

# RURAL MARKETING

## Unit Structure :

- 1.0 Objective
- 1.1 Introduction
- 1.2 Concept
- 1.3 Characteristics of Rural Marketing
- 1.4 Scope of Rural Marketing in India
- 1.5 Significance/Importance of Rural Marketing
- 1.6 Exercises

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## 1.0 OBJECTIVES

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The marketing concept is the philosophy that firms should analyze the needs of their customers and then make decisions to satisfy those needs, better than the competition. As per our syllabus objectives of this chapter are:

- a) To know the meaning and concept of Rural marketing.
- b) To understand the characteristics of Rural marketing
- c) To learn the scope of Rural Marketing
- d) To know the significance of Rural Marketing

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## 1.1 INTRODUCTION

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As per ancient text the term “Rural” is known in classical literature as “GRAM” Historically this term is known as village. Village means location situated on the bank of river, a small group of people having large homogeneity of cultural and living traits.

The “Market” is a place where buyers and Sellers Exchange Things. In lay man terms "It is a place where buyers and sellers exchange goods/Service for some value in return such as Money". So the Market is same everywhere. But the difference is in the consumer behavior.

Even today more than 65% population is staying in villages. As a result of the “Green Revolution” there is a socio- economic revolution taking place in Indian villages since last three decades. The knowledge of fertilizers, water resources, pesticides, and better quality seed has been increased. Methods of farming have changes the villages far better. Per capita income is also increased which change the manner to spend the

money by rural people. The villages have accepted modern technology in agricultural. At the same time rural people accepted modern living. People in villages are demanded from fast foods to cars. In short life style of rural people has change in passage of time. These changes in villages have led villagers to think of material well-being. The expanding rural market is important to the growth of economic development of India. With the change of attitude of the Indian farmers the marketing focus is also changing towards villages. The slogan of Mahatma Gandhi “Go to villages” came in truth in modern marketing concept.

An attempt is made in this chapter, to understand the basic concept of rural marketing, its characteristics, scope, significance, factors, and problems of rural marketing.

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## 1.2 CONCEPT

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### Marketing:

The marketing concept is the philosophy that firms should analyze the needs of their customers and then make decisions to satisfy those needs, better than the competition. Marketing generally involves a series of planned activities involved in moving goods from point of production to the point of consumption. It includes all the activities involved in the creation of demand, time frame, place, form of possession and utility, marketing is undisputedly the most important function of all business organizations worldwide. Marketing starts with human needs, wants and demands. Substantially, met with the availability of products and solutions in the form of goods, services and ideas.



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**Marketing** is the promotion of business products or services to a target audience. It is, in short, an action taken to bring attention to business offerings they can be physical goods for sale or services offered.

In 1776 in *The Wealth of Nations*, Adam Smith wrote that the needs of producers should be considered only with regard to meeting the needs of consumers. While this philosophy is consistent with the marketing concept, it would not be adopted widely until nearly 200 years later.

## Definition of Marketing :

The word market is derived from Latin word 'Marcatus' means trade or a place where business is conducted. The term marketing is defined as a "Business activity planned at satisfying to a reasonable extent, consumer or customer needs and wants, generally through an exchange process"

Philip Kotler defines marketing as "a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others"

As per the definition by the American Marketing Association "Marketing is the process of planning and executing the conception, pricing promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.

## Rural Marketing:

Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas. The urban to rural flow consists of agricultural inputs, fast-moving consumer goods (FMCG) such as soaps, detergents, cosmetics, textiles, and so on. The rural to urban flow consists of agricultural produce such as rice, wheat, sugar, and cotton. There is also a movement of rural products within rural areas for consumption.

National commission on Agricultural of India defines "Rural marketing as 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 technological and economic considerations and includes pre and post-harvest operations assembling grading storage transportation and distribution".



[www.downtoearth.org.in](http://www.downtoearth.org.in)

A large variety of transactions are considered as a part of rural marketing.

## These are marketing of:

- a) Agricultural inputs like fertilizers, pesticides, farm equipments.
- b) Products made in urban centers and sold to rural areas like soaps, toothpastes, TVs etc.

- c) Products made in rural areas sold to urban centers like khadi cloth handcrafted products, etc.
- d) Products made and sold in rural areas like milk and milk products locally manufactured toothpowder, cloth etc.

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### 1.3 CHARACTERISTICS OF RURAL MARKETING

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Rural marketing is the process of developing, pricing, promoting distributing rural specific goods and a service leading exchanges between urban and rural markets which satisfies consumers demand and also achieves organizational objectives. Indian Rural Marketing in twenty first century offers great challenge

and promise to all people in the rural marketing chain. Rural marketing in India is a complex mix of factors such as, social, historical, cultural technical, economical and business. Good Rural marketing gives a multiplier effect and act as a booster to the economy. Some of the important characteristics of rural marketing are specified as under.

#### **1. Large and scattered population :**

According to the 2011 census, 741.7 million India's population lives in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6, 38,365 villages. The rural population is highly scattered, but holds a big promise for the marketers.

#### **2. Rising disposable income of Rural Customers :**

New tax structures, good monsoon, the green revolution and the administered pricing mechanism have raised disposable incomes in rural areas. Today the rural consumer shops for value. This income attracts companies for marketing their products in rural areas.

#### **3. Higher purchasing capacity :**

Purchasing power of the rural people is on the rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.

#### **4. Market growth:**

The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs, branded products such as toothpaste, tea, soaps and other FMCGs and consumer durables such as refrigerators, TV and washing machines have also grown over the years.

## **5. Development of infrastructure :**

There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing. Even today most villages in the country are inaccessible during the monsoons. Moreover 3 lakh villages in the country have no access to telephones. Other communication infrastructure is also highly under developed. Many rural areas are not connected by rail transport. 50% of roads have been poorly surfaced and majority is severely damaged by monsoons.

## **6. Low standard of living :**

The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is diverse in different parts of the country. A consumer in a village area has a low standard of living because of low literacy, low per capita income, social backwardness and low savings.

## **7. Traditional outlook :**

The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.

## **8. Marketing mix :**

The urban products cannot be dumped on rural population separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.

## **9. Diverse socio-economic background :**

This is different in different parts of the country and brings diversity in rural markets.

## **10. Changing demand pattern :**

Demand pattern of rural customer is fast changing due to increasing in income and credit facilities offered by banks like 'Kisan credit card'.

## **11. Major income from agriculture :**

About 60% of the rural income is from agriculture and hence the demand for consumer goods is high during harvesting season.

## **12. Saving habits:**

Rural consumer is now having saving habits due to the efforts of co-operative and commercial banks. In place of purchasing high price products they preferred low price product and unspent amount is save for future needs.

**13. Media reach :**

The reach of print media is 10% followed by TV 31%, radio 31% and cinema 33%. The growth of satellite TV channels has had a major impact on villagers. It has led to a change in lifestyle. Consumption of non-food items has increased. Since the accessibility of television is high compared to other media, its capacity to arouse interest is also high. Rural consumers now aspire to buy brands rather than just purchase commodities.

**14. Communication :**

There is substantial improvement in all communication fields since one decade. Even though as per Indian Express report about 6 lakhs villages are without telephone facilities. Today, some of the mobile companies reach to villages which increase communication facilities for rural consumers. This helps for increase in purchasing power of villagers.

**15. Electrification :**

When India became independent in 1947, electricity was available in a few villages and merely touched a few towns and cities. At the time of five year plans in 1951 about 3000 villages were provided electricity and nearly 21000 irrigation pump sets were energized. In 1965-67, a rural electrification programme was devised for increasing the infrastructural inputs for agricultural production programs. To implement the programme effectively the Rural Electric Corporation was set up. At present 88% of villages have been electrified and rest will soon get electricity by "Rural Electricity Corporation". Due to improve of this technical service the standard of living of rural peoples has been increased.

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## **1.4 SCOPE OF RURAL MARKETING IN INDIA**

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The new generation is no longer shying away from agriculture as a career. Many government initiatives like MNREGS and minimum support prices for various agriculture products have also given rural people a healthy income. There is no scarcity of job opportunities for the urban youth as well. In sectors like FMCG, automobile, retail, research and advertising, there are numerous prospects which are available at various levels in major companies having their operations in the rural sector.

The incursion of national and local brands into rural areas provides employment opportunities to the masses there. To exist in these markets, companies are coming up with money-spinning business models and are also appealing to the local population, as people in rural areas buy things based on the recommendation of others or those they are comfortable with.

The unappreciated rural story is now fast catching up and has opened the floodgates of prospects for those interested in making careers in this field.



Below are the few points why organizations are looking at rural marketing with a positive attitude.

### **1. Population**

The rural population is large and its growth rate is also high. Despite the rural urban migration, the rural areas continue to be the

place of living for a vast majority of Indians. According to 2011 Census rural population is 72% of total population and it is scattered over a wide range of geographic area. That is 12% of the world population which is not yet fully utilized.

### **2. Rising rural prosperity**

Average income level has improved due to modern farming practices, contract farming industrialization, migration to urban areas etc. There has been an overall increase in economic activities because during the planned rural development heavy outlay of resources on irrigation, fertilizers, agricultural equipment's and agro processing industry has been made. Saving habits in rural people also has increased. This too contributes in higher purchasing power

### **3. Growth in consumption**

There is a growth in purchasing power of rural consumers. But, the average per capita household expenditure is still low compared to urban spending. The average per capita household expenditure is Rs. 382. The average rural household spend on consumables excluding food grains, milk and vegetable is Rs. 215 with the most affluent households, the rich spending around Rs. 333 and the least affluent ones spending about Rs. 166.

### **4. Change in life style and Demands**

Life style of rural consumer changed considerably. There has been increase in demand for durables and non-durables like table fans, radios, mopeds, soaps, etc. by rural consumers. This provides a ready market for the producers. Rural market is expanding day after day.

### **5. Life cycle advantage**

The products which have attained the maturity stage in urban market is still in growth stage in rural market, e.g. popular soaps, skin cream, talcum powder, etc.

### **6. Decision-making Units**

Women in rural areas are beginning to make fast decisions for purchases. Studies reveal that 72.3% decisions are taken jointly in a family. With education and mass media, role of children in decision making is also changing

## 7. Market Growth Rate Higher than Urban

As per the survey made by NCAER the growth rate of FMCG market and durables market is higher in rural areas. The rural market share is more than 50% for products like body talcum powder, toilet soaps cooking oil, hair oil etc. The durable market offers an excellent proposition. Following table compares the durable owned and estimates of future sales along growth rates in

rural and urban areas. The growth rates for all the three groups of durable for rural areas are much higher than those in urban area.

### Consumer Durables Rural Vs. Urban

Groups	Areas	Million units			Growth % change over previous period	
		1994-95	2001-02	2010-11	2001-02	2010-11
I	Urban	140.10	195.15	245.09	39.29	25.59
	Rural	224.17	330.63	430.93	47.49	30.34
II	Urban	61.44	95.54	122.70	55.50	28.42
	Rural	43.54	100.13	144.83	129.97	44.64
III	Urban	35.99	83.05	138.31	130.76	66.54
	Rural	11.24	29.90	57.10	166.01	90.97

For analysis purpose the durable are classified in the following three groups.

Group I- Less than Rs. 1000 in value. Items like transistors, pressure cooker, wrist watches and bicycles.

Group II- Rs.1001-Rs.6000 in value. Items like sewing machines, Mixers and Cassette recorders, etc.

Group III- above Rs. 6000 Items like Color TVs, Refrigerators, Two wheelers, Mashing machines. Etc.

## 8. Rural Marketing is not expensive

Conventional wisdom dictates that since rural consumers are mostly dictates that selling in rural India is not expensive. According to the research by Anurag-Madison it costs roughly Rs. 1 crore to promote a consumer durable inside a state. This includes the expenses of advertising in vernacular newspapers, television spots, in-cinema advertising radio, van operation and merchandising and point of purchase promotion. Campaign like this which can be reaching millions cost twice as much in urban area.



The Indian government in the past few years has begun concentrating on providing vocational education to rural men and women. These skill development curricula help them to get employment and many of them, with the help and financial support of the government, start their own small businesses. Many private companies are also training these masses in various fields and later give them jobs in their own organizations. This is helping people in getting employment in their own localities and companies are also gaining as they get this workforce at a very reasonable price. Even the farming community has been endowed by many technological inventions, and many private companies have started using mobiles as their means of business.

## 10. Education and Training

The growing requirement of skilled professionals in these markets has led to the outgrowth of rural marketing as a subject and now it is taught in almost all major management colleges in the country. Degree and diploma courses in rural management are offered by numerous management institutes in the country.

The most accepted among them are MBA in Rural Management, Master of Rural Management (MRM), Post Graduate Diploma Programme in Rural Development Management, and Post Graduate Diploma in Rural Marketing. Admission into these courses is through the All-India entrance tests followed by group discussions and a personal interview. The least qualification to appear in these tests is a graduation or an equivalent degree from any recognized institute.

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## 1.5 SIGNIFICANCE/ IMPORTANCE OF RURAL MARKETING

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In recent years rural markets have gained prominence in countries such as China and India, the overall growth of the economy has resulted in a substantial increase in purchasing power of rural communities. Due to green revolution in India rural areas consume a large amount of industrial and urban. Rural markets coincides with the marketing of agricultural products, shows the first commercialization of rural areas for urban consumers or businesses, while the rural markets is to provide products or processed inputs or services, rural producers and consumers.

### 1) Huge Rural Market

In the 21<sup>st</sup> century, the rural markets have acquired significance. The green revolution and the white revolution combined with the overall growth of Indian economy have resulted into substantial increase in the purchasing power of the rural communities. Rural marketing denotes flow of goods and services from rural producers to urban consumers at possible time with reasonable prices, and agricultural inputs and consumer goods from urban to rural.

National sample survey data shows that out of the total expenditure on manufactured consumer goods, 75 percent is spent in Rural India. This percentage is remaining constant since 1960-61. Though per capita consumption and expenditure on manufactured consumer items is low in rural areas, the market is times larger than urban areas.

## **2. Rural target population**

Distribution of wealth in Rural India is uneven and the top 13 percent of the farmers land holding account for 37% of the cultivated area. The top 10 % of the rural population accounts for above 37% of the expenditure on consumer goods. However with the increasing spread of the total income, consumer goods are expected to make substantial penetration into the lower income strata by the normal percolation effect. There is an increasing cross flow of population between urban and project town centers which act as conduits for cross flow of products and ideas thus supplementing the demand for such products.

## **3. Increase market for Agricultural Inputs**

The demand for agricultural inputs is rapidly expanding in rural market. This refers to marketing of products required for agricultural production. Unlike urban market, rural areas are production centers. To produce food grains, vegetables, fruits, etc. a large number of inputs are needed. These include seeds, fertilizers, pesticides, agricultural implements (tractors, pump sets, etc.), cattle feed, poultry feed. Input marketing also includes marketing services such as diesel engine repair and health care.

## **4. Diverse markets.**

It is of paramount importance in the Indian marketing environment as rural and urban markets in India are so diverse in nature that urban marketing programs just cannot be successfully extended to the rural market differs from that of the urban Indian. Further the values aspiration and needs of the rural people hasty differ from that of the urban population.

## **5. Influenced buying decisions**

Buying decisions are highly influenced by social customer's tradition and beliefs in the rural communities. As regards the purchasing power, the urban markets are segmented according to income levels, but in rural areas, the family incomes are grossly underestimated.

## **6. To understand the rural consumer**

Farmers and rural artisans are paid in cash as well in kind, and their misrepresent their purchasing power. For their reason, a marketer must therefore, make an attempt to understand the rural consumer better before meaning any marketing plans.

## 7. Untapped potential

Rural markets in India have untapped potential. There are several difficulties confronting the effort to fully explore the rural markets. The concept of rural markets in India is still in evolving shape, and the sector faces a variety of challenges. Distribution costs and non-availability of retail outlets are major problems faced by marketers.

## 8. Product Plan as per requirement of Rural People

Many successful brands have shown high rate of failure in the rural markets because the marketers try to extend marketing plans that they use in urban areas. The unique consumption pattern, tastes, and need of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people.

## 9. Sources of Rural Marketing Capacity

There are certain factors which contribute to purchasing capacity in rural areas. Some factors are as under.

### a) Surplus of marketable agricultural and Rural/Urban terms of Trade

Consumption of consumer goods rises 0.7 percent for every one percent increase in marketable surplus of food grains. As the surplus is increasing every year there will be increasing purchasing capacity with farmers.

### b) Remittances.

The traditional remittances from within the country are now being supplemented in several states by remittances from overseas. This creates new consumption and purchasing patterns.

### c) Dispersal of Industry.

The investment in the development of backward areas will greatly speed up the income generation process in rural areas.

### d) Increase in government support

Indian Government increases support for investment in flood control, irrigation facilities and central outlay for rural development. These will generate income and increased purchasing power of rural areas can be expected to support consumption of manufactured items. These investments are expected to augment the income generation process from land in future years, which in turn will accelerate the growth of rural markets. This will encourage the income generation process.

## 2. Helpful in the Food processing Industry

India's land is suitable for agriculture, horticulture, sericulture which produces a number of varieties of food grains, fruits, vegetables, commercial crops and flowers. For development of food processing

industry government has taken many efforts by giving a number of benefits including tax benefits, incentives, subsidies, and transportation and marketing facilities. Primarily food industries engaged in adding farm utility to raw farm products. . Wheat is milled into flour, livestock is converted into meat products, fruits and vegetables are canned. These industries play important role in transforming bulky, raw, perishable farm products into storable concentrated and more appealing good products. Today food processors become involved in several supportive marketing functions, such as transportation, storage and financing. By purchasing farm commodities their activities are closely linked to farmers. Government is developing food processing industries in the state of Punjab, Himachal Pradesh, Jammu & Kashmir, Gujarat, Kerala, Karnataka, Maharashtra, etc., which is being responded as per expectations.

### **3. Helpful in Economic Development**

Rural marketing plays an important role in accelerating the pace of economic development. The functions of rural marketing are important in promoting economic development. The development of an efficient marketing system is important in ensuring that scarce and essential commodities reach different classes of consumers. The objectives of price stability, rapid economic growth and equitable distribution of goods and services cannot be achieved without the support of an efficient rural marketing.

### **4. Increase in Farm Income**

Rural marketing ensures higher levels of income for the farmers by reducing the number of middlemen or restricting the commission policies on marketing services and malpractices adopted by mediators in the marketing of farm products. An efficient rural marketing system guarantees the farmers better prices for farm products. Investment in purchase of modern inputs increases production and productivity of farm products.

### **5. Proper utilization of resources and better output Management**

An efficient marketing system helps for optimization of resource use and output management. Rural marketing system contributes to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation. A well designed system of marketing can effectively distribute the available stock of modern inputs and thereby sustain a faster rate of growth in the rural sector.

### **6. Growth of Agro- Based Industries**

Efficient rural marketing system helps for growth of agro based industries and stimulates the overall development process of the economy. Many producers have installed their industrial units near the village side and are also interested to install the units in the rural areas so as to minimize the transportation cost, easily availability of raw material and some benefits which are specially meant for rural producers.

## **7. Extension of Markets**

A well rural marketing system widens the market for the products by taking them to remote corners of the country.

The widening of the market helps in increasing the demand on a continuous basis, and thereby guarantees a higher income to the producer.

## **8. Good price Indicator**

Efficient rural marketing system helps the farmers in planning their production in accordance with the need of the economy. This is possible through price indicators. For protection to farmers every year government announces minimum support prices for agriculture products. To obtain good prices the farmers are directed to produce as per the requirements of the economy.

