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Unit 4
Agricultural Marketing in India

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Introduction

Agricultural marketing in India refers to the processes and systems involved in the movement of agricultural products from farms to consumers. It includes storage, transportation, grading, processing, packaging, and selling of agricultural produce. Efficient agricultural marketing is crucial for ensuring fair prices for farmers, reducing post-harvest losses, and maintaining food security.

Traditional Agricultural Marketing System

The traditional Agricultural Marketing System can be explained as below,

•**Village Markets (Haats & Melas)** – Local markets where farmers sell directly to consumers.

•**Mandis (Wholesale Markets)** – Regulated market yards where farmers sell to traders and commission agents.

•**Cooperative Marketing** – Farmer cooperatives help in collective selling to get better prices.

Agricultural Marketing and State Policy

•**Minimum Support Price (MSP)** – A price set by the government to ensure farmers get a minimum return for their crops.

•**Agricultural Produce Market Committees (APMCs)** – State-run markets that regulate the sale of farm produce and protect farmers from exploitation.

•**Subsidies & Incentives** – Support for inputs like seeds, fertilizers, and irrigation.

•**Public Distribution System (PDS)** – Ensures food security by distributing essential grains at subsidized prices.

•**E-NAM (Electronic National Agricultural Market)** – A digital platform connecting farmers with buyers to ensure competitive pricing.

•**Contract Farming Policies** – Agreements between farmers and buyers to reduce market risks.

•**Export and Import Policies** – Regulation of agricultural trade to balance domestic supply and demand.

Agricultural Markets and Marketing Efficiency

Agricultural markets play a crucial role in ensuring that farm products move efficiently from producers to consumers.

The effectiveness of this movement depends on **marketing efficiency**, which measures how well agricultural markets perform in minimizing costs and maximizing returns to farmers while ensuring fair prices for consumers.

Types of Agricultural Markets

- **Local Markets** – Farmers sell their produce directly to consumers or local traders.
- **Regional Markets** – Products move beyond the local area but remain within a particular region.
- **National Markets** – Goods are traded across different regions within a country.
- **International Markets** – Agricultural products are exported and imported across countries.

Marketing Efficiency in Agriculture

Marketing efficiency refers to how well agricultural markets facilitate the movement of goods while minimizing costs and losses. Efficient marketing benefits both farmers and consumers by reducing waste, ensuring fair pricing, and improving market access.

Efficient agricultural marketing is essential for food security, rural development, and economic stability. Addressing key challenges and improving market structures can enhance the benefits for farmers and consumers alike. Governments, private sectors, and technology-driven innovations all play a role in making agricultural markets more efficient.

Features of Regulated Markets

•**Government Oversight** – A regulatory body enforces rules to prevent monopolies, unfair competition, and exploitation.

•**Consumer Protection** – Regulations ensure product safety, fair pricing, and transparency.

•**Market Stability** – Helps prevent financial crises, price volatility, and economic recessions.

•**Environmental Protection** – Rules limit pollution, resource exploitation, and ecological harm.

•**Labor Standards** – Protects workers through minimum wages, working conditions, and rights.

Marketable Surplus

Marketable Surplus refers to the portion of agricultural or industrial production that is left after meeting the producer’s own consumption or personal needs. It represents the quantity of goods available for sale in the market.

Formula:

Marketable Surplus=Total Production−Self-Consumption

Factors Affecting Marketable Surplus

- **Production Level** – Higher yield increases surplus.
- **Consumption Needs** – Large families may reduce surplus.
- **Market Price** – Better prices incentivize higher production.
- **Storage & Infrastructure** – Poor facilities may lead to wastage.
- **Government Policies** – Subsidies, taxes, and support programs impact surplus.

Behaviour of agricultural prices

1. Price Volatility

Agricultural prices tend to be highly volatile due to the inelastic nature of supply and demand:

- **Supply shocks**: Weather conditions, pests, and diseases can cause sudden changes in production.
- **Seasonality**: Prices fluctuate depending on harvest cycles and seasonal demand.
- **Global events**: Trade policies, wars, and pandemics can disrupt supply chains and impact prices.

