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# Agricultural Marketing in India - Issues and Challenges

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**Introduction:** Agriculture has a significant role in Indian economy. Agriculture continues to be main stage of life for majority of the Indian population. The agriculture sector in India has undergone significant structural changes in the form of decrease in its of GDP from 30% in 1990-91 to 13.9% in 2011-12 indicating a swift from the traditional agrarian economy towards a service dominated one. However, this decrease in agriculture's contribution to GDP has not been accompanied by a matching reduction in the share of agriculture in employment. About 52% of the total workforce is still employed by the primary sector which makes more than half of the Indian population dependent on the agriculture for sustenance. The agricultural marketing in India is serviced through a network of 22,505 rural primary markets (RPMs) and 7190 wholesale assembly and terminal markets set up under various state marketing legislation in the country.

## Objectives:

- To study about the mandi charges in different States/UTs
- To study the various marketing channel operating in the agricultural market
- To study the challenges of agricultural marketing and give suggestion

**Data Base:** The study is based on the secondary data obtained from the final reports of commission of state ministers, in-charge of agriculture marketing to promote reforms and department of farmer welfare and agriculture development.

**Agencies of Market:** Following agencies carry out marketing of various stages –

- Village/Itinerant Merchant
- Wholesale in assembling market
- Commission Agent or Dalal
- Pre harvest Contractor (In fruit crops)
- Wholesaler consuming market
- Processor
- Retailer

**Type of Market:** There are mainly four types of market are found in India

- Wholesale Market
  - o (i) In producing area
  - o (ii) In consuming area
- Retail market in consuming area
- Daily mandi's and weekly market in rural areas. Producers sell directly to local consumers.
- Annual and occasional fairs

**Channels of Marketing:** There are three types of channels are found –

- (i) Government  
Producer → Govt. Department → Consumer
- (ii) Co-operative channel  
Producer → Co-operatives → Consumer
- (iii) Private channel  
Producer → Wholesale → Commission Agent → Retailer → Consumer

In private channel there are many intermediaries, which result into high costs and market margins. Therefore, the commodities become costly for the final consumer and this reduces the producers share in consumer's price. This is traditional channel and is quite popular with the farmers. Nearly 60 to 70% agriculture produce is sold through this channel.

The cooperative channel is quite weak in the country. In Maharashtra, this channel is used partially in important fruit crops like grapes, pomegranate, banana, orange, along with private channel.

Government channel is used mainly for food grains like rice, wheat and sugar. In some essential commodities, when prices are unduly high or low, the government enters into market to buy the commodities and sell them to protect the interest of both producer and consumer.

The channel of marketing is an important aspect of agricultural marketing affecting the prices paid by consumer and shares of them received by the producer. The shorter the channel, lesser the market costs and cheaper the commodities to the consumer. The channel which provides commodities at cheaper price to consumer and also ensures greater share to producer is considered as the most efficient channel.

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Normally producer's shares in different commodity groups are as follows –

1. Food grain - 55 to 60%
2. Other commodities - 60 to 70%
3. Fruits - 30 to 40%
4. Vegetables - up to 50%

**State Wise Markets in India:** State wise showing details of regulated markets in different states/union territories as on dated 31<sup>st</sup> March 2012

Table No. I shows the market condition in different states/UTs. In M.P. The numbers of wholesale markets are 246, Rural markets are 1321 while Regulated Principal markets are 246 and submarket yards are 275. This table shows the comparatively poor condition at all the states with respect to market.

In India average area served by a market is 115 sq. km and an average area served by a regulated market is 457 sq. km. Area served per regulated market varies from 118 sq. km. in Punjab to 11,214 sq. km. in Meghalaya.

Usually farmers/producer do not get the proper price of their produce due to commission agents, broker who purchase their product at lower price. Formers also have to bear loss in weighing of their produce and to get payment. Formers don't have any other livelihood other

than agriculture; due to this way they have to sale their production at lower price to fulfill their immediate needs. Therefore aim should not only to increase produce but also to provide the facilities and arrangements for marketing of produce for example storage, transportation, grading and good price of produce. To present the exploitation of farmers, to provide them proper price for their produce and to facilitate better marketing facility M.P. State Agriculture Produce Marketing Act 1972 was implemented.

