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# Impact of Globalization and Strategic Agriculture Marketing in India

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## Abstract

After Globalization, Indian agriculture has benefited from improved farming techniques but the growth is not equitable. The farmer is trapped in a vicious cycle of: Low risk taking ability→ Low investment→ Low productivity→ Weak market orientation→ Low value addition→ Low margin→ Low risk taking ability. This situation makes the farmers and the Indian agri-business globally uncompetitive despite abundant natural resources. The Growth rate in agriculture, employment in rural areas and support of Government for agriculture sector development has gradually declined during the reform period. The study deals with the present status of Indian agriculture marketing, the challenges and prospects in globalized market. Finally, the study suggests strategies for agricultural development through focus on the important aspects of agriculture: Production, processing, policies and marketing. The study is based on secondary data and it will provide a model for structural changes for strengthening agricultural sector by adopting certain strategies for safeguarding their existence, livelihood and culture. The findings and the suggestions will be helpful for the academicians, research scholars, policy makers, agriculturalists and the agricultural marketers.

**Keywords:** India, Globalization, Agriculture, Marketing, Strategies.

**Introduction:** With the wave of globalization, India is getting a global recognition and slowly moving towards to become a major economic and political strength. The country is blessed with abundant natural resources but they have not been utilized to their full potential. There are two Indias that exist within our country-**India and Bharat**. **India** is what drives the country's high economic growth while **Bharat** is where most of the country lives. Both have changed dramatically since independence but the pace of growth has not been uniform. Due to the Globalization there is an impact on Agriculture in India. The Growth rate in Agriculture declined from 1990's to 2007.

Further, Growth rate in employment in rural areas was also declined during the post-reform period the support of Government for agriculture sector development have been gradually declined during the reform period. Thus the impact of globalization on agriculture sector has worsened. The globalization has brought drastic changes in India across all sectors and it is more so on agriculture, farmers and made a deep impact on agricultural marketing. It is basically because of majority of Indians are farmers. It has brought several challenges and threats like uncertainty, turbulence, competitiveness, apart from compelling them to adapt to changes arising out of technologies. If it is the dark cloud there is silver lining like having excellent export opportunities for our agricultural products to the outside world. Hence, there is need to bring out structural changes through strategic marketing plans for strengthening agricultural sector.

**Globalization and Agriculture:** The Globalization hit India at the end of the last century and still the country is flowing with the current of global changes. World is going through many changes like Multilateral agreements in trade, for services, Intellectual properties, communications, environmental concerns, greater privatization and liberalization than in earlier decades, growing global markets are some of the impact on the economy. New emerging technologies, tendency to produce highly specialized goods, and global merging of food producers and retailers is the need of the hour for survival. These changes follow political, institutional, technological and financial trends. It has a great impact on the Indian Agriculture as India's population is 1.27 billion in 2013 out of which 70 Percent of population still depends on agriculture for their livelihood. Although it contributes only 15 Percent of GDP, the share of workers is about 55Percent.



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## What is Agricultural Marketing?

**The National Commission on Agriculture** defined agricultural marketing as a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure of system, both functional and institutional, based on technical and economic considerations and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution. **The Indian Council of Agricultural Research** defined involvement of three important functions, namely (a) assembling (concentration) (b) preparation for consumption (processing) and (c) distribution.

**Agricultural Marketing can be defined** as the commercial functions involved in transferring agricultural products consisting of farm, horticultural and other allied products from producer to consumer. Agricultural marketing also reflect another dimension from supply of produce from rural to rural and rural to urban and from rural to industrial consumers. In the modern world it became challenging with the latest technologies and involvement of middlemen, commission agents who keep their margins and move the produce further. As it is well known more the number of mediatory more will be the costs as each transaction incurs expenses and invites profits. Ultimately when it comes to the producer the cost of the produce goes up steep. In the entire process of marketing the producer gets the lowest price and the ultimate consumer pays the highest as the involvement of more middlemen in the entire distribution process.

**Agricultural Marketing in India:** There are several complexities involved in agricultural marketing as agricultural produce involves element of risk like perish ability and it again depends on the type of produce. If the agriculture produce happens to be a seasonal one it involves another kind of risk. Likewise, there are several risk elements involved in agricultural marketing. The pricing of the produce depends on factors like seasonality and perish ability and it depends on the demand and supply also. And all these are interwoven and ultimately make a deep impact on agricultural marketing.