2. **Price Fluctuations Due to Supply Factors**

- **Price inelasticity of supply**: Farmers cannot quickly adjust supply in response to price changes since crops take time to grow.
- **Perishability**: Unlike manufactured goods, agricultural products cannot be stored indefinitely, leading to price drops when supply is high.
- **Technological advancements**: Improved seeds, fertilizers, and irrigation can increase yields, sometimes leading to excess supply and price drops.

3. **Price Fluctuations Due to Demand Factors**

- **Price inelasticity of demand**: Food is a necessity, so demand does not change drastically with price changes, but higher prices may reduce consumption of non-essential agricultural goods.
- **Income elasticity**: Higher incomes lead to increased demand for high-value agricultural products (e.g., organic foods, meat, dairy).
- **Substitutes and preferences**: Consumer preferences and availability of substitutes (e.g., rice vs. wheat) influence prices.

4. **Government Policies and Market Interventions**

- **Price supports and subsidies**: Many governments intervene to stabilize prices through subsidies, price floors, and direct procurement.
- **Import and export controls**: Tariffs, quotas, and trade agreements impact domestic agricultural prices.
- **Buffer stocks**: Governments sometimes maintain buffer stocks to stabilize prices during shortages or surpluses.

5. Influence of Global Markets:

- **Exchange rates**: A weaker domestic currency makes exports more competitive, raising domestic prices.
- **Commodity speculation**: Investors and traders in commodity markets (e.g., futures contracts) can influence short-term price movements.
- **International trade policies**: Changes in trade relations (e.g., US-China trade disputes) affect global agricultural prices

6. Climate Change and Environmental Factors

- **Extreme weather events**: Droughts, floods, and hurricanes can disrupt production, causing sudden price spikes.
- **Sustainability concerns**: Increased awareness of environmental issues affects demand for sustainably produced agricultural goods.

7. Long-Term Trends

- **Population growth**: Rising global population increases food demand, potentially driving prices higher in the long run.
- **Technological innovation**: Advances in farming techniques and biotechnology influence production costs and price stability.
- **Structural shifts in agriculture**: Urbanization, labor shortages, and land-use changes impact supply and prices over time.

state policy towards agriculture marketing

State policies toward agricultural marketing aim to regulate and support the marketing of farm produce to ensure fair prices for farmers, reduce exploitation by intermediaries, and maintain food security.

A) Regulation of Agricultural Markets: Governments intervene to stabilize prices, either through minimum support prices (MSP) or procurement schemes. Investment in rural markets, cold storage, and warehouses to reduce post-harvest losses.

B) Price Support Mechanisms: Ensuring a minimum support price for key crops to protect farmers from price fluctuations. Government agencies buy surplus produce at guaranteed prices to support farmers through procurement policies. Providing subsidies on inputs (seeds, fertilizers, irrigation) to lower production costs as a part of subsidies.

C) **Trade Policies & Export Promotion**: To support agribusinesses to export high-value crops through export incentives. Balancing domestic demand and supply through tariffs and quotas by way of Import-Export Regulation.

•D) **Consumer Protection & Food Security:** In order to safe guard the consumer's welfare,

Distribution of essential food grains at subsidized rates through public distribution system.

Certification (e.g., organic labels, GI tags) to ensure product quality through quality control and standardization.

Farmer Producer Organization

A **Farmer Producer Organization (FPO)** is a legally registered group of farmers who come together to collectively improve their agricultural production, marketing, and financial strength. The goal is to help small and marginal farmers gain better access to markets, technology, and resources while reducing their dependency on middlemen.

Features of Farmer Protection Organizations

•**Collective Bargaining Power**: Farmers can negotiate better prices for inputs (seeds, fertilizers) and outputs (crops, dairy, etc.).

•**Access to Credit & Government Support**: FPOs can avail subsidies, grants, and low-interest loans from banks and government schemes.

