

## **Agricultural Marketing; an Over View**

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### **Abstract**

Current Agricultural marketing system in India is the outcome of several years of Government intervention. The system has undergone several changes over the last 60 years owing to the increased marketed surplus; increase in urbanization and income levels and consequent changes in the pattern of demand for marketing services; increase in linkages with distant and overseas markets; and changes in the form and degree of Government intervention. Actual buying and selling of commodities mainly takes place in market yards, sub yards and Rural Periodic Markets spread throughout the country. There are in all 7,246 Regulated Markets in the country (as on 30-6-2011) and 21,238 Rural Periodic Markets, about 20 per cent of which, function under the ambit of regulation.

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#### **Introduction:**

In India, the organized marketing of agricultural commodities has been promoted through a network of regulated markets. Most state governments and UT administrations have enacted legislations to provide for the regulation of agricultural produce markets. While by the end of 1950, there were 286 regulated markets in the country their number as on 31 March 2006 stood at 7566. In addition, India has 21780 rural periodical markets, about 15 per cent of which function under the ambit of regulation. The advent of regulated markets has helped in mitigating the market handicap apes of producers/sellers at the wholesale assembling level. But the rural periodic markets in general and the tribal markets in particular, remained out of its developmental ambit.

#### **Present Constraints in the System:**

The purpose of state regulation of agricultural markets was to protect farmers from the exploitation of intermediaries and traders and also to ensure better prices and timely payment for their produce. Over a period of time, these markets have, however, acquired the status of restrictive and monopolistic markets, providing no help in direct and free marketing, organized retailing and smooth raw material supplies to agro-industries. Exporters, processors and retail

Chain operators cannot procure directly from the farmers as the produce is required to be channelized through regulated markets and licensed traders. There is, in the process, an enormous increase in the cost of marketing and farmers end up getting a low price for their produce. Monopolistic practices and modalities of the state-controlled markets have prevented private investment in the sector. Post-harvest losses are estimated to be of the order of 5-7 per cent in food grains and 25-30 per cent in the case of fruits and vegetables.

**Need for Reforms:**

The agriculture sector needs well-functioning markets to drive growth, employment and economic prosperity in rural areas of India. In order to provide dynamism and efficiency into the marketing system, large investments are required for the development of post-harvest and cold-chain infrastructure nearer to the farmers' field. A major portion of this investment is expected from the private sector, for which an appropriate regulatory and policy environment is necessary. Also, enabling policies need to be put in place to encourage the procurement of agricultural commodities directly from farmers' fields and to establish effective linkage between the farm production and the retail chain and food processing industries. Accordingly, the state governments were requested to suitably amend their respective APMC Acts for deregulation of the marketing system in India, to promote investment in marketing infrastructure, thereby motivating the corporate sector to undertake direct marketing and to facilitate a national integrated market. The Department of Agriculture and Cooperation also formulated a model law on agricultural marketing for guidance and adoption by the state governments. The model legislation provides for the establishment of private markets/yards, direct purchase centers, consumer/farmers' markets for direct sale and promotion of Public-Private Partnership (PPP) in the management and development of agricultural markets in India. Provision has also been made in the Act for constitution of State Agricultural Produce Marketing Standards Bureau for the promotion of grading, standardization and quality certification of agricultural produce. This would facilitate pledge financing, direct purchasing, forward/future trading and exports. Several state governments have initiated steps for amending their respective APMC Acts. A table indicating the state-wise status of reforms in APMC Acts as on 31 December 2006 is given below:

Sl No	Stage of Reforms	States/ UTs
1.	States/ UTs where APMC Acts have been suitably amended	.Madhya Pradesh, Himachal Pradesh, Punjab, Sikkim, Nagaland, Andhra Pradesh, Chhattisgarhi, Rajasthan, Orissa, Arunachal Pradesh, Maharashtra and Chandigarh.
2	States/ UTs where reforms to APMC Acts have been partially modified: a) by amending APMC Act/ Resolution b) by Executive Order	Haryana, Karnataka, Gujarat and National Capital Territory of Delhi Uttar Pradesh.
3	States/ UTs where there is no APMC Act in operation	Bihar, Kerala, Manipur, Andaman & Nicobar Islands, Dadra & Nagar Haveli, Daman & Diu and Lakshadweep

