13. Agricultural Marketing

Can you recall?

1. The term agricultural marketing is composed of two words agriculture and marketing.
2. Agriculture includes all primary activities of production i.e. from growing or raising crops and live stock.
3. Marketing comprises a series of activities involved in transferring the goods from the point of production to the point of consumption. It includes all activities involved in the creation of time, place, form and possession utility.

Remember this

Market is the sphere within which price determining forces like demand and supply operate.

13.1 AGRICULTURAL MARKETING

13.1.1 Definition : Philip Kotler has defined marketing as a human activity directed at satisfying the needs and wants through exchange process.

American marketing association defined marketing as the performance of business activities that directs the flow of goods and services from producers to users.

Agriculture marketing is the study of all the activities, agencies and policies involved in the procurement of farm inputs by the farmers and the movement of agricultural products from the farm to the consumers.

According to the National Commission on Agriculture (XII Report, 1976) agricultural marketing is a process which starts with a decision to produce a saleable farm commodity, and it involves all the aspects of market structure or system both functional and institutional based on technical and economic considerations, and includes pre and post harvest operations, assembling, grading, storage, transportation and distribution.

Use your brain power

What are the opportunities in agricultural marketing?

Know the Scientist

Philip Kotler (May 27, 1931) was an American Economist who studied at the Hayward University and worked as a Professor of International Marketing at the University of Chicago. His famous book is on Marketing Management : Analysis, Planning and Control (1967).

In a fast growing economy, the agricultural marketing system provides strong linkages between farm and non farm sectors.

Agriculture means a bundle of activities aimed at growing or raising crops and livestock by using natural resources with ultimate goal of society welfare. Marketing is a process of identifying human needs, wants, demands and meeting, it at profit or the process of activities involved in moving the goods from the point of production to the point of consumption.

Agricultural marketing occupies a fairly low place in agriculture development policies of developing countries. The National Commission on Agriculture (1976) had emphasised that it is not enough to produce a crop or an animal product, it must be satisfactorily marketed.

Observe and Discuss

Problems in Agricultural Marketing

1. Large number of middlemen
2. Small and scattered holding
3. Forced sales
4. Technologically developed problems in farm production
5. Poor handling and packing
6. Lack of standardization and grading
7. Inadequate storage facility
8. Malpractices in market
9. Multiplicity of market charges
10. Lack of market information
11. Lack of farmers organization
12. Inadequate means of transport
13. Communication problems

Do you know ?

The marketing system gets completed only when the commodities are made available from the producers to the ultimate consumers in his required form, at needed time and place of consumers.

13.2 PROCESS OF AGRICULTURAL MARKETING

There are three processes involved in Agricultural marketing.

1. Assembling (concentration),
2. Equalisation
3. Dispersion (distribution)

13.2.1 Assembling :

Assembling begins with the collection of surpluses of individual farmers. This becomes essential in moving the produce to the consuming markets in sufficient quantities to permit efficient processing, transportation, storage, etc. This process of concentration is called assembling. Assembling takes two forms i.e., primary assembling and secondary assembling.

a. Primary Assembling :

The produce is assembled in the villages and primary markets as the farmers feel it convenient in view of small quantities of produce, pressing demand for cash, lack of transport facilities, paucity of information on the prices, etc., prevailing at other markets. The prominent functionaries are village merchants and itinerant traders or merchants.

b. Secondary Assembling :

It succeeds primary assembling. It is associated with greater concentration. These are initially found in the producing areas and then in the consuming areas. New functionaries like commission agents join in the secondary assembling. These are the wholesale markets. The percentage of marketable surplus that arrives stands around 70 to 75 percent at this stage, before it is dispersed to different consuming areas. In the secondary assembling, the role of commission agents is of paramount importance.