The '4Ps', acronym for price, product, place and promotion is the core principle of marketing. In the case of agricultural marketing in India it is not exactly the marketing in the literal sense and we can call it as 'distributive handling' and to go further we may call it as 'distributive handling' of agricultural produce as there are number of intermediaries who are involved in marketing the agricultural produce. However with the liberalization, privatization and globalization the economic scenario in India has changed drastically and tremendously. As a result we have noticed the changes in the 'distributive

handling' and again it reinvented and evolved as agricultural marketing. It is basically because of the rise of retail giants who are the major buyers in bulk quantity and who constantly look for differentiated, graded, standardized, processed and packaged products rather than undifferentiated ones. They also look for qualitative and quantitative supply of agricultural stocks continuously to beat the competition in the retail sector.

### Position of Agriculture Sector in India:

- Agriculture is the largest provider of livelihood in rural India
- It contributes 25 percent to India's GDP
- It is still dependent primarily on the monsoons
- The growth in agricultural production has been stagnant for the past several years.
- India ranks second highest worldwide in farm output
- India is the largest producer of tea, mangoes, sugarcane, banana, turmeric, milk, coconut, pulses, ginger, cashew nuts, & black pepper.
- India is the second highest producer of wheat, rice, sugar, vegetables, fruits and groundnut and cotton
- India accounts for 10 percent of the world's fruit production

**The Market Dynamics:** The Prime Minister's Economic Advisory Council (PMEAC) has estimated farm sector growth for current fiscal at 4.8 per cent, more than double from last year's 1.9 per cent.

India has emerged as a major player in the global agriculture market. In the last five years, the country's agriculture exports have tripled from around Rs 80,000 crore (US\$ 12.75 billion) to Rs 2.32 trillion (US\$ 33.99 billion), said Mr Sharad Pawar, Union Minister for Agriculture, Government of India.

Total exports of Indian agri and processed food products from April to August 2013 stood at US\$ 9,711.09 million as compared to US\$ 8,806.41 million during the same period last year, according to the data released by the Agricultural and Processed Food Products Export Development Authority (APEDA).

India's tea production rose by 12.59 per cent to 156.70 million kg in September 2013 on account of higher output in southern regions and West Bengal (WB). The output was 144.11 million kg in the same month last year, as per the data released by Tea Board of India.

The Coffee Board of India has estimated coffee consumption in India to be around 125,000 tonnes for 2013, registering a growth of 5-6 per cent annually since 2010.

The foreign direct investment (FDI) inflows in agricultural services and machinery sector during April 2000 to August 2013 stood at US\$ 1,629.19 million and US\$ 337.35 million respectively, as per the data released by Department of Industrial Policy and Promotion (DIPP).

#### India's Position in World Agriculture:

	Rank
• Total Area	Seventh
• Irrigated Area	First
• Population	Second
• Economically Active population	Second
• Total Cereals	Third
• Wheat	Second
• Rice	Second
• Coarse grains	Fourth
• Total Pulses	First
• Oil Seeds	Second
• Fruits and Vegetables	Second
• Implements (Tractors)	Third
• Milk	First
• Live Stock (castles, Buffaloes)	First

#### Growth of Agriculture Sector:

Indian agriculture saw growth in all its dimensions during the year 2011-12 with a record production of food grains,

fruits, vegetables, etc., the agriculture and allied sectors achieved a compound growth rate of 3.3 Percent during the XI Five Year Plan which is higher than the 2.4 per cent registered in the X Five Year Plan. The year 2012 saw intense activity for the Indian National Agricultural Research and Education System (NARES), in terms of completion and consolidation of programmes of the XI Five Year Plan, introspection of the path we travelled and interactions for the way ahead. The year that went by posed challenges, with an erratic monsoon, drought-like situation in some parts of the country as also cyclones impacting agriculture. The technological backstopping by the ICAR institutes helped the farmers in their efforts to overcome the impact of these natural calamities. The production of major crops during 2007 to 2013 is given in table 1.1.