#### **Agriculture Produce Marketing Produces (APMC)**

**Act:** Agriculture markets are regulated in India through the APMC Acts. According to the provision of the APMC Acts of the states, every APMC is authorized to collect market fees from the buyers/traders in the prescribed manner on the sale of the notified agricultural produce.

Table II indicates the state wise progress of reforms in agriculture market. Many states/UTs where reforms to APMC Act has been done partially and many other states/UTs where no APMC Act and hence not requiring reforms. In some states/UTs where reforms are not initiated:

**Mandi Charges :** Table III shows the mandi charge in different states/UTs at the Rabi Crops the marketing season. It indicates the highest mandi charges are imposed in Punjab and lowest mandi charges are imposed in Gujrat. In M.P. mandi charges are 8.2%

**Table No. - I**  
**Market Condition of States/UT's as on 31.03.12**

S. No.	Name of the States/ UTs	Number of Markets			Regulated Markets		
		Whole sale	Rural Primary	Total	Principal	Submarket yards	Total
1	Andhra P.	331	574	905	331	574	905
2	Bihar	325	1469	1794	APMR Act Repealed		
3	Gujrat	205	129	334	199	201	400
4	Haryana	284	194	478	106	178	284
5	Karnataka	507	730	1237	153	354	507
6	Kerala	348	1014	1362	APMR Act not enacted		
7	M.P.	246	1321	1567	246	275	521
8	Maharrashtra	881	3500	4381	300	581	881
9	Punjab	425	1346	1771	149	276	425
10	U.P.	584	3464	4048	249	364	613
	Other State/ UTs	2353	8784	11117	723	1930	2654
	<b>Total</b>	<b>6489</b>	<b>22,505</b>	<b>28,994</b>	<b>2456</b>	<b>4734</b>	<b>7190</b>

Source: Report of Department of Agriculture and Co-operation Govt. of India, Page 53

**Table – II**  
**State Wise Progress of Reforms in Agriculture Market**  
**(APMC Act) As on 31.12.2012**

S. No.	Stage of Reforms	States and Union Territories
01.	State/UTs where reforms to APMC Act has been done for direct marketing contract marketing and markets is private/cooperative sectors	A.P., Arunachal Pradesh, Assam, Goa, Gujarat, H.P., Jharkhand, Karnataka, Maharashtra, Mizoram, Sikkim, Tripura, Uttaranchal, Nagaland, Orissa, Rajasthan
02.	States/UTs where reforms to APMC Act has been done partially	(a) Direct Market - NCT of Delhi, Chhatisgarh, M.P., Punjab and Chhatisgarh (in rule only not in act) (b) Contract Farming Chhatisgarh, M.P. Haryana, Punjab (only waiver of market fee and in rule only) (c) Private Market Punjab (in act not in rule and also not implemented) and Chandigarh (in act only and not in rule and also not implemented)
03.	States/UTs where there is no APMC Act and hence not requiring reforms	Bihar, Kerala, Manipur, Andaman & Nikobar I Lands, Dadra & Nagar Haveli, Daman & Diu and Lakshdeep.
04.	State/UTs where APMC Act already provides for the reforms	Tamilnadu
05.	States/UTs where reforms are not initiated	Meghalaya, J&K, W.B., Puduchery and U.P.

*Source: Report 2012 – Department of Agriculture and cooperation Govt. of India Page-6*

**Table - III**  
**Mandi Charges (incl. of purchase tax, market fees, Arthia commission etc.) in various States**

States/UTs	Purchase/ Sales Tax/ Trade Tax/ VAT	Market Fee	Arthia Communication	Other Charges	Total
Bihar	1.0+3.0	-	2.0	-	6.0
Gujrat	-	1.0	2.0	-	3.0
Haryana	4.0	2.0	2.5	2.0 (RD Cess)	10.5
Madhya Pradesh	4.0	2.0	2.0	0.2 (Nirashrit shulk)	8.2
Punjab	5.0	2.0	2.5	5.0 (RD Cess 0.2% + ID Fee @3%)	14.5
Rajasthan	-	1.6	2.0	-	3.6
U.P.	4.0	2.5	2.0	-	8.5
Uttarakhand	4.0	2.5	-	-	6.5

*Source: Price Policy For Rabi Crops, the marketing season – 2012-13*

### Challenges in Agriculture Marketing:

Some basic challenges are present in agricultural marketing system as listed below -

#### 1. Limited Access of Agriculture Produce Markets:

There is a huge variation in the density of regulated markets in different parts of the country, which varies from 118 sq. km. in Punjab to 11,214 sq.km. in Meghalaya.