13.2.2 Equalisation :

It is the adjustment of supply and demand as per the requirements based on the time, place and quantity. Equalisation though tends to be confined to the wholesale markets, but to some degree or other, it is also found in marketing channels as well. With demand being spread throughout the year, the supplies should be made available as per the consumption requirements of the people. Storage has an important function here to hold back the stock for timely release. Also certain agricultural commodities are area-specific and there are certain areas with abundant production and some other areas with deficit production. Through the process of equalisation the products are moved from surplus areas to deficit areas. Transportation should be well developed in this regard. Adjustment of quantities as per the requirements is another important aspect of equalisation. The requirements of one market to other market vary. Keeping this in view, the required quantity should be moved from assembling centres to the consumer markets.

3. Dispersion

The produce that is collected from producing areas should be made available to the millions of consumers through the consuming markets. From the major wholesale markets the process of dispersion starts. Dispersion is seen through various marketing channels. In respect of those products which need processing before they are suitable for consumption they are moved to processors. The processed products then are channeled to the consumers. Commodities like paddy, cotton, sugarcane, etc., need to be processed before consumption in the form of rice, yarn and cloth, sugar or jaggery, etc., respectively.

There are some petty traders generally without shops, who move from village to village with their carts, buy from the farmers and sell in the near by markets. It is the continuous activity for them.

Remember this

1. Agricultural market is the place where the seller (farmer or trader) meets a buyer for exchange of agricultural produce with money.
2. There are various dimensions of any specified market, according to which markets are classified.

13.3 TYPES OF AGRICULTURAL MARKETS

13.3.1. Types on the basis of location :

On the basis of location or place of operation, markets are of following types.

a. Village market :

A market which is located in a small village, where major transactions take place among the buyers and sellers of the village is called a village market. Goods transacted are milk, fruits, foodgrains, vegetables, etc.

Fig. 13.1 Village market

b. Primary market :

These markets are located in towns near the centres of production of agricultural commodities. In these markets a major part of the produce is brought for sale by the producer farmers themselves. Transactions in these markets usually take place between the farmers and primary traders. Goods transacted are food grains, cotton, vegetable, etc.

c. Secondary wholesale markets :

These markets are located generally at district head quarters or important trade centres or near railway junctions. The major transactions in commodities in these markets take place between the village traders and wholesalers. These are specialized marketing agencies performing different marketing functions, such as those of commission agents, brokers and weighmen in these markets. Goods transacted are food grains, onion, potato, flowers, etc.

d. Terminal markets :

These markets are located either in metropolitan cities or at sea ports. Delhi, Mumbai, Chennai, Kolkata and Cochin are terminal markets for many commodities.

A terminal market is one where the produce is either finally disposed off to the consumers or processors or assembled for export. Goods transacted are cotton, food grains, processed food, etc.

e. Seaboard markets :

These markets are located near the seashore and are meant mainly for the import

and /or export of goods are known as seaboard markets. These are generally seaport towns. Goods transacted are edible oils, seeds, sugar, tea, etc. These types of markets in India are located in Mumbai, Chennai, Kolkatta and Cochin.

13.3.2 Types on the basis of area of transaction :

On the basis of the area from which buyers and sellers usually come for transaction, markets may be classified into the following four classes.

a. Local or Village market :

A market in which the buying and selling activities are confined among the buyers and sellers drawn from the same village or near by villages. The village markets exist mostly for perishable commodities in small lots e.g. local milk market or vegetable market.

b. Regional market :

A market in which buyers and sellers for a commodity are drawn from a larger area of the local markets. e.g. A class towns. Regional markets in India usually exist for foodgrains.

c. National market :

A market in which buyers and sellers spread at the national level. Located at metrocities and goods like Jute, Tea, Tobacco are transacted.

d. World or International market :

A market in which the buyers and sellers are drawn from more than one country or the whole world. These are the biggest markets from the area point of view. These markets exist for commodities which have a world-wide demand and /or supply, such as coffee, sugar, rice, row cotton, wheat, etc.

13.3.3 Types on the basis of number of commodities

A market may be general or specialized on the basis of the number of commodities in which transaction are completed.

Do you know ?

