

# Present Indian Agri Marketing System and Agri Business

Prof. Shubhangi Vitthal Gaikwad

*Assistant Professor & Head, Department of Commerce  
MAEER'S Arts, Commerce & Science College Pune*

## I. INTRODUCTION

Indian Economy is an Agrarian Economy and thus it is called as an Agricultural Country. One third of the India's population directly or indirectly depends on the agricultural sector for earning their livelihood. They are depending upon this sector for earning their living. Since Years & times Indian Agriculture remains as the main stay and aspect of the Indian economy. Indian agriculture contributes about 25 per cent to the national gross domestic product (GDP) of the Country. As food is the great need of human beings & mankind, much emphasis has been on commercializing the agricultural production and output. For this reason only, adequate production and even adequate distribution of food has become a high priority and importance all over the world and globe.

Agricultural marketing is nothing but mainly the buying and selling of agricultural products & produce. In olden days the farmer used to sell his produce to the consumer's on either cash or barter basis without any difficulty because the village economy was more or less self-sufficient. Today's agricultural marketing has to undergo and face a series of exchanges, transactions or transfers from one person to another person before it reaches the ultimate consumer's or the final buyer's.

**There are three types of marketing functions and activities involved in this and they are as follows:-**

- a. Assembling
- b. Preparation for Consumption
- c. and finally Distribution

**Selling & distribution of any agricultural produce or item depends on some couple of important factors like:-**

- a. The Demand of the Product at that Time
- b. Availability of Storage
- c. Type of Market and Market Form
- d. Type of Marketing Activities carried out
- e. Type of Marketing Channel used for Selling the Products
- f. Market related Internal & External Factors etc.

The products based on Agriculture sector may be sold directly or indirectly in the market or it may also be stored locally for the time being to meet future obligations. Moreover, it may be sold as it is gathered and collected from the field or it may also be cleaned, graded and processed by the farmer or the merchant of the village. Sometime processing is being done and is required because consumers want it-demand it. Sometimes it is also done to conserve the quality of that product. The work / job of the Distribution System and Network is to match the supply with the existing demand by selling and retailing the produce in various points of different types and forms of markets like primary, secondary or terminal markets.

Most of the agricultural products in India are sold by the farmers in the private sector to moneylenders (to whom the farmer may be indebted) or to the village traders. Agricultural Marketing and Agricultural Products are sold in various ways. For example, it might be sold at a weekly village market in the farmer's village or in the neighboring village. If these possibilities are not available, then the produce might also be sold at irregularly held and organized markets in the nearby village or town, or in the mandi.

In India, there are several **Central Government Organizations**, which are involved in Agricultural Marketing that too on large scale like:-

- a. Commission of Agricultural Costs and Prices
- b. Food Corporation of India
- c. Cotton Corporation of India
- d. Jute Corporation of India, etc.

There are also **Specialized Marketing Bodies** for the following items:-

- a. Rubber
- b. Tea
- c. Coffee
- d. Tobacco
- e. Spices and
- f. Vegetables

Under the Agricultural Produce (Grading and Marketing) Act of 1937, more than 40 Primary Commodities are compulsorily graded for

performing the Export-Import Transactions and voluntarily graded for the Internal Consumption as well. Regulation of Commodity Markets is a function of the State Government. The Directorate of marketing and inspection provides not only the Marketing and Inspection services but also the financial services right from the top level to down to the village level in order to help people to set up Commodity Grading Centers in the selected market areas or regions.

As our Country has got the old tradition of Agricultural Production, Marketing and Allied Commercial activities, it's really the time for us now to brainstorm, think logical in this direction and come out with new ideas and innovations of value added services. These services will definitely give the old existing agricultural engine a new dimension and profile. The next logical step could be food-processing areas or units which not only could be revenue generating area or source but also can be a full time provider of lots of full-time employment to our un-employed youths. With the Global Competition all over the world and the rapidly changing Agricultural Scenario, there is really a need of exploiting the available resources at the maximum cost and level.

An agricultural survey was undertaken by the Directorate of Marketing and Inspection in the Ministry of Agriculture in the year, 1970-71 and 1971-72. And it was found that over all 500 regulated markets were involved with a view to assess the adequacy and efficiency of the existing regulated markets highlighting their drawbacks and deficiencies. Also suggestions and measures were also underlined or given to develop them. One of the most important drawbacks has been the inadequate financial resources of some of the market committees. During the **Fourth Five Year Plan**, a central sector scheme was drawn up and framed by the **Ministry of Agriculture** to provide a grant at 20 per cent of the cost of development of the Agricultural Markets, subject to a maximum of Rs. 2 lakhs. The balance amount for the same will have to be provided by the Commercial Banks as a help.

