

Landscape of Agricultural Marketing in India

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Abstract

The establishment of a well-structured marketing system carries an important bearing on the supply, income and price aspects of agricultural production. Well established market structures would minimise the losses, assure good prices for farmers which, in turn, motivate them to adopt better practices for higher productivity. As a consequence, it would mitigate conditions of distress sale. In contrast, the absence of established marketing facilities would result in the consequences of increased agricultural imports and rise in food prices. Further, given that many of the agro based industries critically depend on agricultural produce for their raw material requirement, establishment of an efficient agricultural marketing system is crucial for its non-farm sector's growth. This requires both public and private investment for which the laws must be facilitating. The length of the marketing channel should be ideal in order that the marketing costs are minimum. In the context of Indian agriculture, however, despite many initiatives by the government to establish institutions and legislations, the marketing cost has been high. Against this background, the present paper discusses the issues related to the development of an efficient agricultural marketing system.

Key words:*Doubling Farmers Income, Minimum Support Price, Online Trading, Storage Facility, Unregulated Markets.*

Introduction

Agricultural marketing is a process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country. Agricultural marketing in India is a multifaceted system that involves the myriad processes and channels through which agricultural products traverse from the farms to the end consumers. Rooted in the agrarian nature of the country, this intricate network plays a pivotal role in determining the economic well-being of farmers and ensuring a steady supply of food to the burgeoning population. With a history deeply interwoven with traditional

practices, recent years have witnessed a transformation in agricultural marketing, spurred by technological advancements, policy reforms, and a growing awareness of the need for fair and efficient market mechanisms.

At the heart of this system are Agricultural Produce Market Committees (APMCs) or mandis, which serve as regulated platforms for buying and selling agricultural commodities. However, the landscape is evolving, marked by a push towards direct marketing, where farmers can engage with consumers, processors, or retailers without the intermediation of traditional channels. This shift is underpinned by efforts to enhance farmers' income, reduce post-harvest losses, and improve overall market efficiency.

Government interventions, such as the Minimum Support Price (MSP) mechanism, aim to provide a safety net for farmers, although the efficacy of these measures remains a subject of ongoing debate. Moreover, recent legislative initiatives, including the Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017, signal a move towards market reforms, seeking to encourage private investment and foster a more competitive and transparent marketplace.

Yet, the sector grapples with challenges ranging from fragmented land holdings to inadequate infrastructure. Small and marginal farmers, who constitute a significant portion of the agricultural community, often face hurdles in accessing markets effectively. The lack of timely and accurate price information, coupled with transportation issues and storage inadequacies, further compounds the complexities of the agricultural marketing landscape.

As India endeavours to modernize its agricultural marketing system, embracing technological solutions, infrastructure development, and policy reforms, the sector stands at a critical juncture. Balancing the interests of farmers, consumers, and market participants is a delicate task, one that holds the key to fostering sustainable agricultural practices and ensuring food security in a rapidly changing economic landscape.

Agriculture Markets in India

The system of marketing of agricultural produce prevailing in India is a three tier system comprising primary rural markets, secondary or assembly markets, and wholesale or terminal markets.

Primary Markets: The primary rural markets are the traditional system of markets like the periodic markets or hats and fairs held in rural areas. Besides marketing of many consumer goods, these institutions provide an important outlet for the disposal of surplus farm produce. Many of the periodic markets today are within the purview of regulation with

the government charging a small fee from each participant for which the markets provide some basic infrastructure for smooth trading. Producers having a limited quantity to sell often find it economical to dispose off their produce in the rural market rather than go the secondary or wholesale markets. Normally, such markets serve an area of 5 to 10 km radius.

Secondary Markets: While the primary markets cater to the local demand, the secondary markets cater to distant demand. These markets serve as collection centres and as a place for the assembly of produce by traders who come from distant places. They are called 'mandis', which are usually situated at the district head quarters near to railway stations. Such markets have good communication facilities and draw supplies from their hinterland spread over a radius of 10-30 kms. They are wholesale daily markets from where the produce are transported in truckload of goods to the city markets.