## **9. Use of New technology**

The marketing system helps farmers for use of new and advanced technology for production of agricultural products. Our past experience shows that our rural areas were underdeveloped because of the lack of mechanization of agriculture. With the advancement of technology, mechanization, introduction of high yielding varieties, development of fertilizer and pesticides and proper government policy has increased the agricultural production to a greater extent which is the backbone of rural industries.

## **10. Increased employment in rural sectors**

The marketing system provides employment to a number of people engaged in various activities such as packaging, transportation and processing. Many persons are engaged in providing services related to agricultural products like commission agents, brokers, traders, retailers, Wightman, hamals and regulating staff in rural marketing system. Cooperative marketing system provides employment to a number of employees. Storage of agricultural products, warehousing, transportation, middlemen, provides employment to a number of prospects.

## **11. Increase standard of living**

The marketing system is essential for the success of the development programmes, which are designed to uplift the rural population in India. Government of India takes special efforts to diminish the poverty of the agricultural population, reducing consumer food prices. More foreign exchange can be earned by efficient export system of agricultural products. With rising agricultural income, standard of living of rural people has been increased.

## **12. Creation of Various Utilities**

Marketing is essential for every type of production. It is necessary to reach the production at needy place from production place. Marketing system

increase the cost of the product at certain level, but at the same time, it adds various utilities to the products. Marketing creates following utilities.

**a) Form Utility**

The processing function of marketing adds form utility to the products by changing raw material into finished products. Due to this change, products become more useful, for e.g. oil seeds are converted into oil, sugarcane into sugar, cotton into cloth, wheat into flour and bread etc.

**b) Place Utility**

The transportation function creates place utility of the products by shifting them to a place of need from the place of plenty. Products get higher prices at the place of need than at the place of production because of the increased utility of the product.

**c) Time Utility**

The storage function adds time utility to the products by making them available at the time when they are needed. There are certain products which are manufactured regularly but its demand is only for a particular period for e.g. manufacturing of seeds, fertilizers etc. similarly certain products are manufactured in a particular season but it is used for the entire period as like sugar, pulps of various fruits etc. due to better storage system products can be preserved for a long period in better conditions.

**d) Possession Utility**

The marketing function of buying and selling helps in the transfer of ownership from one person to another, Products are transferred through marketing to persons having a higher utility from persons having a low utility.

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## 1.6 EXERCISES

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- 1) Define rural marketing. State the characteristics of Rural Marketing
- 2) Explain the scope of rural marketing.
- 3) State the significance or importance of Rural Marketing.





# **RURAL MARKETING: FACTORS AND PROBLEMS OF RURAL INDUSTRIES & RURAL SERVICES**

## **Unit Structure**

### 2.0 Objectives

#### 2.1 Factors of Rural Markets

#### 2.2 Marketing Problems of Rural Industries

#### 2.3 Marketing for Rural Services

#### 2.4 Exercises

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## **2.0 OBJECTIVES**

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The rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. There are some factors which are responsible for the growth of rural market in India. Today rural industries faced various marketing problems. Marketing of rural services is one of the challenges in today's LPG scenario.

The main objectives of this chapter are,

- a) To understand the factors of rural market.
- b) To know the marketing problems of rural industries.
- c) To learn marketing strategies of rural services.

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## **2.1 FACTORS OF RURAL MARKETS**

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India is a land of agricultural and basically she resides in the villages.

According to the 2011 census, 741.7 million India's population lives in rural areas. This population makes its both ends by cultivating, selling the agricultural products, working on agricultural which is called agricultural labours, some are involved in the processing of agricultural products and allied activities, some are rendering the services to the villagers by providing them seeds, fertilizers, pesticides and some are doing the job work on the agriculture. In short rural marketing has taken place only in agricultural field.

The rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. The price sensitivity of a consumer in a village is

something the marketers should be aware of. The rural audience has matured enough to understand the communication developed for the urban markets, especially with reference to FMCG products. Television has been a major effective communication system for rural mass as a result, companies should identify themselves with their advertisements. There are some factors which are responsible for the growth of rural market in India which are as under.

### **1) Occupation in Rural India**

Different types of occupation in Indian village reflect the base of their socio-economic culture. Since the ancient period the Indian villagers have been involved in various occupations out of which agricultural is one of the main occupation. In the contemporary period the evolution and advancement in different industrial and technological sectors in India have opened new job opportunities for the Indian villagers, Agriculture however, remain the principal occupation in Indian villages from the ancient period. In the changing time agriculture has been replaced by other occupations in different parts of India in the contemporary period. Other occupations in Indian villages includes the priests, carpenters, blacksmiths, barbers, weavers, potters, oil pressers, leatherworkers, sweepers, water bearers, toddy-tappers, etc. However rural Indian scenario has been changed by taking up the non-traditional occupations. This includes academics as teachers, truckers, clerks or getting engaged with various cottage industries, regardless of which caste or class they belong to. Different types of occupations are found in the modern Indian villagers apart from agricultural or farming or the traditional occupations. The climate and location influence occupations in Indian villages to a large extent. Many villagers are involved in various kinds of art and crafts works. The villagers produce different types of handicrafts products and many of them are earning their livelihoods by marketing them. The occupations like artisan in pottery, wood, cloth, metal and leather have been in existence in Indian villages, since the ancient period and are found even in the modern times. The women in the rural areas too are actively getting involved in different industries like matchbox and firework industries, Bidi making, agate and slate industries, coffee and tea industry, etc. Tourism sector has emerged as one of the major occupations in Indian villages, in the contemporary period. The rich cultural diversity in the villages attracts many tourists from all over the world every year. This has encouraged many villagers to get involved in various tourism related occupations.

The villagers work as tourist guides or run different kinds of business in the famous tourist spots or even provide accommodation facilities to the tourists to earn their livelihoods. The occupations scenario in Indian villages has changed mainly due to the changing economic scenario of the Indian villages.

## 2) Farming

From ancient period agriculture has been the main occupation of rural India. In ancient India farming in Indian villages was mainly dependent on the monsoon condition and hence most of the crops cultivated during the monsoon. In the modern age the dependency on weather has lessened with the advancement of irrigation technology and different types of crops that are being cultivated in India. There are some people who do not have and own land but they help others to cultivate crops in their lands. Another form of farming in Indian villages that provides occupation to the villages is organic farming. The organic farmers mostly rely on crop rotation, crop residues, animal organics and mechanical cultivation to maintain soil productivity and farmland. The main objective behind this is to supply plant nutrients and to control weeds, insects and other pests. The dependency of Indian villagers on agriculture and the suitable climatic condition has made India the largest producer of milk, cashew nuts, coconut, tea, ginger, turmeric and black pepper of milk in the world. India is the second highest producer of farm products in the world. The farming in Indian villages is the backbone of the entire economic structure of India.

## 3) Teaching

Teaching is one of the important professions in India. Many people of villages and cities are engaged in this profession. The rural population of India receives education from the government and non-government schools. The teachers usually hold a position of respect and honor in the villages of India. In the recent period there are numerous schools established in the Indian villages to provide primary and secondary education to the children's in villages. Teaching in Indian village schools is being given more and more importance by the government of India. The government sends young and devoted peoples to the rural areas for giving better education to under privileged villagers. All this efforts being improve the educational status of rural India.

## 4) Fishing

India is a land of water lands that include several rivers and seas. The rivers and seas flowing through and along with the border of India are home to a huge variety of fishes. In rural areas fishing has been a major source of income for the people living in rural areas. This is one of the occupations of Indian villagers. Peoples in south India are mostly depending on this occupation due to most of the villages are located along the coastal line. A majority of the fish is marketed abroad by which huge foreign exchange amount received to India.

In the recent period the government of India is encouraging the Indian villagers to take up ocean fishing as their occupation. The occasional fishermen are mostly those who are usually involved in the agricultural. Number of peoples involved in this occupation is increased day to day by which rural markets have been developed.

## 5) Handicrafts

As far as arts and culture India is one of the richest countries in the world. High quality handicrafts products are made by Indian people. Handicraft is one of the important occupations in Indian villages. Villages in different parts of India are famous for producing different types of handicrafts.



<https://www.indiamart.com>

Handicrafts in Indian villages are practiced since the ancient period. The governments authorities in India are encouraging people to take up handicrafts as their occupation in the recent years as the Indian handicrafts products bring a huge amount of foreign currency to the country.

## 6) Literacy in Rural India

Literacy in India is key for socio-economic progress and the Indian literacy rate grew to 68% in 2007 from 12% at the end of British rule in 1947. Literacy rate of India in 2011 is 74.04%. The Male literacy rate is 82.14% and Female literacy rate is 65.46% according to Census 2011. Among the Indian states, Kerala has the highest literacy rate 93.91% and then Mizoram 91.58%.

Among the Union Territories, Lakshadweep has the highest literacy rate of 92.28%. Bihar has the lowest literacy rate in India with 63.82%. The Male literacy is highest in Lakshadweep 96.11% and Kerala 96.02%. The Female literacy is highest in Kerala 91.98% and Mizoram 89.40%. Lowest male literacy is in Bihar 73.39%. Lowest female literacy is in Rajasthan 52.66%. Women in rural villages in India today tend to be treated as second class citizen. Their primary responsibilities are to look after the family and household and work in the fields.

## 7. Infrastructure

India's economic growth and development is predicated to large extent upon the development of its strong rural population. Majority of the population lives in small villages and are engaged primarily in agriculture. A substantial portion of India's current agricultural labour force has move to non-agriculture sectors for incomes in all sectors to go up. The challenge is to manage the transition of 80% of the rural

population from a village-centric agricultural based economy to an industry based economy. The government has launched 'Bharat Nirman' for the development of rural infrastructure. The government prepared plan for the development of India Rural Infrastructure in the sector of Irrigation, Roads, Housing, Water supply, Electrification and Telecommunication. After independence the government took upon itself the major responsibility of development. Hence, the central and state government carried out development projects as like Radio for rural development. Satellite Instructional Television Experiment is considered to be one of the biggest techno-social communication experiments in education and rural development. Rural adults viewed television programs on improved agricultural practices, health and family planning. Television was considered as window to the world. But it is sad that in spite of best efforts satellite television has been used for entertainment more than rural development.

## **8. Rural communication**

Internet and Mobile have played the most important role for the growth of Rural Markets. The companies like BSNL, Airtel, and Reliance etc. have given maximum attention on villages for expansion of network. Broadband and 3G mobile and internet services are easily available in rural area. These facilities have opened the doors for companies to use latest technologies for brand promotion. Gone are the days when pamphlets distributions, exhibition, door to door selling techniques were used to bring awareness among rural consumers. Now it's the time of online marketing where customer can place order on net. Social networking sites have also provided a right platform for sales promotion.

Around 50 percent of the villages are today connected by all-weather roads and can be accessed throughout the year. But there are states, which are almost 100 percent connected with the metal roads. Road networking besides enhancing the mobility of rural consumers has increased their exposure to products and services. By watching such a scenario in these areas Korean consumer durable companies have decided to look beyond their noses. They are now placing their bets on rural markets. Two giants namely LG and Samsung have already made their strategies for entering into rural India. As per survey conducted by Indian Market Research Bureau (IMRB) 77 percent of the villages are covered by TV network. Now even villages are going for DTH like Dish TV, TATA Sky and they have already been enjoying exposure to various products through advertisements.

## **9. Emerging Role of Bio-Tech. in Indian Agriculture Sector**

It is evident from the facts that Indian agriculture is trailing in terms of yield when compared with leading countries of the world. Countries like USA, Canada, Israel and Germany have achieved high yield in agriculture production but countries like India, Brazil and Nigeria are having agriculture yield much lower than international average. The major difference created in this respect is the use of the applications of

bio-technology. Bio-technology has vital role to play in so far as enhancement of agriculture yield is concerned. For instance the yield of wheat in USA per hectare is almost three times more than that of India and the yield of sugarcane is two and half times more if compared with the Indian yield of sugar cane per hectare. These advance countries have been making an extensive use of bio-technology whereas in developing countries the concept is not yet very popular. When we are living in the era of globalization everything is becoming globally competitive and therefore, we cannot live in isolation in terms of agriculture yield also. We have to make use of the applications of the bio- technology in an agriculture sector both in terms of generating quality seeds and cropping the same in compliance with the theories of biotechnology. Our farmers, who are normally not aware of this fact, have to be educated and the responsibility lies on the shoulders of researchers, scientists, administrators and the policy makers of the country. It will provide more discretionary income in the hands of the rural farmers.

### **10. Green Revolution**

The substantial attention accorded to agriculture during the successive five-year plans has helped in improving agricultural productivity. Adoption of new agronomic practices, selective mechanization, multiple cropping, inclusion of cash crops and development of allied activities like dairy, fisheries and other commercial activities have helped in increasing disposable income of rural consumers. Over 75 percent villages in India have been electrified. There is also a shift from rain dependence to irrigation. Farmers are getting high return for their cash and food crops. In the whole process, the dependence on seasonality has reduced, and in return there has been increasing disposable income. By observing this scenario, India is one of the biggest giant Hindustan Lever Ltd. has entered into rural market for more penetration through the operation “Bharat?”. Since December 1999, HLL has reached out to 35,000 villages, 22 million households and spent Rs. 20 crore. This has been one of the largest sampling exercises in recent times conducted by a big business house.

### **11. Development programs**

The five-year plans have witnessed massive investments in rural areas in terms of number of development programs implemented by the central and state Government. These programs have generated incomes to rural peoples and helped them to change their life-styles. Some of these programs are:

- Intensive Agricultural District Programme (IADP- Package Programme)
- Intensive Agricultural Area Programme (IAAP)
- High Yielding Varieties Programme (HYVP- Green Revolution)
- Drought Prone Areas Programme (DPAP)



- Small Farmers Development Agency (SFDA)
- Hill Area Development Programme
- Operation Flood I, II and III (White Revolution)
- Fisheries Development (Blue Revolution)
- Integrated Rural Development Programme (IRDP)
- Jawahar Rojgar Yojna (JRY).

These programs are related with agriculture and allied activities but there are certain other policies which are specifically meant to raise the standard of the rural people in the field of health, education, sanitation etc. After the beginning of economic reforms in 1991, the Government has been giving special attention to the rural India by providing certain developmental schemes for these areas. Some announcements were made by the finance minister in the Union Budget 2000 to enrich the existing programs and to initiate some new schemes for the rural areas like Kisan Credit Cards, Micro Finance and hence, we can see that today changes are taking place rapidly in all walks of life and rural areas are no exception to this. Improved infrastructure facilities, economic liberalization, renewed emphasis on agribusiness and small industries, fast changing agricultural technology, scope for commercialization of agriculture, greater budgetary provision for rural people are few reasons to mention. Moreover, various socio- cultural, psychological and political aspects of rural life are also changing. Rural people today are less fatalistic, less attached to religious beliefs, getting more individualistic, achievement-oriented and aspiring than before. All this has opened up new vistas for the marketers of millennium at least in the states, which are leading in per capita income with a sustained growth, like Punjab, Haryana, Maharashtra, Tamilnadu, Karnataka, Gujarat, Delhi and Western UP etc.

## **12. Professionalization of the marketing**

Marketing has been recognized as profession in the early 1950. People are now preferring the jobs in the marketing department and accepting the challenges of the marketing management. People are now more interested to acquire knowledge of the marketing and apply it in the field of marketing. The government is also motivating the people who are the graduates in marketing and also the institutions which are providing marketing education by allowing fellowship to the graduates and a huge amount of grants to the institutions.

## **13. Urbanization**

Today the rural population is moving to the urban areas for the purpose of acquiring education seeking employment, Business purposes and selling the agricultural and rural products in the urban areas. As the demand of rural products in urban areas is more and by selling these products in the areas they can earn their livelihood. Urban people are the main buyers of agricultural commodities.

## 14. Cooperative Marketing system.

Marketing committee system and cooperative marketing are the two parallel institutions framed for the purpose of rural marketing. The marketing system is working under the direct control for the respective state governments having its three tier system, the apex institution is state marketing board, at district level central marketing committee and at block level primary marketing committees are functioning. On the other hand cooperative marketing system is developed in rural India. Cooperative markets are working very successfully and as a result it has increased the share of sales of rural products in the regulated markets. This system increasing the spirit of the producers as their interests is protected through the marketing system in India. So this is the main reason that rural marketing is gaining more and more attention in the Indian market scene.

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## 2.2 MARKETING PROBLEMS OF RURAL INDUSTRIES

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Rural Industries are playing very important role in the development of economy. Today the growth of rural industries is not very healthy due to some serious problems. These problems faced by rural industries in day to day work. As the thorns are part of roses, similarly every flourishing business has its own kind of problems. Some of the major problems faced by rural Industries are as under.

### 1) Shortage of funds

Most of the rural entrepreneurs fail to get external funds due to absence of tangible security and credit in the market. The procedure to avail the loan facility is too time-consuming that its delay often disappoints the rural entrepreneurs.

Lack of finance available to rural entrepreneurs is one of the biggest problems which rural entrepreneur is bearing now days especially due to global recession. Major difficulties faced by rural entrepreneurs include low level of purchasing power of rural consumer so sales volume is insufficient, lack of finance to start business, reduced profits due to competition, pricing of goods and services, Financial statements are difficult to be maintained by rural entrepreneur, stringent tax laws, lack of guarantees for raising up of loans, difficulty in raising capital through equity, dependence on small money lenders for loans for which they charge discriminating interest rates and huge rent and property cost.

These all problems create a difficulty in raising money through loans. landlords in Punjab proved to be major source of finance for rural entrepreneurs but the rates of land are reduced due to global recession so they also lack hard cash now a days. Some banks have not ventured out to serve rural customers because banks are expensive to be reached by rural customers and, once reached, are often too poor to afford bank products. Poor people often have insufficient established forms of collateral (such as physical assets) to offer, so they are often excluded from traditional financial market. Government is providing subsidies to rural areas but due to high cost of finance, these subsidies are not giving fruitful results.

Major sources of finance in rural areas are loans from regional rural banks or from zamindars but their rate of interest are usually very high. Government has various institutions for this purpose but the results are not up to the level expected. Industrial Finance Corporation of India (IFCI), Industrial development bank of India, Industrial Credit and Investment Corporation of India (ICICI), Small Scale Industry development bank of India (SIDBI) are some of the national level (SFC) institutions that are helping out rural entrepreneurs. Some state level institutions are also working like State Financial Corporation and State Industrial Development Corporation (SIDC). These institutions are providing assistance for setting up of new ventures and side by side for modernization and expansion of existing ones but their terms and conditions are very strict to be handled.

Various schemes like composite loan scheme, tiny unit scheme, scheme for technical entrepreneurs etc. had started but they are unable to meet the expectation of rural entrepreneur. Raising funds through equity is little bit difficult for rural entrepreneurs because of lack of financial knowledge and also their financial corpus is also low, so loans are primary source of finance for them which proved to be a greatest obstacle in developing rural entrepreneurship. Various policies of RBI regarding priority sector lending failed to achieve its objectives. Micro financing movements started in India worked well. Self-help groups form the basic constituent unit of micro finance movement in India. Self- help groups are a group of a few individuals who pool their savings into a fund from which they can borrow as and when necessary. Such a group is linked with banks but joining an existing SHG is oftencostly affair for an aspiring villager as in order to maintain parity among the members, a new member has to join by depositing the total accumulated individual savings and interest of groups. So starting new SHG is an easy as compared to join existing one. NGO's also played important role for rural development. These NGO's are usually registered as societies and trust. They have less capital resources as they cannot raise equity capital.

