

# Agricultural Marketing



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# Market and Marketing

- ❖ **Market : facilitates exchange of goods and services**
  - ❖ Market place - Physical in nature
  - ❖ Market space- Digital in nature
- ❖ **Marketing** system helps to direct and crystallize demand, develop capacity to ensure operational and pricing efficiencies
  - ❖ is about identifying & meeting human & social needs
  - ❖ not merely an art of selling products



# Trade

**Trade** – a sub-set of marketing

- ❖ Signifies meeting the needs & wants identified as a marketing function through the exchange of good & services between buyers and sellers.
- ❖ If trade is to happen, marketing is essential
- ❖ In conducting a trade, a chain of activities is managed,
- ❖ That include the chain of transaction that assigns monetary value for the exchange;
- ❖ A chain of operations that actualize the exchange; the chain of regulations that need to be complied with;



# Objectives of Marketing

- ❖ Enable the farmers as primary producers to reap the best possible benefits;
- ❖ Provide facilities for lifting all the produce the farmers are willing to sell, at a price incentive;
- ❖ Reduce the price spread between the primary producer and ultimate consumer;
- ❖ Make available all products of farm origin to consumers at reasonable price without impairing the quality of the produce;

**AND**

- ❖ A recent addition to the objectives of agricultural marketing is to **contribute to the doubling the famers' income by 2022-23.**



# Criticality of Agri-Marketing

- ❖ Marketing system helps to direct and crystallise demand, for making agricultural trade more productive, effective & efficient
- ❖ Develops capacity to ensure operational and pricing efficiencies in the market channels of different produce
- ❖ Allows price discovery mechanism to be transparent
- ❖ Marketing systems function through policies to build competitiveness with in-built mechanism to reduce monopolistic and oligopolistic operations.
- ❖ Marketing policies can create enabling environment for varied instruments such as contract farming, farmer producer companies, direct marketing, futures market etc.



# Marketing

## GrAMs

- Retail markets- develop GrAMs at 22,000 rural haats- provide- infrastructure plus institutional mechanism.

## APMC

- Domestic wholesale markets- Envisaged that all states to adopt Model APLM Act, 2017 in totality by December 2018 but not yet done.

## Exports

- Export market- Target an increase from current US \$ 38 billion to US \$ 100 billion by 2022.

**New market architecture- to evacuate surpluses**



# Inefficient Marketing System (1/2)

- ❖ Inefficient marketing system : when it cannot address imbalance between demand and supply
- ❖ Inefficiencies in the system impact the farmer negatively, but become opportunities for others
- ❖ Commodity traders make procurements at harvest season when prices are subdued and store the commodities for transactions at a higher price point after some time, when supply is limited
- ❖ Farmers could do the same, provided they had the economic capacity to bear the inventory holding cost



# Inefficient Marketing System (2/2)

- ❖ Storing capacity dedicated for use of small farmers, or group of farmers, especially possible in case of foodgrains, can also serve this purpose
- ❖ Marketing efficiency to be achieved by reducing farm gate price dispersion by creating better physical infrastructure, improved price dissemination and marketing policies to ensure transparency and timely payment to farmers





# Indicator of Marketing Efficiency (1/2)

- ❖ A measure of the efficacy of the national marketing system can be the extent of price dispersion for the same produce, across multiple markets in the country
- ❖ Some reasons for farm-gate price dispersion include onwards connectivity from farm-gate to next level market, the concurring demand or supply fluctuation at the time of farm-gate sale, the storability and sensitivity of crop to other dynamics, etc.
- ❖ Marketing effectiveness is measured through efficiency achieved in reducing the overall price dispersion at farm-gate