Another important development and landmark in the case of regulated markets is the keen interest taken by the **International Development Agency (IDA)**. They have tried to develop and improve the infrastructure and marketing activities carried out in the regulated form of markets. The IDA has financed the development of infrastructure in **50** markets of **Bihar**. There are also some good news and fair happenings on the front of irrigation, rural infrastructure, restoring water bodies and water harvesting. Another action initiated to improve the governance of the Small Farmers Agri-business Consortium (SFAC) is to include the recruitment or appointment of a Banker as the Chief Executive so that necessary additional capital can be provided to SFAC regarding this.

## II. MEANING AND SDEFINITION

- “The study of agricultural marketing comprises all the operations, and the agencies conducting them, involved in the movement of the farm-produced foods, raw materials & their derivatives, such as textile, from the farms to the final consumers, & the effects of such operations on farmers, middleman & consumers.”

- THOMSON

- “Agriculture marketing is 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-harvest operations, assembling, grading, storage, transportation and distribution”.

### - NATIONAL COMMISSION ON AGRICULTURE (12<sup>TH</sup> REPORT)

- “Agriculture marketing has involvement of three important functions, namely
  - a. Assembling (Gathering & Concentration)
  - b. Consumption and (Processing)
  - c. Distribution (Selling)

### - INDIAN COUNCIL OF AGRICULTURAL RESEARCH

## III. SCOPE OF AGRICULTURAL MARKETING

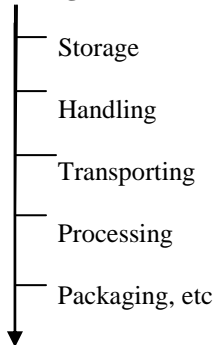


Scope of agricultural marketing has widened a lot and is thus much more:-

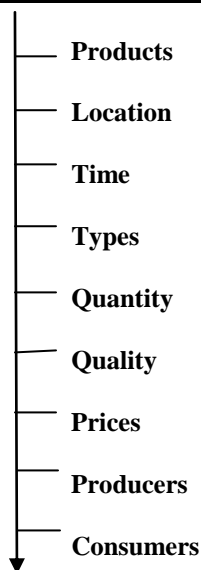
- Concerned with Marketing of Farm products.
- And Includes Product marketing & Input marketing.

Because of Globalization and Liberalization rapid changes and competition are taking place not only in national markets but also in inter-national markets of agricultural commodities and food products. Following are the various elements covering the scope of agricultural marketing, which are as follows:-

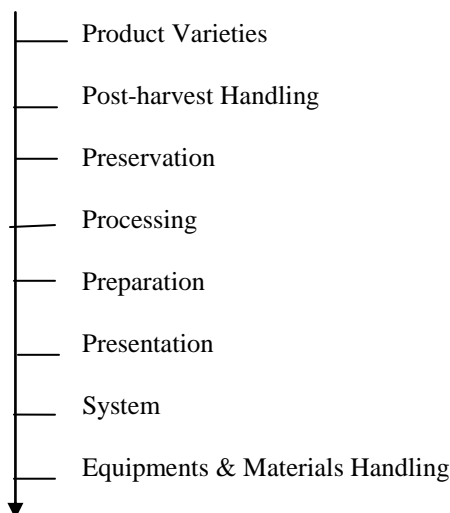
**a. Marketing Channels:-**



**b. Information and Communication:-**



**c. Research Activities:-**



**d. Public & Private Services:-**



**IV. FACTORS AFFECTING DEMAND OF AGRO BASED PRODUCTS**

There are various factors that can affect the demand as well as supply of Agricultural Marketing as well as Agricultural Business. So, let's see all these in detail which are as follows:-

**a. Standard of living of the Population:-**

This is the major problem with the developing Nation like, India. The Standard of living of the Population in a given or particular are really matters a lot as it decides the spending capacity and purchasing power's of the people living in that country. Depending upon the standard of living and earning of the people the demand for the agricultural products can be generated. As per the demand it becomes easy for the supplier's to supply goods and products in the demanded areas without any difficulty.

**b. Industrialization of the Economy:-**

After the Industrialization of the Economy, there was a great need and demand for the Agricultural products in the various parts of the Country. This has really helped to deal with and increase the agricultural Business on large scale as well. Because, of this the industries tries to become dependent on the produce from this sector on large scale.

**c. Foreign Trade:-**

Even today Agriculture is the only main source of generating national as well as foreign income for the country. The Foreign Trade of the country has increased

and improved a lot just because of the increase in the demand of the various commodities from this sector.