Terminal Markets: These are the third tier of markets where sale of goods to retailers takes place. In these markets the goods are finally disposed of to final consumers or processors or assembled for shipment to foreign destinations. The area served by these markets is very large. The terminal markets are of two types: primary wholesale markets and secondary wholesale markets. The primary wholesale markets are larger in area and attract many retailers as they are able to assort the products as per their requirement. They also serve as transit points to distant small town markets. Being governed by the APMA, the primary wholesale markets generally have the requisite infrastructure and a system for smooth trading. They are located in important towns near production centres where the producer-farmers bring their produce for sale. The secondary wholesale markets are located at points nearer to resident population. Thus, in both the type of terminal markets, the produce is either finally disposed of to the consumers or processors or is assembled for dispatch to distant markets and also for exports.

Recent years have been good for Indian agriculture with an annual growth rate in the range of 3 – 5 percent. The broad-based growth has been observed both in terms of production and geographic reach. The advance estimates for the 2020- 21 crop year suggest record production of food grains at 308.65 million tonnes on projected record output of paddy, wheat, maize and pulses. The second advance estimates for the crop year 2020-21 expect horticultural production to reach 329.86 million tonnes. While the difficulties created by COVID induced lockdowns adversely affected the performance of the non-agricultural sectors, the agriculture sector came up with a robust growth rate of 3.4 per cent at constant prices during 2020-21 (Economic Survey, 2020-21). Further, as per the Food Corporation of India (FCI) information, it is estimated that the central pool of wheat and rice consists of

70.02 million tonnes as on September 2020, which is three times as much as the operational buffer/strategic stock of 21.04 million tonnes. Taking these factors into account, food supplies in the country appear to be more than adequate.

Indian agriculture has achieved impressive growth on production front but a lot is required to be done to improve marketing and distribution. The restrictions imposed to curb the spread of COVID-19 have further influenced the agri-supply chain mainly in case of horticultural commodities. Production and marketing of fresh fruits and vegetables in India have been severely hampered by COVID-19. It is important to build more resilient and robust value chains for their linkage with regional and global market. The development of resilient value chain will need a thorough understanding of the present challenges faced by agricultural marketing in India. It is imperative to strengthen agriculture in order to combat rural poverty, food insecurity, unemployment, and the degradation of natural resources. Marketing concerns and issues relate primarily to the effectiveness (efficiency) of the marketing system, which depends on the market structure and conduct (Acharya et al, 2006).

Inadequacy of Agricultural Marketing System

The trade environment is changing world over which offers opportunities for international trade. Through, Government of India has taken various initiatives to make marketing system more responsive, conducive for participation of players from different sectors and infrastructure rich, still there are so many issues farmers and other stakeholders encounter with in taking the farm produce to market. Some of them are listed below –

- **Inadequate/Improper Warehouses**

There is a near absence of proper warehousing facilities in the villages. This compels the farmers to store their produce in pits and mud vessels. Such unscientific methods of storage lead to considerable losses of produce by wastage. To minimise their losses farmers tend to dispose of their produce in the nearest local markets. This creates an abundant supply yielding low and un-remunerative prices to the producers, particularly the small producers as the large producers have the capacity to arrange for the required storage facilities. While the setting up of central and state warehousing facilities has improved the situation to some extent, there is every need to expand the facilities much more on this front.

- **Lack of Grading and Standardisation**

The practice of selling graded items which can fetch better return is missing among the small farmers. The common practice is to sell them in heaps of one lot with items of

different qualities mixed up. The low returns received as a result of this practice do not induce the farmers to adopt better methods and practices for producing quality produce.

- **Inadequate Transport Facilities**

Good road connectivity to transport the produce to mandies (the places where produce are sold in bulk) with adequate motorized transport facilities is a must. The practice in India, particularly for small farmers, is to transport their goods in bullock carts. The feasibility to transport items to far off places is greatly constrained by this means of transportation. In light of this, even if the prices are low they generally sell them at the nearest place. This is particularly so with perishable commodities. Even though the situation is changing for the better, cases where such constraints are continued to be faced by small farmers are not insignificant.

- **Presence of Large Number of Intermediaries**

As we have seen above, the length of marketing channel is not small or optimum to realise maximum returns to the producers. The situation is particularly adverse due to number of intermediaries or middle men operating in the names of village traders, kutcha/puccaarhatiyas, brokers, wholesalers, retailers, money lenders, etc. This feature reduces the returns to the farmers greatly. Estimates in this respect indicate that in the aggregate, farmers get about 53 percent of final consumer's payment; the share of middlemen being 31 percent and the rest being other costs including marketing expenditures. For vegetables and fruits, the corresponding percentage of producer's returns is even worse (39 percent) with the share of intermediaries being still higher (34 percent).