India accounts for only about 2.4 Percent of the world's geographical area and 4 Percent of its water resources, but has to support about 17 Percent of the world's human population and 15 Percent of the livestock. Agriculture is an important sector of the Indian economy, accounting for 14 Percent of the nation's GDP, about 11 Percent of its exports, about half of the population still relies on agriculture as its principal source of income and it is a source of raw material for a large number of industries. Accelerating the growth of agriculture production is therefore necessary not only to achieve an overall GDP

**Table 1.1: Production of major crops during the recent years (million tonnes/bales)**

Crop	Season	2007-08	2008-09	2009-10	2010-11	2011-12 Final Estimates	2012-13 2nd Adv Estimates	
Rice	Kharif	82.66	84.91	75.92	80.65	92.75	90.69	
	Rabi	14.03	14.27	13.18	15.33	12.56	11.11	
	Total	96.69	99.18	89.10	95.98	105.31	101.80	
Wheat	Rabi	78.57	80.68	80.80	86.87	94.88	92.30	
	Coarse Cereals	Kharif	31.89	28.54	23.83	33.08	32.46	28.51
		Rabi	8.86	11.49	9.72	10.32	9.58	9.96
	Total	40.75	40.03	33.55	43.40	42.04	38.47	
Total Cereals	Kharif	114.55	113.45	99.75	113.73	125.21	119.19	
	Rabi	101.46	106.45	103.70	112.52	117.02	113.37	
	Total	216.01	219.90	203.45	226.25	242.23	232.56	
Pulses	Kharif	6.40	4.69	4.20	7.12	6.06	5.48	
	Rabi	8.36	9.88	10.46	11.12	11.03	12.09	
	Total	14.76	14.57	14.66	18.24	17.09	17.57	
Foodgrains	Kharif	120.96	118.14	103.95	120.85	131.27	124.68	
	Rabi	109.82	116.33	114.15	123.64	128.05	125.47	
	Total	230.78	234.47	218.10	244.49	259.32	250.15	
Oilseeds	Kharif	20.71	17.81	15.73	21.92	20.69	19.45	
	Rabi	9.04	9.91	9.15	10.56	9.11	10.01	
	Total	29.75	27.72	24.88	32.48	29.80	29.46	
Sugarcane		348.19	285.03	292.30	342.38	361.04	334.54	
Cotton*		25.88	22.28	24.02	33.00	35.20	33.80	
Jute & Mesta**		11.21	10.37	11.82	10.62	11.40	11.13	

\* (million bales of 170 kg each), \*\* (million bales of 180 kg each)

target of 8 per cent during the 12<sup>th</sup> Plan and meet the rising demand for food, but also to increase incomes of those dependent on agriculture to ensure inclusiveness. Some of the salient research achievements and new initiatives of DARE/ICAR during the year are as follows. The ICAR has commenced establishment of Indian Institute of Agricultural Biotechnology, Ranchi and National Biotic Stress Management Institute, Raipur. The proposal for establishment of a Central Agricultural University for Bundelkhand Region was initiated. Five new Krishi Vigyan Kendras (KVKs), one each in the states of Andhra Pradesh, Odisha, Rajasthan, Karnataka and Maharashtra, were established.

As per the Central Statistics Office (CSO) revised estimates (released on 31st January 2013 of Gross Domestic Product, agriculture and allied sectors grew at 3.6 per cent during 2011- 12, recording an average rate of growth of 3.6 per cent per year during the 11th Plan (2007-12). Further, as per the advance estimates released by CSO on 7th February, 2013, agriculture and allied sectors are estimated to grow at 1.8 per cent during 2012-13 as against 3.6 per cent during the last year. The rates of growth of the economy and the agriculture and allied sectors since 2007-08 are given in Fig. 1.2.



### Foreign Direct Investment (FDI) in Agricultural Retail Marketing Indian Scenario:

Over the last two decades, Indian economy has witnessed significant rise of FDI flows as well as remarkable increase in growth rate with favourable consequences on employment, infrastructure development and business climate. Fast Growing Indian economy accompanied by growing domestic consumer markets has raised the growth of retail sector at a faster rate mostly in unorganized sector (Table 1.3).