## **2) Lack of Infrastructural Facilities**

The growth of rural entrepreneurs is not very healthy in spite of efforts made by government due to lack of proper and adequate infrastructural facilities. Rural areas are characterized by poor infrastructural facilities in the field of roads, electricity, street lighting, road transport etc. which hampers the smooth movement of various industrial activities. This is a major problem faced by rural entrepreneurs.

## **3) Risk Element**

Rural entrepreneurs have less risk bearing capacity due to lack of financial resources and external support.

## **4) Problem of Marketing**

Marketing of rural products has not been well developed. Promotion, distribution and implementation of customer feed-back is lacking. Rural

industries cannot compete with their urban counterparts. Dealers exploit the rural industries in the traditional sector. Lack of proper communication facilities and marketing information adds to the problem to large extent. Following are the two major marketing problems of Rural Industries.

Most of the Rural Industries, except a few urban-based units which act as ancillaries to the large industry, are forced to restrict their sales to the local market, tailoring their supplies to the local needs. Not infrequently, a lack of demand and accumulating stocks leave with them no working capital to procure more raw materials and other physical resources to keep the production units moving. Ancillary industries have their own problems, like (i) delayed payments by parent units, (ii) inadequacy of technological support extended and / or supply of critical raw materials by parent units, (iii) Non-adherence to quality and delivery schedules, thus disturbing the programme of the parent units, (iv) frequent changes in fiscal levies, and (v) absence of a well-defined pricing system and regulatory agency.

### **5) Problem of Competition**

Rural entrepreneurs face severe competition from large sized organizations and urban entrepreneurs. They incur high cost of production due to high input cost. Major problems faced by marketers are the problem of standardization and competition from large scale units. They face the problem in fixing the standards and sticking to them. Competition from large scale units also creates difficulty for the survival of new ventures. New ventures have limited financial resources and hence cannot afford to spend more on sales promotion. These units are not having any standard brand name under which they can sell their products. New ventures have to come up with new advertisement strategies which the rural people can easily understand. The literacy rate among rural consumer is very low. Printed media have limited scope in the rural context. The traditionally bounded nature, cultural backwardness and cultural barriers add to the difficulty of communication. People in rural areas mostly communicate in their local dialects and English and Hindi are not understood by many people. It has been seen in recent past that in spite of enough food stocks with government warehouses, people are dying of starvation. This indicates problem with the public distribution system. The producers are not collective in their approach for marketing their products because they are too widely scattered and uneducated.

### **6) Problem of Middlemen**

Middlemen exploit rural entrepreneurs. The rural entrepreneurs are heavily dependent on middlemen for marketing of their products who pocket large amount of profit. Storage facilities and poor means of transport are other marketing problems in rural areas. In most of the villages, farmers store the produce in open space, in bags or earthenware etc. So these indigenous methods of storage are not capable of protecting the produce from dampness, weevils etc. The agricultural goods are not standardized and graded.

## **7) Problem of dealing with Government Agencies**

What is true of raw materials is true probably of assistance granted by the State to the industries. It is an admitted fact that no type of State assistance is available in relation to needs. Therefore, there is a general practice to ration it out. In the process of rationing there is ample scope for discrimination, made possible by Government rules, regulations and red-tapes.

The Rural Industries sector still faces problems in exports which make it difficult for it to undertake exports in an organized and appreciable manner.

## **8) Lack of IT Knowledge**

Information technology is not very common in rural areas. Entrepreneurs rely on internal linkages that encourage the flow of goods, services, information and ideas. The intensity of family and personal relationships in rural communities can sometime be helpful but they may also present obstacles to effective business relationships. Business deals may receive less than rigorous objectivity and intercommunity rivalries may reduce the scope for regional cooperation. Decision making process and lines of authority are mostly blurred by local politics in rural areas.

## **9) Problems of Legal Formalities**

Rural industries need compliance of various legal formalities in obtaining the government's approval and license for carrying out industrial activities. But rural entrepreneurs find it extremely difficult to comply with various legal formalities due to sometimes complex legal provisions or illiteracy and ignorance.

## **10) Procurement of Raw Materials**

Rural industries face a tough task in procuring and storing raw materials. Since rural industries are small they procure raw materials from middlemen at higher prices. They may also supply poor quality raw materials. Lack of warehousing facilities in the rural sector also costs more towards storing of raw materials.

## **11) Lack of Technical Knowledge:-**

Rural entrepreneurs suffer a severe problem of lack of technical knowledge. Lack of training facilities and extension services create a hurdle for the development of rural entrepreneurship. As rural industries are labour intensive, they cannot afford to introduce sophisticated techniques and methods of production which is very expensive. Lack of technical know-how, appropriate technology and training create immense problem in the growth of rural industries. Without this, productivity and increased profit is a distant dream.

**12) Poor Quality of Products**

Another important problem is growth of rural entrepreneurship is the inferior quality of products produced due to lack of availability of standard tools and equipment and poor quality of raw materials.

**13) Shortage of Power**

The problem of shortage of power has become so widespread that for the last few years it has been among the most glaring and telling problems. But its impact is decidedly fatal on rural producers. Large industries manage to escape somehow. There are two aspects to the problem, one, power supply is not always, everywhere, available to the rural industry on the mere asking, and wherever it is available, and it is rationed out, limited to a few hours in a day. It means that if a small rural unit can manage to take advantage of the supply at fixed hours, well and good, otherwise, it will have to let its capacity go unutilized, thus adding to cost.

**14) Low Skill Level of Workers**

Most of the entrepreneurs of rural areas are unable to find workers with high skills. Turnover rates are also high in this case. They have to be provided with on the job training and their training is generally a serious problem for entrepreneur as they are mostly uneducated and they have to be taught in local language which they understand easily. The industries in rural areas are not only established just to take advantage of cheap labour but also to bring about an integrated rural development. So rural entrepreneurs should not look at rural area as their market, they should also see the challenges existing in urban areas and be prepared for them. Rural entrepreneurs are generally less innovative in their thinking. Youths in rural areas have little options "this is what they are given to believe". This is the reason that many of them either work at farm or migrate to urban land.

**15) Negative Attitude of Peoples**

The environment in the family, society and support system is not conducive to encourage rural people to take up entrepreneurship as a career. It may be due to lack of awareness and knowledge of entrepreneurial opportunities. The young and well educated mostly tend to leave. As per circumstances, rural people by force may be more self-sufficient than their urban counterparts, but the culture of entrepreneurship tends to be weak. Continuous motivation is needed in case of rural employee which is sometime difficult for an entrepreneur to impart with.

**16) Lack of adequate knowledge and information:**

Though information technology has substantially developed in the modern world and has penetrated into the rural areas through internet, rural people hardly availed its benefits. Rural people do not have adequate information avenues. They are not knowledgeable, trained and motivated to achieve more and more in their own sphere.



Marketing of rural services is one of the big challenge before services provider, because the rural market in India is a huge unorganized market as well as much of it is still untapped in various domains. There is a large scope for services in rural areas hence major companies have directed their focus in rural market. Since major of Indian population exists in rural segment, prospects of huge demand exists for the products offered by various companies or service providers. But the demand and supply pattern in the rural segment is majorly different than those in the urban segment.

This difference is due to following factors

- Income level.

- Expenditure capacity
- Taste and preferences
- Educational level
- Social, Cultural and environmental

These differences results in Gaps between Service provider and the consumers/customers in both the market segments. Hence a service provider clearly needs to understand these gaps and the strategies to fill these gaps effectively. Therefore the mantra for successful strategy implementation in rural markets for service delivery is “Think Global Act Local”

### Analysis of Services Requirements in Rural Markets.

Following Service areas have great potential in rural markets.

#### **1. Agricultural consultancy:**

Agriculture is main business in rural India. But due to change in climate, changing prices of agriculture products and uncertainty are increasing day by day in this field. Hence Rural customers who are farmers require proper consultancy services about the best methods, timings and seasons, technology, tools, prices and best markets for selling their farming products. Traditional media would serve as a great driver to generate awareness among rural consumers. Skits magic shows and educational drives are better sources for marketing of agriculture consultancy service.

#### **2. Banking, microfinance and loan facilities:**

The rural market has huge potential for banking services for providing following facilities at affordable prices:



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- **Agricultural loans**

Farmers have required loan for meeting of various agricultural needs in various seasons for cultivation, purchase of seeds, development of irrigation system, construction of well, purchase of fertilizers, purchase of agricultural instruments, etc. These loans are provided by rural banks in the form of crop loan, short term loan, midterm loan and long term loan. Various strategies are used by banks for providing of these services as like advertisement through local media, organizing Mela of farmers, display of banking services banners at important places like Tahasil office, ST stand, Panchayat samiti office etc.

- **Educational loans**

Educational loan is need of today's rural consumers. This facility is provided by bank for child of farmer's for their higher education with low interest rate.

- **Housing loans**

In last some decades housing loan is given by banks only to consumers in city areas but due to privatization in banking sector competition is raised then the banks are turn in rural areas for providing housing loans . RBI is also take lead to providing funds at large scale for providing of housing loan in rural areas. Hence there is a large scope for these services in rural areas.

- **Savings accounts and safe deposits**

Bank encourages to rural consumers for opening of saving accounts in banks as well as convey for safe deposits. Due to increase in saving accounts and safe deposits bank financial capacity is increased and available funds are used for better performance of banking services.

- **Automobile loans**

Due to 5<sup>th</sup> and 6<sup>th</sup> pay rural employee's income level is also increased. Even though, these employees cannot purchase cars, motor cycle, and other automobiles in cash. Banks are encouraged to such consumers for automobile loans at a low rate of interest.

- **Personal loans**

Rural banks provide personal loan facilities to rural consumers for meeting of their personal needs for temporary period.

Following strategies are used for marketing of services by rural banking sector

- The focus of the service quality should be customer driven and hence need to be customized as per the rural requirements of customers having low income group as major target group. Hence more of benefits driven by the customer from savings schemes should be included in the Services provided through accounts maintenance with the banks.
- The service providers should be clearly aware of the local languages, culture and behavior of the rural customers. Thus the inclusion of local employees would be beneficial for the banks to deal effectively with the customers.
- The banks should be able to provide these banking services such as loan and microfinance services at lowest and most profitable interest rates with flexible and customized repayment options to the customers. The Bank need to clearly understand the best possible location for its setup and operations as the location and facility layout of the service provider plays a very significant role in rural banking because the rural areas do not have sufficient transport facilities like urban markets.
- The customers should be made aware clearly about the services provided by the bank through effective physical evidence and promotions that should be made as simple as possible to the rural customers to understand properly. The assistance should be provided regularly to the customers to educate them about the current as well as prospective facilities and benefits derived from the banking services provided.
- Do not put much focus on providing any complex and unessential services like corporate loans and credit card facilities as still the market demand for such services are much lesser as compared to other banking services.
- Do not use any illegal or unethical means for repayment of loans and other services as this would result in more of customer dissatisfaction and grievance which would harm the brand equity and image of the banking company
- Do not provide services to the customer before properly educating the customer about the details product and process of the service so as to avoid confusion and discrepancy.

- Do not focus on the short term profitability but the bank needs to focus on the building long term relationship with the customer by putting more concentration on:

1. Service quality
2. Service recovery
3. Reach to the customer and building prospective future customers
4. Improving market share
5. Building Brand loyalty
6. Providing new facilities as per the customer needs and requirements

### **3. Healthcare:**

There is a huge demand for medical and health facilities in rural markets as there is large population in India that resides in rural areas and lack of proper facilities for proper health care. The availability and location of these services are of great concern as most of the areas either do not have any or many rural and remote areas needs to be dependent on very few and distantly located Hospitals.

### **4. Telecom services:**

Due to increased awareness and improved telecom infrastructure across India, the demand for telecomm (Fixed and wireless) and internet services have increased drastically. Even the government's policies for reduced tariffs, call rates, lesser mobile handset prices and private participation involvement has helped in increasing the level of competition, continuous improvement in technology and thus has resulted in the growth of the rural telecom market. Hence the rural market has now become attractive and lucrative for many National and Global telecomm companies, who now are focusing more on this huge untapped market.

### **5. Automobiles Services:**

There has been a huge increase in the number of two wheeler, four wheeler and agricultural tools and vehicles in past few decades because of reduction in prices and government support to the rural population. This has given rise to a new business for providing maintenance and repair services to these vehicles with more attractive service quality, location and availability. This segment has huge potential in the upcoming trends of services to the rural markets.

### **6. T.V. Channels Services:**

Due to the increased awareness, arenas of interest, leisure requirements, and number of entertainment options like televisions and computers due to reduced & affordable prices, the demand for entertainment services like T.V. entertainment channels have increased. This provides a huge potential for cable and Direct to Home services providers to tap the rural

markets to meet their demands. Many companies have already gained profits by targeting rural markets which include Airtel (DISH TV), Reliance(BIG TV), and Tata (SKY).

### **7. Travel and reservation Services:**

The travel and reservation booking and organizing services for booking train, busses, taxis and tour consultancy has also been observed to create a huge demand in last few decades as more and more rural population need to mobilize for business and personal needs. Hence these services hold a huge potential for service providers.

### **8. Low Cost Hotels:**

Due to increased mobilization because of business and personal needs, there is also increased demand for hotel and lodging services to the travelers but majorly driven by the pricing of such services and facilities. Hence provide a great platform for the service providers to focus on these demands to capture a big untapped market.

### **9. Event Managements:**

The rural population are majorly involved in celebrating and organizing festivals, which require lightning arrangements, venue decoration, food, lodging, transportation, catering and event planning etc. for

- i. Family gatherings, Marriages, engagements, birthday parties, etc.
- ii. Festivals like Diwali, Onam, Christmas, Iorhi, Eid, Dushera, Kannada Rajamahotsava, Navratri, Garba and Dandia mahotsava etc.
- iii. Religious/Caste based events like poojas, various ceremonies, etc.

Hence these services also have great potential to meet the rural customer's demand for event management.

### **10. Beauty Parlors:**

As there has been major improvement in the quality of life style and increased awareness among the rural customers (especially females), there has been great demand observed for beauty products and services. A huge increase in the demand for FMCG products like shampoos, beauty soaps, beauty creams, cosmetics, etc. has also been observed lately in rural India. This market is still dominated by unorganized and local players who lack adequate tools, methods, skills, and process, technology and beauty products to meet the demand of rural population. Hence focusing on this segment would be a profitable business for any company.

### **11. Affordable Movie theatres:**

Till now the entertainment service providers for movie theatres at affordable prices in rural markets are dominated by local and unorganized players who lack proper facilities and infrastructure as well as quality delivered. Focusing on this market is a good profitable business

**12. Educational and Career consultancy:**

The rural markets lack adequate and quality educational services which are majorly catered by government agencies and bodies. But due to lack of proper infrastructure, expertise, knowledge, talent, funds and participation of the service provider, this sector is unable to meet the desired level of service expectation of the rural customer for career building. Hence there a great business opportunity for any company if it is able to fill this gap effectively and would also is imparting its social responsibility to the growth of the society and country.

With all the above mentioned areas for Services in rural markets, there is a huge demand and growth opportunities that exists to be exploited by the companies which can make best market expansion and profitability by investing in Rural India.

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**2.4 EXERCISES**

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- 1) What are the factors influences on Rural Market?
- 2) Which marketing problems are faced by Rural Industries?
- 3) State the strategies applied by marketers for rural services.





## **RURAL MARKETING: PROBLEMS OF RURAL MARKETING**

### **Unit Structure**

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Problems of Rural Marketing
- 3.3 Exercises

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### **3.0 OBJECTIVES**

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Rural marketing is a two- way marketing process. There is inflow of products in to rural market for production and there is also out flow of products to urban areas. Today rural marketing hasfacing many problems. To Discuss and know various problems of Rural marketing are the objectives this topic.

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### **3.1 INTRODUCTION**

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Rural marketing is a time consuming affair and requires considerable investments in terms of evolving appropriate strategies. There are many problems to be tackled in rural marketing, despite rapid strides in the development of the rural sector.

The main objective of this topic is

To discuss and know various problems of rural marketing.

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### **3.2 PROBLEMS OF RURAL MARKETING**

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The rise of rural markets has been the most important marketing phenomenon in today's environment. Many corporations are interested to enter in the rural markets. Although the rural market does offer vast potential, it should also be recognized that it is not easy to operate there. Rural marketing is a time consuming affair and requires considerable investments in terms of evolving appropriate strategies. There are many problems to be tackled in rural marketing, despite rapid strides in the development of the rural sector. Some of the common problems are discussed below.

#### **1) Transportation**

Transportation is an important aspect in the process of movement of products from urban production centers to remote villages. The transportation infrastructure is extremely poor in rural India. Due to this reason, most of the villages are not accessible to the marketing man. In our

country, there are six lakhs villages. Nearly 50 per cent of them are not connected by road at all. Many parts in rural India have only kachcha roads. During the monsoons, even these roads become unserviceable. Regarding rail transport, though India has the second largest railway system in the world, many parts of rural India however, remain outside the rail network.

## **2) Communication**

The development of appropriate communication systems to rural market may cost up to six times as much as reaching an urban market through established media, need rural communication facilities.

Marketing communication in rural markets suffers from a variety of constraints. The literacy rate among the rural consumers is very low. Print media, therefore, have limited scope in the rural context. Apart from low levels of literacy, the tradition-bound nature of rural people, their cultural barriers and their overall economic backwardness add to the difficulties of the communication task. Post, telegraph, and telephones are the main components of the communication infrastructure. These facilities are extremely inadequate in the rural parts of our country. In rural areas, the literacy percentage is still low, compared to urban areas. In India, there are 18 recognized languages. All these languages and many dialects are spoken in rural areas. English and Hindi are not understood by many people. Due to these problems, rural consumers, unlike urban consumers do not have exposure to new products. Television has made a great impact and large audience has been exposed to this medium. Radio reaches large population in rural areas at a relatively low cost. However, reach of formal media is low in rural households; therefore, the market has to undertake specific sales promotion activities in rural areas like participating in Mela or fairs.

## **3) Availability of Appropriate Media**

It has been estimated that all organized media in the country put together can reach only 30 per cent of the rural population of India. The print media covers only 18 per cent of the rural population. The radio network, in theory, covers 90 per cent. But, actual listenership is much less. TV is popular, and is an ideal medium for communicating with the rural masses. But, it is not available in all interior parts of the country. It is estimated that TV covers 20 per cent of the rural population. But, the actual viewership is meager. The cinema, however, is a good medium for rural communication. But, these opportunities are very low in rural areas.

## **4) Warehousing**

A storage function is necessary because production and consumption cycles rarely match. Many agricultural commodities are produced seasonally, whereas demand for them is continuous. The storage function overcomes discrepancies in desired quantities and timing. In warehousing too, there are special problems in the rural context. The central warehousing corporation and state warehousing, which constitute the top tier in public warehousing in our country, have not extended their network of warehouses to the rural parts. It is almost impossible to distribute

effectively in the interior outlets in the absence of adequate storage facilities. Due to lack of adequate and scientific storage facilities in rural areas, stocks are being maintained in towns only.

### **5) Village Structure in India**

In our country, the village structure itself causes many problems. Most of the villages are small and scattered. It is estimated that 60 per cent of the villages are in the population group of below 1,000. The scattered nature of the villages increases distribution costs, and their small size affects economic viability of establishing distribution points.

