

## An evaluation of agricultural marketing in India a study of national agricultural co-operative marketing federation of India Ltd. (NAFED)

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### Abstract

Agriculture is backbone of Indian economy but day by day the share has been declining to the GDP. Indian agriculture is facing many challenges to name a few includes credit, transport, inputs, marketing warehousing etc. agricultural marketing is crucial to the farmers, NAFED has witnessed the proper help to farmers to market the farm produce.

The present paper has based on the study of NAFED, its growth of share capital, reserve and other funds, gross profit, Net Profit and Loss and business turnover from 2006-07 to 2015-16. The present research paper has also focused on the types and issues of agriculture marketing and the remedial measures to tackle the problems. The paper has concluded with the certain measures and suggestions to solve the problem of agricultural marketing in India. It is true that if farmers are saved country is saved.

**Keywords:** farmers, agricultural marketing, NAFED, share capital, profit and loss

### Introduction

Agricultural marketing plays a significant role in a country like India though the share of agriculture in GDP <sup>[1]</sup> has declined from 51.9 % in 1950-51 to 13.7 % in 2012-13 at 2004-05 prices. A well organized and efficient marketing system is the pre requisite to bring reasonable returns to the farmers and to make goods available to consumers. Though various steps are taken by the government, lot of controversies and depressions are existed in marketing of agricultural produces. There arise the question of dissatisfaction and injustice in determining the prices received by the farmers and the prices actually paid by the consumers because most of the agricultural goods are bought and sold through the hands of middlemen.

India is predominantly an agricultural country. One third population rest on on the agricultural sector directly or indirectly. Agriculture residues as the main stray of the Indian economy since ancient time. Indian agriculture contributes to the nation's <sup>[2]</sup> Gross Domestic product (GDP) is about 25 %. As food being the ultimate need of manhood, much importance has been given to commercializing agricultural production, as a result suitable production and uniform distribution of food has become a high priority.

Agricultural marketing <sup>[3]</sup> is mostly the buying and selling of agricultural products. In earlier days when the village economy was more or less self-sufficient the marketing of agricultural products presented no difficulty as the farmer sold his produce to the consumer on a cash or barter basis. Selling of any agricultural product depends on some factors like the demand of the product, storage, transportation, credit etc. The products may be sold directly in the market or it may be stored locally for the time being. Moreover, it may be sold as it is gathered from the field or it may be cleaned, graded and

processed by the farmer or the merchant of the village. Sometime processing is done because consumers want it, or sometimes to conserve the quality of that product.

In India, there are several central government organizations <sup>[4]</sup>, involved in agricultural marketing like, Commission of Agricultural Costs and Prices, Food Corporation of India, Cotton Corporation of India, Jute Corporation of India, etc. There are also specialized marketing bodies for rubber, tea, coffee, tobacco, spices and vegetables.

Under the Agricultural Produce (Grading and Marketing) Act <sup>[5]</sup> of 1937, more than 40 primary commodities are compulsorily graded for export and voluntarily graded for internal consumption. Although the regulation of commodity markets is a function of state government, the directorate of marketing and inspection provides marketing and inspection services and financial aid down to the village level to help set up commodity grading centers in selected markets.

### Concept of agricultural marketing

Agricultural marketing system is an efficient way by which the farmers can dispose their surplus produce at a fair and reasonable price. Improvement in the condition of farmers and their agriculture depends to a large extent on the elaborate arrangements of agricultural marketing.

The term agricultural marketing include all those activities which are mostly related to the procurement, grading, storing, transporting and selling of the agricultural produce. *Thus Prof. Faruque* has rightly observed: "Agricultural marketing comprises all operations involved in the movement of farm produce from the producer to the ultimate consumer. Thus, agricultural marketing includes the operations like collecting, grading, processing, preserving, transportation and financing."

<sup>1</sup> Department of Agriculture, Cooperation & Farmers Welfare, Govt. of India

<sup>2</sup> National Accounts statistics, Govt. of India

<sup>3</sup> Department of Agriculture, Cooperation & Farmers Welfare, Govt. of India

<sup>4</sup> Annual report, NAFED Pp. 05-06

<sup>5</sup> Department of Agriculture, Cooperation & Farmers Welfare, Govt. of India

**Objectives of the research**

The present research has based on certain objectives, these objectives are as follows:

1. To study agricultural marketing in India.
2. To evaluate agricultural marketing through past studies.
3. To study the present state of agricultural marketing in India.
4. To study NAFED as important source of agricultural marketing
5. To study Share capital, profit and loss, business turnover of NAFED
6. To suggest measures to tackle the problem of agricultural marketing.