TABLE 1.3: Percentage of Organized Retail

Retail sector	US	Thailand	China	India
Organized	85	40	20	03
Unorganized	15	60	80	97

**Trends in Indian Agriculture:** According to “*State of Indian Agriculture 2012-13*”, Ministry of Agriculture, Department of Agriculture and Co-operation, New Delhi, showing trends of Indian agriculture aspects like estimates the area of food grains, production of food grains, yield of food grains, area under commercial crops, production of commercial crops and yield of commercial crops in last three consecutive Five Years Plan. The estimation of the area of food grains clearly shows that cropping trends in agriculture is continuously changes in the last three consecutive Five Years Plan except Rice, cereals, Tur (Arhar) and Pulses. But the area of Bajra Ragi, small millets, Barley and Coarse cereals are reducing instead of wheat, jower, maize gram and pulses are acquiring more areas for yield. It shows quite changes in trend of food grains.

In the area of food grains, All the three food grains tables shows that basic food grains (rice, cereal, tur and pulses) have consistent trend and other food grains have been changed trends remarkably from traditional crops (ragi, bajra and barley etc.,) to economy crops (wheat, maize, jower etc.,). In the same manner commercial crops also shows their trends in five years plan. Edible and non edible oil seeds have consistent trends over the last fifteen years among the commercial crops. But few commercial crops like soybeans cotton and sugarcane have more space in Indian agricultural rather than the other commercial crops.

### Agricultural Resources

- Total Geographical Area (TGA) - 329 M.H
- Potential for Biological Production - 265 M.H
- Net Sown Area (NSA) - 143 M.H
- Net Irrigated Area - 56 M.H
- Area threatened by land degradation - 50% of TGA
- Drought-prone Area - 190 M.H

### Mile Stones in Agricultural Development:

- Green Revolution (1968)
- Ever-Green Revolution (1996)
- Blue Revolution (water, fish)
- White Revolution (Milk)
- Yellow Revolution (flower, edible)
- Bio-Technology Revolution
- ICT Revolution

**Challenges:** There are several challenges involved in marketing of agricultural produce. There is limited access to the market information, literacy level among the farmers is low, multiple channels of distribution that eats

away the pockets of both farmers and consumers. The government funding of farmers is still at nascent stage and most of the small farmers still depend on the local moneylenders who are leeches and charge high rate of interest. There are too many vultures that eat away the benefits that the farmers are supposed to get. Although we say that technology have improved but it has not gone to the rural levels as it is confined to urban areas alone. There are several loopholes in the present legislation and there is no organized and regulated marketing system for marketing the agricultural produce. The farmers have to face so many hardships and have to overcome several hurdles to get fair and just price for their sweat.

In the new agriculture that includes differentiated products and more tightly aligned marketing / distribution systems with producers being raw material suppliers for manufacturers and food processors, competition includes quality features and responsiveness or time to market as well as cost.

#### **Some Initiatives by Indian farmers:**

- Cooperatives are increasingly marketing agricultural produce and also help for exports and have a buy back guarantee from them. 25,000 Farmer in Telangana is selling drip irrigation systems and micro irrigation techniques to nearby farmers. They are also growing red jowar, bajra which are sold to the seed companies Farmers are providing employment to 25,000 families. Seed processing plants have also come up in the area.
- A farmer in Barabanki started growing mint along with his other crops and the menthe oil has been a money spinner. Menthe oil units have also come up in the area
- Gosaiganj farmers are doing bee keeping and have made Lucknow the top producer of honey in the state
- A Madurai farmer changed from growing traditional crop to grapes and now is exporting
- A Bangalore farmer is a social entrepreneur and has ensured computerization of the land records to reduce land disputes
- Farmers are growing three crops a year with drip irrigation. Some have also diversified to horticulture.
- Young women in Thiruvanthapuram district are making cloth bags, office files (eco-friendly), pen and pencils.
- Jaquard looms Installed to produce handloom products
- Cold storages established to keep the produce fresh

- A cooperative in Mehsana installed a bulk milk cooler plant to prevent wastage

#### **Few Suggestions for Agricultural Market Reforms:**

Below are the certain measures that can be affected to bring out the reforms in agricultural marketing so as to ensure just and fair price for the farming community:

1. Provide loans to the farmer at low rate of interest so that they will be freed from the clutches of local moneylenders who squeeze them. It is said that farmer in born into debt, lives in debt and dies in debt. Right from the beginning of the life, the poor farmers approach money lenders for investing into cultivation who levies very high rate of interest and who takes away the maximum amount of the share from the produce. In case if the crop fails due to natural calamities then the situation would be worse as the farmer is not in a position to pay his loans. And ultimately he is forced to sell the land at throw away price to the money lender.
2. It is essential to provide subsidized power supply and loans to the farmers as the expenses towards power consumption takes considerable amount of investments. Viability of farm enterprise and returns to investment that depend on productive infrastructure, such as soil and water conservation and expansion and improvement of irrigation systems, market access, prices and risk
3. Generate a new distribution network that connects the farmers directly to the consumers to get maximum returns as the present channel of distribution involves multiple mediatory who take away the major portion of profits which otherwise the farmers is supposed to get.
4. The farmers should emphasize on the thrust areas such as, diversification of Agriculture, Inter-cropping, Micro Management, Organic Farming, Agri-Clinics and Agri-business Centres, Bio-Technology, Agro-tourism.
5. Elimination of the existing loopholes in the present legislations is warranted. There should be stringent action against black marketers and hoarders who buy the stocks from farmers at cheap prices and create artificial demand and then sell the stocks at higher prices.
6. Creating local outlets at each village where the farmers sell their stocks directly to the consumers or the authorized buyers at fixed prices would help to a great extent. Intervention of government in this network is essential to bring the fruits to the farmers.
7. At the village level there should be counseling

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centers for farmers about the worth of their stocks so that they can get fair price. The crucial role of Non-Governmental Organizations (NGOs) is needed in this context.

8. The existing legislations are outdated and are not in tune with the changing trends and technological inventions and the same need to be updated forthwith.
9. The retail revolution has brought several changes in the retail sector where the retail giants buy in bulk directly from the suppliers and sell to the consumers directly and in this process they pass the benefits to the consumers as well. In the past the consumers were paying more for less as there were many channels of distribution system and now the consumers pay less for more.
10. Government should levy single entry tax instead of levying multiple entry taxes either directly or indirectly for the transactions and activities that are involved in agricultural marketing such as transportation, processing, grading etc., as it would benefit both farmers and consumers directly.
11. There should be all-round rationalization and standardization of the prices through legislative means. Presently there is vast gap between the marketing strategies of agricultural produce in India and abroad and the same needs to be bridge. Remove the various malpractices prevalent in the present system. There is need to set up marketing committees which has the representation of growers, merchants, local bodies, traders and nominees from the govt. There should be collective and integrative efforts and energies from all quarters for ensuring just and price for farmers.
12. Availability and dissemination of appropriate market information and technologies that depend on quality of research and extent of skill development.

**Conclusion:** There is no doubt that in any marketing there is a motive towards profit involved and at the same time the marketing is to be based on certain values, principles and philosophies such as offering just and fair prices to the farmers who toil hard to till. Bringing necessary reforms coupled with proper price discovery mechanism through regulated market system will help streamline and strengthen agricultural marketing.

In order to avoid isolation of small-scale farmers from the benefits of agricultural produce they need to be integrated and informed with the market knowledge like fluctuations, demand and supply concepts which are the core of economy. Enhancing public sector investment

particularly in research and technology transfer along with institutional reforms to make it more accountable towards delivery, conservation of land, water and biological resources, development of rain fed agriculture, development of minor irrigation and water use efficiency, timely and adequate increasing flow of credit particularly to the small and marginal farmers.

Improved performance at farm level will result in improved food security and improved farm livelihoods only if other components in the value-chain such as infrastructure supporting agricultural upstream and downstream activities, including transport, storage, processing and marketing facilities for agricultural products are also developed simultaneously. Continuous innovation to improve productivity and competitiveness of the agriculture sector are necessary to create jobs, generate income and alleviate rural poverty. From the government's side, enabling policies and institutions in a variety of domains - from R&D to trade and markets, from natural resource governance to collective action by agricultural producers, agricultural extension and rural advisory services are necessary to bring knowledge, technologies, and services to farmers and entrepreneurs. Investment in relevant public goods which works both as a catalyst of, and complements to, private investment in agriculture is necessary.

To Sum up, no nation at present can escape globalization. Change is happening in rural India but it has still a long way to go. Marketing of agriculture can be made effective if it is looked from the collective and integrative efforts from various quarters by addressing to farmers, middlemen, researchers and administrators. It is high time to bring significant strategies in agricultural marketing with innovative and creative approaches to bring fruits of labor to the farmers. There is needed to be better, faster, and cheaper to have a sustainable competitive advantage in Agriculture.

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