4	States/ UTs where APMC Act already provides for the reforms	Tamil Nadu
5	States/ UTs where administrative action has been initiated for introducing the reforms	Assam, Mizoram, Tripura, Meghalaya, J&K, Uttrakhand, Goa, West Bengal Pondicherry and Jharkhand

**Terminal Markets:** The Department has recently taken the initiative to promote modern terminal markets for fruits, vegetables and other perishables in important urban centers in India. These markets would provide state-of-the art infrastructure facilities for electronic auction, cold chain and logistics and operate through primary collection centers conveniently located in producing areas to allow easy access to farmers. The terminal markets are envisaged to operate on a ‘hub-and-spoke’ format, wherein the terminal market (the hub) would be linked to a number of collection centers (the spokes).

The terminal markets would be built, owned and operated by a corporate/private/co-operative entity, either by itself, or through the adoption of an outsourcing model. The enterprise could be a consortium of entrepreneurs from agri-business, cold chain, logistics, warehousing, agree-infrastructure and/or related background. The enterprise would charge a user charge for the services provided. The total financial outlay for implementation of the above component during the Tenth Plan Period is Rs 150 core. The proposed expenditure will be met from the budget outlay of the National Horticulture Mission. The operational guidelines of the scheme have been circulated to the state governments, which have amended their respective APMC Acts to allow the setting up of markets in the private sector.

**Organizations Dealing with Marketing:**

The Department of Agriculture and Cooperation has three organizations dealing with marketing under its administrative control, namely, the Directorate of Marketing and Inspection (DMI), Faridabad; the Ch. Charan Singh National Institute of Agricultural Marketing (NIAM

), Jaipur; and the Small Farmers Agri-Business Consortium (SFAC), New Delhi. The DMI is an attached office of the Department and is headed by the agricultural marketing adviser. Its head office is at Faridabad (Haryana), and branch head office as well as 11 regional offices and the Central Agmark Laboratory are located at Nagpur (Maharashtra). Besides these, there are 26 sub-offices and 16 Regional Agmark Laboratories (RALs) spread all over India as per the details given in the table below: Regional Offices Sub-Office under Regional office Agmark Laboratory

under Regional Office

1. Delhi 1. Dehradun 1.Okhla 2.Ghaziabad
2. Kolkata 1. Patna 2.Bhubaneshwar 3.Ranchi 1.Kolkata 2.Patna
- 3.Bhubaneshwar
3. Mumbai 1.Nasik 2.Ahmedabad 3.Rajkot 4.Surat
- 5.Panaji 6.Pune 7.Sangli

1. Mumbai 2. Rajkot
4. Bhopal 1. Raipur 1. Bhopal
5. Chennai 1. Bangalore 2. Madurai 3. Hubli 1. Chennai 2. Bangalore
6. Kochi 1. Calicut 2. Thiruvananthapuram 1. Kochi
7. Hyderabad 1. Guntur 2. Vishakhapatnam 1. Guntur
8. Guwahati 1. Shillong 1. Guwahati
9. Lucknow 1. Kanpur 2. Varanasi 1. Kanpur
10. Jaipur -  
1. Jaipur
11. Chandigarh 1. Jammu 2. Amritsar 3. Abohar 4. Shimla 1. Amritsar

The main functions of the Directorate are as follows:

- Rendering advice on statutory regulation, development and management of Agricultural produce markets to the state governments/UT administrations;
- Promotion of standardization and grading of agricultural and allied produce under the Agricultural Produce (Grading & Marking) Act, 1937;
- Market research, surveys and planning;
- Training of personnel in agricultural marketing;
- Marketing extension;
- Agricultural marketing information network;
- Construction of rural godowns; and
- Development of agricultural marketing infrastructure. Grading and Standardization:

The Agricultural Produce (Grading and Marking) Act, 1937 empowers the central government to fix quality standards, known as 'AGMARK' standards, and, to prescribe terms and conditions for using the seal of AGMARK. So far, grade standards have been notified for 181 agricultural and allied commodities. The purity standards under the provision of the PFA Act and the Bureau of Indian Standards (BIS) Act, 1986, are invariably taken into consideration while framing the grade standards. International standards framed by Codex/International Standards Organization (ISO) are also considered so that Indian produce can compete in international markets. During the year 2006-07, the following rules have been prepared and are in the process of being notified: (i) the Fruits and Vegetables Grading and Marking (Amendment) Rules, 2006, containing grade standards for capsicum, okra, strawberry, cherries, chilies, melons, watermelons, sapota, custard apple, cauliflower, beans, gherkins, carrots and pears; (ii) the Tapioca, Sago Grading and Marking Rules, 2006; and (iii) the Statue Grading and Marking Rules, 2006. The grading standards of honey, cut flowers, cereals, oilseeds, tamarinds, manual flowers etc., are also under preparation. Four commodities identified by the Tribal Cooperative Marketing Development Federation (TRIFED), namely, atrophy seeds, myrobalans, karanja seeds and pawed seeds have been taken up for analysis as a part of a collaboration effort between TRIFED and DMI.

As a result of special efforts initiated to promote grading under AGMARK, commodities valued at Rs 153.31 core were graded for export purposes during the year 2005-06. During 2006-07 (up to 30 November 2006), commodities valued at Rs 65.00 core were graded. By the end of March 2006, 192 certificate of authorization holders were operating for grading of agricultural and allied produce for exports purposes under AGMARK. During 2005-06, commodities worth Rs 4998.85 core were graded for

internal trade. During 2006-07 (up to 31 November 2006), commodities valued at Rs 2800.00 crore (estimated) were graded for internal trade. There were also 5958 authorized packers that were operating for grading agricultural commodities for internal trade. During 2005-06, a total revenue of Rs 10.01 core was realized on a count of grading charges etc. During 2006-07 (up to 31 October 2006), an amount of Rs 6.00 core (provisional) has been realized.

#### **Marketing Extension:**

AGMARK quality control programmers as well as improvements in marketing practices and procedures are given wide publicity through mass media. The information is disseminated through documentaries, cinema slides, printed literature, exhibitions, conferences, seminars and workshops. Agricultural Marketing, a quarterly bi-lingual journal, is also published regularly.

The Directorate participated in the India International Trade Fair, 2006, and will also participate in AHARA-2007. As a part of its normal activity, the Directorate through its regional/sub-offices participated in 11 exhibitions arranged by other organizations at different places during 2005-06. On the eve of World Consumers' Day, the Directorate organized symposia and mini exhibitions on AGMARK at 14 places. One exclusive AGMARK exhibition is being organized at Ernakulum in Kerala during January 2007. Another is being organized in Haryana.

Marketing Research and Information Network (AGMARKNET): This is a central sector scheme that was launched by the Department of Agriculture and Cooperation in March 2000. The scheme aims at progressively linking important agricultural produce markets spread all over India and the State Agriculture Marketing Boards/ Directorates and the DMI for effective exchange of market information. The market information network, AGMARKNET ([agmarknet.nic.in](http://agmarknet.nic.in)), is being implemented jointly by DMI and NIC, using NICNET facilities available throughout the country. The objective of the scheme is to facilitate collection and dissemination of information for better price realization. The scheme provides funds to state- and national-level institutions managing the markets and executing market-led extension activities and thus, has no separate gender-specific provisions under the scheme. The portal covers market, price, infrastructure and promotion-related information for efficient marketing. During the Tenth Plan, an outlay of Rs 35 core has been approved for the implementation of the scheme. This includes networking of markets, development of regional portals, market-led extension activities and development of market atlas on

Global Information Systems (GIS) platform, etc. During 2006-07 (31 December 2006), as

against a budgetary provision of Rs 3.55 core, an amount of Rs 1.44 core has been released to NIC for computer connectivity for 121 nodes, and 18 core to Madhya Pradesh and Karnataka for market-led extension activities. The markets are reporting daily prices and arrivals data using

a comprehensive national-level database at Agmarknet Portal ([www.agmarknet.nic.in](http://www.agmarknet.nic.in)). Information on wholesale prices and arrivals in respect of 300-plus commodities and 2000 varieties are being disseminated through the portal on a daily basis. More than 1900 markets have been linked to the Central Agmarknet Portal and more than 1500 markets

reported data during the month of November 2006. Weekly prices and arrivals trends are also being disseminated using the portal. Monthly prices and arrivals bulletins are being generated using the national database. In addition to price, other market-related information is provided through the portal. These relate to accepted standards of grades, labeling, sanitary and photo-sanitary requirement, physical infrastructure of storage and warehousing, marketing laws, fees payable, etc. Similarly, commodity profiles are being loaded on the portal. Commodities already covered include paddy/rice, wheat, Bengal gram, black gram, red gram, mustard/ rapeseed, groundnut, soya bean and sunflower. Further, the portal provides information about schemes of DMI, weather information, e-directory of markets, CODEX standards, etc. The port

al is also constantly being enriched. Information on prices and arrivals is being disseminate

d in nine languages. The database developed under Agmarknet is also serving various commodity directorates of the Department of Agriculture and Cooperation by providing customized hyperlinks to data pertaining to specific commodities. An arrangement has been worked out with Indian Farmers Fertilizer Cooperative Limited (IFFCO) for regular transmission of prices and arrivals data from Agmarknet to the touch screen multimedia kiosks being installed by them at the rural cooperative societies. Construction of Rural God owns: The Department of Agriculture and Cooperation introduced a central sector scheme, the 'Graeme Bandera Yolanda', in March 2002 to promote the construction of rural god owns. The main objectives of the scheme include the creation of a scientific storage capacity with allied facilities in rural areas to meet the requirements of farmers for storing farm produce and to prevent distress sale of produce. Initially, the scheme was approved for two years i.e., up to 2003. The scheme was later approved for implementation up to 31 March 2007 with some modifications. Under the revised scheme, a subsidy at the rate of 25 per cent was given to all categories of farmers, agriculture graduates, cooperatives and the Central Warehousing Corporation/State Warehousing Corporations (CWC/ SWCs). All other categories of individuals companies and corporations are entitled to a subsidy at the rate of 15 per cent of the project cost. In North-Eastern states/hilly areas and SC/ST entrepreneurs and their cooperatives, subsidy is provided at the rate of 33.33 per cent. 11.20 A total of 90-lakh tones capacity of rural god owns was targeted during the Tenth Plan period. However, the target has now been revised upwards to 140 lankh tones as the target of 90 laky tones was achieved during 2004-05 itself. Till 31 Decamber 2006, 13030 storage projects having a capacity of 180.88 lakytones have been sank tined under the scheme. Development/Strengthening of Agricultural Marketing Infrastructure,

#### **Grading and Standardization:**

The scheme for the development/strengthening of agricultural marketing infrastructure, grading and standardization was launched on 20 October 2004. Under this scheme, a credit-linked investment subsidy is being provided on the capital cost of general or commodity-specific marketing infrastructure for agricultural commodities and for strengthening and modernization of existing agricultural wholesale markets, and rural or periodic markets in tribal areas.

The scheme covers all agricultural and allied sectors including dairy, poultry, fishery,

livestock and minor forest produce. The scheme is reform linked and is being implemented in those states/UTs that permit the setting up of agricultural markets in the private and coop

ergative sector and allow direct marketing and contract farming. A sum of Rs 67.00 core has been allocated for implementation of the scheme during 2006-07, of which an amount of Rs 25.00 core has been provided to NABARD during the current year up to 30 November 2006. During this year, Bihar, Chhattisgarh, Arunachal Pradesh, Orissa, Maharashtra and the UTs of Chandigarh and Lakshadweep were notified for implementation of the scheme. These are in addition to the states of Madhya Pradesh, Kerala, Manipur, Tamil Nadu, Sikkim, Nagaland, Himachal Pradesh, Punjab, Andhra Pradesh, Rajasthan, and the UTs of Andaman and Nicobar Isle and, Daman and Diu and Dadra and Nagar Haveli which were notified in the previous year.

There were 22 training and awareness programmes that were conducted. The operational guidelines of the scheme have been modified to permit the state agencies to take up projects from their own funds without availing credit from the financial institutions. The condition of altitude of location of the project has been relaxed and all projects in the states of Uttarakhand, Himachal Pradesh and Jammu and Kashmir are now eligible for a higher subsidy of 33.33 per cent. An amount of Rs 9.74 core has been released by the NABARD as subsidy for 703 projects in the states of Punjab, Tamil Nadu, Madhya Pradesh, Andhra Pradesh, Kerala, Rajasthan and Himachal Pradesh during 2006-07 (up to 30 November 2006). Since inception and till 30 November 2006, 881 projects have been sanctioned and a subsidy of Rs 13.82 core released to the beneficiaries.