Specified market

Sangli - Raisins, Turmeric.
Kolhapur : Gul (jaggery)
Lasalgaon (Nashik) : Onion
Nagpur : Orange

a. General market :

A market in which all types of commodities, such as foodgrains, oilseeds, sugar, pulses, and other farm produce are bought and sold is known as general market. These markets deal in a large number of commodities. They are located in towns and cities and transaction between farmers and traders takes place.

b. Specialized market :

A market in which transactions take place only in one or two commodities is known as specialized market. For every group of commodities, a separate market exists. The example of specialized markets are foodgrain market, vegetable market, cotton market, wool market, animal market, etc.

13.3.4 Types on the basis of public Intervention

According to the extent of public intervention, market is classified into two classes.

a. Regulated market :

These are markets in which business is done in accordance with the rules and regulations framed by the statutory market organization representing different sections involved in market. The marketing costs in such markets are standardized and marketing practices are regulated. Markets are located at taluka and district market places. Most of the farm products are transacted here e.g. APMC market.

b. Unregulated market :

These are markets in which business is conducted without any set rules and regulations. Traders frame the rules for the

Keep in Mind

e-trading of agricultural goods : Government and non government agencies are operating the centres for e-trading. In this system a farmer, franchise and traders are required to be registered with the marketing agency e-trading of the agricultural produce may be of two types. Spot trading and Future trading.

Agencies :

- NSEL, Mumbai
- Multi Commodity Exchange of India Ltd, Mumbai
- India Commodity Exchange Ltd, New Delhi.

Do you know ?

Marketing channel :

Marketing channels are the routes or ways through which agricultural produce moves from producers to consumers.

conduct of the business and run the market. These markets suffer from many ills, ranging from unstandardised charges for marketing functions to imperfections in the determination of prices.

In these markets goods like fruits and vegetables are transacted.

13.3.5 Types on the basis of volume of a transaction (size) :

a. Wholesale Market : In this type, commodities are bought and sold in large lots or in bulk. This type transaction generally take place among the traders.

b. Retail Market : In this type agricultural goods are brought and sold to the consumers as per their requirement. Transactions in these markets take place between retailers and consumers.

13.4 CROP INSURANCE

Indian agriculture is highly susceptible to risks like droughts and floods. It is necessory to protect the farmers from natural calamities and ensure their credit eligibility for next season. For this purpose, the Government of India introduced many agricultural schemes throughout the country like Pradhan Mantri Fasal Bima Yojana (PMFBY).

Crop insurance refers to an insurance which insure farmers and crop producers against the loss of crops due to natural disasters, such as hail, drought and floods.

Crop insurance is a type of protection policy that covers agricultural producers against unexpected losses of projected crop yields or profits from produce sales at market.

Crop insurance is purchased by agricultural producers and subsidized by the federal grovernment to protect against either the loss of their crops due to natural disasters, such as hail, drought and floods.

Remember this

1. Insurance is a contract, represented by a policy, in which an individual receives financial protection or reimbursement against losses from an insurance company.
2. There are different types of insurance e.g. Life insurance, property insurance, crop insurance, etc.

Importance of crop insurance

1. **Stability in income :** It protects the farmers against losses caused by crop failure. It acts like a tool that allow farmers to manage their yield and price risks.
2. **Minimal Debts :** Farmers are able to repay their loans even during the time of crop failure with the support of the right insurance partner.
3. **Technological Advancement :** Insurance companies work along with agri platforms who use latest technology. This helps farmers to enhance agricultural practices and reduce farmers losses as well as improve their crop production.

4. **Yield protection :** Crop insurance protect farmers against production loss for crops. It also offers preventive planting and replant security of crops.
5. **Provides awareness :** Insurance companies provide awareness campaigns which help farmers to understand the effect of natural calamities and also protect their farms.

13.4.2 Pradhan Mantri Fasal Bima Yojana (PMFBY) :

Pradhan Mantri Fasal Bima Yojana was introduced in 2016 replacing all the existing crop yield insurance schemes in India. The scheme has extended coverage under localized risks, post harvest losses, etc. and aims at adoption of technology for yield estimation, through increased farmer awareness and low farmer premium rates.