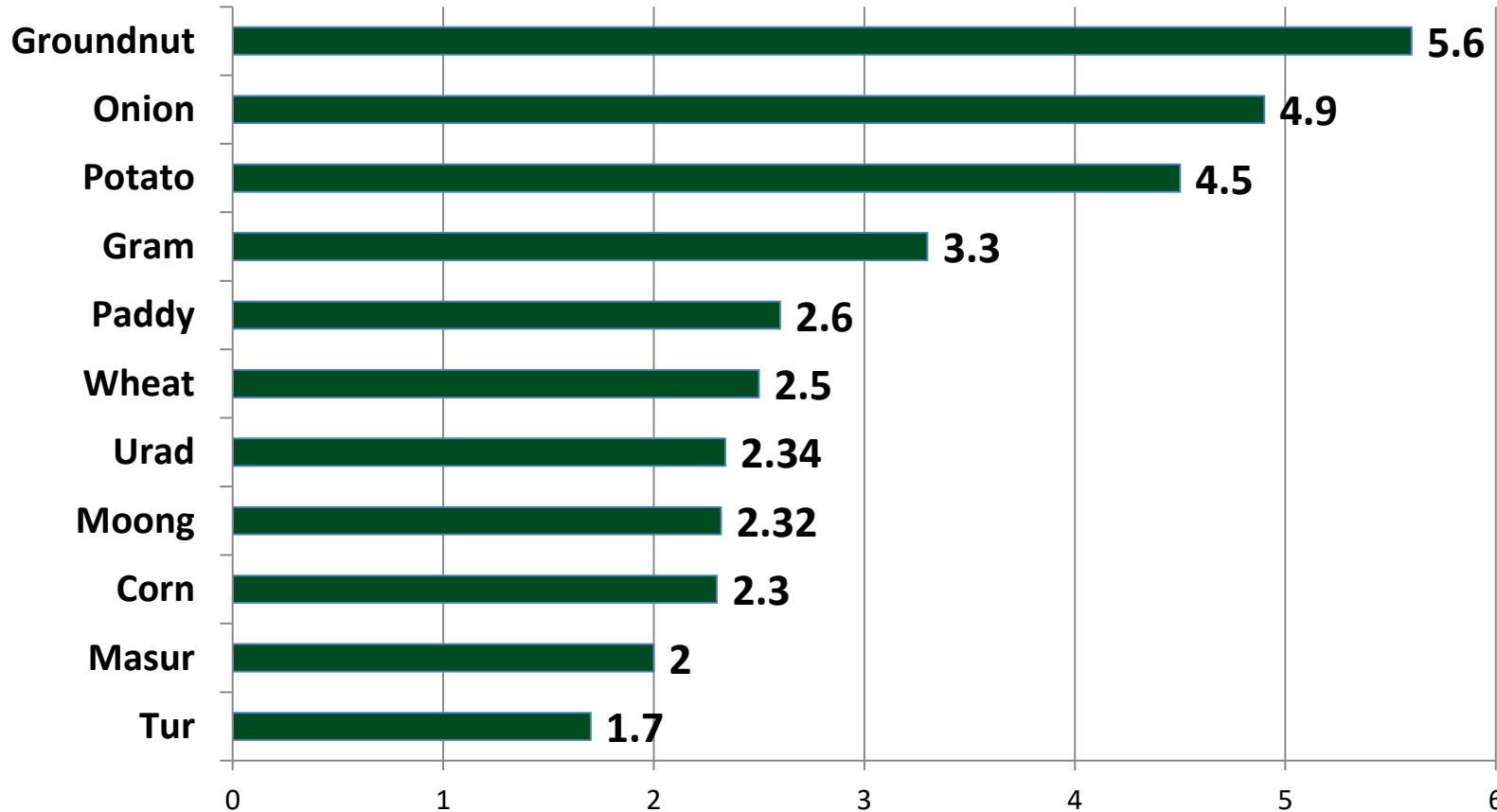


## Indicator of Marketing Efficiency (2/2)

- Some causes of market segmentation:
  - ❖ differences in remoteness and connectivity (rural roads)
  - ❖ local market power of intermediaries, degree of private sector competition,
  - ❖ propensity of regional exposure to shocks, local storage capacity, *mandi* infrastructure and farmers access to them,
  - ❖ storage life of the crop and crop specific processing cost



## Price Dispersion at Farmgate-Select Crops



*Ratio of highest to lowest crop price (state-wise average)*

*The price dispersion, at farm-gate, is clear indicator for the need for a single "one market" ideal.*