### **6) Rural Markets and Sales Management**

Rural marketing involves a greater amount of personal selling effort compared to urban marketing. The rural salesman must also be able to guide the rural customers in the choice of the products. It has been observed that rural salesmen do not properly motivate rural consumers. The rural salesman has to be a patient listener as his customers are extremely traditional. He may have to spend a lot of time on consumer visits to gain a favorable response from him. Channel management is also a difficult task in rural marketing. The distribution channels in villages are lengthy involving more intermediaries and consequently higher consumer prices. In many cases, dealers with required qualities are not available.

### **7) Inadequate Banking and Credit Facilities**

In rural markets, distribution is also handicapped due to lack of adequate banking and credit facilities. The rural outlets require banking support to enable remittances, to get replenishment of stocks, to facilitate credit transactions in general, and to obtain credit support from the bank. Retailers are unable to carry optimum stocks in the absence of adequate credit facilities. Because of this problem, they are not able to offer credit to the consumers. All these problems lead to low marketing activities in rural areas. It is estimated that there is one bank for every 50 villages, showing the poor banking facilities in rural areas.

### **8) Market Segmentation in Rural Markets**

Market segmentation is the process of dividing the total market into a number of sub-markets. The heterogeneous market is broken up into a number of relatively homogeneous units. Market segmentation is as important in rural marketing as it is in urban marketing. Most firms assume that rural markets are homogeneous. It is unwise on the part of these firms to assume that the rural market can be served with the same product, price and promotion combination.

### **9) Branding**

The brand is the surest means of conveying quality to rural consumers. Day by day, though national brands are getting popular, local brands are also playing a significant role in rural areas. This may be due to illiteracy, ignorance and low purchasing power of rural consumers. It has

been observed that there is greater dissatisfaction among the rural consumers with regard to selling of low quality duplicate brands, particularly soaps, creams, clothes, etc. whose prices are often half of those of national brands, but sold at prices on par or slightly less than the prices of national brands. Local brands are becoming popular in rural markets in spite of their lower quality.

### **10) Packaging**

As far as packaging is concerned, as a general rule, smaller packages are more popular in the rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods. It is also found that the labeling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics.

### **11) Physical Distribution and Channel Management**

The problems of physical distribution and channel management adversely affect the service as well as the cost aspect. The existent market structure consists of primary rural market and retail sales outlet. The structure involves stock points in feeder towns to service these retail outlets at the village levels. But it becomes difficult maintaining the required service level in the delivery of the product at retail level.

An effective distribution system requires village-level shopkeeper, Mandal/ Taluka- level wholesaler or preferred dealer, distributor or stockiest at district level and company-owned depot or consignment distribution at state level. The presence of too many tiers in the distribution system increases the cost of distribution.

### **12) Rural Culture and Traditions**

Culture is a system of shared values, beliefs and perceptions that influence the behavior of consumers. There are different groups based on religion, caste, occupation, income, age, education and politics and each group exerts influence on the behavior of people in villages. Life in rural areas is still governed by customs and traditions and people do not easily adapt new practices. For example, even rich and educated class of farmers does not wear jeans or branded shoes. Rural consumers are cautious in buying and decisions are slow and delayed. They like to give a trial and only after being personally satisfied, do they buy the product.

As a general rule, rural marketing involves more intensive personal selling efforts compared to urban marketing. Marketers need to understand the psyche of the rural consumers and then act accordingly. To effectively tap the rural market a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, melas and other activities where they assemble.

### **13) Seasonal Demand for Products**

Demand for goods in rural markets depends upon agricultural situation, as agriculture is the main source of income. Agriculture to a large extent depends upon monsoon and, therefore, the demand or buying capacity is not stable or regular.

### **14) Different Way of Thinking**

There is a vast difference in the lifestyles of urban and rural people. An urban customer has many more choices than his rural counterpart. The rural customer usually has two or three brands to choose from, whereas the urban one has many more choices. There is also a difference in the way of thinking. The rural customer lives fairly simply compared to his urban counterpart. Life in rural areas is still governed by customs and traditions and people do not easily adopt new practices.

### **15) Low Level of Literacy**

Literacy in India is key for socio-economic progress and the Indian literacy rate grew to 68% in 2007 from 12% at the end of British rule in 1947. Literacy rate of India in 2011 is 74.04%. The Male literacy rate is 82.14% and Female literacy rate is 65.46% according to Census 2011. But Literacy rate are low in rural areas compared to urban areas. This leads to the problems of communication. The print medium is ineffective in rural areas since its reach is poor.

### **16) Low per Capita Income**

Near about 26% of GDP is generated in rural areas. It is shared by 74 percent of the population. So, per capita incomes are low. Moreover, demand for goods in rural markets depends upon the agricultural situation, as agriculture is the main source of income and it depends upon the monsoon to a large extent. Therefore demand is not stable or regular.

### **17) Many Languages and Dialects**

The number of languages and dialects vary widely from state to state, region to region and probably from district to district. Messages have to be delivered in local language and dialects. Even though the number of recognized languages is only 18 but there are an estimated 1700 dialects. It is very difficult to marketers to design promotional strategies in different languages and local dialects. Facilities such as phone, telegram and fax are less developed in the villages, adding to the communication problems faced by marketers in the distribution of goods, etc.

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## **3.3 EXERCISES**

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1) State the problems faced by rural marketing



## **AGRICULTURE MARKETING**

### **Unit Structure:**

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Concept of Agriculture Marketing
- 4.3 Nature of Agriculture Marketing
- 4.4 Classification of Agriculture Marketing
- 4.5 Marketing Channels
- 4.6 Summary
- 4.7 Questions for practices

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### **4.0 OBJECTIVES**

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- 1) To understand the concept of Agriculture marketing.
- 2) To learnt about the nature of Agriculture Marketing.
- 3) To understand the various types of Agriculture Marketing.
- 4) To learnt about methods of sales of Agriculture product.

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### **4.1 INTRODUCTION**

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Agricultural marketing is a method that includes gathering, storage, preparation, shipping, and delivery of different farming materials across the country. It is different from the marketing of manufactured goods, because of the special characteristics of agricultural product. These characteristics are affecting by the supply and demand of agricultural product.

Agriculture marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure, supply of farm inputs to farmers and movement of agricultural product from the farm to the consumers. It's also include assembling, grading, storage, transportation, distribution, packaging, warehousing / storage, cleaning, standardization etc.

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### **4.2 CONCEPT OF AGRICULTURAL MARKET**

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**I)** “Agricultural marketing is the process which starts with a decision to produce a suitable farm commodity or product and its involves all aspects of market structure or systems, both functional and institutional,



based on technical and economic considerations and include pre and post-harvest operations like assembling, grading, storage, transportation and distribution.” Agriculture Marketing

- National Commission on Agriculture.



<https://theguardian.com>

**II)** As per Indian council of Agricultural Research ‘Agricultural Marketing involves three important functions.’

- a) Assembling of goods.
- b) Preparation for consumption
- c) Distribution of agricultural products.

**III)** According to American Association defines “Marketing includes all activities having to do with affecting changes in a ownership and possession of goods and services. It is that part of economics with deals with creation of time, place and possession utilities and that phase of business activity through which human wants are satisfied by exchange of goods and services for some valuable considerations.”

**IV)** Narrow definition of Agricultural is “agricultural market is a place, where agricultural produce is brought and sold.”

Simply agricultural marketing involved all activities i.e.

- a) Supply of farm inputs to the farmers.
- b) Movement of agricultural products from the farms to the consumers.

**V)** Following important activities involved in agricultural marketing -

- a) Assembling or procurement of goods
- b) Processing of product
- c) Distribution of product.
- d) Packaging of the product.
- e) Grading and standardization
- f) Storage and warehousing
- g) Transportation etc.

### 4.3 NATURE OF AGRICULTURE MARKETING

The marketing of agriculture commodities is different from the marketing of manufactured good. It includes the two word i.e.

$$\text{Agricultural Marketing} = \text{Agriculture} + \text{Marketing}$$

**I) Agriculture** - It is called a primary sector as it includes all the primary activities of production. Generally it is used to mean growing and raising livestock's and crops.

**II) Marketing** - It is the performance of business activities that direct the flow of goods and services from producers to consumers or final users.

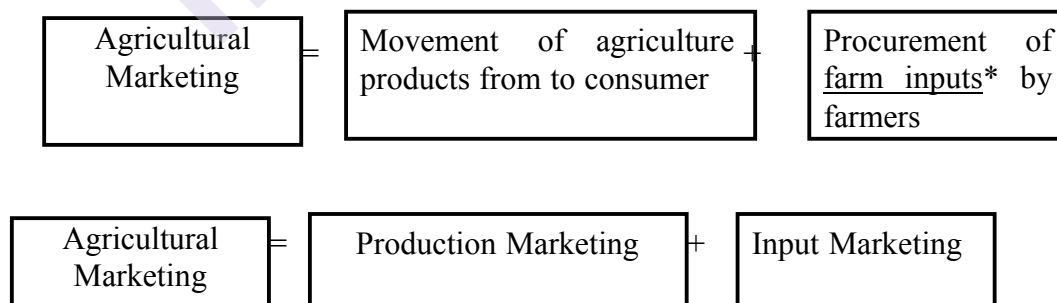
#### Two aspects of Agricultural Marketing:

**I)** In agricultural marketing, the point of production (the farm or ranch) is the basic source of supply. Marketing process begins at that point and continues until a consumer buys the product at the retail counter or until it is purchased as a raw material for another production phase.

**II)** Marketing also includes the input supply market. This refers to marketing of products required for agricultural production. Unlike Urban markets, production centers in rural areas. To produce food grain, vegetable, fruits etc. large number of inputs is needed.

I.e. seed, fertilizer, pesticides, agricultural equipment etc. Input marketing also includes marketing services such as engine repair.

**III)** In short Agricultural Marketing is



**\*Farm inputs** - fertilizers, pesticides, other chemicals, and livestockfeed, farm machinery, credit, electricity, water, labour etc.

**IV) Components of Agricultural Marketing:**

- 1) Marketing functions
- 2) Marketing Agencies
- 3) Marketing Channels
- 4) Marketing efficiency
- 5) Marketing cost and margins
- 6) Price spread and market integration
- 7) Producer's surplus (e.g. marketable surplus and marketed surplus)
- 8) Government policy
- 9) Research, training and statistics

**V)** Agricultural commodities are produced in all over the country. Usually agricultural product are produced in one region and sold in other region. Sometime produced in one region and sold in all over world. The farmers are not capable for selling their product in other regions. To Sale number of products in other regions, numbers of middleman are involved in marketing. The middlemen are the bridging for farmers and consumers. This increases the gap between prices paid by consumer and received by the producer. In this process farmers are not getting the remunerative prices for produce. There are major conflicts on producer, consumers, middlemen / traders and Government.

**Conflicts in agricultural marketing:**

Expectation from the marketing system varies from group to group and therefore generally their objectives are in conflict -

- 1) Producers - Expect maximum price for their produce and want the inputs at the lowest possible price.
- 2) Consumers - Expect the best quality product, that to at the lowest price.
- 3) Market middlemen and traders - Expect increasing income and maximum profit, hence interested in buying from the producer (farmers) at the lowest price and selling to the consumer at the highest price.
- 4) Government - Interests of the above three groups are in conflict. Govt. has to reconcile this conflicting interest and attain overall welfare.

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## **4.4 CLASSIFICATION OF AGRICULTURE MARKETING**

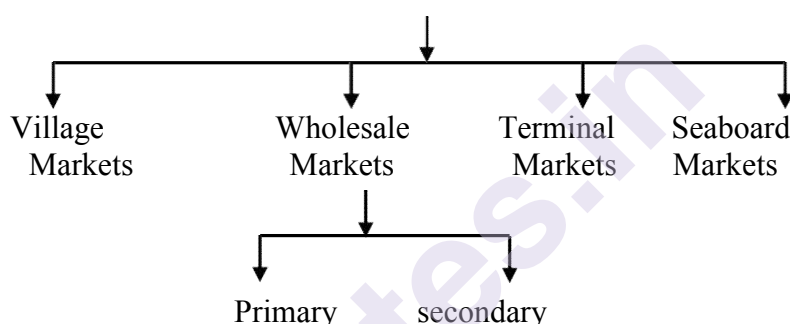
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Classification of markets is on the basis of nature of commodities each market has plus & minus points. Market can be classified on the basis of

- i) Freedom of interaction
- ii) Time Span
- iii) Area
- iv) Nature
- v) Public intervention
- vi) Accrued of marketing margins

Fundamentals of these markets have remained unchanged. On the basis of the place of location we may classify agricultural markets into, tree nodes as follows:

### Classification on the basis of place of location



**I) Village Markets** - This market is located in a small village where major transactions take place among the sellers and buyers of village or a group of villages in the vicinity. Mostly degradable commodities like milk or vegetable etc. goods are being purchased or sold in a village or nearby village. In this market only small lots of goods are being sold.

Much local assembly is undertaken by country buyers who farmer in his village to bid for fruit on the tree or for grain after harvest. This saves farmer's trouble; but he is at a disadvantage in bargaining unless he knows what other possible buyers would offer.

**II) Wholesale Markets** - These markets are classified in two types.

**a) Primary wholesale market:** This market is located in big towns near the center of production. Producer farmers bring their produce for sale to the traders. Transactions are between farmers and traders. The agricultural produce is purchased by intermediaries, which later they sell it into wholesale markets. Besides agricultural produce, other articles required for rural people, consumables i.e. pulses, salt, jiggery, oil, fruits and vegetables, spices, cloth, ornaments of cheap metal are also sold in these markets.

The main function of these markets is to serve assembling centers for local produce and distributive centers for local consumption.

**b) Secondary wholesale markets** - Generally, this market is located in district headquarters / important trade centers / railway junctions. In this market major transaction takes place between village traders and wholesalers. The bulk of the arrivals in these markets is from other markets. Produce handled in large quantities. Therefore, specialized marketing agencies perform different marketing functions i.e. commission agents, brokers and weigh men.

**III) Terminal Markets:** In this market produce is either finally disposed of to the consumers or processors or assembled for exports, merchants are well organized and use modern methods of marketing. Commodity exchanges provide facilities for forward trading in specific commodities located either in metropolitan cities or in sea ports (Mumbai, Madras, Calcutta, Delhi)

These markets handle large scale business with large number of buyers and sellers. All facilities are available in the markets. Such as grading, transportation, information, packing, weighing, loading etc.

**IV) Seaboard Markets:** This market is located near sea-coast and meant mainly for import and export of good i.e. Mumbai, Madras, and Calcutta.

These markets either receive the agricultural good from central market or directly from local or district assembling market. Corresponding facilities for handling imports of agricultural goods are also available in such market.

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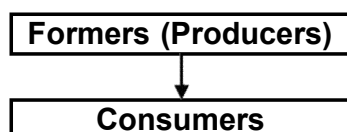
## 4.5 MARKETING CHANNELS

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The marketing channels of agricultural markets are different from other commodity market. Agricultural produce has to pass through a wide variety of market and change hands several times before it reaches the final consumer. Main reason for that is farmer and producers are scattered geographically all over the country.

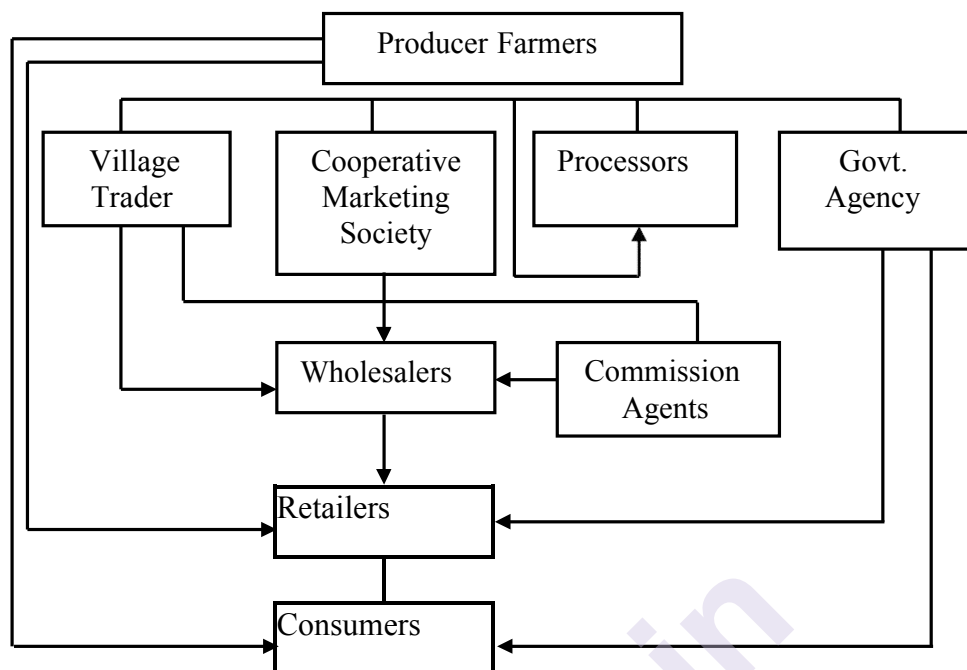
Routes through which agricultural products move from producers to consumers marketing channels vary from commodity to commodity.

### I) Direct route :



This is possible only in limited cases.

**II) Indirect Route:** Presence of a number of middlemen inbetween the primary producer and ultimate consumers.



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## 4.6 SUMMARY

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Agricultural marketing plays an important role in developing country market, has greater significance for consumers, producers, traders as well as government, management guru Peter Director noted scientific marketing removes imbalance in the supply by moving surpluses to deficit area. Increase in marketing efficiency help to increase national income a reduction of cost in marketing is of benefit directly to the society.

Lack of proper marketing channels is the main reasons for high prices consumers have to pay for the products.

Here in the chapter we have studied Concepts, Nature and Classification of Agricultural Marketing.

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## 4.7 QUESTIONS FOR PRACTICES

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- 1) Explain the concept of agricultural marketing.
- 2) What is agricultural marketing? State the nature of agricultural marketing.
- 3) Discuss the various types of Agricultural Market in India.
- 4) Write explanatory note on -
  - a) Marketing channels
  - b) Types of Agriculture Marketing
  - c) Nature of agriculture Marketing





## FACTORS OF AGRICULTURAL MARKETING

### Unit Structure:

- 5.0 Objective
- 5.1 Introduction
- 5.2 Factors of Agricultural Marketing
- 5.3 Summary
- 5.4 Exercise

---

### 5.0 OBJECTIVES

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- 1) To understand the various factors of Agricultural Marketing.
- 2) To understand the secondary factors of Agricultural Marketing.
- 3) To study functions of Agricultural Marketing.

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### 5.1 INTRODUCTION

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Various elements are the components in Agricultural Marketing. Along with these elements other components like middleman in marketing roam around. The buyer, middleman, trader and Government alike institutes play the role of marketing and provide services, at their own individual and independent level in the marketing.

Agricultural marketing is a process which starts with a decision to produce a saleable farm commodity and its involves all the aspects of market structure. Agricultural marketing passthrough three main stages i.e.

- Pre-harvest operation
- Harvesting operation
- Post-harvest operation

Agricultural marketing involved the supply of farm inputs to the farmers and movements of agricultural products from the farm to the consumers. The activities are

- 1) Assessment of the disposable surpluses
- 2) Search the market to dispose of these surpluses

- 3) Collection of farm goods from individual farmers
- 4) Arrangement for transport to the nearest assembling centre
- 5) Pooling the produce of all the farmers
- 6) Grading and standardization
- 7) Processing whenever required
- 8) Packaging
- 9) Storage and warehousing 10) Transporting to the consumption center
- 11) Other activities i.e. pricing, promotion efforts, arrangements of distribution.

Agricultural marketing start from input marketing and ends on output marketing.

