

# Problems and Prospects of Agricultural Marketing in Karnataka – An Empirical Study

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## ABSTRACT

*This paper enlighten on the role* India has adequate technology, but it is not fully implemented as our producers lack awareness.. Producers expect better returns as they work hard day and night in their fields but doesn't get. Agricultural marketing should be planned and well prepared. In developing countries like India, agricultural markets comprise of poor infrastructure, poor transport and communication, limited rule of law, limited access to finance etc. This result leads to market failure. The emphasis on market failure gave a way to the market orientated liberalization to get "prices and institutes right". With this, there is emergence of state run marketing boards, producer marketing chains ranging from credit unions through farmer cooperatives to wholesale cooperatives. The producer should have accessed to competitive market prices which can only happen when the state inputs all its efforts in strengthening the competitive marketing system. In the meantime the marketing institutions need to maximize efficiency and transparency in transactions with the producers and also of retail/consumers price accruing to the farmers. The agricultural transition towards commercialization is natural though some external forces may slow down its pace like agricultural policies frame work, extent of market imperfections, overall standard of living etc. Indian agriculture planners must pay attention towards the demand for agricultural produce by consumers. The agricultural sector should now attempt to achieve greater market orientation nationally as well as internationally compared to its current focus on production orientation.

**Keywords:** Agricultural Marketing, Marketing Cooperatives, Contract Farming, Commercialization, Foreign Direct Investment (FDI)

## I. INTRODUCTION

Agriculture forms the backbone of India's economic development by providing the means of livelihood and employment to a majority of its workforce. Despite contribution to the overall Gross Domestic Product (GDP) of the country having fallen from about 30 percent in 1990-91 to less than 15 percent in 2011-12, agriculture continues to provide employment to nearly 60 percent of working Indians, and more than 70 percent of India's population continues to live in rural areas. In other words, while more than three-fifths of India's population draws their livelihood from agriculture, it contributes just one-fifth to GDP. These figures reflect an overall decline and marginalization of Indian agriculture in the national economy. Table 2.1 shows that in most Indian states, despite a drastic decline in agriculture's share in GDP, the employment pressure on agricultural continues to be high. Such critical economic imbalance in the agriculture sector has serious consequences for poverty. Presently, 80 percent of below poverty line families in India are rural, comprising mainly tribal, small & marginal farmers and landless labour (Eleventh Five Year Plan, 2007-2012, Planning Commission,

## II. REVIEW OF LITERATURE

A considerable amount of research has been done on the working and performance of agricultural marketing in India, by the academicians and researchers. The literature obtained by the investigator, in the form of reports and research studies, is briefly reviewed in this part.

Reardon et.al., (2003) in their study documented that private firms now play a dominant role in countries such as China, India, South Africa in developing of improved seed varieties producing and distributing inputs, post harvest operations and retailing through super markets.

Royce, (2004) reported, even though State agencies continue to be the main buyers of output and suppliers of input limiting cooperatives management authority within. There is much greater member participation and on-farm decision making.

Ramkishen, (2004) in his research paper argued that because of the lack of food processing and storage, the grower is deprived of a good price for his produce during the peak marketing season while the consumer needlessly pay a higher price during lean season.

Godara, (2006) in his study described that the positive trend of economic liberalization and associated opening up of Indian economy have significantly reduced the structural rigidities in the system, this trend should be premise of India's future agricultural reform. Agricultural business has come under strong and direct influence of international market. Indian farmers have to produce quality goods to meet the international standards.

Kashyap and Raut, (2006) in their paper suggested that, marketers need to design creative solutions like e- marketing to overcome challenges typical of the rural environment such as physical distribution, channel management promotion and communication. The "anytime-anywhere" advantage of e-marketing leads to efficient price discovery, offers economy of transaction for trading and more transparent and competitive setting.

Brithal, et.al., (2007) in their study suggested that by building efficient and effective supply chain using state of the art techniques it is possible to serve the population with value added food, while simultaneously ensuring remunerative prices to farmers.

Government of India, (2008). For these reasons, performance of the agriculture becomes one of the primary determinants of India's socio-economic progress and wellbeing of majority of its population. Steady growth with efficient functioning of the agriculture sector, both in terms of food productivity and marketing of agricultural produce has significant implications on poverty and livelihoods<sup>2</sup> in India (Bhaumik 2008). Nonetheless, for the last decade or so, the only mode in which agriculture has been discussed in India is that of crises and distress (Jodhka, 2008). Though in the literature context of this crisis are several, the most immediate and urgent one has been cumulative case of inefficient and underdeveloped regulation of agricultural marketing system.

### III.OBJECTIVES OF THE STUDY

This study has the following objectives:

- a. To explore the significance of Agriculture and Agricultural marketing in India
- b. To exhibit the contribution and implications of Agricultural Marketing on Indian economy.

### IV.METHODOLOGY USED IN THE STUDY

The data used for the research has been extracted from reports generated from official website of Agricultural Markets and other published sources. This study carried based on secondary data such as books, journals and periodicals etc. For fulfilment of objectives, the researcher had a review of various published papers to assess and explore the contribution and implications of Agricultural Marketing on Indian economy.