Farmers can avail crop insurance services using the revamped PMFBY portal. There is a step by step process that farmers need to follow in order to get their crops insured.

Step 1 : Insurance Premium Calculator

The farmer can calculate the insurance premium themselves using the insurance premium calculator available on the PMFBY portal homepage.

Step 2 : Policy Application for Crop Insurance

A policy application form has to be filled in order to avail crop insurance services. Policy form for loanee farmers is filled automatically.

Step 3 : Report Crop Loss and Apply For Claim

If a crop gets damaged, farmers can report crop loss and also apply for claim on the PMFBY portal. Once the claim gets approved the farmers receive the insurance amount directly into their bank account mentioned in the policy application form.

Step 4 : Complaints and Helpline

Farmers can share their portal related grievances through the complaints option present on the PMFBY portal. Complaints registered by the farmers would be acknowledged immediately and would be solved within 24 hours.

Claim Process :

If actual yield (AY) per hectare of insured crop for the insurance unit in insured season, falls short of specified Threshold Yield (TY), all insured farmers growing that crop in the defined area are deemed to have suffered short fall of similar magnitude in yield PMFBY seeks to provide coverage against such contingency.

13.5 Kisan Credit Card (KCC)

The farmers in India have to face much difficulty in arranging short term funds for the planting and harvesting season and to meet other agricultural needs. They are largly dependent on credit from the unorganised sector such as money lenders who charge exorbitant rate of interest. Realizing the need for such short-term credit, the kisan credit card scheme was launched by the Reserve Bank of India and NABARD. Kisan credit card is offered by commercial banks, regional rural banks and co-operative banks.

The kisan credit card is a credit scheme introduced in August 1998 by Indian banks. The model scheme was prepared by the National Bank for Agriculture and Rural Development (NABARD) on the recommendations of R. V. Gupta Committee to provide term loans and agricultural needs.

A kisan credit card works in similar ways as a normal credit card. You can use it at ATMs and merchant post terminals. Under the Kisan credit card scheme, customer can avail two types of credit i.e. cash credit and term loans. A short term credit limit is offered on the kisan credit card for smaller agricultural needs. Term loan can also be taken for cultivation, buying equipment, irrigation, etc. Card holders can use the kisan credit i.e. card for certain domestic needs as well.

The farmers also receive a passbook which contains all the relevant details of land holding, credit limit, validity, etc. The repayment period in kisan credit card is upto maximum of 12 months and card is valid for a period between 3-5 years.

Remember this

1. Cash credit is a facility to withdraw money from a current bank account without having credit balance but limited to the extent of borrowing limit which is fixed by the bank.
2. The interest on this facility is charged on the running balance and not the borrowing limit which is given by the bank.

13.5.1 Features of kisan credit card loan :

- All the farmers are eligible for the benefit from the kisan credit card scheme. This includes farmers who cultivate their own land and tenant farmers.
- The national crop insurance scheme covers the crops eligible for kisan credit card. The scheme offers some protection to the farmers in a poor crop season.
- The biggest advantage of this scheme is the simplicity of the credit process. Quicker and timely availability of funds for the farmers.
- There is minimal paperwork and documentation involved.
- There is a lot of flexibility in the repayment tenure of kisan credit card loan. There is also a possibility of extending the repayment period in case of bad crop turnout due to natural calamities. Farmers are also offered subvention for timely and prompt repayments.
- It ensures assured availability of financial resources at affordable interest rates.
- It provides insurance coverage (personal accident and asset) for the recipient of the kisan credit cards.
- It provides a facility to withdraw cash as per the farmers requirements.
- Specifically targeted at farmers as part of the government scheme for kisan.

Fig. 13.2 Kisan card

Do you know ?

Top Banks offering kisan credit cards in India.

1. National Bank for Agricultural and Rural Development (NABARD)
2. State Bank of India (SBI)
3. Bank of India (BOI)
4. Industrial Development Bank of India (IDBI)
5. Axis Bank
6. Indian Overseas Bank (IOB), etc.

Keep in Mind

What is NAFED?