**The review of literatures on agricultural marketing**

There has been number of studies found on agricultural marketing. Some of the literatures that have been reviewed for this paper includes:

The National Commission on Agriculture <sup>[6]</sup> (NCA) 1976 has defined agricultural marketing as a “Process that starts with a decision to produce saleable farm products that also includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution”.

Jaffer *et al.* (2005), has also brought the concluding remarks that, lower the number of mediators higher is the market efficiency and so on.

There are many studies undertaken by the researchers and brought to the notice that scattering costs of agricultural products are relatively higher. In each market channel share of farmer in the consumers’ rupee is relatively small as compared to that of several intermediaries due to diversified interest of the farmer, the consumer and the middleman. Sudha. *et al.* (2005) has also concluded that ‘The producers share in consumer’s rupee is higher where no middleman existed then where middleman existed’. Therefore agricultural marketing is efficient where middlemen’s or mediators are not there.

According to the study conducted by Khatkar *et al.*, (2005) in ‘Marketing of Mushroom in Haryana’; major share of consumer’s rupee is gone to the pockets of the middlemen. They stated the government interference to protection of the farmers’ interest by introducing co-operative marketing and processing of agricultural products.

It is very important in a developing nation like India; agricultural marketing has to be taken very seriously. If farmers are survived the country can survive, otherwise interdependence on other nations for farm products will certainly compel the nation to become handicapped. Generally, the prices of agricultural merchandises are depressed during the harvesting period. There has been various studies proved that a glarge number of middlemen gathering at various stages of agricultural marketing in India.

**Performance of Nafed in various spheres of activities during 2006-07 to 2015-16: National agricultural co-operative marketing federation of India Ltd. (NAFED)** was established on 2<sup>nd</sup> October 1958. It is registered under the Multi State Co-operative Societies Act and was setup with the object to promote Co-operative marketing of Agricultural Produce to benefit the farmers. Agricultural farmers are the

main members of NAFED, who have the authority to say in the form of members of the General Body in the working. The following data shows the performance of NAFED in the various spheres of activities during the period 2006-07 to 2015-16 in the form of share capital, reserve and other funds, gross profit, Net Profit / Loss and business turnover.

**Table 1:** Share capital of NAFED from 2006-07 to 2015-16 (Rs. Lakhs)

Particulars	Share Capital
2006-07	1098.71
2007-08	1097.33
2008-09	1104.03
2009-10	1128.88
2010-11	1798.56
2011-12	2157.13
2012-13	2174.71
2013-14	2182.83
2014-15	2406.48
2015-16	2417.71

Source: NAFED report 2015-16

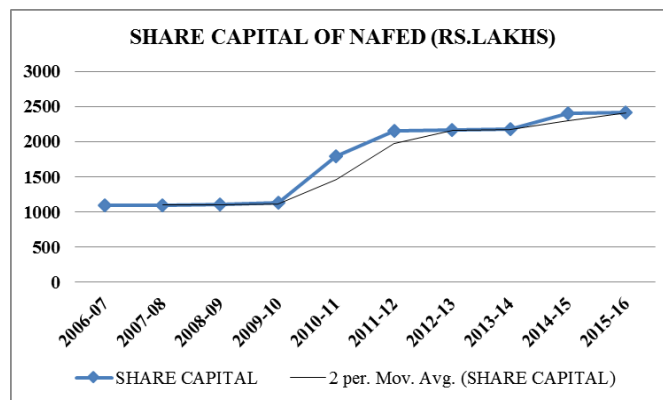


Fig 1

**Explanation of the table and Figure**

It is clear from the above table and graphs that the share capital in the year 2006 -07 was 1098.71 which increased to 2417.71 in the year 2015-16. The graphical representation also shows that there has been constant growth of share capital of the NAFED.

**Table 2:** Reserve and other funds of NAFED from 2006-07 to 2015-16(Rs. Lakhs)

Particulars	Reserve and other funds
2006-07	13346
2007-08	13478
2008-09	7809
2009-10	18192
2010-11	12930
2011-12	17616
2012-13	(-1812)
2013-14	(-17418)
2014-15	(-34473)
2015-16	(-50554)

