

# State of Agricultural Marketing

**Ramesh Chand**

**ICAR National Professor**

**National Centre for Agricultural Economics  
and Policy Research  
New Delhi, India**

# Disposal of Farm Produce

- **Assembling; disposal**
- **Generally disposed off as under:**
  - (a). Some part kept for self consumption, feed, seed
  - (b). Sale in village to neighbouring households and direct sales to consumers
  - (c). Sales in the village itself to itinerant merchants and
  - (d). Sale in nearby market (formal mkg channels)
  - (e). Pre harvest contract
- **Little value addition at farm:**
  - Elementary grading, packaging,
  - Lot of unwanted produce transported from farm to market
- **Produce passes through long channel involving several intermediaries and many transactions**

# Systems of Agriculture Marketing

## 1. MARKETING CHAIN (CHANNEL)

No market: Direct to consumer: No intermediary

Through market:

Through Wholesalers and retailers

Through public agencies or cooperatives; and

Through processors: Paddy, wheat (flour mill).

## 2. DIRECT MARKETING - FARMERS MARKETS

Apni Mandies in Punjab and Haryana

Rythu Bazaars in Andhra Pradesh

Uzavar Santhai in Tamilnadu

Krushak Bazars in Orissa

Hadaspur Vegetable Market in Pune

# .....System of Agriculture Marketing

## **3. COOPERATIVE MARKETING**

**1 Sugar Cooperatives**

**2 Dairy Cooperatives**

**3 Oilseed Cooperatives**

## **4. FARMERS ORGANIZATIONS IN MARKETING**

**1 MahaGrapes**

**2 Amalsad and Godat Cooperatives in Gujarat**

**3 HOPCOMS Bangalore**

# Types of Markets

## 1 Rural Primary Markets

Haats, shandies, painths and fairs

Daily, periodic, mostly unregulated, informal

Assembly of produce, poor infrastructure

## 2 Wholesale Markets:

Total markets (Regulated and Unregulated): 6359

Regulated under APMR Act: 7557

- Principal yards: 5129
- Sub Yards: 2428

## 3 Terminal Markets

## 4 Commodity Specific Markets

## 5 Retail market

# Stages of Marketing: Producers to Consumers

- **First stage: Primary market**
  - Produce taken from farm gate to the market place: Packing, transport
  - Mandi: Unloaded, cleaned and sometimes graded, auction, weighment
  - The producer is paid sale proceeds after deducting (i) labour charges in the market for unloading, cleaning etc. (ii) market charges like mandi tax etc. and (iii) brokerage/commission etc. as levied in various states.
  - **Sellers: very large number, unorganised, competitive from seller point of view**
  - **Agro Commercial firm: Relatively small in number**

- **Second Stage**
  - The sold produce is packed, loaded and transported to next destination. This way, over and above the price paid to producer sellers, the first buyer incurs costs like (i) labour charges in the market for weighing, packing, loading, etc. (ii) market charges, taxes etc. and (iii) brokerage/commission etc. as levied in various states (iv) transport to next destination which may be warehouse, processing mill or wholesaler/trader in other market.
- **Third stage**
  - Pass through different channels depending upon whether it is processed, stored for sale in lean months, dispatched to consuming centers or sold locally.
  - Costs incurred depend on the form, place and time – served to consumer. Cost include processing, storage, transport, packaging and services rendered for the produce. They also involve sales/transfers from one wholesaler to other, among traders etc. Each transaction, function and service adds to the price spread through the costs and margin of various functionaries involved in the movement of produce.

- **Characteristics**
  - Agro commercial firm deal with other agro commercial firms
- **Fourth Stage**
  - The produce is finally purchased by the retailer from the wholesaler/ trader/ processor as the case may be, for sale to ultimate consumers. Again, various types of costs and margins accrue in the transfer of produce and its ownership to retailers. Finally, the retailer incurs some costs, sells the produce to ultimate consumers and retains his/her margin.
  - Relatively small number of sellers dealing with large number of unorganised consumers
- **Market is generally competitive during second and third stage**



# Elements of Price Spread Producer to Consumer or Farm Harvest Price to Retail Price

- **Costs on physical functions, services, material and labour**
- **Statutory charges and taxes**
- **Gross margin of market intermediaries consisting of their cost and net margin**
- **Transport/storage/processing cost**
- **Interest on working capital**
- **Normal price spread:**
  - **Base price: Month, place (wheat in Khanna April-June) to Wheat in Mumbai (Oct-Dec): 1.87**