National Agricultural Co-operative Marketing Federation of India Ltd (NAFED) is an apex organization of marketing co-operatives for agricultural produce in India, under Ministry of Agriculture, Government of India. It was founded on the birthday of Mahatma Gandhi on 2nd October 1958 to promote the trade of agricultural produce and forest resources across the nation. It is registered under Multi State Co-operative Societies Act. NAFED is now one of the largest procurement as well as marketing agencies for agricultural products in India. NAFED is the nodal agency to implement price stabilization measures.

With its headquarters in New Delhi, NAFED has four regional offices at Delhi, Mumbai, Chennai and Kolkata, apart from 28 zonal offices in capitals of states and important cities.

Exercise

Q.1 Answer the following questions.

A. Select the appropriate alternative and complete the following statements.

1. ---------- has defined marketing as a human activity through exchange process.
   a. Shekharo b. Philip Kotler
   c. AMA d. Raman
2. The markets meant mainly for the import and export of goods near seashore are called ---------- markets.
   a. Sea board b. retail
   c. wholesale d. terminal
3. Pradhan Mantri Fasal Bima Yojana was introduced in the year ----------.
   a. 2016 b. 2006
   c. 2018 d. 2008
4. The Kisan Credit Card scheme introduced in the year ---------- .
   a. 1975 b. 1990
   c. 2000 d. 1998
5. Village markets exist mostly for ---------- commodities in small lots.
   a. Perishable b. Processed
   c. Unperishable d. all the above

B. Make the pairs.

'A' Group	'B' Group
1. Terminal market	a. District place
2. Local market	b. 'A' class towns
3. Regional market	c. Sea ports
	d. Buyers and sellers from more than one country
	e. Same or nearby village

C. Find the odd one out.

1. Village market, Primary market, Terminal market, Regional market
2. World market, Regional market, National market, Regulated market
3. Assembling, Equalization, Dispersion, Crop insurance
4. General market, Specialized Market, Unregulated market

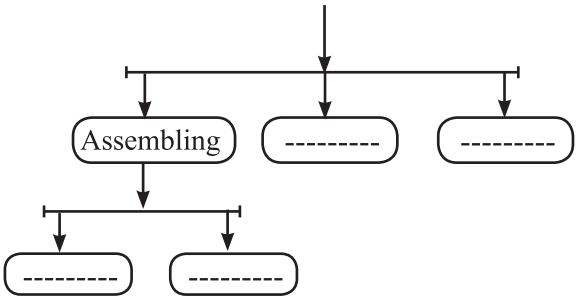
D. Sate true or false.

1. In regulated markets business is done in accordance with rules and regulations framed by organisation.
2. In general market only one or two commodities are transacted.
3. Kisan credit card is valid for a period of one year.
4. Seaboard markets are involved in import and export of goods.
5. In National markets buyers and sellers are drawn from more than one country.

Q. 2 Answer in brief.

1. What are the differences between primary market and secondary market?
2. Write a note on specialized market.
3. What is the insurance claim process for PMFBY?
4. Complete the following chart.

Process of Agriculture marketing.



5. Write a note on the World or International Market

Q. 3 Answer the following questions.

1. What are the problems in Agricultural marketing?
2. Explain process of Assembling in marketing.
3. What is the importance of crop insurance?
4. Write a short note on kisan credit card loan scheme.
5. Describe terminal markets.

Q. 4. Answer the following questions.

1. What are the characteristics of wholesale markets?
2. What are the important features of kisan credit card loan?
3. What are the different marketing channels for food grains?
4. Write a note on regulated market.
5. Write a note on Pradhan Mantri Fasal Bima Yojna (PMFBY)

Q. 5. Answer the following question in detail.

1. What are the different steps to be followed in application of crop insurance?
2. Describe the types of agricultural market on the basis of location

Q6 Answer the following question in detail.

1. Write in detail process of agricultural marketing.
2. Define crop insurance and write its importance.

Activity

Visit the nearby Agriculture Produce Market Committee (APMC) and know about regular activities in the market yard.

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