EXECUTIVE SUMMARY

Agriculture growth is the key factor to inclusive growth and helps in raising rural incomes and purchasing power in rural India. Agriculture is one of the most important sectors of country's economy contributing to 14.6% of the country's GDP and employing 58% of the India's population. Today even India remains one of the world's largest agrarian economies, with her fifty-two percent of total land as cultivable as against 11% in the world. India is world's second largest producer of food grains, sugarcane, fruits and vegetables. Yet as per the report of national commission on Farmers, the size of land holding in India remains truncated with nearly two-third of farm household being small and marginal farmers with another twelve percent being land less. The major causes of the agrarian crisis have generally been attributed amongst several reasons to unfinished agenda in land reform, quantity and quality of water, access as well as adequacy and timeliness of institutional credit, and opportunities for assured and remunerative marketing of agriculture produce by producers.

Agriculture Marketing necessitates interconnected activities such as planning production, growing and harvesting, grading, packing, transport, storage, agro-food processing etc. Governments thought it important to intervene in agriculture sector to keep consumer prices low to encourage investment in modern and urban industries, while ensuring reasonable remuneration to the farmers. In post-independent India, four-fold approach through market regulations, expansion of physical markets, price policy and procurement has been the major plank of agriculture marketing in India. Due to inadequate development of qualitative post-harvest infrastructure and integrated supply chain in state led monopolistic marketing regime, many of the market imperfections such as large post-harvest losses, non-grading of produce and large intermediations had perpetuated, while the monopoly nature of regulated market gave rise to non-transparency in market transactions. The initiation of market reforms with promotion of the model APMC Act

2003, the market inefficiencies have been sought to be addressed substantially, while promoting and encouraging private investment in market infrastructure. However, it is necessary to facilitate access of credit to farmers, particularly small and marginal farmers in adopting most post-harvest technology for processing and value addition to derive gain from the back-ward linkages being developed through establishment of supply chain.

Agriculture Marketing is considered a part of agriculture activities in Indian context. And a deeper understanding of the recent massive credit flow to agriculture indicates that the channelization has been mainly to big farmers and agri-enterpreneurs, while majority of landless and marginal farmers still have difficulty in accessing institutional credit and depend largely on the informal lending. This has not facilitated a large proportion of our farming community reap the benefit of recent market reforms. As contemporary literature on rural financing is mainly focusing around credit for agriculture (which encompasses that for agriculture marketing) in its institutional and informal aspect, a specific field survey of each of the stake holder category of farmers, traders, banks and entrepreneurs had been undertaken during the period of early December 2011 till middle of February 2012 to study the reasons of continuation of trader financing and the weakness of institutional credit to agriculture marketing. Field survey was conducted in the states of Odisha, Andhra Pradesh, Karnataka, Maharashtra, Gujarat, Rajasthan, Punjab, Himachal Pradesh, Uttarakhand and Uttar Pradesh as well as in both the Union Territory of Delhi and Chandigarh. The survey was limited to states as aforesaid. Similarly it was limited to trader financing of farmers within the informal segment and it didn't extend to any other category of trade financing such as of wholesale to trader. The Chapter-V brings out in detail both structure and contextual issues in institutional credit. It also brings out the interesting difference between the nature of trader advance system and the trader credit system to farmers for marketing purpose.

Certain recommendations have been made in chapter-VI, in both short-term and long-term aspects. A set of policy measures (of long-term in nature) including new institutional arrangements. Prominent among such recommendations are suggestions to redefine the priority sector lending to agriculture, while relocating the credit for market infrastructures such as for warehouses, cold storages and other market infrastructure, from priority sector direct lending category to priority sector indirect lending group. It also recommends to re-examine and redefine asset classification for declaring Non-Performing Asset to a credit-linked agriculture market infrastructure project(mainly for primary value addition), given the cyclic nature of agriculture production. Some of the other major recommendations are to declare infrastructure status to agriculture market infrastructure as well as bringing it as eligible sector under Viability Grant Fund (VGF).

As post office in India has a massive presence in the rural heartland of India doing low cost rural savings bank and rural Postal Life Insurance business, a strong case has been made for creation of a new Rural Bank Division as a subsidiary of the post office through structural re-engineering. It has also been additionally/alternatively suggested to evolve triangular cooperation between Schedule Commercial Banks, Post Offices and SHGs/JLGs/Producer Company for improving institutional credit flow to agriculture including its marketing. Considering that we are fast approaching the beginning of XII Plan , a recommendation has been made for the Plan period for earmarking Rs. twenty thousand crore for specific lending for agriculture marketing infrastructure projects under priority sector direct lending category.