So, in short we can say that the foreign trade of the country is also dependent on this sector to generate revenue on large scale. Finally agriculture based commodities are demanded all over the world for performing trade and business related activities on large scale helping the country to earn maximum profits based on this.

*d. Demand for Inputs:-*

Agriculture Inputs are demanded all over the world on large scale. There has been a great and significant change seen in this sector regarding inputs and outputs. This has resulted and helped to increase the inputs and productivity in this sector by using modern methods of production.

*e. Awareness of the Farmer:-*

The awareness of the farmer has helped to understand the need and demand for their products in different parts of the regions and areas. It has helped him to identify markets and customers in order to meet their need, want and demand regarding agricultural produce and items.

## V. METHODS OF SALE IN AGRI MARKETING



*a. Under Cover or Hatta System:-*

**H A T T A S a l e ( U n d e r C o v e r )**

This is a very popular method of undercover sales that is being practiced in the vegetables and fruit market. This method of selling agricultural products is legally not permitted to be used or practiced in the regulated markets.

It deals with the prices in codes i.e:-

- 1 Finger = Rs 101
- Tapping = Re 1Fist = Rs100E
- G: Holding 3 Fingers and then,
- Tapping the Finger 2 times would communicate Price of Rs.32/kg.

If the prices are acceptable to both the parties, lapping hands signals the deal has done. It is well justified by the wholesalers in the market and that's the main reason why this method is practiced. Nowadays there has been a noticeable increase in the number of retail clients visiting the market just because of this system. Actually, this system is used and practiced in the market because it helps to maintain the confidentiality of the wholesale prices. In this system if the prices offered to the wholesale customers are finalized and negotiated with the help of talking or discussing loudly, then the retail buyer's would also demand the similar price regarding the same.

*b. Open Auction System:-*

Auctions are mechanisms for competitively establishing prices and market allocations. It is the system for competitive pricing and marketing. In this system price listing of take it or leave it marketing very much common in retail market.

It is a situation where the price and other terms of exchanges are negotiated between the buyer and the seller. This system is generally used for:-

- Markets for raw materials
- Many Agricultural products
- Real Estate
- And some Consumer Products (like; automobiles and domestic services)

*c. Private Agreement:-*

It is a method where the agricultural produce is distributed and sold out by entering into or doing Private Agreements with the Private owner's or Businessmen's. This is again a very popular method of doing agricultural business where the seller's or owner's try to sell the products to the private owner's by helping the customer's to get the goods at their own places.

Private agreements help the Government authorities to make the things easier and possible to the customer's as they will find better option's to go for the product of their own choice. They will get all the products of their requirement at one proper place that too in good quality. So, this method of sale in agriculture is really helping people to satisfy their needs and requirements regarding getting agricultural products and services.

So, the seller may invite may offers for his produce and may sell to one who have offered the highest price for the produce.

*d. Government Purchase:-*



Government Purchase means the Expenditures made in the private sector by all levels of Government. It is the purchases made by the government from the/in the sector. It can also be used as an important tool for a government to deal with the business as well as trade cycle and helps to provide the economic stimulation when it is required or necessary.

Government Purchases are important to the economy as contracts and agreements with the private sector really stimulate the economy and society when private companies are unable to do well. Basically, this practice is followed in co-operative and regulated markets.

*e. Marketing Agencies:-*

Marketing Agencies are the agencies which are used for marketing of goods & services. Same way in Agriculture also this system is used n is very much popular as well. It is used to act as an important aspect of marketing department. The role of marketing agencies has changes a lot but still it remains fairly simplistic helping the brand to increase their sales, profit and loyalty. These agencies do take help of the digital channels in order to go near to the customer's.

The social media has forced the seller's to engage with customer's helping them to get everything that they want creating brand awareness amongst the general public.

Mobile too, is helping the companies to interact with their customers, allowing them to get direct feedback and help from these people. These marketing agencies really help the firm to build a brand name in the society regarding the products and the services offered to the consumer's by them. It also helps to build a strong network and channel of communication in order to get the customer's and to develop a long lasting relation with them.