#### **Agricultural Marketing Include:**

- I) Producers: Producers expect maximum price for their produce and want the inputs at the lowest possible price.
- II) Consumers: Consumers expect the best quality products, that too at the lowest prices.
- III) Market middlemen and traders: Middlemen & traders expect increasing income and maximum profit so they interested in buying from the producer (farmer) at the lowest price and selling to the consumer at the highest price.
- IV) Government: Government interests of the above three groups are in conflict. Govt. has to reconcile these conflicting interests and attain overall welfare.

#### **Marketing: A process of value addition**

Agricultural marketing involve transfer of goods from farmer to the consumer, it creates following utilities.

- I) Time utility: It's added to commodities through storage.
- II) Place utility: It's added through transportation facilities.
- III) Form utility: It's added through processing functions.

By the creation of mass utilities marketers are productive and add value to raw agricultural commodities that consumers want.

The value adding process takes place through the following three sectors.

- I) Input sector
- II) Farm sector
- III) Product market sector

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## 5.2 FACTORS OF AGRICULTURAL MARKETING

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Marketing is influenced by nature of agricultural marketing differently from marketing of manufactured good.

**1) Lack of Infrastructure:** The infrastructure includes, roads, transport facilities, electricity, telecommunications, etc. These basic facilities are not available in the rural areas. Condition of road is poor & not in condition. Many areas are simply inaccessible. So the rural marketing concept appears unpromising.

**2) Product Design:** A product which is selling well in urban markets may not necessarily be a success in rural markets, the reason being the difference in the utility value of the product.

**3) Existence of Middlemen:** The government does not impose any restrictions on the entry of market middlemen. Therefore, there are many middlemen between the producer and the consumer. As a result, the length of the marketing channel increases and the cost of marketing and market margins go up. Hence, producers receive a low price, while consumers pay a high price.

**4) Multiplicity of Market Charges:** For the same value of goods, the cost of marketing agricultural produce is much higher than the products of other sectors. A large number of market charges are paid - commission, brokerage, weighing, hamali, karda, dhalla, muddat, darmada etc. These charges also vary from market to market.

**5) Awareness of market planning:** Rural markets are different from urban markets. Unlike urban they are unplanned in nature. Rural markets were simply not cared about companies which have been household names for decades in urban areas, were not even heard of in the rural markets. Lack of awareness and understanding of consumer behavior in rural markets, creates problems in formulating strategies and plans for these.

**6) Existence of Malpractices:** Unauthorized market charges, spurious deductions, unfair weighing, taking away a part of product as sample by bidders, bungling of accounts, etc. result in an increase in the real cost of marketing produce.

**7) Product Price:** Price is a tool with which companies can compete with one another. It is a sensitive index, while considering the product. Price plays an important role in urban as well as rural markets, but, it is more crucial in rural areas because the income is low.

**8) Lack of Communication:** With the given level of literacy and awareness of rural population, communication constitutes a major hurdle in exploiting rural markets. Various factors, like language, religion, superstitions, rigidity, etc. make communication in rural markets more difficult.

**9) Lack of Market Information:** There are no reliable channels of communication to provide price information to producer-farmers, who are isolated in remote villages. In the absence of reliable information, farmers depend on hearsay reports that they receive from village merchants, and as a result sell their produce at lower rates.

**10) Absence of Proper Standardization and Grading:** Most farmers have little knowledge of the practice of grading of produce prior to its sale. They usually mix superior or inferior quality products to make a single lot. As a result, they get a lower price for their produce. Sometimes farmers are penalized by traders for the existence of a small percentage of poor quality produce in the lot.

**11) Lack of proper distribution system:** Nobody ever thought of developing the channels of distribution in rural areas till the focus of the executives shifted from urban to rural areas. Only those companies which were directly related with agricultural activities,

e.g. insecticides, fertilizers, seeds etc., contacted the rural markets. The consumer goods companies had not focused their activities in the rural areas. Thus, adequate channels of distribution do not exist, and this restricts the exploitation of the rural markets to the full.

**12) Cultural Factors:** Culture affects the behavior of individuals. The consumers in the rural areas are much under the influence of traditional cultural values. The culture at present is more or less the same as it was some 50 years back. Consequently, their buying decisions are the result of the culture.

**13) Storage Facilities:** Agricultural production is not only confined to a few areas but is also limited to a few seasons in a year. But its consumption is spread throughout the year. Only adequate and efficient storage facilities can ensure continuous supplies throughout the year. At present, storage facilities are not only inadequate but the available storage are not properly managed. This leads to wastage or reduced supplies, resulting in high prices during the off-season.

**14) Purchasing Design:** One of the important factors affecting consumers behavior in rural markets is the right to take the purchase decisions. In most rural families, it is the heads of the family who decides what to buy and when to buy. Consequently, his purchase decisions are influenced by his own personality traits, rather than the aptitude and perception of the actual consumers of these goods. Thus, while venturing into rural markets, this fact needs probing.

**15) Lack of literacy:** In rural areas, the educational level is very low in a majority of the rural areas. The income level also is very low. The main occupation continues to be agriculture, and the level of advancement in agriculture is also low. This results in lesser output and consequently low income, resulting in low purchasing power.

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### 5.3 SUMMARY

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Agricultural marketing involves all aspects of market structures. It's include producers, consumers, middlemen & government Marketing pass through three stages which is pre- harvest operation, harvesting & post-harvest operation. Mainly the marketing is the process of value additions. Money factors are influenced to Agricultural Marketing which is discusses earlier.

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### 5.4 EXERCISE

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- 1) Explain the concept of Agricultural marketing and state the Nature of Agricultural Marketing.
- 2) Discuss the various factors of Agricultural Marketing.



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## **IMPORTANCE AND PROBLEMS OF AGRICULTURAL MARKETING**

### **Unit Structure:**

- 6.0 Objective
- 6.1 Introduction
- 6.2 Importance of Agricultural Marketing
- 6.3 Problems of Agricultural Marketing
- 6.4 Remedial measures for Agricultural Marketing
- 6.5 Summary
- 6.6 Exercise

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### **6.0 OBJECTIVE**

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- 1) To understand the importance of Agricultural Marketing in Rural Development.
- 2) To study various problems of Agricultural Marketing.
- 3) To study various remedies for the problems of Agricultural Marketing.

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### **6.1 INTRODUCTION**

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Efficient marketing is a prerequisite for the development of economy. Efficient marketing ensures remunerative prices to producers, reduces marketing cost and margins, provides commodities to consumers at reasonable prices and promotes the movement of surpluses for economic development.

In modern age, all nations have seen growing importance of marketing and those adopted their economy, where marketing is developing at great speed. In developing & developed countries, marketing in economy has assumed top most priority. The whole world is a market in modern age. According to Peter, marketing is most ignored sector in economic lives of developing country, instead such country doesn't value marketing, isn't the case. America, the developed country is market oriented.

Marketing means: All comprehensive actions; to satisfy consumer and achieve the objectives of organization & provide services to the consumer are called as marketing. The marketing concept involves all efforts to satisfy the consumer, society right from purchasing produce, as assembling up to provision goods, produce to the consumer. In short marketing means not just sale but presale and post-sale services.

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## 6.2 IMPORTANCE OF AGRICULTURAL MARKETING

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The success of produce is dependent on marketing of agricultural produce. We realize the importance of agro-marketing, by this, which is given below.

**1) Drives behind Agricultural Produce:** In a developing country like India, agro-based produce is solely dependent on monsoon. If monsoon is favorable, the yield is satisfactorily good. Otherwise yield gets reduced. Monsoon & natural conditions are out of human reach that bring uncertainty in agro-yield. To neutralize the uncertainty, marketing plays the role at large scale. If marketing system is loopholes free, may bring certainty about in farmer's mind and may stimulate to increase agro-yield.

**2) Marketing is producer's ultimate objectives:**

Any producer produces the goods to sell and earn profit as ultimate objectives. Until the produce is sold out, the production cycle never gets completed. We come to know how much agri-yield marketing is important.

**3) Capability a distinctive side:** Agro-produce has variety. Farmers from various regions produce various agro-products, across the country. Nevertheless, a produce has variety of standard in a particular product of the particular region. If agro-marketing system is influentially strong, the farmers from the region get ample value for their produce that generates capability in agro produce and marketing.

**4) Increasing agro marketing:** Farmers generally stores some part of his yield for self-consumption and for seeds. Whatever produces remained, he brings to market. Such selection is called increased marketing yield. This should be to such an extent to fulfill the needs of non-farmer community. The farmers are to be encouraged to bring this produce in the market. This marketing of agro-based produce is one of major function. If marketing of such yield is strong, there is rise, increased marketing of yield.

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## 6.3 PROBLEMS OF AGRICULTURAL MARKETING

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Marketing agricultural products may appear to be simple, but it is very complicated and consists of various complex operations. The agricultural conditions in India had rapidly changed. Production has been achieved at reasonable growth rate. But the growth rate not only has to be maintained but accelerated and fluctuations in agricultural production have to be minimized.

The Indian farmer is illiterate and ignorant; as a result, he will face a lot of problems in marketing his agricultural produce. Following problems faced by the Indian farmers.



**1) Lack of Crop planning:** The major problem is in the crop planning itself. In India a variety of crops are grown, but due to lack of knowledge or information about the demand and supply conditions about the commodities, a large number of farmers generally sow the seeds for the crop, which have good price in the market in current year. After harvesting, the supply will be more than the demand. As a result, the prices of those commodities will get affected immediately and the farmer won't get the prices what he has expected.

**2) Problems of Organization:** The first thing that strikes the observer is the lack of any kind of collective organization among the producers. The buyers of agricultural produce especially in the case of money crops, usually operate on a larger scale and are organized while the producers are invariably small and scattered over, a wide area there is no common organization to guide them and to protect their interests, while purchasers of commercial crops on the other hand, are large-scale operators on an organized basis. Under the circumstances it is common to find that the producers of agricultural products as a class are being exploited by the purchasers.

**3) Forced Sales:** The village is the common place where most of the farmers sell their produce just after the harvest and hence they get a very low price. The basic reason for this is the indebtedness of the farmer for his needs like to purchase seeds, manures, etc.

All of these force him to sell his produce to the money lenders, merchants, landlords, and itinerant merchants and to borrow before and during sowing period. For production or other purposes, he has to enter into advanced sale contract on less price terms with these merchants before the crop is harvested.

**4) Multiplicity of Market Charges:** The marketing charges payable by the producers are numerous and varied in unregulated markets and they tend to reduce considerably the return to the producer from the sale of his produce. On a sale of produce worth Rs. 100, as much as 21.5 per cent of the income of the producer goes to meet the various expenses.

**5) Inadequate Storage Facilities:** The cultivators store their produce in carts, pits, kachcha store houses, etc. There are no adequate storage facilities. Even the available store houses are costlier for the farmers. Particularly in a situation, where there are small producers, producing little output, they cannot think of storing their products in the store houses. Due to insufficient method of storing, it is estimated that 10 to 20 per cent of the agricultural produce are destroyed because of dampness, rats, ants, etc. There will be deterioration in the value of the products also.



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**6) Superfluous Middlemen:** Agricultural Marketing is characterized by the existence of a long chain of middlemen or intermediaries in between the producers and the consumers. This, in turn, reduces the effective share of the producer-sellers to a considerable extent. The intermediaries comprising the village Baniyas, itinerant merchant or Beopari, Dalal, Kachcha and pucca arhatiyas. Wholesale merchants and retailers. They function at various stages in the process of assembling to distribution. The existence of a long chain of middlemen take away a huge share of the price paid by the consumer and consequently, the producer gets a small share of the price. In the case of plantation crops and the perishable products, the presence of this group is much higher than the other products.

**7) Malpractices of Markets:** In unregulated markets, malpractices tend to be common. i.e. Scales and weights are manipulated against the seller. This practice is rendered easier by the fact that till recently there had not been 110 standardized weights and measures nor was there any provision for regular inspection.

There are all kinds of arbitrary deductions for religious and charitable purposes and for other objects. The burden falls entirely on the seller and he has no effective means of protest against such practice.

**8) Lack of Transport:** Inadequate transport facility is one of the serious problems for the agricultural producers. The transportation system in India is a mixture of the ancient and modern means of transport. Some of the villages are not even connected by the roads. Many parts of the villages are untouched by either pucca roads or rail. So, the farmers find it difficult to transport their produce to the storehouses and to the markets, because of these a part of the produce is spoiled and lost in transportation. And at many places, a sizeable part of the agricultural produce does not reach the markets.



<https://agriculturalistmessa.com>

#### 9) Grading and sorting:

**Grading and sorting** is an activity where farmer differentiate commodities according to quality specifications. **It implies the division of products into classes made up of unit possessing similar characteristics of size and quality. Agri produce may be difference in quality or shape or size or features of the products.**

**10) Insufficient Grading and Standardization:** Another problem in marketing of agricultural produce is that agricultural goods are not standardized and graded. A good system of marketing should ensure an adequate premium for superior over inferior produce. A large number of farmers have little knowledge of grading their produce and usually mix-up good and poor quality product into a single lot, which secure them lower price.

**11) Lack of Market Information:** Absence of market intelligence as to prices is another defect. The villagers have practically no contact with the outside world nor are they in touch with the trend of market prices and they mostly depend on hearsay reports received from the village Baniya who is not at all interested in supplying them the correct information as to prices obtaining in the wholesale market.

**12) Lack of Financial Facilities at Cheaper Rates:** The cultivator is financed by the village Savkar-cum-trader who is in his own turn financed by arhatiya and the indigenous banker in the absence warehouse and the lack of facilities for making advances against the warehouse receipts there cannot be any system of cheap finance against security of goods. There is at present no proper link between indigenous bankers or commercial bankers and the Reserve Bank of India. The various marketing agents borrow funds at a high rate of interest.

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## 6.4 REMEDIAL MEASURES FOR AGRICULTURAL MARKETING

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### 1) Regulated Markets:

Regulated markets are places where transactions are governed by various rules and regulations. Markets may be regulated either by local bodies or operate under state legislation. Market communities consisting of representatives of growers, traders and the government look after the functioning of these markets. They are responsible for ensuring fair trading practices, licensing market functionaries, curbing the deduction of unauthorized market charges as also for the introduction of open auction system of sales, enforcement of standard weights and impartial arbitration in case of disputes. In short, a regulated market offers a package of measures to remove the defects of traditional rural markets.

### 2) Provision of Storage and Warehousing Facilities:

Improved storage performs an important marketing function of regulating supply in relation to demand, stabilization of prices and maintenance of buffer stocks. A warehouse in a broad sense is storage where goods are stored on the journey from places of production to places of manufacture or consumption. Warehousing is done in such a manner as to serve the needs of primary producers, middlemen, manufacturers and consumers.

### 3) Provision of Finance:

Finance is a major problem for the farmers. Small and marginal farmers are entirely dependent on credit to meet their needs and carry out farm activities. Large numbers of farmers commit suicide every year due to bankruptcy and inability to repay loans. Hence, it is very important that the rural credit structure is improved so that more credit is made available to farmers, thus improving their financial status.

### 4) Development of Agricultural Marketing:

Campaign under this programme. Government provides the required information for the scientific methods of storage. Government established an Indian Grain Storage Institute in 1958 so to promote the scientific storage of the grains.

### 5) Improvement of Transport Facilities :

Here are some ways in which transport can be improved and transport costs reduced:

- There must be full utilization of the capacity of the vehicle in terms of load to reduce per quintal cost of transportation.
- The transportation cost per quintal can be reduced by fixing the rate of transportation by different means.

- Using the correct type of wagons to reduce spoilage, damage, breakage or pilferage.
- Reducing the barriers to interstate movement of produce.

#### **6) Grading and Standardization:**

Standardization is the process of fixing certain norms for the products. These norms are established by customs or traditions or by certain authority. It involves determination of basic characteristics of a product on the basis of which the product can be divided into various groups. It also means determining the standards of products to be produced with regard to size, colour form, weight, shape and quality. Standards are model products which form the basis for comparison, standardization facilitates marketing of the product, and increases demand for the products, leads consumer satisfaction, eliminates the risk in buying non-standard products and assures quality.

#### **7) Market Information:**

The availability of prompt and reliable information about what is happening in the market, what quantities are arriving and what prices are quoted for different commodities considerably improve the decision-making capability of the farmers and strengthens their bargaining power.

#### **8) Market Inspection, Research and Training:**

Proper arrangements for market inspection, research and training will help solve the problems of agricultural marketing in many ways. With the help of this research, an efficient marketing system can be developed. Inspection will help in identifying the nature of the problems and their root cause. On the basis of this research can be undertaken to find solutions and implement them.

#### **9) Use of Standard Weights and Measures:**

Some of the traders resort to using unauthorized and faulty weights and scales. They also resort to very unethical practice of freely taking away the excess left in the lot after weighing. All such malpractices rampantly coexist due to the absence of an impartial and independent agency for weighing. There is also a complete absence of uniform weighing charges. The lack of any fixed procedure of supervision over the actual weighing processes also responsible for the situation.

#### **10) Co-operative Marketing:**

There were so many malpractices in the marketing of agricultural produce. The private traders those were handling this trade were having profit as their main objective. They were financing the farmer's activities but they were charging very high rate of interest. They felt compulsion to sell their produce immediately after the harvest even at low prices. The charges of the middlemen were high. To remove all these defects the

Government encouraged the establishment of co-operative marketing institutions. Co-operatives are the best form of organization to further their business and economic interests.

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## 6.5 SUMMARY

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Agricultural marketing covers the services involved in moving an agricultural product from the farm to the consumer. These services involve the planning, organizing, directing and handling of agricultural produce in such a way as to satisfy farmers, intermediaries and consumers.

Marketing of Agricultural products is simple but it's very complicated. Efficient marketing ensures remunerative prices to producers. For the process of Rural Development, efficient marketing system necessary operational efficiency and pricing efficiency can improve the marketing. In this topic, we discuss the problem of Agricultural Marketing and Remedial measures.

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## 6.6 EXERCISE

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- 1) Explain the importance of Agricultural Marketing in Rural Development.
- 2) Discuss the various problems of Agricultural Marketing.
- 3) Explain the defects of Agricultural Marketing and state its Remedies.



## AGRICULTURAL MARKETING RISKS AND UNCERTAINTIES PART-I

### Unit Structure.

7.0 Objectives.

7.1 Introduction.

7.2 Features of Agriculture Produce.

7.3 Concept of Agriculture Marketable and Marketed Surplus.

7.4 Role of Marketable and Marketed Surplus.

7.5 Reasons of low Agriculture Marketable Surplus.

7.6 Measurements to improve Agriculture Marketable Surplus.

7.7 Summary.

7.8 Exercises.

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### 7.0 OBJECTIVES

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1. To know the Features of Agriculture Produce.
2. To understand the Concept of Agriculture Marketable and Marketed Surplus.
3. To know Role of Marketable and Marketed Surplus in Agriculture Marketing.
4. To understand the various reasons of low Agriculture Marketable Surplus.
5. To suggest measurements to improve Agriculture Marketable Surplus.

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### 7.1 INTRODUCTION

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Farmers and **cattleman** deal with a significant amount of uncertainty every day. From not knowing what the weather will be like this year to wondering if market prices will increase or decrease tomorrow, agricultural producers are forced to make decisions based on imperfect information. Born out of this uncertainty is the possibility of injury or loss. Risk can be defined as the possibility of adverse outcomes due to uncertainty and imperfect knowledge in decision making.

The term "**agricultural product**" means any agricultural commodity or product, whether raw or processed, including any commodity or product



derived from livestock that is marketed in India for human or livestock consumption.