# Incidence of market charges and taxation in selected states

State	Market fee	Market charges (Rs./unit)	Commission charges	Sales tax	Remarks
Andhra Pradesh	All commodities 1% (except fish, where it is 0.50%)	1. Weighing : 0.50 to 0.75 2. Unloading: 0.50 to 0.75 3. Brokers: Nil 4. <i>Hamal</i> : 0.50 to 0.75 5. Cleaning : 0.75 to 1.00 6. Loading: 0.50 to 0.75	Fruits and vegetables: 4% Others: 1 to 2%	All commodities (except maize, jowar, ragi, bajra, coarse grains): 4%	
Maharashtra	All commodities : 0.75-1.0%	Various rates in different markets	Fruits and Vegetables: 7 to 8% Others: 2 to 4% Spices: 7%	All agricultural commodities are exempted	Entry fee Rs 10/truck
Punjab	All commodities: Market fee: 2.00% RDF: 2%	Cereals: 1. Weighing or filling: 2.0 2. Unloading: 1.04 3. Sieving: 0.93, by power 1.86 4. Sticking: 0.35-0.75	Cereals: 2.5% Green/dry chillies : 1.5% Other Fruits and vegetables: 5 % Fodder: 3% Others: 2%	Purchase tax: 4%	Surcharge on purchase tax : 1%

# Myth of Subsistence Farming

## Level of Marketed Surplus

Foodgrains	Marketed surplus		Other crops	Marketed surplus	
	Per cent	Million ton		Per cent	Million ton
Rice	71.3	68.9	Groundnut	87.3	8.0
Wheat	59.1	46.4	R&M	84.9	5.0
Maize	78.1	14.8	Soybean	94.4	10.4
Jowar	49.8	4.0	Sunflower	87.6	1.3
Bajra	65.4	6.5	Sesamum	87.4	0.7
Barley	33.9	0.4	Safflower	94.8	0.2
Ragi	53.0	1.1	Nigerseed	94.6	0.1
Arhar	76.4	2.4	Sugarcane	99.0	344.8
Gram	83.9	4.8	Cotton	95.6	4.2
Urd	80.7	1.2	Onion	91.2	6.5
Moong	77.2	1.2	Potato	83.8	18.5
Lentil	77.3	0.7	Fruit and Veg	88.2	181.1

# Marked Surplus of Rice, Wheat and Maize in Selected States

Rice			Wheat				
State	MS %	Prod: MT	Surplus: MT	State	MS %	Prod: MT	Surplus: MT
Andhra Pradesh	81.53	11.87	9.68	Bihar	64.70	3.91	2.53
Assam	53.45	2.92	1.56	Gujarat	92.56	3.00	2.78
Bihar	70.77	4.99	3.53	Haryana	70.44	10.06	7.09
Haryana	97.52	3.37	3.29	Madhya Pradesh	64.65	7.33	4.74
Karnataka	89.38	3.45	3.08	Punjab	78.90	14.60	11.52
Madhya Pradesh	67.10	1.37	0.92	Rajasthan	38.23	7.06	2.70
Orissa	62.26	6.82	4.25	Uttar Pradesh	42.61	25.03	10.66
Punjab	97.91	10.14	9.93			<b>Maize</b>	
Tamil Nadu	76.49	6.61	5.06	Andhra Pradesh	92.08	2.46	2.27
Uttar Pradesh	42.72	11.12	4.75	Bihar	76.70	1.72	1.32
West Bengal	54.45	14.75	8.03	Karnataka	95.16	2.72	2.59

MT: Million tonne.

Refer to latest year (2006-7 or 2007-8)

# Myths about Agricultural Markets

- **Myth of inter-locked markets with credit**
- **Market integration**
  - Stages in marketing – players
  - Integration based on a segment
  - Highest inefficiency at retail level
    - Weak and unorganised consumers
- **Myth of MSP**
  - Produce sold below MSP much larger than that sold at MSP
- **Myth of large number of players indicating competition**

# Producer Share in Consumer Rupee is Misleading Indicator of Gains to Producers

## PRICE SPREAD AND FARM AND RETAIL PRICES OF ALPHONSO MANGO IN DIFFERENT MARKET CHANNELS IN MAHARASHTRA

<b>Particular</b>	<b>Producer-Consumer (Local Market): I</b>	<b>Producer.-Wholesaler/C.A.-Retailer-Consumer Mumbai : II</b>	<b>Producer-Coop - Consumer Mumbai: III</b>
<b>1. Net price received by growers Rs/crate</b>	<b>161.27</b>	<b>182.00</b>	<b>264.00</b>
<b>2. Producer share in consumer rupee %</b>	<b>99.25</b>	<b>40.00</b>	<b>74.37</b>
<b>3. Net margin wholesaler/comm. agent</b>		<b>92.43</b>	
<b>4. Net margin of retailer</b>		<b>104.79</b>	
<b>5. Net margin of cooperative</b>			<b>37.77</b>
<b>6. Total marketing cost</b>	<b>0.73</b>	<b>75.78</b>	<b>53.23</b>
<b>7. Price spread</b>	<b>0.73</b>	<b>273.00</b>	<b>91.00</b>
<b>8. Price paid by consumer</b>	<b>162.00</b>	<b>455.00</b>	<b>355.00</b>

Source: Wadkar S.S., J. M. Talathi and R.G. Thakare (1994). Price Spread and Market Channels of Alphonso Mango in Ratnagiri and Sidhudurg Districts in Maharashtra, *Indian Jn. of Ag. Marketing*, 8(2): 250-257.