Basically, it is being classified into:-

- a. Government and Quasi Private Agencies (Co-operative Societies)and,
- b. Private Agencies

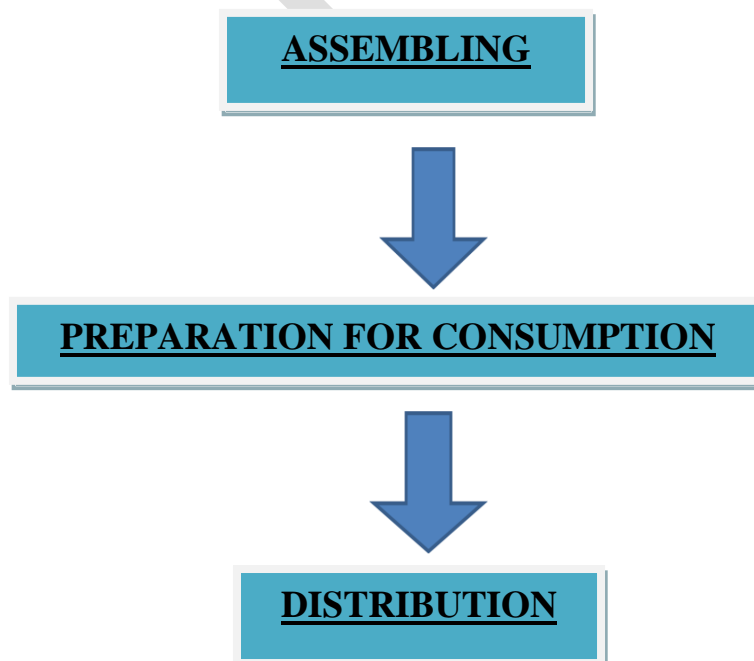
*f. Dara System:-*

This is the accepted and related system to sell the heaps of grains of different quantities at fiat rates without indulging in weightiest. This is also a popular method of selling the agricultural produce at the fiat rates.

*g. Moghum Sale:-*

This is a method which is based on the verbal and common understanding between the buyer's and the seller's without telling or mentioning the rate of exchange. It is understood that the buyer's will pay the said and decided rates for the different crops of different nature and quantity.

FIGURE SHOWING FUNCTIONS OF AGRI MARKETING



## VI. OBJECTIVES OF AGRI MARKETING

The objectives of agriculture marketing are as follows:-

- a. To help the primary producers to get the best possible returns for their produce that too on large scale.
- b. To provide facilities for lifting all produce, the farmers willing, to sell at an incentive price.
- c. To reduce the price differentiation between the primary producers & the ultimate consumers for their produce.
- d. To make available all products of agriculture at reasonable and affordable prices without affecting the quality of the product.
- e. To ensure the better quality and quantity of the product and items.
- f. To provide help and support to the small poor farmers by allowing them to get maximum financial help and support from the Government and banks.
- g. To provide market based right information services and positive benefits to farmers and trader's.
- h. To establish linkages between agribusiness, large retailers and farmers with the help of contract farming, group marketing, and other forms of collective action.

## VII. IMPORTANCE OF AGRI MARKETING

Agri marketing is an integral part and activity of the Indian Economy. However, the importance of it lies in the following points:-

- a. It is important because it helps to capitalize the marketable surplus on large scale.
- b. It is helpful in generating and earning higher National Income for the country's economy.
- c. Agriculture plays a very important role for a developing nation like India. It is essential for the Country's Infrastructure and Development.
- d. It's the main source of earning livelihood and income for more than 70% of our India's population. Maximum people are dependent on agriculture sector or the allied activities based on this sector to earn their living. So, this sector is of much more importance and significance.
- e. It again stands significant & very important for the growth of the Economy. Agriculture is considered as the Primary Sector for the growth of the economy. One third of our Indian economy is dependent on this sector for its growth and flourishing.
- f. Toady Indian Marketing has reached the stage of International Markets just because, of Globalization and Increasing Competition. It is not only doing well in

Domestic market but also in Globalized market as well. Thus, it is providing the country to get foreign currency based on this.

g. Agriculture marketing is helping the farmers to get or earn fair returns on their prices of agriculture produce. So, they are better sharing the prices paid by the consumers to them.

h. It is also helpful for streamlining new farmers in this direction. It is allowing new farmers to have their success and sustainability more equitable participation in market related activities.

i. It also helps to have a proper Agriculture Marketing Environment and System of Control.

## VIII. INADEQUACY IN PRESENT INDIAN MARKETING SYSTEM



### a. Improper Warehousing:-

There is an improper Warehousing facility in the Indian villages. That really forces the Indian farmers to save or store their products in pits, kutchha store houses and mud vessels, etc. This leads to wastages of resources as well as products. Even some of the agricultural produce gets rotten and thus becomes improper for the human consumption. Just because of this reason farmers are not able to get proper or fair prices for their produce.