Agricultural biodiversity **provides humans with food and raw materials for goods** - such as cotton for clothing, wood for shelter and fuel, plants and roots for medicines, and materials for biofuels - and with incomes and livelihoods, including those derived from subsistence farming.

Agricultural products are different than industrial products. So the features of products can be divided into three major types based on production, marketing, and consumption.

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## 7.2 FEATURES OF AGRICULTURE PRODUCE

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### 1. Seasonal production:

Unlike consumer goods and industrial goods which are produced throughout the year, agricultural goods can be produced only during a specific period in a year. There are summer crops and winter crops. Certain crops need a lot of water. Others require only minimum water. Given all these differences, all the crops cannot be grown in all the months in a year.

### 2. Difficult to control production:

In the case of consumer and industrial goods, the producer can exercise direct control over production. But in the case of agricultural goods, nature plays a vital role in production. If the cultivator has sown the seeds and is awaiting rains, failure of rains will hamper production. Agricultural production is much dependent on the availability of abundant water. The availability of water depends on rainfall.

### 3. Difficult to control quality and quantity of output:

The producers of consumer and industrial goods can control both the quality and quantity of output. It is not that easy in the case of agricultural production. Even if the producer (the farmer) uses good quality seeds, fertilizers, and manures, the quality and quantity of output are determined mainly by natural factors.

### 4. Long waiting period:

Production of consumer and industrial goods takes place almost continuously daily. But in the case of agricultural goods, the gestation period is too long. Thus, continuous production cannot be thought of.

### 5. Loss of crops due to pests and animals:

The crops need to be protected from pests and animals. Every year, farmers suffer a heavy loss of revenue due to crop loss caused by the activities of pests, insects, and animals. To protect their crops, farmers, therefore, use pesticides, insecticides, and so on. They also use electrical fences to safeguard their crops from cows, elephants, and other animals.

#### **6. Loss of production due to litigation:**

Another peculiar problem in agricultural production is that there is always litigation between the farmers over the land territory and other such issues. As a result, they may have to spend a lot of time, money, and effort to win legal battles. This affects the time available for production and thereby affects the output.

#### **7. Small-scale production:**

In India, the number of small and marginal farmers is larger than the number of big landlords. The small and marginal farmers hardly own a few acres of land. The quantity of output they turn out is hardly sufficient for their family needs. Most of these people produce for their families rather than for the market.

#### **8. Use of primitive techniques of production:**

In developed countries, agriculture gets the same importance that the industry gets. But in India, although industrial development has reached a significant level, agriculture remains a neglected sector.

The farmers follow the conventional methods of production which affect the yield. They do not have access to the latest machines and equipment because they cannot afford to have these.

#### **9. Ignorance of the producers:**

Producers of consumer and industrial goods have greater awareness than the producers of agricultural goods. As a result, the former can adapt to any kind of situation and come out of the problem.

For example, the producers of consumer and industrial goods can modify or update their products in tune with the demand and market trends. But the farmers are conservatives. They cannot adapt themselves to changes. They prefer to grow the same crop they grow every year.

#### **10. Lack of collective bargaining:**

Industrialists have their associations through which they represent all their grievances to the Government and can find a solution to any problem. But in the case of agriculture, the farmers do not have any such prominent association. As a result, although they have grievances, they are not in a position to represent the same property.

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## 7.3 CONCEPT OF AGRICULTURE MARKETABLE AND MARKETING SURPLUS

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### Concept of Marketable and Marketed Surpluses



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Marketable Surplus is a theoretical ex-ante concept that represents the surplus that the farmer/producer has available with himself for disposal once the genuine requirements of the farmer for family consumption, payment of wages in kind, feed, seed, wastage, and purchases have been met. Marketed Surplus as compared to marketable surplus is a practical-post concept and refers to that part of the marketable surplus that's marketed by the producer i.e. not only the part which is available for disposal but that part that is made available to the market or the disposal of the non-farm rural and urban population.

#### Computation of Marketable Surplus

It is computed by the formula:  $A - B = MS$

Where MS is Marketable Surplus, A - stands for net availability of the given crop in the year of reference, and B - stands for the following items in the same year:

- i. Consumption by the farm family,
- ii. Consumption by permanent labour engaged on the farm,
- iii. Consumption by the temporary labour occasionally employed on the farm,
- iv. Quantity retained for seed,
- v. Quantity retained as feed for farm animals,
- vi. Quantity retained for barter,
- vii. Payments in kind:

a). To permanent labour, b) To temporary labour, c) For machinery and equipment, d) For customary payments, e) To land owners as rent, f) To land owners as a share of produce, g) for re-payment of loan, h) Land revenue, i) Irrigation charges.

viii. Physical losses: a) In threshing and winnowing, b) In transport from threshing floor to storage, and c) In storage at producer's level.

### Consumption by the Farm Family

The term “Consumption by the farm family” of the cultivator households has two distinct connotations in so far as its impact on marketed and marketable surplus is concerned. For marketed surplus, it refers to the quantity retained for consumption by the family irrespective of the actual total requirements for the purpose. Marketable Surplus, refers to the quantity that ought to be retained by the farm family for its consumption or the quantity required for consumption. The use of the term “Surplus” would thus be justified only if the quantity required for consumption, rather than the quantity actually for consumption is taken into account for arriving at the quantity of marketable surplus actually for non-farm consumption.

In case the quantity retained for consumption (and not the quantity actually for consumption) is taken into account, the quantity calculated is the marketed surplus which is a gross concept not subtracting repurchases, because the quantity sold will not include the buybacks by the buybacks. Meanwhile, instead of quantity retained for family consumption, the quantity required for consumption is taken into consideration for the calculation mark the marketable surplus and hence it is a net concept subtracting repurchase see. The quantity required for family consumption has been calculated by adding the “Quantity retained for family consumption + Quantity purchased for family consumption + Total receipts in kind for family consumption”.

The marketable surplus will thus be according to the formula:

$$A - B = MS$$

Where, A stands for production, and B includes all the items mentioned earlier except that “Quantity required for consumption” has been treated to include the quantity required for “family consumption” as explained above and MS stands for “marketable surplus”. This quantity is available for non-farm consumption and is, therefore, a true Marketable Surplus.

### Computation of Marketed Surplus

In case the quantity retained for consumption (and not the quantity actually for consumption) is taken into account, the quantity calculated is the marketed surplus which is a gross concept; because the quantity sold will not include the buyback. The marketable surplus will thus be according to the formula:

$$A - B = MS$$

Where A stands for production and B includes all the items mentioned above apart from viii) (c) i.e. viii) Physical losses: c) In storage at producer’s level.

The term “Consumption by the farm family” of the cultivator households refers to the quantity retained for consumption by the family irrespective of the actual total requirements for the purpose.

### For Accounting Purpose

**Marketable Surplus**=Net availability of the Crop in the year–Retention including all seed feed and wastage – Purchases.

$$MS = N - R - P \Rightarrow MS = (N - R) - P$$

The marketable surplus differs from region to region and within the same region, from crop to crop. It also varies from farm to farm.

On a particular farm, the quantity of marketable surplus depends on

- 1). Size of operational holding,
- 2). Yield of Commodity,
- 3). Price of the Commodity,
- 4). Household Size,
- 5). Requirements of seeds and feed,
- 6). Payments to labour in kind,
- 7). Distance from mandi, and
- 8). Stock of previous year etc.

The larger the quantity marketed, the greater the cash income to a farmer. Accordingly, crops also came to be known as cash crops, which earn more cash in insofar the farmers. The marketable or marketed surpluses depend upon the type of crop ie. food grain another food crop, or, a non-food crop. In the case of food grain and other food crops, the surpluses are generally less on small and marginal farms and their proportions a widely according to the size of holding and other related factors. But in the case of non-food crops viz. Cotton, sugarcane, soybean, etc. which are used as a raw material in an o-based industry, almost all the production is available for sale except for small quantities kept for seed. In these crops, marketable surpluses are nearly percent cent. Such crops are called cash crops or commercial crops In the same analogy, even food crops with large marketable surpluses (say above 50%) can be regarded as cash or commercial crops.

Identification of certain crops as commercial or cash crops has many policy implications from the point of view of the development of well-good organized markets and other infrastructure facilities such as storage (including cold storage or perishables), communication, market information, banking services, etc.

1. Marketable surplus for food grains, particularly in a deficit state is low and such crops may not be considered commercial crops in that area.
2. All fruit crops are commercial crops because their marketable surpluses are above 96%.
3. Similarly, vegetables are also commercial crops, which is evident from their marketable surpluses being above 96% and marketed surpluses above 85%.
4. Special mention needs to be made about milk.

Some oil seed crops like groundnut, sunflower, safflower, soybean, castor, and other crops like cotton and sugarcane are also recognized as

commercial crops as the marketable surpluses in them are almost 100% and therefore they are cash crops for the farmers. In addition, there are some crops, which are grown in small pockets, but they have large marketable surpluses and hence they are cash crops for farmers in those areas. Examples are – Red chili, turmeric, tobacco, minor fruits, etc.

The solution to the problem of development, it is argued, is to take steps to increase agricultural productivity rather than get involved in the possibility of the failure of marketed agricultural surplus to grow. Since the peasant has a rather high propensity to save and since a large part of his incremental consumption consists of manufactured goods, the argument runs, it is incorrect and misleading to over-emphasise the problem of marketed surplus.

However, why marketed surplus may not fail to increase with rising in per capita agricultural production. In a predominantly agricultural country, like India, aiming at a high rate of capital formation, it is not enough that marketed surplus should rise with risings of production; the ratio of marketed surplus to production must raise enough to mobilize the savings potential in the agricultural sector to the utmost. It would not do, therefore, to ignore the problem of marketed surplus.

### **1. Marketable Surplus**

The marketable surplus is the quantity of the product which can be made available to the non-farm population of the country. It is a theoretical concept of surplus. The marketable surplus is the residual left with the producer-farmer after meeting his requirements for family consumption, farm needs for seeds and feed for cattle, payment to labour in kind, payment to artisans – carpenter, blacksmith, potter, and mechanic – payment to the landlord's rent, and social and religious payments in kind. This may be expressed as follows:

$$MS = P - C$$

Where

MS = Marketable surplus

P = Total production, and

C = Total requirements (family consumption, farm needs, payment to labour, artisans, landlord, and payments for social and religious work).

### **2. Marketed Surplus**

Marketed surplus is the quantity of the product that the producer-farmer sells in the market, irrespective of his requirements for family consumption, farm needs, and other payments. The marketed surplus may be more, less, or equal to the marketable surplus.

Whether the marketed surplus increases with the increase in production has been under continual theoretical scrutiny. It has been argued that poor and subsistence farmers sell that part of the product that is necessary to enable them to meet their cash obligations. This results in distress sales on some farms. In such a situation, any increase in the production of marginal and small farms should first result in increased on-farm consumption.



An increase in the real income of farmers also has a positive effect on on-farm consumption because of positive income elasticity. Since the contribution of this group to the total marketed quantity is not substantial, the overall effect of an increase in production must lead to an increase in the marketed surplus.

Bansil writes that there is only one term – marketable surplus. This may be defined subjectively or objectively. Subjectively, the term marketable surplus refers to the theoretical surplus available for sale with the producer-farmer after he has met his genuine consumption requirements and the requirements of his family, the payment of wages in kind, his feed and seed requirements, and his social and religious payments. Objectively, the marketable surplus is the total quantity of arrivals in the market out of the new crop.

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## 7.4 ROLE OF MARKETABLE AND MARKETING SURPLUS IN AGRICULTURE MARKETING

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Rising marketable surpluses are the real surpluses, which determine the real income, real savings, real capital formation and real investment and have great importance in raising the welfare in inflation free economies. Fall in the real marketable surpluses in less developed economies, raise the prices of not only foodstuffs but also of other wage goods and invariably the real levels of living of working class may go down. Marketable surpluses plays role in following way:

### **i) Need of food grains for growing population:**

Sufficient food grains should be provided to all the people of a State. Production of food grains should be sufficient to meet their demand. If the production is less than demand, the country will have to import food grains which will create the problem of adverse balance of trade and balance of payments.

### **ii) Development of industrialization:**

Agriculture has huge positive impacts on the industrial development, It regularly supplies raw materials like sugarcane , jute cotton, oilseeds, tea, spices, wheat; paddy etc. to the consumer goods industries.

### **iii) Development of the second and tertiary sector:**

The primary, secondary and tertiary sectors represent various business types and the goods they procure and sell in an economic setup. Each sector is interdependent on the other so that the economy as a whole functions properly and efficiently.

### **iv) Availability of foreign currency:**

Agricultural trade plays an important role in the sustainability of global and regional food systems. Trade between countries allows food to shift



from surplus to deficit areas. It helps to increase the variety of products on offer.

**v) Improving the living standards of farmers:**

Agricultural development and agro surpluses are one of the most powerful tools to end extreme poverty, boost shared prosperity, and feed a projected 9.7 billion people by 2050. Growth in the agriculture sector is two to four times more effective in raising incomes among the poorest compared to other sectors.

**vi) Modernization of agribusiness:** Agricultural Modernization is the process of transforming the agricultural. To transform there is need of surpluses of agricultural goods, which will be able to raise more capital for the sector.

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## **7.5. REASONS OF LOW AGRICULTURE MARKETABLE SURPLUS.**

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On a particular farm, the quantity of marketable surplus depends on the following factors:

**i) Regional Situation:** The marketable surplus differs from region to region and, within the same region, from crop to crop. It also varies from farm to farm.

**ii) Consumption habits:** The quantity of output retained by the farm family depends on the consumption habits. For example, in Punjab, rice forms a relatively small proportion of total cereals consumed by farm families compared to those in southern or eastern states. Therefore, out of a given output of paddy/rice, Punjab farmers sell a greater proportion of paddy/rice, in Punjab farmers sell a greater proportion than that sold by rice-eating farmers of other states.

**iii) Size of holding:** There is a positive relationship between the size of the holding and the marketable surplus. India is populated country and every year many hector land divided and fragmented due to inheritance act. Divided and fragmented piece of land is not viable as far as today's production cost is concern.

**iv) Size of family:** The larger the number of members in a family, the smaller the surplus on the farm.

**v) Price of crop output:** The price of the commodity and the marketable surplus have a positive as well as a negative relationship, depending upon whether one considers the short and long run or the micro and macro levels.

**vi) Level of production:** The higher the production on a farm, the larger will be the marketable surplus and vice versa.

**vii) Seed and feed requirements:** The higher the requirement for these uses, the smaller the marketable surplus of the crop.

**viii) Type of crop:** marketable surplus also depend on the type of crops, climate and area. In our country crops are taken on the base of type of land ( Soil) and climate, so in certain period surplus of certain crops is abundance and it is one kind of risk as far as prices are concern.

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## **7.6. MEASUREMENTS TO IMPROVE AGRICULTURE MARKETABLE SURPLUS.**

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### **i) Technological Measures:**

Measures are taken to increase agricultural production substantially to meet the growing needs of the population and also to provide a base for industrial development including steps to increase both extensive cultivation and intensive cultivation.

### **ii) Land reforms:**

Land reform measures are taken to abolish intermediary interests in land (viz. Zamindars, Jagirdars etc.) and transfer of land to actual tiller of the soil were expected to be taken up on a priority basis.

### **iii) Institutional credit:**

Another important measure was expansion of institutional credits to farmers through cooperative and commercial banks. After nationalization of banks in 1969, nationalized banks have paid increasing attention to the needs of agriculture. Regional Rural Banks were also set up to deal specially, with the needs of agricultural credit.

### **iv) Procurement and support prices:**

Announcement of procurement of support prices to ensure fair returns to the farmers so that even in years of surplus the prices do not tumble down and farmers do not suffer loss. In fact the policy of the commission for agricultural cost and price in recent years has been to announce fairly high prices in a bid to provide incentive to farmers to expand production.

### **v) Input subsidies to agriculture:**

The government has provided massive subsidies to farmers on agricultural inputs like irrigation, fertilizers and power. The objectives of input subsidisation are to increase agricultural! Production and productivity by encouraging the use of modern inputs in agriculture. Under this policy various inputs are given to the farmers at a sub-sided rate.

### **vi) Rural Employment Programmed:**

To provide purchasing power to the poor, rural employment the programmes are needed. Government introduced poverty alleviation programmes from the Fourth Plan onwards like Small Farmers

Development Agency (SFDA), Marginal Farmers and Agricultural Labour Development Agency (MFAL), National Rural Employment Programme (NREP), Rural Landless: Employment Guarantee Programme (RLEGP) Jawahar Rozgar Yojana (jRY), Jawahar Crami Samriddhi Yojana for 5 years (JCSY), Sampoorna Grameen Rozgar Yojana (SCRY) etc.

### **vii) Cooperation and consolidation of holdings:**

To prevent fragmentation of holdings, Indian agricultural policy introduced the programmes of cooperation and consolidation of holdings. Latter programmes aimed at consolidating plots owned by a particular farmer in different places of village by sanctioning land at one place of equal area or value to his plot of land.

This avoids wastage of time and energy employed in cultivation and he can practise scientific technique of production. Cooperation aims at uniting small and marginal farmers together to reap the harvest of large scale farming. Under cooperative farming small and middle class farmers use their land and resources and practise joint cultivation.

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## **7.7. SUMMARY:**

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Generally the predominant agricultural countries like India depend much on the marketable surplus of agricultural produces. As a matter of fact, it is not the total production of agricultural sector but the surplus generated by the agricultural sector for the market plays the crucial role in the development of such countries. Thus, in cases of agricultural economics like India it is not sufficient to boost only its agricultural production but it must boost the marketable surplus of agricultural produces regularly.

Marketable surplus represents the theoretical surplus available for disposal with the producer left after his genuine requirements of family consumption, payment of wages in kind, feed, seed and wastages have been met. Marketed surplus on the other hand represents only that portion of the marketable surplus which is actually marketed and is placed at the disposal of the non-farm rural and urban population

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## **7.8. EXERCISE**

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1. Write various features of Agriculture Produce in India.
2. Explain the concept of Agriculture Marketable and Marketed Surplus with suitable examples.
3. State the role of Marketable and Marketed Surplus.
4. Write various reasons of low Agriculture Marketable Surplus.
5. Explain the measurements to improve Agriculture Marketable Surplus.

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## **AGRICULTURAL MARKETING RISKS AND UNCERTAINTIES PART-II**

### **Unit Structure**

- 8.0 Objectives.
- 8.1 Introduction.
- 8.2 Concept of Risk & Uncertainties.
- 8.3 Agricultural Marketing Risk & Uncertainties.
- 8.4 Types of Agricultural Marketing Risk & Uncertainties.
- 8.5 Remedial Measures on Agricultural Marketing Risk & Uncertainties.
- 8.6 Summary.
- 8.7 Exercise.

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### **8.0 OBJECTIVES**

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- 1. To know the concept of Risk & Uncertainties.
- 2. To understand Agricultural Marketing Risk & Uncertainties.
- 3. To study types of Agricultural Marketing Risk & Uncertainties.
- 4. To understand the remedial Measures on Agricultural Marketing Risk & Uncertainties.

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### **8.0 INTRODUCTION**

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The land varies from country to country and from country to country geographically in terms of soil texture, fertility, rainfall, temperature, and water availability. Sometimes a program designed for the development of one region is not conducive to the development of another region and fertile rocky and barren lands are found in different parts of the same region which creates uncertainty in production resulting in risk related to income, price, etc. Differences in climate and use of technology in the agricultural sector create uncertainty in production and productivity and price and income remain uncertain. This has a huge impact on the agricultural sector and the mindset of the farmers. In the field of agriculture, insurance schemes are being implemented at the government level for the risks. National Agricultural Insurance Scheme, Crop Insurance, Agricultural Income Insurance, Livestock Insurance, etc. make it possible for farmers to manage risk. It is necessary to reduce the uncertainty and risks in the agricultural development of the country.