# Wastage and Processing

- **No credible estimate available of either. Even concepts are not clear.**
  - There is large wastage
  - Horticultural crops : 20-30% (Planning Commission)
- **Most of produce consumed after primary processing which is essential to make the produce consumable like – paddy to rice; wheat to flour**
- **According to official estimates less than 2% of food production goes for processing in organised sector**

# Market Regulation

- **Sales, purchase, storage, movement, quality, processing subject to very large number of regulations and orders**
- **Agricultural markets are regulated by respective state Agricultural Produce Market Regulation Act (also known as APMC Act) of each state**
  - It is illegal to sell – buy agri produce outside the place (market yard) notified by Market Committee
- **Essential Commodities Act**
- **Integration of value chain**



# Facilities in Regulated Market

Core Facilities	Support Infrastructure
Platforms for Automatic weighing	Water Supply
Auction Platforms	Power
Drying Yards	Sanitary Facilities
Loading, Unloading & Dispatch Facilities	Post & Telephones
Standardization Cleaning Facility	Input supply and daily need outlet
Public Address System	Repair/Maintenance Service
Packaging & Labelling Equipments	Rain Proofing
Grading Facilities	Veterinary Services
Price Display Mechanism	Banking
Information Centres	POL
Storage/Cold Rooms	Office
Ripening Chambers	Computerized System
Extension and Training to Farmers	

# STATUS OF FACILITIES AND PRACTICES IN REGULATED MARKETS

Facility	Status
Common drying yard	25%
Platform in front of shop	63%
Cold storage	9%
Grading facility	< 33%
Basic facilities	80%
Covered or open auction platform	67%
Transparency in price discovery	Some violation

# Scope for Improving Mkt Efficiency

- **Reducing number of players: scale factor**
- **Reducing number of transactions**
- **Why poor competitiveness in agri markets (next slide)**
- **Implementing APMC Act in true spirit:**
  - **Contract farming**
  - **Direct sales**
  - **Setting private and cooperative marketing**
- **Integration of value chain**
- **Marketing infrastructure**
  - **Efficient producer and efficient supplier**

# Limitations of APMRA

## 1. APMR Act and Regulated Markets

- Purpose served by APMC act and regulated markets
  - Raised level of markets
  - Improved functioning of primary markets
  - Removed several malpractices and imperfections
- Now restrictive and monopolistic markets.
- Not evolved with time.
- No help in direct marketing, organized retailing, and raw material supplies to agro-processing, competitive trading, information exchange and adoption of innovative marketing systems and technologies.
- Model APMC Act to break monopoly of the state in providing market for farm produce and to allow direct sale of produce by farmers to agri-business firms.
- ***Must be implemented without dilution.***

Sn	Stage of reforms	Name of States/ Union Territories
1.	States/ UTs where reforms to APMC Act has been done for Direct Marketing; Contract farming and Markets in Private/ Coop Sectors	Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim and Tripura
2.	States/ UTs where reforms to APMC Act has been done partially	a) Direct Marketing: NCT of Delhi.  b) Contract Farming: Haryana, Punjab and Chandigarh.  c) Private markets Punjab and Chandigarh
3.	States/ UTs where there is no APMC Act and hence not requiring reforms	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 is initiated for the reforms	Mizoram, Meghalaya, Haryana, J&K, Uttrakhand, West Bengal, Puducherry, NCT of Delhi and Uttar Pradesh

\*APMC Act is repealed w.e.f. 1.9.2006

# Scope for Private Investments in Marketing

Large private investments required for post harvest and cold chain infrastructure and to establish effective linkage between the farm production and retail chain and food processing .

Frequent changes in government policies discouraging private investments.

Misplaced feeling that participation by big players in ag marketing would subject the market to manipulation and aggravate the inflation. This may not be true if entry of big players in agricultural marketing increases competition and efficiency.

***Need for consistent policy***

***Government needs to facilitate in setting up of private and cooperative sector market***

***Essential Commodities Act and excessive regulations are proving counter-productive – stifle competition.***

# Competition Issues in Agri Markets

- **Reducing price spread**
  - Supply normal
  - Shortage
- **Production fluctuation is main cause for many market inefficiencies: Bumper crop –producers suffers, when shortage- consumers suffer. Except rice and wheat no buffer stock.**
  - Inventories for smoothening supply, Only large players can do that.
- **Distortions induced by FCI procurement at a fixed price**
- **Drawing distinction between MSP and PP**
- **FHP lower than MSP in many crops and many markets where infrastructure and institutions are weak**
- **Efficiency of FCI gets transmitted to market**

## .....Competition Issues in Agri Markets

- **Open bid v/s close bids**
- **Market charges: not based on services rendered or competitive bid**
- **Transport**
- **Regulations like ECA restrict trade**
- **Required regulations not enforced**
- **Fragmented market channels**
- **Need for integration in value chain: organized retail**



# Thanks