## Marketing Effectiveness (1/2)

- ❖ Extreme price dispersion that cannot be explained by the cost of risk and the logistics involved, indicate inefficiencies in the marketing system and results in acute price wedges between the consumer and farmer
- ❖ Marketing intervention by the State governments need to align with the One-nation, One-market concept by laying greater emphasis on long term connectivity for agricultural produce, across states and geographies



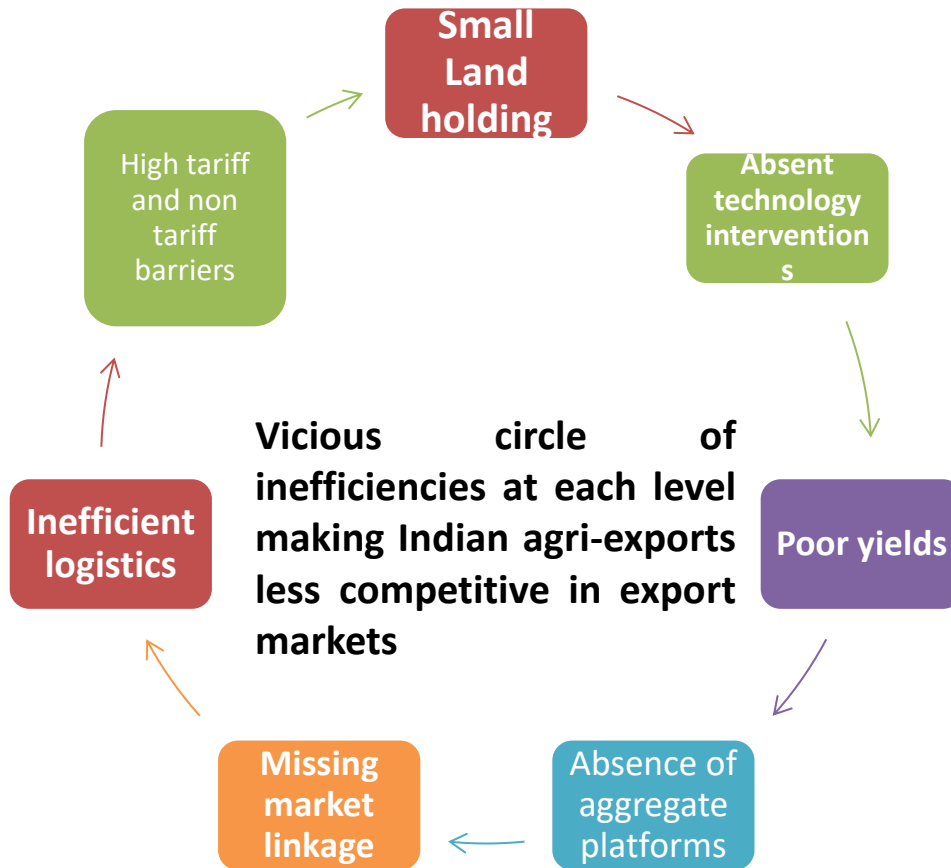
## Marketing Effectiveness (2/2)

- ❖ Growth in farmers' income is directly related to their capacity to market the produce across time and form at location of choice
- ❖ This capacity is related to the system of marketing, the network of markets, the inter-connectivity between these markets and the intelligence to guide the activities



# Circles of Inefficiencies Hurting Agri-Export Potential

## Potential



- Issues of small landholdings get aggravated by inefficient primary level aggregations, resulting in multiple intermediaries along the supply chain.
- Poor education levels of farmers on knowhow and absence of relevant technology interventions result in poor yields
- Problems get exacerbated due to poor supply chain management and market intelligence
- Low level logistics connectivity of hinterland production areas with port terminals adds to overall challenges



# One-Nation, One-Market

- While cultivation is limited to the land and area of farming operations, marketing has no boundaries and needs to operate on a pan-India level to meet demand across the country, and further afield
- Marketing intervention by the State governments need to be aligned with the **One-nation, One-market** concept by laying greater emphasis on long term connectivity for agricultural produce, across states and geographies



