals and pulses occupy 12.91 Million Ha (56.97%) area. The important Kharif crops are sorghum, millets, rice, pulses, soybean, groundnut, sunflower, sesame and cotton, while wheat, yellow gram, sunflower are grown in Rabi season. This profile shows agriculture has great importance in the state’s economy.

Maharashtra Agricultural Competitiveness Project (MACP1) Report identifies that, the productivity of important crops in the State is low as compared to average productivity of these crops with national averages and averages for many other states. The productivity in other sectors of agriculture like Animal husbandry, Dairy, Fisheries is also low as compared to National Averages. The productivity levels in Agriculture are low mainly because irrigated area is low; most of the area is rain-fed.
Another reason is though technology is available, it is not being fully adopted and farmers do not follow improved practices fully.

The experts of MACP identified following problems of APMC

(i) Lack of coordination among concerned line departments,
(ii) No convergence of the schemes,
(iii) The schemes implementation is not integrated,
(iv) End to end approach is missing,
(v) Inadequate availability of funds,
(vi) Inadequate infrastructure in agricultural marketing system,
(vii) Lack of adequate arrangements to carry the marketing information and marketing intelligence to the producers,
(viii) Inadequate risk mitigation measures, and
(ix) Lack of alternate marketing system, coupled with poor knowledge of agricultural marketing.

MACP experts raise very important point that, though there is a good amount of marketable surplus in the state, the producers do not get reasonable price for their produce because of serious deficiencies in the present agricultural marketing system. The present marketing system has certain shortcomings as listed below:

i) Value chain is too long and fragmented and therefore, particularly in perishables, share of the producer in the consumer’s rupee is very low (it is at times as low as 20%),

ii) Lack of standardization and enforcement of quality and grades,

iii) Insufficient and ineffective services to the farmers regarding inputs and information,
iv) Lack of facilities of grading, packing, cold storage and processing,

v) Inadequate transparency in marketing and

vi) Lack of private sector investment. This results in stress to the farmers

References:

