
CHAPTER 1: AGRICULTURAL MARKETING

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Introduction

India and Indian agriculture have a glorious past history. Not only the art, culture, literature, religion and philosophy but also the economic wealth which was the result of agriculture and industry was golden birds.

Agriculture is an extremely important part of our economic structure. In fact, the prosperity of the country as a whole is considerably dependent upon the prosperity of our farm population. About 70 per cent of our population still depends upon agriculture.

Agricultural marketing in India has unique importance in our economy. Marketing is the crux of the whole food and agricultural problem. Improvement in marketing efficiency is an integral part of policies and programmes directed towards raising agricultural production. Importance of agricultural marketing in our economic development plans has been stressed since 1951; because agricultural production and its proper distribution occupy the key position in our economic development.

1 Marketing in General

Before considering the study about the marketing activities of the agricultural produce market committee, Karad it is necessary to study the meaning of market and marketing.

The following definitions give the meaning of market and marketing:

i) Market

- a) "Markets are people with money to spend and the desire to spend it."¹
- b) "An economic market is said to exist wherever and whenever the buyers and sellers of goods and services meet in search of opportunities for the adjustment of their mutual interests and transact business in an atmosphere of free and open competition."²
- c) "Market includes both place and region in which buyers and sellers are in free competition with one another."³
- d) "A market is a centre about which or an area in which the forces leading to exchange or title to a particular product operate and towards which the actual goods tend to travel."⁴

ii) Marketing

- a) "Marketing includes all activities involved in the creation of place, time and possession utilities. Place utility is created when goods and services are available at the places they are needed; time utility when they are needed and possession utility when they are transferred to those who need them."⁵

- b) "Marketing is concerned with the people and the activities involved in the flow of goods and services from producer to consumer."⁶
- c) "Marketing includes those business activities which are involved in the flow of goods and services from production to consumption."⁷
- d) "Marketing is the process of discovering and translating consumer's needs and wants into product and service specifications creating demand for these products and services and then in turn expanding this demand."⁸

iii) Evolution of Marketing

1) Marketing Before Industrial Revolution

Prior to industrial revolution marketing as we understand today, was not in existence. The nature of production during those days was such that the exchange of goods had very little consequences. As such production and distribution were considered as the only important functions and marketing was neglected even when the term market was known. This neglect is based upon the self-centred character of production.

2) Marketing During Early Stage of Industrial Revolution

The industrial revolution brought in its wake far-reaching and wide spread changes not only in the field of production but also in the field of economic philosophy. As such the importance

of the concept of marketing became clear and many thinkers concentrated their attention on this aspect of productive system. To begin with, marketing was considered as the performance of business activity and it is considered of transferring goods from producer to the customer.

3) Marketing During the Modern Times

The impact of Second World War and severity of great depression brought in their wake changes in so far as marketing was concerned. Now-a-days marketing is considered to be an important and powerful function of production and it consists of planning, pricing, promoting and distributing the wants satisfying goods to the customers and potential customers. Thus, marketing is not merely an exchange of commodity but it is a planned purposive business activity with a promotional social outlook.

To sum up, the marketing concept has changed completely during the last hundred years or so. In the beginning marketing was considered as a set of activities involved in the movement of goods from producer to customer. Naturally distribution formed the important function under this concept. In modern times marketing activity revolves around the customer and shows such concern about the customers' satisfaction.

In this context, marketing is described as customer-oriented function and a system of business that aims at accomplishing business objectives through customer satisfaction. This change is

not a sudden development. It is the outcome of evolutionary process.

iv) Objectives of Marketing

Marketing is a productive activity. In a wider sense the main aim of marketing is to satisfy the wants than to earn a considerable profit. Marketing is the successful distribution of the product of land or its mineral wealth and the products of factories. It satisfies the standard of living by increasing the flow of goods and services to customers.

The following are the main objectives of marketing:

- a) Developing an intelligent appreciation of modern marketing practice and the influences in marketing situation.
- b) Developing a broader framework for thinking about marketing.
- c) Providing, guiding policies, regarding marketing producers and their implementations.
- d) Intensifying one's feeling of participation in marketing.
- e) Creating an open-minded hopeful attitude towards the efforts of those scholars in marketing who are trying to develop it into a science.
- f) Indicating the sources from which further information can be obtained concerning marketing problems or situations.

- g) Supplying the factual background and analytical judgement necessary for dealing with marketing problems.
- h) Helping oneself to decide whether his career should be marketing.

v) Classification of Markets

Types of markets are determined by the nature of commodity, time and nature of business, area and importance of the products. There are several types of markets. Though its fundamentals are the same the pattern has been changing all the time.

The appended Chart No. 1 shows the clear picture about the classification of market.

vi) Marketing Activities

Marketing is a continuous process of discovering and translating consumer's wants into appropriate products and services. Marketing stresses managerial approach. It emphasizes the need for marketing programme covering the four aspects of marketing mix. It points out the need of promotion to attract demand problem of physical distribution to be solved by serving the demand through marketing channels with the help of their specialised marketing function.

Marketing activities are divided into three main divisions:

- a) merchandising activities,
- b) physical distribution activities,
- and c) supporting activities.

CLASSIFICATION OF MARKETS

1) AREA COVERED	2) NATURE VOLUME OF BUSINESS	3) NATURE OF TRADE DEALING	4) BASIS OF RULES AND REGULATIONS
1) LOCAL MARKET 2) REGIONAL MARKET 3) NATIONAL MARKET 4) WORLD MARKET	1) WHOLESALE MARKET 2) RETAIL MARKET	2) SPOT MARKET OR PHYSICAL MARKET FORWARD MARKET OR FUTURE MARKET	1) ORGANISED AND REGULATED MARKET 2) UNREGULATED UNORGANISED MARKET
5) ECONOMIC CONCEPT	6) SUBJECT MATTER OF SALE	TIME INTERVAL INVOLVED	SELLER'S POSITION
1) PERFECT MARKET 2) IMPERFECT MARKET 3) MONOPOLY MARKET	1) COMMODITY MARKET 2) MONEY CAPITAL MARKET 3) SECURITIES MARKET 4) FOREIGN EXCHANGE MARKET 5) BULLION MARKET 6) SERVICES MARKET 7) LABOUR MARKET	1) SHORT TERM MARKET 2) LONG TERM MARKET	1) PRIMARY OR LOCAL MARKET 2) SECONDARY MARKET 3) TERMINAL MARKET

Merchandising and physical distribution functions establish best adjustment between the product and customers' wants.

Supporting activities include market finance, consumers' credit market risk bearing and market information and research.

The appended Chart No. 2 points out the marketing activities.

2) Agricultural Marketing

In the business of farming the supply of agricultural inputs like seeds, fertilisers, pesticides, agricultural implements and the sale of agricultural produce at fair prices are the two key activities. Their importance is likely to be even more crucial in a socially regulated economy in India. Indian farmers are unable to secure a fair deal at these two stages and the average agriculturist is denied the full fruits of his industry. The farmers need the service of well-organised marketing system supported by marketing cooperatives, integrated means of transport and scientific storage facilities.

For the study of the marketing activities of Agricultural Produce Market Committee operating at Karad, we will have to consider the following aspects:



MARKETING ACTIVITIES

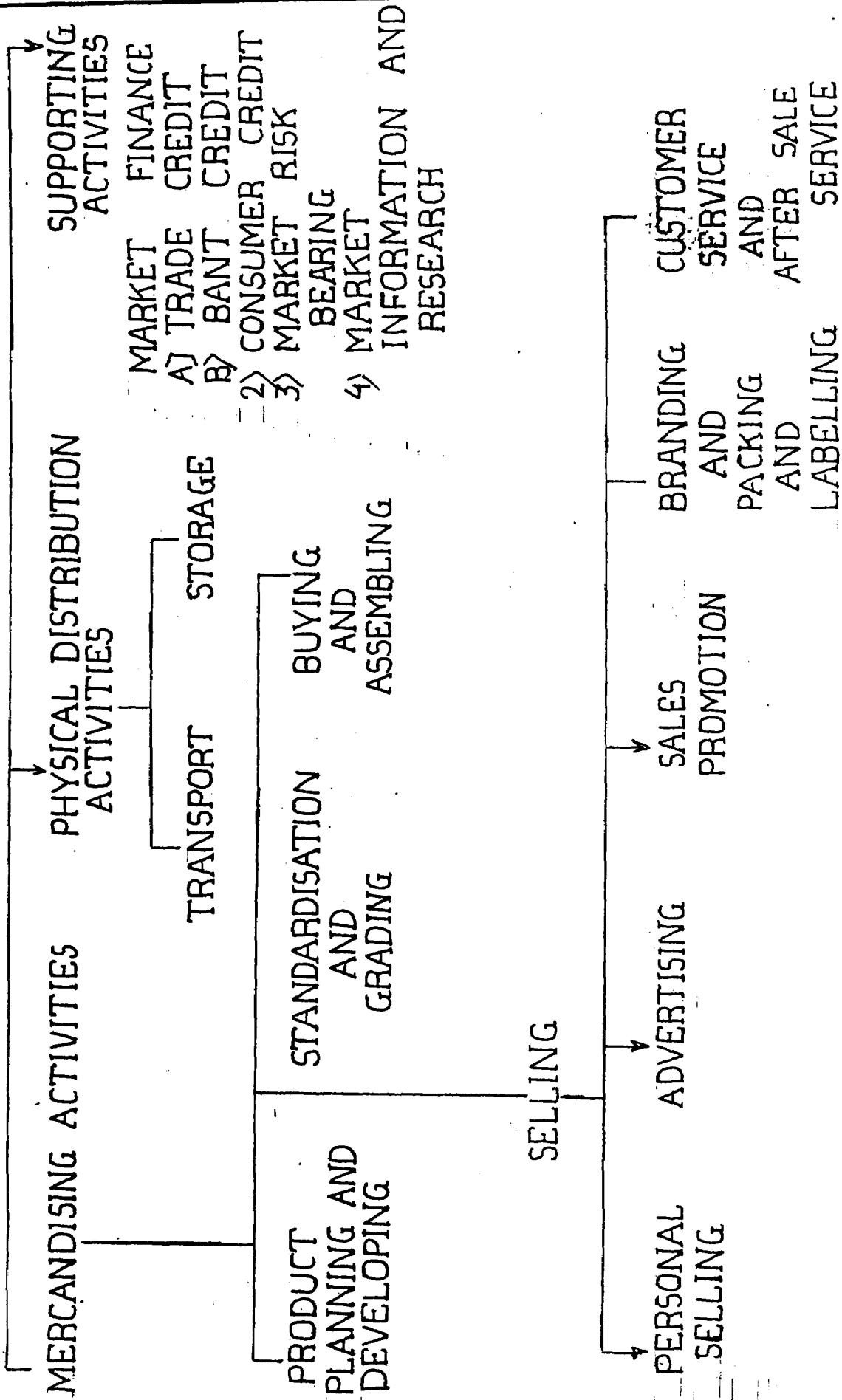


CHART - 2

i) Characteristics of Agricultural Marketing

Marketing of agricultural goods is much more elaborate and complex than the marketing of manufactured goods. The following are the main characteristics of agricultural marketing:

(a) Agriculture - A Mode of Life

Farming is a method or way of life. It is not only purely a business or commercial proposition, i.e., a means of making a living or accumulation of wealth. The farm is the home, a source of food and it furnishes a 'job' to the farmer and his family. It is difficult to get him into some form of organisation. Commercialisation of agriculture in India started only since 1940. Even today it has not been achieved fully.

(b) Concentration of Agricultural Produce

In agricultural marketing assembling or concentration of agricultural produce has special significance. There is longer channel of distribution and multiple middlemen between primary producer and ultimate consumer.

(c) Seasonal Demand on Marketing Services

Agricultural production is seasonal but consumption of agricultural produce is continuous and regular. Hence seasonal demand on marketing service is extraordinary in character.

(d) Varying Qualities

Agricultural produce depends on the fertility of soil and co-operation with nature. So, there are different qualities in agricultural products.

(e) Lack of Adequate Aids to Trade

This is most important character of agricultural marketing. We do not possess adequate and specialised aids to trade, such as facilities of finance, transport and storage in the process of marketing of agricultural goods - particularly during the busy season.

(f) Lack of Standardisation and Grading

In marketing of agricultural goods standardisation and grading play a unique role. These services are still inadequate. There is a need of compulsory services of standardisation and grading.

ii) Characteristics of Agricultural Goods

Characteristics of agricultural goods are classified into three parts.

A) Production Characteristicsa) Small Scale Production

The units of production are much smaller and more scattered

than in other industry. Small unit of production is a serious obstacle in agricultural marketing. A small farmer is by nature essentially a producer. So, there are some burning problems.

b) Scattered and Specialised Production

As agricultural production is scattered on a small-scale basis and as producers are separated from consumers by long distances, concentration or assembling function is a pre-requisite for a wider market.

Soil and climatic peculiarities bring about specialisation in agricultural production e.g., jute in Bengal, cotton in Madhya Pradesh and sugarcane in Uttar Pradesh.

c) Seasonal Production

By nature agricultural production is seasonal but consumption of agricultural produce is continuous and regular. But there is always difference in demand and supply.

B) Product Characteristics

a) Bulk and Perishable Products

A large portion of farm products is bulky and perishable demanding great care in storage and transport.

b) Variation in Quality/Quantity

Agricultural products vary greatly in quality and quantity.

Standardisation is difficult. Rate of production/quantity varies from season to season. Favourable conditions give bumper crops. Unfavourable conditions yield no crops many a time.

c) Consumption Characteristics

- (a) Supply is elastic, but demand for most agricultural produce is invariably inelastic or constant even at higher prices.
- (b) Adjustment between supply and demand is very slow in agricultural markets.
- (c) Consumption is regular but in a small quantity.

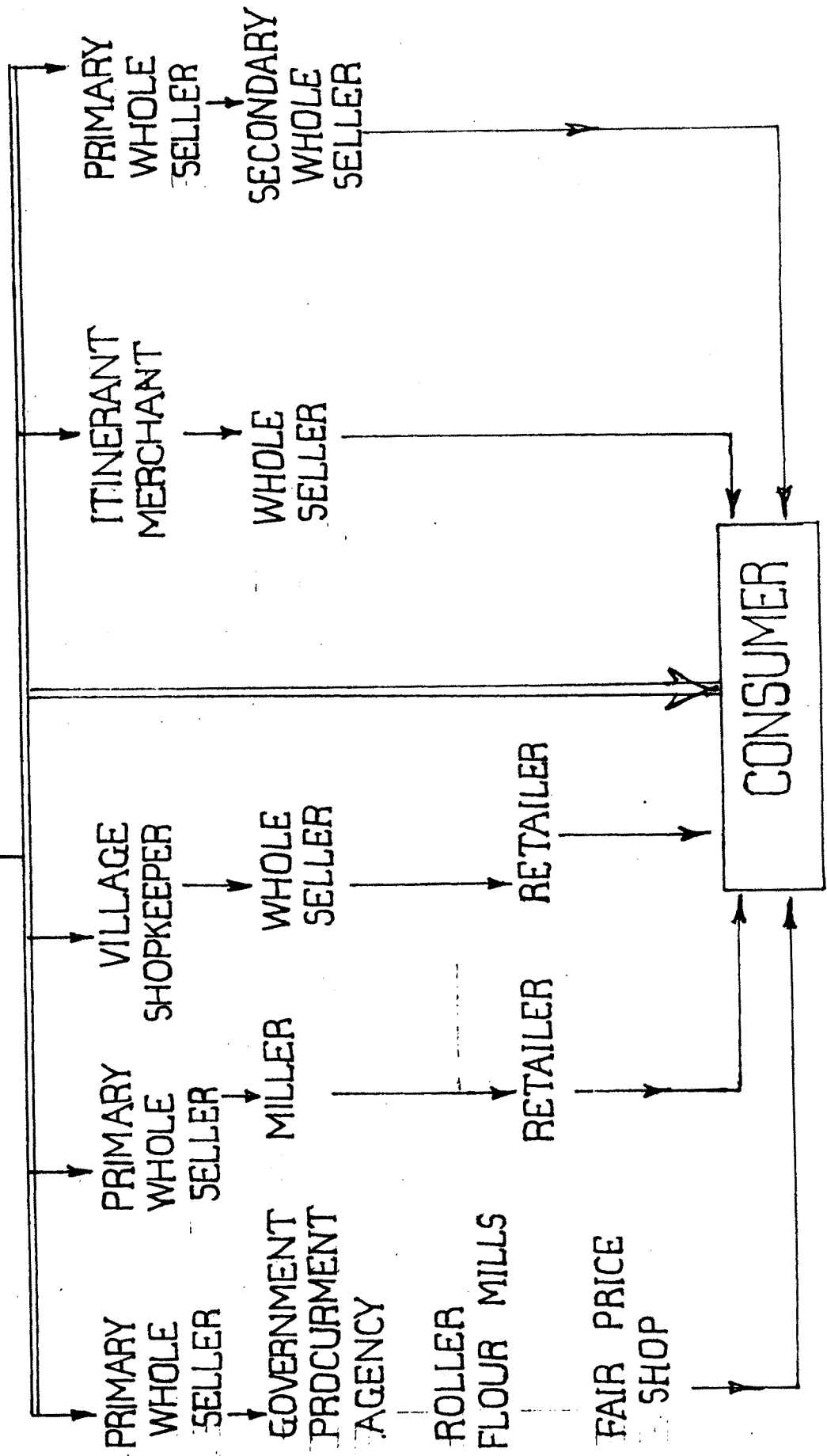
iii) Channels of Agricultural Marketing

In the distribution of agricultural produce many middlemen are required. These middlemen are doing their functions in different levels. The chain of intermediaries through which the agricultural produce passes constitutes the marketing channel. The Chart No. 3 brings out the channels through which the agricultural produce flows from the producer to the final consumer. Of course, the flow channels will not be uniform for all the agricultural commodities; they will vary with commodities.

The chart indicates a general pattern incorporating in it the maximum possible links among the market functionaries. The structure of marketing resulting from the function linkage of the marketing channels is an indicator of the degree of perfectness

CHANNELS OF AGRICULTURAL MARKETING

PRODUCER



or imperfectness of the market itself. A few points of the market may be noted:

- a) When the farmers sue their produce to the consumers directly, they enjoy full share of the consumer's price.
- b) The government purchases the produce directly from the farmers at village level for various purposes viz., to protect the interest of the farmers as well as consumers, export, stabilisation of price etc. When the government purchases a part of the produce by statutory provision of levy, technically its limits can be 100 per cent.

Monopoly procurement is the outcome if this final limit is reached. Besides this the government makes direct purchase from open markets at stipulated prices.

- c) Processors also enter into primary market for purchasing of produce and selling it in the wholesale market in the processed form.
- d) In the areas of heavy production of an agricultural commodity particularly the farmers with large produce usually bypass the village traders or commission agents and sell directly in the wholesale markets.
- e) When the produce reaches the wholesalers the assembling function ends and distribution function begins. The produce is brought here by cultivators and other collecting agencies and here or onwards it is sent to the terminal

market for large scale accumulation exported to up country markets directly or through the retailer. The idea of channels of agricultural marketing is given in Chart No. 3.

iv) Types of Agricultural Produce Markets

In India markets for agricultural consumer goods are classified into the following four markets:

a) Primary Village Markets

Primary village markets are held in rural areas periodically; weekly bazaar is familiar to almost all the villagers. The farmers who cannot afford to send their produce to the cities for want of cheap transport facilities and who are also in need of immediate return for their produce sell their goods in these periodical markets to the itinerant traders who then carry the goods to the cities and towns.

b) Secondary Market

Secondary markets are seen in towns and cities and are held daily. The sellers sell their goods by arranging shops on both the sides of a road in any town or taluka place. They are called Mandies or Peths.

c) Principal Markets and Regulated Markets

These are large wholesale markets seen in big cities. The produce from distant markets and small towns is brought to these wholesale markets which are usually governed by rules and regulations framed by the association of members dealing therein.

d) Terminal Markets

Terminal markets are seen only in the port cities such as Bombay, Calcutta, Madras etc. The traders dealing in terminal markets collect the goods from the interior markets and mainly sell it abroad.

v) Defects of Agricultural Marketing

In regulated agricultural markets even today we do come across numerous defects. On account of these defects farmers are unable to secure higher prices and make profitable marketing of their produce.

a) Lack of Organisation

In agricultural marketing buyers are merchants and mercantile agents. They are well organised. But sellers are unorganised, illiterate, ignorant, ill-informed, small, poor and scattered farmers. Hence in the bargaining process sellers are bound to be exploited by superior buyers.

b) Forced Sales

Indian farmers have the curse of chronic poverty and indebtedness. In the village the agricultural produce is sold compulsorily to the Sahukars, Buniyas, Beoparis and agents of wholesale merchants who are also the creditors.

c) Market Malpractices

There are a number of malpractices in marketing of agricultural produce in India such as manipulation of weights and measures in favour of buyer traders, practice of taking large free samples, secret bargains between seller's agents and buyer's agents, arbitrary deductions and allowances to be recovered from sellers-farmers from their sale proceeds under various grounds.

d) Too Many Middlemen

There are too many middlemen in the channel of distribution between the wholesaler or the miller in the producing end and the wholesaler at the consuming end. The superfluous middlemen are responsible for higher cost of marketing.

e) Adulteration of Commercial Crops

The reputation of Indian agricultural producers and traders in the world market is low. Adulteration i.e., mixing of inferior produce freely with superior produce is very common.

Adulteration in cash crops and foodcrops has assumed tremendous proportion in India.

f) Inadequate Storage Facilities

In India storage facilities are very inadequate and primitive. The farmers are forced to sell their produce as soon as it is ready because they are unable to provide adequate storage accommodation for their produce. Markets must have adequate godowns and warehouses.

g) Inadequate Transport

In India, poor and defective transport facilities constitute the greatest obstacle in orderly marketing process. Best transport and communications provide the necessary infrastructure for organised markets.

h) Defective Marketing Finance

In spite of huge federated superstructure of cooperative credit which was expected to replace village money lender-cum-trader in agricultural finance, rural credit survey report pointed out in 1952 that nearly 70 per cent of agricultural finance was supplied by money-lenders and hardly 8 per cent could be contributed through institutional finance.

i) Absence of Grading

Absence of grading and standardisation of agricultural



produce is another great stumbling block hindering growth of markets and smooth marketing operations. Ungraded mixed qualities create problems. Standardisation is a major marketing function for prosperous and wider marketing operation.

j) Lack of Market Intelligence

Efficient and effective marketing process entirely depends upon the continuous flow of marketing information. But still there are adequate facilities in agricultural marketing.

k) Absence of Regulated Markets

All markets and market yards are not regulated. Most of the wholesale mandies are only regulated but most of them are operating in the villages and small towns are still unregulated.

l) Absence of Cooperative Marketing

The farmers are still reluctant to pool their produce and allow a co-operative organisation to sell the pooled and graded produce. The development of co-operative marketing got the tempo only after 1960.

m) Price Fixation

The net returns to the grower are influenced by the method of price fixation. Sale of open auction is the best method for

assuming fair price to the farmer. Bidding is done under cover or secretly. So, it is very difficult to fix prices.

3. Regulated Markets

On the basis of recommendations of Royal Commission on Agriculture 1928, Bombay, Madras, Central Provinces, Mysore and Punjab passed the necessary legislation. Later on since 1951 many other States also passed legislation for regulation of markets.

Bombay Agricultural Produce Market Act, 1939 and the Maharashtra Act, 1963 were implemented with the broad objectives of removing inequalities in the bargaining power between the buyer and the seller.

An attempt is made here to see as to how far these objectives were fulfilled by the Agricultural Produce Market Committee.

i) Features of Regulated Markets

- a) Regulated market is an organised wholesale or central market regulated and controlled by the State Government through a marketing committee representing duly the interests of farmers and traders as well as the interests of co-operative societies and the government.
- b) It may be established for one commodity or for a group of

commodities under a notification issued by the State Government.

- c) The marketing committee of a regulated market supervises and controls the trade practice and trading operations with the help of a code of rules and regulations and thereby ensures fair trade practice, equality and justice to all sellers and buyers.
- d) Open auction sale is the usual basis of all sales. Sale under cover by private negotiation is not permitted.
- e) The marketing committee is authorised to hear and settle all disputes. If necessary dispute can be settled through arbitration.

ii) Benefits of Regulated Markets

Regulated markets offer many economic and social benefits to the millions of cultivators in India. These are mentioned below:

- a) Rationalisation of market charges alone gives a relief of 5 per cent of the annual turnover. Market charges are clearly defined and specified.
- b) Standardisation of weights and measures and correct weighments are insured.
- c) Market charges and market practice are standardised, regulated and made uniform.

- d) All marketing functionaries are licensed.
- e) Malpractices are reduced to minimum.
- f) A system of competitive buying and selling is introduced through open auction.
- g) Proper machinery is available to settle all trade disputes.
- h) Prompt cash payment is assured to the producers.
- i) Reliable and upto-date market information helps the producers in planning production and sales.
- j) Well developed market yard with all facilities and amenities improves the selling power of the producer.
- k) Farmers have a right to participate in the management of the market committee.
- l) Fair trade practices are ensured.
- m) Reduce the market cost of marketing activities.

Thus, the above benefits play important role in Agricultural Produce Market Committee to regulate all activities.

4. Market Committee

Market Committee is established in accordance with the Agricultural Produce Marketing Act, 1963. The members of the market committee represent farmers, traders, local body, cooperative marketing society, and the government.

The working of the market committee is of democratic nature. Every member of the market committee has equal opportunity to get the chairmanship. All the powers regarding control and management of the regulated market are in the hands of the committee.

The main sources of income of market committee are the licence fee and market cess levied on all the goods brought in the market.

The market committee is responsible to ensure fair marketing practices, license market functionaries, conduct open auction sale, arbitrate disputes and run the regulated market smoothly. The success or failure of market rules and regulations largely depends on the performance of the market committee.

5. Selection of Study/Problem

The above discussion, i.e., market, marketing, evolution of marketing, objectives of marketing, marketing activities, agricultural marketing, regulated markets, benefits of regulated markets points out that there is close relation between agricultural production and marketing. There is need and necessity to develop or to change some marketing activities. Till today the aspects like storage, transport, advertisement, marketing information have not been adequately studied. So, the study of these aspects will give right direction to the marketing activities. That is why it is necessary to study these aspects. Hence the

following topic is selected for study:

"A Study of the Marketing Activities of Karad
Agricultural Produce Market Committee"

NOTES AND REFERENCES

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