## Low Price Realisation

- ❖ Share of farmer in consumer's price very low, particularly in perishables due to
  - ❖ a number of intermediaries,
  - ❖ lack of infrastructure and
  - ❖ poor holding capacity.
- ❖ Reduce intermediation by providing alternative marketing channels like direct marketing, contract farming, etc.
- ❖ Ensure a unified national online marketing platform for agriculture





# Interventions in Agricultural Marketing Over time

- ❖ The markets became opportunistic trading platforms under control of a few, which render it restrictive and monopolistic
- ❖ the existing regulatory framework does not support free flow of agricultural produce
- ❖ it restrained the direct interface of farmers with the processors / exporters /bulk buyers/end users, and as such, let in a large number of intermediaries who may or may not be adding any value to the farmer, along the agri-value system.
- ❖ There arose multiple staging points and handling in the flow of agri-produce, with multiple levels of mandi charges, and this ended up in escalating the prices for consumers without commensurate benefit to farmers.



## Branding Agri-products-GI (1/2)

- ❖ India continues to be a net agriculture exporting economy, having a high share of primary commodity exports—rice, shrimps, bovine meat, sugar, tea, spices.
- ❖ Most of its imports are processed products, mainly palm oil and sunflower oil.
- ❖ The key concern is the value of agri-imports has surged
- ❖ Establishing effective agricultural brands can help farmers gain a competitive advantage in ‘buyer-driven’ global markets



## Branding Agri-products-GI (2/2)

- ❖ India has about 320 registered GIs, but few have been used for commercial value addition.
- ❖ Two of India's well-known GIs are Darjeeling tea and Basmati rice, but both seem to be minuscule in terms of market impact when compared with, say, Chilean wine or Danish cheese.
- ❖ India can choose Alphonso mango, Darjeeling tea, Basmati rice and escalate them to the stature of California almonds or Swiss chocolates in terms of global acceptability.



## 'Golden Butterfly'-Premium Tea

# Rare Assam tea auctioned for 'record' ₹75,000 per kg

PRESS TRUST OF INDIA  
Guwahati, August 13

A RARE VARIETY of tea from Upper Assam's Dikom Tea Estate set a new record on Tuesday as it was auctioned for ₹75,000 per kg at the Guwahati Tea Auction Centre (GTAC), an official said.

The tea, 'Golden Butterfly', was purchased by city-based Assam Tea Traders, GTAC Buyers Association secretary Dinesh Bihani said.

"In the tea sector, this auction centre has created an image of a place where records are meant to be broken and history is meant to be re-written," Bihani said adding that this "exceptionally rare and special tea" was sold through J Thomas and Company. The GTAC is emerging as a centre for showcasing high-priced Assam speciality tea, he said.

The centre is providing an opportunity to sellers who want to sell their tea at remunerative prices, Bihani said.



An exotic tea is judged by its aroma, taste and colour and this tea is characterised by extremely mellow and sweet caramel flavour, Assam Tea Traders' owner L K Jalan said.

Recently, GTAC witnessed two big records last month, when the orthodox variety 'Maijan Golden Tips' fetched a price of ₹70,501 per kg and one kilogram of Manohari Gold, another specialty orthodox tea variety, was sold at ₹50,000.

Source: FE dated 14.08.19

# Advantages of Branding

## Exit, Voice, and Loyalty

Responses to Decline in Firms, Organizations,  
and States

*By Albert O. Hirschman*

- ❖ A theory of loyalty as a key factor in the interaction between voice and exit:
- ❖ loyalty is shown to postpone exit and to make voice more effective through the possibility of exit





<b>Year</b>	<b>Major Policy &amp; Legislative Interventions (1/3)</b>
<b>1979</b>	Levy Sugar Supply (Control) Order
<b>1980</b>	Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities Act
<b>1982</b>	North Eastern Regional Agricultural Marketing Corporation (NERAMAC) Act
<b>1984</b>	National Horticulture Board Act
<b>1985</b>	Agricultural and Processed Food Products Export Authority Act
<b>1986</b>	Spices Board Act
<b>1986</b>	Bureau of Indian Standards (BIS)
<b>1986, 1991 1993 &amp; 2002</b>	Consumer Protection Act
<b>1986</b>	Cotton (Control) Order
<b>1992</b>	Milk and Milk Product Order (MMPO)
<b>1997</b>	Standards of Weights and Measures (packed goods) Act



Year	Major Policy & Legislative Interventions (2/3)
2000	National Agricultural Policy (NAP)
2000	Jute and Jute Textiles (Control) Order
2003	Model Agricultural Produce Marketing (Development & Regulation) Act
2004	<ul style="list-style-type: none"> <li data-bbox="231 449 1642 571">🍅 Ban on futures trading of 54 commodities (including, rice, wheat, oilseeds, pulses) were removed.</li> <li data-bbox="231 585 1642 778">🍅 Processed food items exempted from licensing under Industries (Development &amp; Regulations) Act 1951, except those reserved for small scale industries (SSI) and alcoholic beverages.</li> <li data-bbox="231 792 1642 913">🍅 Food processing &amp; cold-chain added to list of priority sector for bank lending.</li> <li data-bbox="231 928 1642 1049">🍅 Automatic approval for FDI upto 100% for most processed foods, except alcohol and beer and those reserved for SSI</li> </ul>





Year	Major Policy & Legislative Interventions (3/3)
2006	Food Safety and Standards Act
2007	National Policy for Farmers (NAF)
2007	Warehousing (Development and Regulation) Act
2013	National Food Security Act
2014	Schemes for commercial horticulture development subsumed into Mission for Integrated Development for Horticulture (Baagvani Mission)
2016	National Agriculture Market (e-NAM) launched 100% FDI in marketing of food products produced & manufactured in India
2017	Model Agricultural Produce & Livestock Marketing (Promotion & Facilitation) Act
2020	<ul style="list-style-type: none"><li>EC Act, 1955 amended</li><li>Allowing farmers to engage in inter-state trade</li><li>more discretion to farmers over whom and where to sell</li><li>will help farmers get better prices for their produce</li></ul>



# Regulation of Markets

- ❖ APMC, Act requires farm produce be sold only at regulated markets through registered intermediaries
- ❖ ECA, 1955 allows central and state governments to place restrictions on the storage and movement of commodities deemed essential by governments.
- ❖ Transportation, marketing and distribution of agri-food commodities did not develop in a scientific manner, linked or directly linked to demand from growing markets and the demand for what was earlier an essential commodity has also undergone changes.
- ❖ ECA, 1955 has been amended in June, 2020 which will help farmers get better prices for their produce and more discretion over who and where to sell



# Cobweb Syndrome

- ❖ When price goes up, farmers produce more next season and price falls down
- ❖ farmers change crop, the supply reduces next season, and the seesaw cycle repeats
- ❖ Seesaw can result in decreasing the extremes in the swings, both in production and price, towards an eventual state of equilibrium.
- ❖ This convergence in fluctuation is a result of unguided, action and reaction, as a result, future growth is stunted, while price and supply balance to reach a steady state



## Containing the Inequity : Cobweb Syndrome (1/2)

- ❖ Increase in price can result in stifling the demand, triggering a shortage in production in the next season (cobweb model) and eventually a reverse swing occurs
- ❖ Traders having capacity to hold inventories until the next upward price swing benefit from this market inefficiency
- ❖ Temporal increase in price of a crop is a false signal to farmers to sow more of that particular crop for the next season
- ❖ This lag effect between price signal and sowing patterns is an acute failure of the marketing system.
- ❖ The price signal is ***ex-post*** (after sales), and the farmer's reaction is ***ex-post facto*** (after the fact has relevance)



## Containing the Inequity : Cobweb Syndrome (2/2)

- Marketing system is efficient if it provides an *ex-ante* price signal
- Demand forecasting with volumetric information and prospective price determination, even if with some elasticity, is a far better signal to farmers than the current system with an annual lag in its effect



## Ineffective & Inefficient Markets (1/2)

- ❖ Agricultural marketing systems must seek to dampen the cobweb reactivity through advance and strategic information sharing
- ❖ The trigger to supply needs demand forecast, and not the price
- ❖ The imbalance represented by the lag effect between surplus output and price drops, can result in a gradual fall in production and lowering price fluctuations until 'equilibrium'
- ❖ Caution: reverse can happen, where the situation can spiral out of hand