In a current phase of India's development, agriculture sector is facing multiple and complex challenges of growth, sustainability, efficiency and equity (Chand, 2008). The growth performance of the agriculture sector has been fluctuating across the plan periods (Figure 2.1). The annual growth rate of agricultural GDP in India decelerated from 4.8 percent per year during 1992–97 (Eighth plan period) to only about 2.4 percent during 1997–2002 (Ninth plan period) and 2.5 percent during 2002–07 (Tenth plan period). The trend rate of growth during the period 1992-93 to 2010-11 is 2.8 percent while the average annual rate of growth in agriculture & allied sectors- GDP during the same period is 3.2 percent (State of Indian Agriculture, Government of India, 2011-12).

The divergence between the growth trends of the total economy and that of agriculture & allied sectors indicates an underperformance by agriculture (see Figure 2.1). Such fragile growth rate of 2.4 percent in agriculture as against a robust annual average overall growth rate of 7.6 per cent for the economy during the tenth plan period is a cause for concern. The prognosis is that stagnation in farm incomes in the agricultural markets is largely responsible for slowdown in output growth and is causing a lot of rural distress (Chand, 2008:42). The biggest policy challenge seems to be to reverse the sharp decline in the growth rate of the agriculture sector experienced after the mid-1990s.

Table 2 further suggests that the poor performance of agricultural GDP growth, although most witnessed in rainfed areas, occurred in almost all states (Eleventh Five Year Plan, 2007-2012, Government of India, 2008:4). These economic scenarios have persuaded policy makers and planners to be particularly concerned about persisting variation and fluctuation in productivity growth at state level, which recently varies from -3.54 percent to 3.51 percent. The sharpest decline of agricultural growth is observed in the case of Kerala where productivity growth declined from 4.70 percent per annum during early 1990s to negative -3.54 percent during the late 1990s and recent times. Other states which witnessed negative growth in recent time are Madhya Pradesh and Tamil Nadu while growth rate in Orissa, Karnataka, Rajasthan and Maharashtra are close to zero. Andhra Pradesh since 1990s and West Bengal for all periods showed better growth among all states and is more than growth rate of the country. Studies, however, suggest that even the states which

are relatively faring well in agricultural production are also not performing up to their full potential (Chand & Chauhan, 1999).

Source: column 2, 3, 7 & 8 are from, ICAR Policy Brief, 8, 1999 (Indian Council of Agriculture Research, New Delhi) and column 4, 5, 9 & 10 are from National Account Statistics, (State series) Central Statistical Organisation, Ministry of Statistics and Programme Implementation, New Delhi (cited in 11th Five Year Plan, Planning Commission, Government of India, 2007-2012:4)

\* AP: Andhra Pradesh; Assa: Assam; Bih: Bihar; Guj: Gujarat; Har: Haryana; Kar: Karnataka; MP: Madhya Pradesh; Maha: Maharashtra; Ori: Orissa; Pun: Punjab; Raj: Rajasthan; TN: Tamil Nadu; UP: Uttar Pradesh; WB: West Bengal

The statistics reveal that there is tremendous variation in per hectare and per person agricultural income across states. The calculated estimates suggest that regional disparities in agricultural productivity increased from 36 percent during 1980-81 to 1984-85 to 40 percent during later half of 1980's. During the 1990s regional divergence further increased to around 43 percent (Chand & Chauhan, 1999).

## V. PROBLEMS AND CHALLENGES

- Fiscal and Political instability is threatening Agricultural Policies, as there is Political disagreement and fiscal comprehension in agriculture.
- Rising domestic demand for food due to rise in population, restricting our exports.
- Developing people and developing markets.
- Private market intermediation.
- Multi languages and dialects.
- Natural calamities, drought and uneven rainfall in the country.
- Subsistence farming to commercial farming.
- Supply driven technology to demand driven.
- Minimization of land holdings.
- Lack of proper physical communication.
- Infrastructural weakness.
- Less media coverage.
- Lack of professionalism in management.
- Lack of market and marketing information.
- Lack of Agricultural education.
- Inadequacy of institutional markets.
- Multiplicity of market changes and malpractices.
- Lack of technical training.etc.

## VI. RECOMMENDATIONS

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

- Establish physical communication.
- Develop Agricultural infrastructure.
- Establishment of Regulated markets.
- Storage and warehouse facilities must be established up to the most remote areas.
- Education of Agriculture to masses.
- Information Technology must reach all over the country.
- There must be proper road connectivity and good all weather roads.
- Enhance control and coordination over the agricultural markets.
- Extent of financial support to farmers and agro- processing units.
- Training of new marketing techniques should be implemented.
- Enhancement and support for Public-Private cooperation.
- Standardization of contract.
- Enhancement for more cooperative marketing.

## VII. CONCLUSION

There are several problems and challenges involved in marketing of agricultural produce. Limited access to the market information, low level of literacy among the farmers. There are also many imperfections in the marketing system of agricultural commodities in India. So much has been done to improve the agriculture sector of India, but still it is facing a lot of problems. Some of these can be listed as below. moving from commoditization to commercialization drives it towards market orientation. India can claim to have largest network of agri-business cooperatives in the world, engaging in performing manufacturing, procurement and marketing of agricultural produce. These have proven to occupy important place in our economy. The government must examine its policies and regulations with view to strength the marketing network and ensure that prices are being determined on competitive basis and markets are being manipulated. Using modern ICT can bring out better solutions as it can facilitate agricultural marketing functions and processes include buying and selling, payment, grading, standardization, transportation in an efficient manner.

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