•**Value Addition & Processing**: Some FPOs engage in food processing, storage, and branding to increase profits.

•**Market Linkages**: They help farmers directly connect with buyers, wholesalers, and retailers, reducing exploitation by intermediaries.

e-NAM (Electronic National Agriculture Market)

e-NAM (Electronic National Agriculture Market) is an online trading platform in India that connects agricultural markets (mandis) across the country to create a unified national market for agricultural commodities. Launched in 2016 by the **Ministry of Agriculture & Farmers' Welfare**, e-NAM aims to improve price discovery, transparency, and competition in agricultural trade.

Agricultural warehousing in Tamil Nadu

- Agricultural warehousing in Tamil Nadu is well-structured to support the storage and preservation of various agricultural commodities. The Tamil Nadu Warehousing Corporation (TNWC) plays a pivotal role by offering scientific storage facilities across the state. As of the latest data, TNWC operates 63 warehouses with a combined storage capacity of 6.23 lakh metric tonnes.

- In addition to TNWC, the state has established 111 cold storage units under various schemes like the National Agriculture Development Programme (NADP), Rural Infrastructure Development Fund (RIDF), and the Agricultural and Processed Food Products Export Development Authority (APEDA). These units collectively provide a storage capacity of 13,565 metric tonnes, aiding in the preservation of perishable goods

- To further enhance the supply chain of fruits and vegetables, the Tamil Nadu Supply Chain Management Project (TNSCM) has set up 64 Primary Processing Centres. These centers are equipped with modern infrastructure, including pack houses, cold storage, and storage godowns, facilitating efficient post-harvest management.

- For entrepreneurs interested in developing warehousing facilities, the Tamil Nadu Industrial Investment Corporation (TIIC) offers the Godown Scheme. This scheme provides financial assistance for constructing godown buildings, purchasing land, and acquiring necessary equipment such as overhead cranes and forklifts.

Pradhan Mantri Fasal Bima Yojana

PMFBY (Pradhan Mantri Fasal Bima Yojana) is an agricultural insurance scheme launched by the Government of India in 2016. It aims to provide financial protection to farmers against crop losses due to natural calamities, pests, and diseases.

Features of Crop Insurance

•**Comprehensive Coverage**: Covers crop losses due to natural disasters (droughts, floods, cyclones, etc.), pests, and diseases.

•**Low Premium Rates**: Farmers pay a subsidized premium:

•**2%** for **Kharif** crops

•**1.5%** for **Rabi** crops

•**5%** for **commercial/horticultural** crops

•**Government Subsidy**: The remaining premium is covered by the central and state governments.

•**Technology Use**: Satellite imagery, drones, and smartphones are used for assessment and monitoring.

•**Timely Claim Settlement**: Designed for quick payouts to affected farmers.

Farm laws refer to legislation that governs agricultural activities, including land ownership, crop production, pricing, trade, and subsidies. The term gained prominence in India with the **three farm laws** introduced by the government in 2020 and later repealed in 2021 after widespread farmer protests.

India's 2020 Farm Laws (Now Repealed)

- **Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020:**

a) Allowed farmers to sell their produce outside the government-regulated mandis (APMCs).

b) Encouraged private trade and online agricultural markets.

- **Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020**

a) Promoted contract farming, allowing farmers to enter into agreements with agribusinesses and private companies.

b) Provided a framework for dispute resolution but restricted farmers' access to legal recourse in regular courts.

➢**Essential Commodities (Amendment) Act, 2020:**

a) Removed cereals, pulses, oilseeds, edible oils, onions, and potatoes from the list of essential commodities.

b) Allowed private players to stockpile these goods without government limits unless under extreme circumstances.

Controversies in the laws

- Farmers feared they would **lose minimum support price (MSP)** guarantees.
- Weak bargaining power against large corporations in contract farming.
- Risk of **dismantling the APMC system**, which many farmers rely on.
- Fear of **corporate monopolization** of agriculture.

The End