2. **Licensing Barriers:** The compulsory requirement of owning a shop/go down for licensing of commission agents/traders in the regulated markets has led to the monopoly of these licensed traders acting as a higher entry barriers in existing APMCs for new entrepreneurs thus preventing competitions.

3. **Lack of Market Infrastructure in Agriculture Market:** Studies indicate that covered and open auction platform exists only in two-thirds of the

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regulated markets, while only one-fourth of markets have common drying yards. Cold storages units exist in less than one tenth of the market and grading Facilities in than one third of the markets. Electronic weigh-bridge is available only in a few markets.

4. **High Incidence of Market Charges:** APMC's are authorized to collect market fee ranging between .5% to 2% of the sale value of the produce. In addition commission charges vary from 1% to 2.5% in food grains and 4% to 8% in fruits and vegetables. Further other charges such as purchase tax, weighment charges and hammal charges are also required to be paid. In some states this works out to total charges of about 15% which is excessive.
5. **High Wastage in Supply Chain:** Study conducted by ICAR (2010) shows that the post harvest losses of various commodities range from 3.9 to 6% for cereals, 4.3 to 6.1% for pulses, 5.8 to 18% for fruits and 6.8 to 12.4 for vegetables. The total post harvest losses of agriculture commodities have been estimated at about Rs. 44,000 crores at 2009 whole prices.
6. **Long Gestation Period of Infrastructure:** Projects and seasonality of agriculture produce agriculture marketing project have a long gestation period. The seasonality and aggregation of small surplus of agricultural produce further affect the economic viability of the projects, which deters investments.
7. **Lack of National Integrated Markets:** Under the present system, the marketable surplus of one area moves out to consumption centers through a network of middleman and traders, multiple market area and institutional agencies.
8. **Less former's Price Realization:** The share of farmers in consumer's price is very low particularly in perishables to a number of intermediaries, lack of infrastructure and poor holding capacity.
9. **Large Number of Marketing Channels with Long Supply Chain:** Traditionally the normal agriculture marketing in the country is fairly long with a large number of intermediaries between the producers and consumers, adding up more of costs without adding significant value.

**Suggestions:** Agriculture sector needs well functioning market to drive growth, employment, and economic prosperity in rural area in country, some suggestion are given below -

1. Access of agriculture produce market should be improved. Ideally a regulated market should be available to farmers within a radius of 5 km.

2. Licensing process should be liberal, so new entrepreneurs come in the market.
3. Market infrastructure in agriculture market should be improved.
4. Mandi charges in agriculture market should not exceed 2% of the value.
5. Efforts should be done to reduce post harvest losses of agriculture commodities.
6. There is a strong need of viability gap funding/ subsidy and easy availability of finance to attract investment for such projects and also easy availability to concessional funding to attract investments for marketing infrastructure projects.
7. There is a need to develop a national level single market for agriculture commodities by removing all the existing barriers of licensing movement and storage.
8. There is a need to reduce intermediation by providing alternative marketing channel like direct marketing, contract farming etc. for which reforms in agriculture marketing system are necessary.

**Conclusion:** Agriculture marketing in India has made notable progress since independence but many challenges still remain. A dynamic and vibrant marketing system with adequate supply chain infrastructure has been felt necessary to keep pace with the changing agriculture production and growing market surplus. Moreover efforts should be made at all legal and policy levels to strengthen the rural economy and create rural employment, which will surely augment production and productively leading to food security and inclusive growth of the country. There is also increasing pressure on agriculture produce economy to respond to the challenges and opportunities that the global markets pose in the era of globalization and liberalization.

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