Source: NAFED report 2015-16

<sup>6</sup> Report of the National Commission on Agriculture (NCA) 1976

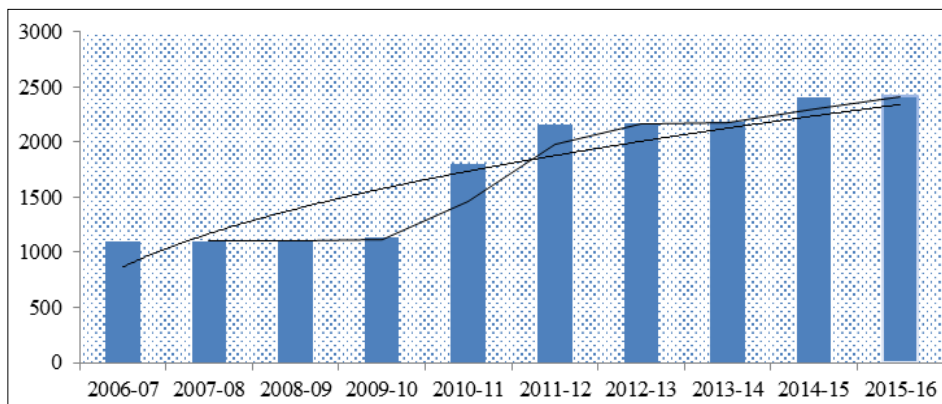


Fig 2: Reserve and Other funds of NAFED

**Explanation of the table and Figure**

It is clear from the above table and graphs that Reserve and other funds of NAFED from 2006-07 to 2015-16 (Rs. Lakhs) has shown the decline of 13346 in the year 2006 -07 to -50554

in the year 2015-16. The graphical representation also shows that there has been decline in the reserve and other funds of NAFED as -1812 in the year 2012-13 to -50554 in the year 2015-16

Table 3: Gross Profit of NAFED from 2006-07 to 2015-16(Rs. Lakhs)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Gross Profit	9780.81	8894.87	8400.75	8391.45	4791.98	4568.15	6458.65	5838.50	2057.24	1648.87

Source: NAFED report 2015-16

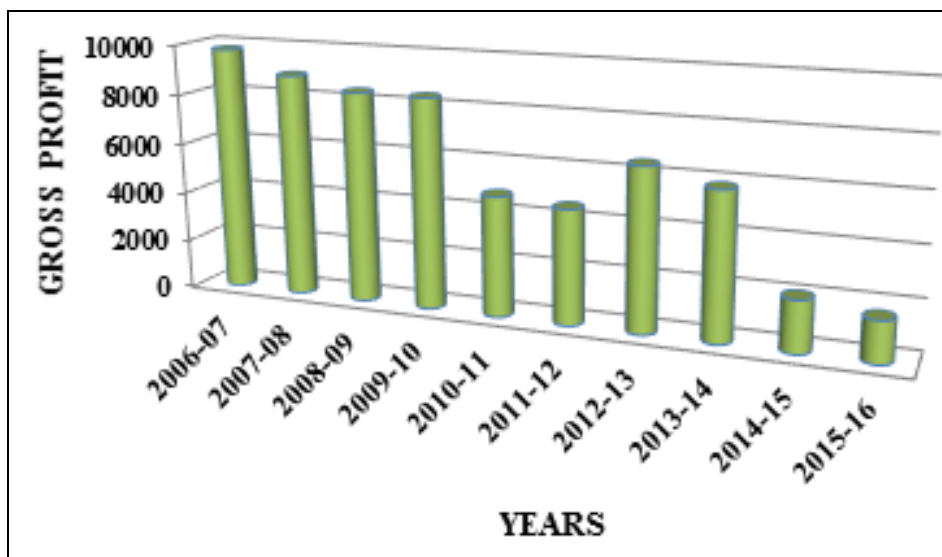


Fig 3: Gross profit of NAFED (RS. Lakhs)

**Explanation of the table and Figure**

It is clear from the above table and graphs that gross profit of NAFED from 2006-07 to 2015-16 (Rs. Lakhs) has shown the declining trend as of 2006 -07 the profit was 9780.81 lakhs Rs.

which was declined to 1648.87 in the year 2015-16. The graphical representation also shows that there has been decline in the gross profit of NAFED from the year 2012-13 to 2015-16.

Table 4: Net Profit / Loss (-) of NAFED from 2006-07 to 2015-16 (Rs. Lakhs)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Net Profit / Loss (-)	177	5668	(-) 2570	(-) 5005	(-) 10852	(-) 18841	(-)14991	(-)16613	(-)15667	(-) 14806

Source: NAFED report 2015-16

Table 5: Business Turnover of NAFED from 2006-07 to 2015-16 (Rs. Lakhs)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Business Turnover	638137	470665	506504	637331	200851	106328	108123	151886	251637	54418

Source: NAFED report 2015-16

### Explanation of the table and Figure

It is clear from the table 4. that Net Profit / Loss (-) of NAFED from 2006-07 to 2015-16 ( Rs. Lakhs) only shows profit of Rs. 177 Lakhs in the year 2006-07 and the rest of the years have shown the losses. As per table 5 the Business Turnover of NAFED also shows declining trend from Rs. 638137 to Rs. 54418 in the year 2015-16. The same has been incorporated in the Fig 4