- **Malpractices in Unregulated Markets**

The number of unregulated markets are still large in India. Even in regulated markets, due to the ignorance and otherwise, several problems like getting cheated in matters of underweighing, arhat or pledging charges to be paid to the arhatiyas, etc. continue to exist. Many of these problems can be eliminated with proper information flow about regulated market facilities. Notification of facilities available free of cost and those available for specified or prescribed charges would help minimise exploitation of small farmers. Stricter monitoring of operational facilities in regulated markets is also equally important. There is a long way to go in establishing fair methods and practices in this regard in India.

- **Inadequate Market Information**

Very often, farmers do not get the right information about prices in the markets. Taking advantage of this ignorance on the part of farmers, middlemen take undue benefit of the situation. The situation is changing with the government making use of media like radio, newspapers, etc. to announce and disseminate information on prices in markets. However, there are problems of time lag and the consequent less reliable information reaching the sellers. This leads to traders often paying less than the prices quoted by the government in the news media.

- **Inadequate Credit Facilities**

Situations of distress sale by poor farmers arise because they do not have the required credit or financial means to store their produce in anticipation of better prices in the markets at a future date. The cooperatives which are meant to provide help to the farmers in this respect are not very effective. The large number of small farmers who generally get left out from such organized means of protecting their interests continue to suffer by having to pledge their produce to local money lenders whose help they often take to tide over their difficulties. One way out of this crisis is to expand storage facilities and offer pledging/credit facilities against agricultural produce. But, this has not caught up to the required extent in India.

To sum up, therefore, the above outlined inadequacies in the state of agricultural marketing system in India, leading to higher marketing costs, can be identified for its various disabilities as follows:

- (i) multiplicity of market charges;
- (ii) unjustified trade allowances (e.g. charges for dryage, moisture, dirt, etc. even after inspection);
- (iii) adulteration and lack of grading;
- (iv) the under-over (or hatha) method of sale in which only the negotiators know the price being negotiated;
- (v) improper and incorrect weighing practices;
- (vi) large samples being taken away by the buyers without payment;
- (vii) delayed payment of sale proceeds;
- (viii) superfluous middlemen;
- (ix) inadequate storage facilities,
- (x) defective transport; and
- (xi) lack of market information.

That in spite of the APMA being in enactment for over five decades many such inadequacies continue to exist point out towards the lack of effective implementation on the one hand and the renewed role of the government in agricultural marketing required on the other.

Recent Development and Strategies

Government has realized the importance of an efficient agricultural marketing system in helping farmers not only in realizing the best possible price but also to diversify towards other crops and enterprises and avail the benefits of international market. Accordingly, some of the leading developments in marketing of farm produce are being given hereunder:

- ✓ *Improving the Performance of Wholesale Markets* – There are 7000+ regulated wholesale markets operating in the country. In order to strengthen the marketing system at wholesale level, the Government of India has suggested various measures through Model Acts circulated during 2003 & 2017. More than 16 states have introduced provision of direct marketing and markets under private/ cooperative sectors. As an outcome of these initiatives, more than 50 private markets have been established/ licenses issued (dmi.gov.in). Unified license is also an important initiative to improve trade activities in regulated wholesale markets. A total of 72260 unified licenses have been issued by more than 20 states/UTs.
- ✓ *Deregulation/ Delisting and Exemption of Market Fee on Fruits and Vegetables* – In order to promote marketing of perishables and encouraging emergence of alternative marketing channels for fruits and vegetables, various states have deregulated/ delisted and exempted Market Fee on Fruits & Vegetables. States like Assam, Odisha, Meghalaya, Gujarat, West Bengal, Madhya Pradesh, Delhi, Nagaland, Karnataka, Himachal Pradesh, Haryana, Chhattisgarh and Maharashtra have supported this initiative in different form to encourage the marketing of perishables in their state.
- ✓ *Strengthening of Farmers' Markets* – The concept of farmers' market has been experimented in various states with different names like ApniMandis in Punjab and Haryana. The concept, with certain modifications, has been popularized in Telangana and Andhra Pradesh through Rythu Bazars, RaithaSanthe in Karnataka and in Tamil Nadu as UzhavarSanthai (GoI, 2001). About 488 such farmers' markets are operating in different States of the country (GoI, 2017). However, these markets mainly provide a platform for

direct transaction between producer and consumer for supply of locally grown fresh produce unlike western concept where the platform is utilized for education and extension in addition to marketing.