## Ineffective & Inefficient Markets (2/2)

- ❖ Marketing system geared to provide price information as indicator of the ongoing transactions
- ❖ the farmers need to know demand projections (volume) to take informed decisions, all the way back to crop planning
- ❖ the information disseminated by the system not in sync with the needs of the farmers



# Intrinsically Correlated : Price, Production & Consumption

- ❖ A fall in price is not a failure too, if met with equal or higher increase in volumes, as the net value is a factor of price and quantity
- ❖ Any fall in price local to a region (at mandis around a producing area), or in a period of time (around harvest season) is a sign of inefficiency when left unattended by the marketing system
- ❖ This happens when markets are not spatially and temporally integrated



# Super Food

- Essentially any food item that contains an extremely dense concentration of vital nutrients, vitamins and/or minerals, as well as anti-oxidants, good fats, healthy enzymes, or other healthy properties that help to treat, lower the risk of or prevent specific diseases and maladies





# Developing Clusters with Focus on Super Foods

- Identify the import demands of super foods globally, map with the relevant agro zones
- Ramp up production at large scale, processing, marketing and branding of the same along with the possibilities of GIs attached to super foods produced in these clusters
- Some of the examples of the super foods include **quinoa seeds, drumstick seeds, moringa powder** etc. which are in great demand in the developed country markets.





## From Apples to Popcorn, Climate Change Is Altering the Foods America Grows

# Learnings from Global Players

## Thailand's

- ❖ “One-Tumbon-One-Product”, Enforcement of Quality Standards right at Cluster level
- ❖ The “Pesticide Safe” vegetable program, involved inspection and crop testing
- ❖ Farmers use pesticides and mineral fertilizers lower than the maximum level
- ❖ The “Hygienic Vegetables” programme is promoted by the Medical Sciences Department
- ❖ Thailand has now developed the “Q Mark”
- ❖ The system of Q standards covers different steps of the supply chain



## Case Example: Malaysia

- Malaysia introduced a commodity branding programme called “**Malaysia’s Best**”- an umbrella brand for the country’s horticultural products
- Guarantees quality and safety
- Initiated for carambola, papaya, pineapple, mango and watermelon, but is targeted to be extended to all other commodities.
- All farmers can apply to be certified, although initially, most certified farmers are contracted to the Federal Agricultural Marketing Authority (FAMA) for delivery to supermarkets



## Key Take Aways

- ❖ Growth in farmer's income intrinsically linked to **getting the 'prices right'** and **getting the 'markets right'**
- ❖ The time has come to develop competitiveness in the marketing system
  - ❖ to open the stage to more players, who will compete to source the production and take advantage of the large consumption demand across the country.
  - ❖ constructively advance an enterprise approach towards agriculture.
  - ❖ Enterprise approach will require supporting farm to market connectivity and linkage with credible demand forecast



## Way Forward

- ❖ Aggressively promote branding and commercialisation of GI products for exports
- ❖ Indian Embassies abroad can act as a catalyst in promoting such products through food festivals, displays at busy airports, encouraging top chefs and connoisseurs to highlight these
- ❖ France, for example, started this for wine, and soon after many other countries followed—Japan for Kobe beef, and New Zealand for Manuka honey
- ❖ A celebrated example : **Malaysia's Best**, an umbrella brand for selected horticultural products that guarantee quality and safety



## Quiz (1/3)

### Quiz Question-1

Which of the following is true about trade?

- (a) If trade is to happen, marketing is essential
- (b) In conducting a trade, a chain of activities is managed
- (c) Signifies meeting the needs & wants identified as a marketing function
- (d) All the above are true





## Quiz (2/3)

### Quiz Question-2

When did the model APMC act came into existence?

- (a) 2003
- (b) 2018
- (c) 1955
- (d) 1998





## Quiz (3/3)

### Quiz Question-3

Which of the following is true about super food?

- (a) No minerals
- (b) Dense concentration of vital nutrients
- (c) Highly unhealthy
- (d) Unhealthy enzyme



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**Thank you**