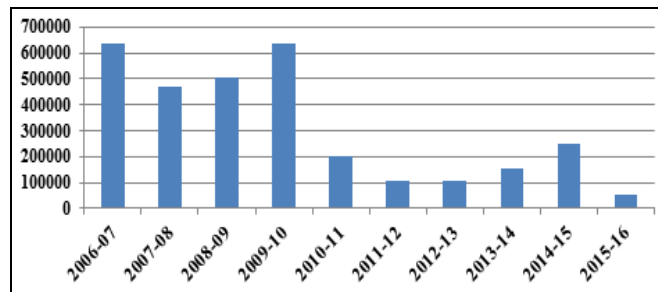


Fig 4: Business turnover of NAFED

### The present state of agricultural marketing in India

In India there are different systems of agricultural marketing are available, some of are as follows:

- 1. Sale in the Villages:** The first method open to the farmers in India is to sell away their surplus produce to the village moneylenders and traders at a very low price. The moneylender and traders may buy independently or work as an agent of a bigger merchant of the nearby mandi. In India more than 50 per cent of the agricultural produce are sold in these village markets in the absence of organized markets.
- 2. Sale in Markets:** The second method of placing surplus of the Indian farmers is to sell their produce in the weekly village markets popularly known as 'hat' or in annual fairs.
- 3. Sale in Mandi's:** The third form of agricultural marketing in India is to sell the surplus produce through Mandi's located in various small and large towns. There are nearly 1700 Mandi's which are spread all over the country. As these Mandi's are located in a distant place, thus the farmers will have to carry their produce to the mandi and sell those produce to the wholesalers with the help of brokers or 'dalals'. These wholesalers or mahajans again sell those farm produce to the mills and factories and to the retailers who in turn sell these goods to the consumers directly in the retail markets.
- 4. Co-operative Marketing:** The fourth form of marketing is the co-operative marketing where marketing societies are formed by farmers to sell the output collectively to take the advantage of collective bargaining for obtaining a better price.

### Problems of agricultural marketing in India

Following are some of the main problems of the agricultural marketing in India:

#### 1. Lack of Storage Facility

There is no proper storage or warehousing facilities for farmers in the villages where they can store their agriculture produce. Every year 15 to 30 % of the agricultural produce are damaged either by rats or rains due to the absence of proper storage facilities. Thus, the farmers are forced to sell their

surplus produce just after harvests at a very low and un-remunerative price.

#### 2. Sorrow Sale

Most of the Indian farmers are very poor and thus have no capacity to wait for better price of his produce in the absence of proper credit facilities. Farmers often have to go for even distress sale of their output to the village moneylenders-cum-traders at a very poor price.

#### 3. Lack of Transportation:

In the absence of proper road transportation facilities in the rural areas, Indian farmers cannot reach nearby Mandi's to sell their produce at a fair price. Thus, they prefer to sell their produce at the village markets itself.

#### 4. Mediators and their control over marketing:

A large number of intermediaries exist between the cultivator and the consumer. All these middlemen and dalal's claim a good amount of margin and thus reduce the returns of the cultivators.

#### 5. Unregulated Market's

There are huge numbers of unregulated markets which adopt various malpractices. Prevalence of false weights and measures and lack of grading and standardization of products in village markets in India are always going against the interest of ignorant, small and poor farmers.

#### 6. Lack of Institutional Finance

In the absence of adequate institutional finance, Indian farmers have to come under the clutches of traders and moneylenders for taking loan. After harvest they have to sell their produce to those moneylenders at unfavorable terms.

### Remedial measures for improvement of agricultural marketing

The following measures to be adopted for improving the agricultural marketing in India:

1. An establishment of well-regulated markets and co-operative marketing system.
2. Development of packing and warehousing facilities.
3. An expansion of markets and other facilities proper development and functioning of APMC's
4. Proper provision of farm credit to the farmers with the subsidized rate of interest.
5. Appropriate provision of marketing information's to the farmers and well connectivity of Rail, Road and water transport for farm produce.
6. The standardization and grading of the produce for guaranteeing good quality to the consumers and better prices for the farmers.
7. Agricultural price policy needed to be made by the Government in a proper form for minimum support price

### Conclusion

Thus the present research paper on the agricultural marketing in India has studied the various aspects through which the farmer's final farm output can be marketed properly. Agricultural marketing in India has been facing many issues and challenges, for that government support is required for the development of marketing of agricultural produce, through

which suitable budget allocations to rural infrastructure plans, and proper supervision for effective plan implementation. The main areas like infrastructural development, credit expansion, crop insurance and returns, irrigation, transportation facilities, warehousing, technical assistance and most importantly strict laws needed to be improved, which will result into development of rural income and reducing poverty and Indian economy can flourish.

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