



# Impact of Agriculture Marketing in Rural Area

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Strengthening agriculture is critical for facing the challenges of rural poverty, food insecurity, unemployment, and sustainability of natural resources. Agriculture is the science and practice of activities relating to production, processing, marketing, distribution, utilization, and trade of food, feed and fiber. This definition implies that agricultural development strategy must address not only farmers but also those in marketing, trade, processing, and agri-business. In this context, efficient marketing and rural credit systems assume added importance. Marketing system is the critical link between farm production sector on the one hand and nonfarm sector, industry, and urban economy on the other. Besides the physical and facilitating functions of transferring the goods from producers to consumers, the marketing system also performs the function of discovering the prices at different stages of marketing and transmitting the price signals in the marketing chain. The issues and concerns in marketing relate mainly to the performance (efficiency) of the marketing system, which depends on the structure and conduct of the market. An efficient marketing system helps in the optimization of resource use, output management, increase in farm incomes, widening of markets, growth of agro-based industry, addition to national income through

value addition, and employment creation. The rural credit system assumes importance because most Indian rural families have inadequate savings to finance farming and other economic activities. This, coupled with the lack of simultaneity between income and expenditure and lumpiness of fixed capital investment, makes availability of timely credit at affordable rates of interest a prerequisite for improving rural livelihood and accelerating rural development.

## Main Problems in Agricultural Marketing

1. The market size is already large and is continuously expanding. Farmers' market linkages (both backward and forward) have also increased manifold. But the marketing system has not kept pace.
2. Private trade, which handles 80% of the marketed surplus, has not invested in marketing infrastructure due to the excessive regulatory framework and dominance of the unorganized sector.
3. Increased demand for value-added services and geographic expansion of markets demands lengthening of the marketing channel but this is hampered by lack of rural infrastructure.
4. Direct marketing by farmers to consumers remains negligible. In the



27,294 rural periodic markets, where small and marginal farmers come to the markets, 85% lack facilities for efficient trade.

5. For facilitating trade at the primary market level, 7161 market yards/sub-yards have been constructed but they are ill equipped.
6. Food processing industry has a high income multiplier effect and employment potential. But in India the value addition to food production is only 7%, mainly because of the multiplicity of food-related laws.
7. Due to poor handling (cleaning, sorting, grading and packaging) at the farm gate or village level, about 7% of grains, 50% of fruits and vegetables and 10% of seed species are lost before reaching the market.
8. An estimated Rs. 50,000 crore are lost annually in the marketing chain due to poorly developed marketing infrastructure and excessive controls.
9. State Agricultural Produce Markets Regulation (APMR) legislation hampers contract farming initiatives, which otherwise can be highly successful.
10. Farmers shifting to higher-value crops face increased risk of fluctuation in yield, price and income.
11. While agricultural price policy and associated instruments have

induced farmers to adopt new technology and thereby increase physical and economic access to food, they have reduced private sector initiative and created several other problems in the economy.

### Concluding Observations

Attempts to strengthen Indian agriculture must address not only farm production (farmers) but also processing, marketing, trade, and distribution. We must link farmers to markets. In this endeavor, marketing and rural credit systems are extremely important. Indian agricultural marketing and rural credit systems have undergone several changes during the last decade. However, in the emerging environment, these need many more changes for making the agricultural sector vibrant and responsive to the aspirations of the rural masses. The suggested agenda for reforms includes (i) revision in the state APMR legislation, (ii) redefining the role of state marketing boards and market committees, (iii) repeal of ECA except under emergencies, (iv) putting in place a unified food law, (v) introduction of new instruments like contract farming and warehouse receipt system, and (vi) assurance to investors that regulations will not be reimposed. The policy of price support needs to be rationalized and decentralized. CACP and support prices should be given statutory status. Complementary public investment in and price risks should be made an essential component of development strategy. In the field of credit delivery, the financial institutions are under stress, particularly since the financial sector reforms of 1992-95. The credit policy should continue to emphasize small borrowers. Commercial banks are wary of lending to the agricultural sector and rural poor. The provisions of mandatory lending for the priority sector and agricultural activities

should continue. Banks should take the help of NGOs and local formal institutions in their lending programs to reduce transaction costs. These apart, effective linkages between farmers and processors on the one hand and between processors and credit agencies on the other should be promoted. Interlocking of credit and product markets is crucial and should be recognized. To meet the credit needs of the poor, programs like linking of self-help groups with lending agencies are important but in these linkages, the role of promoting institutions should not be lost sight of. Marketing and institutional credit systems have always remained critical for agricultural development. Their role has been enhanced in the liberalized economic environment. The

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