- ✓ *Creation of Infrastructure* – Availability of infrastructure in markets play an important role in proper handling and reducing the post-harvest losses. However, as per Doubling Farmers' Income Reports, the status of infrastructure in market is not very encouraging. The covered and open auction platforms exist only in two-thirds of the regulated markets, while only one-fourth of the markets have common drying yards. Cold storage units exist in less than one tenth of the markets and grading facilities in less than one-third of the markets. Electronic weigh-bridges are available only in a few markets. To cite an example, there are only 447 godowns and 334 drying yard available in the different regulated markets in Tamil Nadu. Government has introduced various schemes like Integrated Scheme for Agricultural Marketing (ISAM) and Agricultural Infrastructure Fund to support creation of market related infrastructure. The provision has been made to strengthen Rural Haats / RPMs into Grameen Agricultural Market (GrAMs) as suggested in DFI Report under Agricultural Marketing Infrastructure Sub-Scheme of Integrated Scheme for Agricultural Marketing.
- ✓ *Envisaging Online Trading* – The concept of e-NAM was launched by the Government on pilot basis in 21 APMC market from 08 States. At present, a total of 1000 markets have been integrated with the electronic portal from 21 States/UTs. The platform has been made comprehensive and more user friendly by introducing warehouses based trade module and module for the participation of FPOs. About 37 warehouses from Telangana and Andhra Pradesh have already been declared as deemed market. However, the present rate of participation by traders and farmers is moderately low.
- ✓ *Creating Local Outlets at Each Village* – The creation of local outlets where the farmers can sell their crops directly to the consumers or authorized buyers would be very beneficial. For farmers to reap the benefits of this network, government intervention is essential. The rural haats or rural periodic markets have been suggested to develop into GrAM under DFI Report to operate as collection and distribution centres.
- ✓ *Strategies Taken during Pandemic by Government and Wholesale Markets* – Central and State Governments have taken various steps to manage the

pandemic situation. Various micro need based innovations are taking place at ground level. Agricultural Marketing Departments and marketing Boards have advised Standard operating procedures (SOPs) to be followed for performing various operations in wholesale markets. Emphasis was given to maintain proper social distancing and hygiene in wholesale markets. Recommended chemical was sprayed in premises of market on daily basis. Separate places were identified for farmer's vehicles and loader's vehicles. Separate timings were fixed for operation of different kind of activities. There were thermal scans conducted on wholesale market visitors to detect any symptoms. A harvest permit was issued during harvest season. In some markets having huge arrivals during marketing season, token system was adopted to avoid rush. Farmers were told to dry the crop as per specifications and if moisture level is high, their produce will be rejected. This lead to extend the marketing season of crop and long queues were avoided.

Conclusion

Indian markets are faced with various challenges like inadequate transport facilities for agri-produce, poor market infrastructure, lack of market information, unavailability of sufficient processing units and storage facility and price fluctuation which limit these markets to operate at their full potential. Regulating presence of too many middlemen, creation of sufficient storage facilities and other infrastructure, linking farmers with formal credit, sufficient transportation facilities at proper rates and building capacity of all relevant stakeholders is required for proper integration of farmers with market and help them realize the best possible price for their produce.

Despite of a series of efforts, it is pitiable situation that even now close to three-fourths of agricultural markets are unregulated. Further, the APM Act required that all agricultural produce must be channelled through the regulated markets; in other words, it prohibited direct sale/purchase of produce. Besides, over time, even the regulated markets had come to acquire the status of restrictive and monopolistic market features. Such conditions contributed to preventing private investment in agricultural marketing development. To rectify this situation, towards the beginning of 2000, the government took steps to modify the APM Act and enacted a model-APM Act in 2003. This Act provided scope for establishment of private markets, provisioned for the setting up of direct purchase centres and promoted PPP modelled investment for agricultural infrastructure development. A number of state governments have since implemented many of the provisions of this model

Act. Notwithstanding this, there is still a long way to go in the direction of establishing effective market integration so as to keep the differences in prices of agricultural commodities between markets low.

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