NIAM: Set up in August 1988, NIAM has been imparting training to senior and middle-level executives of agricultural and horticultural departments, agro industries, corporations, state marketing boards, agricultural produce market committees and apex-level cooperatives, commodity boards, export houses recognized by the Agricultural and Processed Food Products Export Development Agency (APEDA), CBs and NGOs. Besides these clients, the NIAM also imparts training to farmers on marketing management. NIAM is managed by a governing body under the chairmanship of the union minister of agriculture and an executive committee under the chairmanship of the secretary, Department of Agriculture and Cooperation.

#### **Training Activities:**

The Institute organized training programmes, workshops, awareness programmes and management development programmers during 2006-07, up to 31 October 2006.

#### **Management Development Programmes (MDPs):**

This initiative was started in the year 2003-04. Four MDPs have been successfully organized during 2006-07 for leading companies like Bayer Crop Science, MICO BOSCH etc., for

the benefit of executives of these companies working in various capacities. The participants rated all these MDPs as excellent programmes and many other companies have shown keen interest in organizing such events by NIAM.

#### **Project Formulation:**

In order to generate resources and ensure optimum utilization of the expertise of the NIAM faculty, the Institute has taken up several consultancy projects in the year 2006-

07. NIAM has completed infrastructural development project of fruits and vegetables cold store, grading line, r opening chamber etc., for the Haryana State Agricultural Marketing Board (HSAMB) at Shahabad, Sirs, Rothay, Carnal and Jhajjar. The Institute has also undertaken project for emulation for the following, which are in progress:

- (i) Setting up a Special Export Zone (SEZ) for mushrooms at Sonia forth HSAMB;
- (ii) Modernization of agricultural markets in Rajasthan, Tamil Nadu, Orissa;
- (iii) Modern terminal markets for Rajasthan, Tamil Nadu and Orissa; and
- (iv) Controlled atmospheric storage for apples at Kolkata for the State Government of Jammu and Kashmir.

**Education:**

The Institute introduced a postgraduate programmed in agri-business management as a sub-centre of MANAGE, Hyderabad with effect from July 2001, and 50 students (26 students in the first year and 24 in the second year) are presently enrolled.

**Major Recommendations of the Committee of State Ministers Marketing**

The major recommendations of the Committee are as follows:

1. The States are required to amend the APMC Act on the lines of Model Act and the reforming States may also notify Rules at an early date. It is necessary that Member States may complete the process early;
2. There is a need for independent regulator for market operation for which the post of Director Marketing as regulator may be segregated from the post of M.D. of Marketing Boards the Operator and Director Marketing should not draw salary and allowances from the Marketing Board. Thus, the role of service provider and regulator should be demarcated;
3. In many of the States, there is a provision that for taking a license, there should be shop in the Mandy yard, which is hindrance for increasing the number of buyers in the market. Therefore, it was decided that the Member States delink the provisions of compulsory requirement of shop for registration of traders / market functionaries for increasing the competition;
4. Under Essential Commodities Act, there is a need to have distinction between genuine service provider and black marketers/hoarders, to encourage investment and better service delivery to the farmers. It was recommended to provide exemptions to Direct Marketer, Contract Farming sponsor and Go down owner to the limit of their capacity of utilization of previous year
5. Member States may maintain a separate account of market fee realized from purchase /sale of perishable horticultural produce and utilize the same for development of marketing infrastructure for horticultural produce exclusively. Member States are required to amend their corresponding Rules to facilitate the same pending with which Member States may consider by issuing and instant appropriate orders to implement the same;
6. It was unanimously agreed that investment in marketing infrastructure under RKVY be increased to minimum 1015% of State RKVY spending in reformed states. A letter should be issued to the Chief Secretaries of States stipulating such minimum investment.

It was further stipulated that efforts be made to encourage certain minimum private investment in marketing

Infrastructure outside the APMCs also;

7. In order to enhance the private sector investment in marketing and market infrastructure development projects, there is need of incentivizing such investments, being long gestation period projects, by way of Viability Gap Funding and treating them “as infrastructure project” so as to help attract FDI and ECB for their development

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