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## 8.1 CONCEPT OF RISK & UNCERTAINTIES

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The concepts of agricultural market risk and uncertainty are as follows:

### Concept of Risk

**"Risk is an important and far-reaching event that can be predicted based on past experience or collected data."**

### Concept of Uncertainties.

**"Uncertainty is an event or situation in which no definite prediction can be made from past experience or related statistics about a future event that will have an adverse effect."**

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## 8.2 AGRICULTURAL MARKETING RISK & UNCERTAINTIES.

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Agricultural marketing experiences three types of risks namely the Physical risk, Price risk and the Institutional risk. The physical risk is the loss in the quantity and quality of the product during storage and transport like fire accident; rodents, pest and disease attack and due to improper packing.



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## 8.3 TYPES OF AGRICULTURAL MARKETING RISK & UNCERTAINTIES

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**i) Uncertainty about market commodity prices:** In addition to yield or technical uncertainty, uncertainty also exists with regard to the prices of agricultural products. Price is more or less an uncontrolled or exogenous variable so far as the individual farmer is concerned.

**ii) Uncertainty in supply and demand:** Agriculture sector has no control on supply of produce as like industrial goods. It is depend upon climate and the cultivation methods. Many times it is observed that because of the excessive supply farmers have sold their goods at a very low rate.

**iii) Dangers in freight:** As far as India is concern we always have experienced dangers and risk of bad roads, high cost of transportation,

irregularity of vehicles, insufficiency of vehicles, insufficient means of transportation and long distance from farm to their houses as well as markets. All these factors of freight effect on farmers in our country.

**iv) Uncertainties regarding storage arrangements:** Every year, there is a large amount of food loss due to lack of storage facilities in India. A recent study by National Academy of Agricultural Sciences (NAAS) highlights that the lack of access to a storage facility “is the most important cause of post-harvest losses for all types of food in India”, due to lack of storage facilities in India farmer sale their goods in distress prices.

**v) Intermediate numbers and their dominance:** Basic types of marketing intermediaries include agents, marketing agencies, wholesalers and retailers in agricultural market. Middlemen are usually held responsible for farmer's low share in the consumer rupee and are blamed for exploiting the farmers.

**vi) Market export arrangements:** We get to see lack of various marketing activities required for export purposes such as marketing research, product design, branding, packaging, pricing, promotion, etc.

**vii) Malpractices in Unregulated Markets:** Even now the number of unregulated markets in the country is substantially large. Arhatiyas and brokers, taking advantage of the ignorance, and illiteracy of the farmers, use unfair means to cheat them. The farmers are required to pay arhat (pledging charge) to the arhatiyas, "tulaii" (weight charge) for weighing the produce, "palledari" to unload the bullock-carts and for doing other miscellaneous types of allied works, "garda" for impurities in the produce, and a number of other undefined and unspecified charges. Another malpractice in the mandies relates to the use of wrong weights and measures in the regulated markets. Wrong weights continue to be used in some unregulated markets with the object of cheating the farmers.

**i) Chainless animals in market Yard:** Many times it observed that chainless animals and cattle move freely in the market yard and they eat valuable goods of farmers. These kinds of risk also have to face farmers those approaches to the local as well as other market places.

**ix) Policies of Central and State Governments:** Impact of unclear and distinguished state and government policies badly effect on the farmers and their market activities.

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## 8.4 REMEDIAL MEASURES ON AGRICULTURAL MARKETING RISK & UNCERTAINTIES.

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### 1) Diversification of crops

Production of different crops is the best option to avoid agricultural uncertainty. This mainly involves taking several crops at the same time and selling them at different times rather than at the same time. As a result, it is possible to avoid the fact that the price of a particular product



increases or decreases as the income increases. Such efforts reduce farmers' income uncertainty. Crop diversification minimizes uncertainty.

## **2) Crop insurance**

Uncertainty in agriculture causes financial loss to farmers. It is advisable to ensure crops and livestock to avoid these losses. Crop damage can be compensated. Crop insurance schemes have been introduced by the government. Crop insurance scheme has been introduced in India in 1999-2000. Some of the uncertainties/threats in agriculture may be man-made. These mainly include theft, burning of agricultural commodities, etc. Consists of Crop insurance is also useful for transferring such uncertainty or risk.

## **3) Avoid competition**

Competitive production competition among farmers creates uncertainty and risks. E.g. Farmers imitate and grow the same crop. As a result, the supply of agricultural commodities increases, and there is an imbalance between supply and demand. As a result, commodity prices fall and farmers suffer. To avoid this loss, farmers should avoid competition and try to diversify their production.

## **4) Government intervention**

Reducing uncertainty in the agricultural sector requires government intervention in the right place and for the right reasons. The government is required to announce the basic prices of agricultural commodities in due course. Due to natural adaptations in the country when production was large. It is then necessary to arrange storage of additional products. Timely decision on the export of agricultural commodities. The government needs to pay attention to taxes, agricultural loans, prices of agricultural inputs, and taxes. This reduces the uncertainty in agriculture.

## **5) Promoting Supplementary Industries -**

Emphasis on agro-based and agro-based processing industries will help reduce the uncertainty in agriculture by getting better prices for agricultural commodities. Agricultural supplementary businesses need to be promoted. E.g. the development of supplementary industries such as poultry farming, dairy farming, goat and sheep farming, pig farming, beekeeping, and silk industry will help reduce agricultural uncertainty.

## **6) Future Price Estimation -**

Estimates of future prices are needed to reduce agricultural uncertainty. This is because it is possible to make some changes in production according to the future fluctuations in the prices of agricultural commodities. For example, many times Kharif crops are produced and prices fall due to an increase in market income. With the availability of information on these matters, it is possible to take measures such as preventing the product from entering the market at the same time and storing it.

**7) Agreement system -**

The agricultural contracting system is suitable for reducing agricultural uncertainty. When planting crops in agriculture, pre-harvest agreements with traders, intermediaries, and agents, estimating the expected yield, help in achieving some degree of economic stability. Agreements are often reached with pre-harvest or pre-planting traders and barriers for orchards, bananas, mangoes, leafy vegetables, tobacco, and other agricultural products in respect of prices and transactions of agricultural commodities. As a result, it helps reduce agricultural uncertainty.

**8) Flexibility -**

To complement crop diversification, farmers should use the flexibility of technology to reduce their income uncertainty. Technical flexibility means that farmers should be able to move easily from one crop to another or from one venture to another. Flexible technology allows farmers to easily migrate from one resource to another. For example, it is easy to migrate from meat production to milk production. Also, after the fall in grape prices, farmers will prefer to produce raisins. This means creating a multi-product diagram. Production should be flexible, not rigid.

**9) Liquidity**

Uncertainty can be reduced by retaining farmers' assets. With more cash, the cost of agricultural resources can be reduced by purchasing them at lower prices. Due to its proximity to cash, agricultural production can continue even when market prices are low.

**10) Adoption of Innovative Techniques**

Persistence in traditional crop production will reduce uncertainty over the production of innovative crops. But with the use of new technology carefully and properly, the uncertainty in agriculture is reduced.

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**8.5 SUMMARY**


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Most of the remedial measures that have been discussed below are concerned with the price uncertainty or the yield uncertainty as these two directly and immediately affect the earnings of the farmers and the farmers can also take some commonly accepted steps to meet these types of uncertainty.

For some types of uncertainty, no suggestion can be made to the farmer because nothing can be done at his own level e.g., Political uncertainty. For others, like Personal uncertainty or people's uncertainty, no suggestion of a general nature can be offered simply because the problem is too personal to be generalized.

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**8.6 EXERCISE**


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Define the Concept of Risk & Uncertainties.

Write various issues related to Agricultural Marketing Risk & Uncertainties.

Explain different types of Agricultural Marketing Risk & Uncertainties.  
Suggest remedial Measures on Agricultural Marketing Risk & Uncertainties.

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## **AGENCIES IN AGRICULTURE MARKETING: MARKETING AGENTS, CACP**

### **Unit Structure**

- 9.1. Objectives.
- 9.2. Introduction: Agricultural Marketing.
- 9.3. Marketing Agents.
- 9.4. Agencies Involved In Agricultural Marketing.
- 9.5. The Commission for Agricultural Costs & Prices.
- 9.6. Exercises.

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### **9.1. OBJECTIVES**

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The agricultural marketing system is a link between the farm and the nonfarm sectors. Agriculture marketing therefore comprises all activities involved in the supply of farm inputs to the farmers and movements of agricultural products from the farms to the consumers. The objectives of this topic are,

- 7.6.1. To know agencies in Agricultural marketing.
- 7.6.2. To know the types of agricultural agencies.
- 7.6.3. To understand the role of Agricultural agencies.
- 7.6.4. To learn the types of Agricultural Agents.

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### **9.2. INTRODUCTION: AGRICULTURAL MARKETING**

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India needs to come up with an efficient marketing network for agricultural produce. Marketing covers the entire sequence of activities starting from purchase, packing, grading, transportation and storage, wholesale and ultimately retail sale of produce.

Agricultural 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 farms to the consumers. The agricultural marketing system is a link between the farm and the nonfarm sectors. Agricultural marketing involves the buying and selling of agricultural produces. According to the Indian Council of Agricultural research Agricultural marketing involves three important functions.

- 1) Assembling of goods.
- 2) Preparation for consumption.
- 3) Distribution of agricultural products.

### **DEFINITION**

According to National Commission on Agriculture “Agricultural marketing is the process which starts with a decision to produce a suitable farm commodity or product & it involves all aspects of market structure or systems, both functional and institutional based on technical and economic consideration and include pre and post-harvest operations like assembling grading, storage transportation and distribution.”

Agriculture marketing therefore comprises all activities involved in the supply of farm inputs to the farmers and movements of agricultural products from the farms to the consumers. These are

- 1) Making as assessment of the disposable surpluses of Agricultural production.
- 2) Finding the markets to dispose of these surpluses.
- 3) Collection of such items from individual farmers
- 4) Making necessary arrangement for transport to the nearest assembling center.
- 5) Pooling the produce of all the farmers.
- 6) Cleaning grading and standardization.
- 7) Processing whenever needed.
- 8) Packaging
- 9) Warehousing/storage
- 10) Transporting to the consumption Centre.
- 11) Negotiating with consumers/buyers
- 12) Exchange of the goods with the ultimate consumer.

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### **9.3. MARKETING AGENTS**

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The peculiar characteristics of agricultural produce such as small and scattered production, seasonality and perishability of products, transportation and communication etc. require a large number of intermediaries between the producer and the ultimate consumer. All the agencies more or less participate in assembling and distribution of agricultural products.



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Sometimes, agricultural commodities directly pass from producers to consumers. But in indirect marketing agricultural commodities generally move from producers to consumers through intermediaries or middlemen. The number of intermediaries may vary from one to many. All such intermediaries are called marketing agents.

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#### **9.4. AGENCIES INVOLVED IN AGRICULTURAL MARKETING**

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- **Producers**

The farmers or producers perform various marketing functions before the produce is moved on in order to reach the final consumer. They play a key role as they form the base of the entire system. Most farmers or producers, perform one or more marketing functions. They sell the surplus either in the village or in the market. Some farmers, especially the large ones, assemble the produce of small farmers, transport it to the nearby market, sell it here and make a profit. This activity helps these producers to supplement their incomes. Frequently visits to markets and constant touch with market functionaries, bring home to them a fair knowledge of market practices, they have thus as access to market information and are able to perform the functions of market middlemen.

- **Middlemen**

Middlemen are those individuals or business concerns which specialize in performing the various marketing functions and rendering such services as are involved in the marketing of goods. They do this at different stages in the marketing process. They are classified on the basis of their functions as under.

- i) **Merchant middlemen**

Merchant middlemen are those individuals who take title to the goods they handle. They buy and sell on their own and gain or lose, depending on the difference in the sale and purchase prices. Merchant middlemen are of two types i) wholesalers and ii) retailers.

- ii) Agent middlemen: commission agents, arhatias, brokers.
- iii) Facilitative middlemen. These are the middlemen, who do not buy and sell directly agricultural goods but assist in the marketing process such as hamals/labourers weighmen/tolas, graders, transport agencies, communication agencies etc.

- **Wholesalers**

Whole selling is one of the activities in agricultural marketing. Whole selling is the one that covers activities of all individuals or businessmen, which sell to or negotiate sales with customers, who buy for resale or industrial use. His position is that of an intermediary between manufacturer and retailer.

Wholesalers are classified as

- I. Local wholesalers are the traders who purchase goods from farmers at local level and deliver their purchases to local retailer in the same area.
- II. Provincial wholesalers some time called as distributor selling to the retailers of a particular district or a state and
- III. National wholesalers located at a strategic place and distribute goods all over the country.

The wholesalers perform the following functions in marketing

- a) They assemble the goods from various localities and areas to meet the demands of buyers.
- b) They sort out the goods in different lots according to their quality and prepare them for the market.
- c) They equalize the flow of goods by storing them in the peak arrival season and realizing them in the off-season.
- d) They regulate the flow of goods by trading with buyers and sellers in the various markets.
- e) They finance the producers so that the latter may meet their requirements of productions inputs.
- f) They assess the demand of prospective buyers and processors from time to time and plan the movement of the goods over space and time.

- **Retailers**

He is the last link in chain of middleman, who sells directly to consumer. He takes title to goods, sells and sets up business usually amidst the consumer's groups. He buys his requirement usually from the wholesalers. Retailers in producing areas may have direct contact with producers and buys goods from them for resale.



- **Co-operative Marketing Societies**

Main function is that of commission agency i.e.

- a) Selling the product of member's.
- b) They also undertake outright purchases.
- c) Provide storage facilities for storage and grading.
- d) Save cultivators from exploitation by traders and help farmers in getting fair price for their produce.
- e) Performing functions of processing of raw produce.

- **Pucca Arhatias**

He is the real purchase in the wholesale market on his own behalf of acting for some businessmen, firms in consuming markets. Big mills (rice, oils, cotton etc.) play as their agent and order him to purchase certain quantity within a given range of price. When pucca arhatia trades on his own, he dispose of his produce brought by him through dealers in different parts of country.

- **Katcha Arhatia**

He also advances money to the cultivators and village banias on the condition that the produce will be disposed off through him alone and hence charges a very nominal rate of interest on the money advanced. Katcha arhatia charges commission for services rendered by him. Important link between the village cultivator or traders on the one hand.

- **Village Merchants**

He is an important agency in the collection of produce and more so when the man does is situated at a considerable distance from the village. He advances from his shop either on credit or for exchange of food grain or so price given for cultivator's produce. The quantities of agriculture Produce so collected are either disposed of in the mandi or retained for resale in the village in the processed forms, such as rice, flour, oil etc.

- **Itinerant Traders**

They are small merchants, who move from village to village and buy the produce from cultivator's house. They give a lower price than selling in the nearby market and in setting transportation take into consideration, the factors such as cost of transportation, market charges and profit margin.

- **Transport Agency**

This agency assists in the movement of the produce from one market to another e.g. railways, trucks, bullock carts, camel carts, tractor trolleys.

- **Communication Agency**

It gives information about the prices prevailing, and quantity available and transactions e.g. post, telephone, telegraph, newspapers, radio.

- **Advertising Agency**

It enables prospective buyers to know the quality of the product and decide about the purchase of commodities e.g. newspapers, radio, television, cinema slides.

- **Auctioneers**

They put produce for auction and bidding by the buyers.

- **Government Agencies / Institutions**

In addition to individuals, corporate, co-operative and government institutions are operating in the field of agricultural marketing. Some important institutions are :-

- The State Trading Corporation (STC)
- The Food Corporation of India (FCI)
- The National Agricultural Co-Operative Marketing Federation (NAFED)
- Cotton Corporation India (CCI)
- All India cotton co-operative federation limited
- Jute corporation of India (JCI)
- National dairy development board (NDDB)
- National oilseeds and vegetable oils development (NOVOD)board
- Tobacco board
- Agricultural processed products and export development agency (APEDA)
- Marine products export development agency (MPEDA)
- The directorate of marketing and inspection,
- Government of India
- State level agricultural marketing departments and agricultural marketing boards
- State and lower level co-operative marketing societies
- Fair price shops
- Consumers co-operative stores, milk unions

## 9.5. THE COMMISSION FOR AGRICULTURAL COSTS & PRICES

### 9.5.1. INTRODUCTION

The Commission for Agricultural Costs & Prices (CACP since 1985, earlier named as Agricultural Prices Commission) came into existence in January 1965. Currently, the Commission comprises a Chairman, Member Secretary, one Member (Official) and two Members (Non-Official). The non-official members are representatives of the farming community and usually have an active association with the farming community.

It is mandated to recommend minimum support prices (MSPs) to incentivize the cultivators to adopt modern technology, and raise productivity and overall grain production in line with the emerging demand patterns in the country. Assurance of a remunerative and stable price environment is considered very important for increasing agricultural production and productivity since the market place for agricultural produce tends to be inherently unstable, which often inflict undue losses on the growers, even when they adopt the best available technology package and produce efficiently. Towards this end, MSP for major agricultural products are fixed by the government, each year, after taking into account the recommendations of the Commission.

As of now, CACP recommends MSPs of 23 commodities, which comprise 7 cereals (paddy, wheat, maize, sorghum, pearl millet, barley and ragi), 5 pulses (gram, tur, moong, urad, lentil), 7 oilseeds (groundnut, rapeseed-mustard, soybean, seasmum, sunflower, safflower, nigerseed), and 4 commercial crops (copra, sugarcane, cotton and raw jute).

CACP submits its recommendations to the government in the form of Price Policy Reports every year, separately for five groups of commodities namely Kharif crops, Rabi crops, Sugarcane, Raw Jute and Copra. Before preparing aforesaid five pricing policy reports, the Commission draws a comprehensive questionnaire, and sends it to all the state governments and concerned National organizations and Ministries to seek their views. Subsequently, separate meetings are also held with farmers from different states, state governments, and National organizations like FCI, NAFED, Cotton Corporation of India (CCI), Jute Corporation of India (JCI), trader's organizations, processing organizations, and key central Ministries. The Commission also makes visits to states for on-the-spot assessment of the various constraints that farmers face in marketing their produce, or even raising the productivity levels of their crops. Based on all these inputs, the Commission then finalizes its recommendations/reports, which are then submitted to the government. The government, in turn, circulates the CACP reports to state governments and concerned central Ministries for their comments. After receiving the feed-back from them, the Cabinet Committee on Economic Affairs (CCEA) of the Union government takes a final decision on the level of MSPs and other recommendations made by CACP. Once this decision is taken, CACP puts all its reports on the web site for various

stakeholders to see the rationale behind CACP's price and non-price recommendations.

Agencies in Agriculture  
Marketing: Marketing Agents,  
CACP

### **9.5.2. ROLE OF THE CACP IN AGRICULTURAL MARKETING**

The role of CACP is very important in agricultural marketing. This role is useful and benefited, to agricultural producers, Agricultural traders and development of National economy.

9.5.2.1. The need to provide incentive to the producer for adopting improved technology and for developing a production pattern broadly in the light of national requirements.

9.5.2.2. The need to ensure rational utilization of land, water and other production resources.

9.5.2.3. The likely effect of the price policy on rest of the economy, particularly on the cost of living, level of wages, cost structure of agro-based products and the competitiveness of agriculture and agro-based commodities.