However, the Central Warehousing Corporation and State Warehousing Corporation of India have really helped to improve the situation and condition to some extent regarding the above mentioned problems. These corporations are helping farmers to get and earn proper return and rewards for their items. Even they try to provide them with good support for having their own proper warehouses so, that they can save the items for the future use as well.

### b. Lack of Grading & Standardization:-

Agricultural products and produce are not graded properly and that's why they are also not standardized properly. Thus, the farmer's are not getting better prices for their

products. Hence, there is no incentive to use better seeds and produce better varieties as well.

Therefore, the agricultural crops or produce should be grades properly so that they can be standardized properly as per their quality and quantity.

*c. Improper Transport Facilities:-*

Indian villages and coastal areas are really facing the problem of transport facilities. They are highly inadequate in India. Very few Indian villages and remote areas are joined by roadways, railways and pucca roads to the mandies.

That's why the Indian farmers are forced to carry or distribute their produce on slow moving vehicles like the old bullock carts in village markets. Basically, this practice is used and adopted for all types of agricultural based products like, perishable items as well. Thus, the farmers have to dump his produce in nearby markets just because they cannot sell the items to far-off places and markets.

In this way these farmers suffer a lot as they don't get a proper return or fair prices on their produced commodities. So, the price obtained by them in such type of market is considerably low and poor.

*d. Large Number of Intermediaries:-*

The Marketing Chain used in Agricultural Marketing is very large and long. The number of Intermediaries used in this Distribution Network is also very large and that's why the share of the farmer's is reduced in this process to a large extent.

The Intermediaries used in the system are village traders, Kutcha arhatiyas, Pucca arhatiyas, Brokers, Sub-brokers, Wholesalers, Retailers, and Money lender's etc. Thus, the large number of Middlemen used in the Channel of Distribution affects the entire structure and activities of the Indian Agricultural Marketing and again the poor farmer's only become the sufferer in this. They only have to bear the burden of the same on their shoulders.

*e. Number of Organized & Regulated Market:-*

The Number of Organized & Regulated Markets in the Country is very large. The big landlord's and village traders use the unfair means and wrong transactions with the farmers by cheating them. They try to take undue advantage of their ignorance and high illiteracy by doing unfair means or injustice with them.

Thus the farmers are required to pay heavy for these malpractices. Even in the regulated markets & big mandies there is a use of wrong weights and measures. Again the farmers have to bear the loss. These wrong means are now also is very prevalent and used in most parts of the country in order to cheat them.

*f. Inadequate Market Information:-*

Since, the Illiteracy rate in Indian villages are high therefore, it becomes difficult for the farmers to get updated market information from the outside sources. Even most of the times it becomes difficult for them to get right information about the exact market prices in the different form of markets. So, they have to accept the prices whatever prices are offered to them by the traders.

To avoid this Government is really doing a lot and is taking initiative on their part to change the system and activities regarding this. Government is using the radio and T.V. media to broadcast the market prices on regular prices. The main intention is that the traders should not take prices which are high from the farmers then the quoted prices by the Government. They should not cheat the farmers just because of this.

*g. Inadequate Credit Facilities:-*

Indian farmers are facing the problem regarding getting proper credit facilities from the Government. They are not getting proper funds or financial assistance from neither the banks nor the financial institutions. And just because of that they are sometimes forced to take loans from the money lenders, by agreeing to pledge their produce to them at less than the market prices. So, the small farmers are left at the mercy of the money lenders as they are not getting the support from the Co-operative Societies as the big farmers are getting.

¥ SUMMARY ¥

IX. CONCLUSION

Thus, it is difficult to view the present agricultural marketing in India and thus difficult to think about its future too in isolation of the land relations. But because of the technical advancements and introduction of new things in this particular sector has really helped to improve and change the system and scenario. Farmer's are now in a better position to obtain and get fair prices for their market produce but still it has not benefited the small and marginal farmers to that much extent.

Still there is a hope that in coming years this sector is really going to do well and there will be people who will be investing more in this sector to get more returns on their investments. So, this will result in improving the condition of our poor farmers as well in remote areas and villages. They will be able to earn more from this.

REFERENCES

- [1]. [http://www.domain-b.com/economy/agriculture/20040713\\_marketing.htm](http://www.domain-b.com/economy/agriculture/20040713_marketing.htm).
- [2]. [http://agritech.tnau.ac.in/agricultural\\_marketing/agrimark\\_India.html](http://agritech.tnau.ac.in/agricultural_marketing/agrimark_India.html).
- [3]. Website:- Agricultural Marketing.
- [4]. [www.google.com](http://www.google.com):- Indian Agricultural Marketing.