9.5.2.4. The Commission may also suggest such non-price measures related to credit policy, crop and income insurance and other sectors as would facilitate the achievements of the objectives set out in 1 above.

9.5.2.5. To recommend from time to time, in respect of different agricultural commodities, measures necessary to make the price policy effective.

9.5.2.6. To take into account the changes in terms of trade between agricultural and non-agricultural sectors.

9.5.2.7. To examine, where necessary, the prevailing methods and cost of marketing of agricultural commodities in different regions, suggest measures to reduce costs of marketing and recommend fair price margins for different stages of marketing.

9.5.2.8. To keep under review the developing price situation and to make appropriate recommendations, as and when necessary, within the framework of the overall price policy.

9.5.2.9. To undertake studies in respect of different crops as may be prescribed by Government from time to time.

9.5.2.10. To keep under review studies relating to the prices policy and arrangements for collection of information regarding agricultural prices and other related data and suggest improvements in the same, and to organize research studies in the field of price policy.

9.5.2.11. To advise on any problems relating to agricultural prices and other production that may be referred to it by Government from time to time.

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## 9.6. EXERCISES

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- 1) Define 'Agricultural marketing' and state the types of Marketing agents.
- 2) State the Importance of Agricultural Agencies.
- 3) Explain the types of Agricultural Agencies.
- 4) What is the role of CACP as an agency in agricultural marketing?



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## **AGENCIES IN AGRICULTURE MARKETING: FOOD CORPORATION OF INDIA**

### **Unit Structure**

- 10.1. Objectives
- 10.2. Introduction
- 10.3. List of Offices of Food Corporation of India
- 10.4. Golden Principles for Preservation of Food- Grains without Deterioration / Loss
- 10.5. Role of Food Corporation of India
- 10.6. Operations
- 10.7. Procurement of Food-Grains
- 10.8. Quality Control and Scientific Preservation
- 10.9. Transport Management
- 10.10. Distribution of Food-Grains
- 10.11. Procurement Overview
- 10.12. Policy and System
- 10.13. Centralized and Decentralized Procurement Systems
- 10.14. Exercise

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### **10.1 OBJECTIVES**

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FCI is one of the Government agency in agriculture marketing. The objective of this topic is to know the role of FCI, its operation and various functions.

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### **10.2. INTRODUCTION**

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The Food Corporation of India was setup under the Food Corporations Act 1964, in order to fulfill following objectives of the Food policy :

- Effective price support operations for safeguarding the interests of the farmers.
- Distribution of food-grains throughout the country for Public Distribution System; and
- Maintaining satisfactory level of operational and buffer stocks of food-grains to ensure National Food Security.



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In its 50 years of service to the nation, FCI has played a significant role in India's success in transforming the crisis management oriented food security into a stable security system.

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### 10.3. LIST OF OFFICES OF FOOD CORPORATION OF INDIA

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- 1) **Food Corporation of India**, Regional Office, No.124, Greams Road, Chennai-6.
- 2) **Food Corporation of India**, District Office, No.1, Bharathi Road, Cuddalore – 607 001.
- 3) **Food Corporation of India**, District Office, Imanuvel Complex, No.40, Thayumanavar Street, Thirunagar, Vellore – 632 006.
- 4) **Food Corporation of India**, District Office, No.2, Satyamurthi Road, Chetpet, Chennai- 600 031
- 5) **Food Corporation of India**, District Office, No.379, 380, North Ajram Street, Thanjavur- 613 006
- 6) **Food Corporation of India**, District Office, Post Box No.2911, Tatabad, Coimbatore– 641 012.
- 7) **Food Corporation of India**, District Office, Xaverina Building, 23-B, Beach Road, Tuticorin – 628 006.

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### 10.4. GOLDEN PRINCIPLES FOR PRESERVATION OF FOOD- GRAINS WITHOUT DETERIORATION / LOSS

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- Food grain bags should be received with proper tonnages as per stack plan to facilitate cross ventilation/inspection/QC treatments and ensuring stacks are formed to full capacity and avoid part stacks.



- Maintaining excellent hygienic conditions all around the stacks/ godowns /operational points and avoiding loose spillages by ensuring cleaned spillages are put into patta bags to respective stacks.
- Effective personal supervision of prophylactic (spraying) treatments with correct dosage and immediate curative treatments (fumigation) on finding insects in a stack to avoid cross infestation on the lines of “A stitch in times saves nine”.
- Insistence / ensuring provision of adequate Tarpaulins/ polythene bits to the minimum size of 10’ x 10’ at the operational points of receipts/ issues to avoid mixing of spillages with mud and possible losses.
- Insistence / ensuring spreading of tarpaulins / polythene bits/ gunny wrappers on the decks of trucks before loading of food- grains bags to avoid oozing enroot and proper full covering of loaded bags with tarpaulins to avoid pilferages, without complacency.
- Ensuring adequate aeration of stacks by opening all doors on all clear days.
- Completely avoiding dumping of spillages on the stacks.

As per the quality policy to comply with ISO 9001: 2008, FCI is focused on professional excellence in management of food- grains by adopting the above principles to avoid deterioration/ losses.

It is one of the largest corporations in India and probably the largest supply chain management in Asia (Second in world). It operates through 5 Zonal offices and 24 Regional offices. Each year, the Food Corporation of India purchases roughly 15 to 20 per cent of India's wheat output and 12 to 15 per cent of its rice output. The purchases are made from the farmers at the rates declared by the Govt. of India. This rate is called as MSP (Minimum Support Price). There is no limit for procurement in terms of volume; any quantity can be procured by FCI (Food Corporation of India) provided the stock satisfies FAQ (Fair Average Quality) specifications with respect to FCI.

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## **10.5. ROLE OF FOOD CORPORATION OF INDIA**

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- I. To procure a sizable portion of marketable surplus of food- grains and other agricultural commodities at incentive prices from the farmers on behalf of the Central and State Governments.
- II. To make timely releases of the stocks through the public distribution system. (fair price shops and controlled items shops)
- III. To minimize seasonal price fluctuations and inter-regional price variations in agricultural commodities
- IV. To build up a sizable buffer stock of food-grains.

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## 10.6. OPERATIONS

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The Food Corporation of India procures Rice and Wheat from farmers through many routes like Paddy purchase centers/Mill Levy/Custom Milling and stores them in depots. FCI maintains many types of depots like Food Storage Depots and Buffer Storage Complexes and Private Equity Godowns and also implemented latest storage methods of silo storage facilities which are located at Hapur in Uttar Pradesh and Elavur in Tamilnadu. The stocks are transported throughout India and issued to the State Government nominees at the rates declared by the Government of India for further distribution under the Public Distribution System (PDS) for the consumption of the ration card holders. (FCI itself does not directly distribute any stock under PDS, and its operations end at the exit of the stock from its depots). The difference between the purchase price and sale price, along with internal costs, are reimbursed by the Union Government in the form of food subsidy. At present the annual subsidy is around \$10 billion. FCI by itself is not a decision-making authority; it does not decide anything about the MSP, imports or exports. It just implements the decisions made by the Ministry of Consumer Affairs, Food and Public Distribution and Ministry of Agriculture.

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## 10.7. PROCUREMENT OF FOOD-GRAINS

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To nurture the Green Revolution, the Government of India introduced the scheme of minimum assured price of food-grains which are announced well before the commencement of the crop seasons, after taking into account the cost of production \ inter-crop price parity, market prices and other relevant factors.

- The Food Corporation of India along with other Government agencies provides effective price assurance for wheat, paddy and coarse grains.
- FCI and the State Governments. Agencies in consultation with the concerned State Governments establish large number of purchase centers throughout the state to facilitate purchase of food-grains.
- Centers are selected in such a manner that the farmers are not required to cover more than 10 kms. to bring their produce to the nearest purchase centers of major procuring states.
- Price support purchases are organized in more than 12,000 centers for wheat and also more than 12,000 centers for paddy every year in the immediate post-harvest season.
- Such extensive and effective price support operations have resulted in sustaining the income of farmers over a period and in providing the required impetus for higher investment in agriculture for improved productivity.
- To name a few states about Rs.41,000 million for paddy and 43,000

million for wheat in Punjab and Rs. 45,000 million for levy rice in Andhra Pradesh is paid to the farmers/ millers during wheat / rice procurement season.

- India today produces over 200 million tons of food-grains as against a mere 50 million tons in 1950.
- In the last two decades, food-grain procurement by Government agencies has witnessed a quantum jump from 4 million tones to over 25 million tons per annum.
- Food-grains are procured according to the Government - prescribed quality standards.
- Each year, the Food Corporation purchases roughly 15-20% of India's wheat production and 12-15% of its rice production.
- This helps to meet the commitments of the Public Distribution System and for building pipeline and buffer stock.

The Dept. of Food, GOI has recently formulated aforesaid policy for involving Central Govt. Undertaking /State Govt. undertakings/for the Central Pool and expanding the scope of MSP operations in the areas where FCI/State agencies infrastructure for potential of procurement is weak and existing Govt. Agencies (FCI and State Agencies) are not able to carry out MSP operations in such areas where procurement exists to ensure that farmers are not denied the benefit of MSP.

The eligibility Criteria and priority for engaging such Agencies/Private companies is mentioned in clause 2 to 2.3 of the policy guidelines. The private companies can only be engaged as last option as per the policy guideline. The engagement of agencies falling under clause 2.2 and 2.3 must result in a cost saving of at least 10% of the incidentals (other than taxes, statutory charges etc.) of FCI as provided at point 3.3 of policy of guidelines of Ministry of Food. The other details are mentioned in the Policy Guidelines. The Central Govt. Undertaking/ State Govt./ Undertaking/ Co-operatives/Private Companies fulfilling the eligibility criteria and desirous to undertake paddy procurement operations on behalf of FCI may contact concerned GMs(Region),/EDs(Zone) or Procurement Division, FCI Headquarters.

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## **10.8. QUALITY CONTROL AND SCIENTIFIC PRESERVATION**

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The Food Corporation of India has an extensive and scientific stock preservation system. An on-going programme sees that both prophylactic and curative treatment is done timely and adequately. Grain in storage is continuously scientifically graded, fumigated and aerated by qualified trained and experienced personnel.

Food Corporation of India's testing laboratories spread across the country for effective monitoring of quality of food-grains providing quality

assurance as per PFA leading improved satisfaction level in producers (farmers) and customers (consumers). The preservation of food grain starts, the minute it arrives in the godowns. The bags themselves are kept on wooden crates/poly pallets to avoid moisture on contact with the floor. Further till the bags are dispatched/issued, fumigation to prevent infestation etc. of stocks is done on an average every 15 days with malathion and once in three months with Deltamethrin etc. on traces of infestation, curative treatment is done with Aluminium Phosphide.

FCI's testing laboratories spread across the country **(188)** ensure that the stored food-grains retain their essential nutritional qualities as per FAQ.

District Labs –	164
Regional Labs -	18
Zonal Labs -	5
Central Lab -	1

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## 10.9. TRANSPORT MANAGEMENT

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- Ensuring accessibility to food in a country of India's size is a Herculean task. The food-grains are transported from the surplus States to the deficit States.
- The food-grain surplus is mainly confined to the Northern States; transportation involves long distance throughout the country. Stocks procured in the markets and purchase centers is first collected in the nearest depot and from there dispatched to the recipient States within a limited time.
- FCI moves about 270 Lakh tons of food-grains over an average distance of 1500 Kms.

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## 10.10. DISTRIBUTION OF FOOD-GRAINS

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The national objective of growth with social justice and progressive improvements in the living standards of the population make it imperative to ensure that food-grain is made available at reasonable prices.

10.10.1. Public Distribution of food-grains has always been an integral part of India's overall food policy. It has been evolved to reach the urban as well as the rural population in order to protect the consumers from the fluctuating and escalating price syndrome.

10.10.2. Continuous availability of food-grain is ensured through about 4.5 lakhs fair price shops spread throughout the country.

10.10.3. A steady availability of food-grains at fixed prices is assured which is lower than actual costs due to Govt. policy of providing subsidy that absorbs a part of the economic cost (about 45%).

10.10.4. The Govt. of India introduced a scheme called Targeted Public Distribution Scheme (TPDS) effective from June, 1997. The stocks are issued under this scheme in the following two categories:-

**a)** Below Poverty Line (BPL): Determination of the families under this category in various states is based on the recommendation of the Planning Commission.

Antyodaya Anna Yojna - During the year 2000-2001 Govt. of India decided to release food-grains under Antyodaya Anna Yojna. Under this scheme the poorest strata of population out of earlier identified BPL population is covered. Food-grains are being provided to 1.5 crores poorest of the poor families out of the BPL families at highly subsidized rates of Rs.2/- per kg. of wheat and Rs.3/- per kg. of rice by FCI. This is the biggest food security scheme in the world.

**b)** Above Poverty Line (APL) – Families which are not covered under BPL are placed under this category. The stocks are issued at Central Issue Price of Rs. 6.10 per Kg. of wheat and Rs. 8.30 per Kg. of rice.

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## 10.11. PROCUREMENT OVERVIEW

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The Government policy of procurement of Food-grains has broad objectives of ensuring MSP to the farmers and availability of food-grains to the weaker sections at affordable prices. It also ensures effective market intervention thereby keeping the prices under check and also adding to the overall food security of the country.

FCI, the nodal central agency of Government of India, along with other State Agencies undertakes procurement of wheat and paddy under price support scheme. Coarse grains are procured by State Government Agencies for Central Pool as per the direction issued by Government of India on time to time. The procurement under Price Support is taken up mainly to ensure remunerative prices to the farmers for their produce, which works as an incentive for achieving better production.

Before the harvest during each Rabi / Kharif Crop season, the Government of India announces the minimum support prices (MSP) for procurement on the basis of the recommendation of the Commission of Agricultural Costs and Prices (CACP) which along with other factors, takes into consideration the cost of various agricultural inputs and the reasonable margin for the farmers for their produce.

To facilitate procurement of food-grains, FCI and various State Agencies in consultation with the State Government establish a large number of purchase centers at various mandis and key points. The number of centers and their locations are decided by the State Governments, based on various parameters, so as to maximize the MSP operations. For instance for Wheat procurement more than 20,000 procurement centers were operated during RMS 2015-16 & for Rice procurement more than 44,000 procurement centers were operated. Such extensive & effective price support operations have resulted in sustaining the income of farmers over

a period and in providing the required impetus for higher investment in agriculture sector for improved productivity.

Whatever, stocks which are brought to the Purchase centers falling within the Government of India's specifications are purchased at the fixed support price? If the farmers get prices better than the support price from other buyers such as traders / millers etc., the farmers are free to sell their produce to them. FCI and the State Government/its agencies ensure that the farmers are not compelled to sell their produce below support price.

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## **10.12. POLICY AND SYSTEM**

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**10.12.1.** The Central Government extends price support to wheat and paddy through FCI and State Agencies. Procurement at MSP is open ended i.e., whatever food-grains are offered by the farmers, within the stipulated procurement period and which conforms to the quality specifications prescribed by Government of India, are purchased at MSP (and bonus/incentive, if any) by the Government agencies including FCI for central Pool. Some States also declare State bonus on wheat and paddy over and above MSP.

Government agencies undertake MSP operation at mandis/ temporary purchase centers/aggregation points. Location and number of purchase centers to be opened are decided in consultation with /by the State governments.

### **10.12. 2. Systems of procurement:**

**10.12. 2.1 Wheat** - FCI undertakes direct procurement in non-DCP states. In the major procuring states like Punjab and Haryana, wheat is mainly procured by state agencies and they preserve the stocks under their custody for which carry over charges are paid to them. FCI takes over the stocks for dispatch to consuming states as per requirement /movement plan. Payments are made to state govt. /agencies as per cost sheets issued by Government of India after taking over the stocks. In the states like UP and Rajasthan, the wheat procured by state agencies is immediately taken over by FCI for storage /dispatch.

In DCP state like M.P, wheat is procured by the State agencies and only the surplus wheat stocks over & above the State's requirement under TPDS/NSFA and Other Welfare Schemes are taken over by FCI for dispatch to other consuming regions.

### **10.12. 2.2 Rice is procured through two routes –**

- a) Custom Milled (CMR) and
- b) Levy rice.

CMR is manufactured by milling paddy procured by State govt. /State agencies and FCI. In the states like A.P, Punjab,

Haryana, Chhattisgarh, Odisha, MP, Tamilnadu, UP & Bihar paddy is mainly procured by State government /State agencies and the resultant rice



is delivered to State Government and FCI by getting the paddy milled from rice millers.

Agencies in Agriculture  
Marketing: Food Corporation  
of India

In the states like Andhra Pradesh, Telangana, Uttarakhand, UP and West Bengal, rice is also procured in Central Pool through levy route. The rice millers deliver fix portion of their production at the percentage imposed under State levy orders issued by the concerned State government with concurrence of Government of India, at notified levy prices fixed by the Government of India. However, Government of India has decided to discontinue levy system of rice procurement w.e.f. 1.10.2015.

Major responsibility of procurement of wheat and paddy is borne by the State agencies whereas FCI procures almost 70% of total rice procured for Central Pool.

**10.12.2.3 Coarse grains-** Coarse grains are being procured by the State governments for central pool.

**10.12.3.** In major wheat and paddy procuring States like Punjab, Haryana & some parts Rajasthan procurement from farmers is undertaken by the FCI/State Agencies through Arhatiyas as per APMC Acts of the concerned State for which commission @ 2.5% of MSP is paid in the States of Punjab & Haryana and @2% in Rajasthan. In other States like MP, Chhattisgarh, UP, Uttarakhand, AP, Tamilnadu, Bihar, Jharkhand, Odisha, West Bengal procurement is made through Co-operative societies and they are paid fixed remunerations at following rates-

Wheat: Rs 27.00 /Qtl

Paddy (Grade 'A'): Rs 32/Qtl Paddy (Common): Rs 31.25/Qtl

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## **10.13.CENTRALIZED AND DECENTRALIZED PROCUREMENT SYSTEMS:**

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### **10.13.1 Centralized (Non-DCP) procurement system:**

Under centralized procurement system, the procurement of food-grains in Central Pool are undertaken either by FCI directly or State Govt. agencies procure the food-grains and handover the stocks to FCI for storage and subsequent issue against Government of India allocations in the same State or movement of surplus stocks to other States. The cost of the food-grains procured by State agencies is reimbursed by FCI as per cost-sheets issued by Government of India as soon as the stocks are delivered to FCI.

### **10.13.2 Decentralized (DCP) Procurement**

Under DCP system, the State Government of India/its agencies procure, store and distribute (against Government of India's allocation for TPDS & OWS) rice /wheat/coarse grains within the state. The excess stocks (Rice & wheat) procured by the State its agencies are handed over to FCI in Central Pool. The expenditure incurred by the State Government on



procurement, storage and distribution of DCP stocks are reimbursed by Government of India on the laid down principles. The expenses such as MSP, arhatiya/society commission, administrative charges, mandi labour charges, transportation charges, custody & maintenance charges, interest charges, gunny cost, milling charges and statutory taxes are reimbursed on actual basis. The cost of excess stocks handed over to FCI is reimbursed by FCI to the State Government/agencies as per Government of India costs sheet.

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### **10.14. EXERCISE**

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1. Explain the objectives of FCI
2. What are the Golden Principles of FCI for Preservation of Food-Grains?
3. State the role of FCI as an agency in Agricultural marketing.
4. How the Procurement of Food-Grains procedure is implemented by FCI?
5. Explain the Centralized and Decentralized procurementsystems of FCI.

