



AGRICULTURAL MARKETING AND POLICY

While the crops are produced in the fields, they move from producers to consumers to finally reach in their plates. Ever wondered what it takes to make the products reach from field to plate? Now as you know what is demand and supply and their interaction at equilibrium prices causes exchange, you should also know how a product reaches the stage of the exchange. The market is a place where exchange happens. It could be a physical or virtual market. All that needed is a buyer, a seller, the good and the medium of exchange, i.e. money. However in olden days medium of exchange was goods which was called barter system. The activities that facilitate the exchange are known as marketing activities. Marketing leads to the execution of trade and is one of the most important set of activities. In this lesson you will learn about marketing and the institutions engaged in the marketing of agricultural commodities in India. You shall also learn about the important policies of the Government of India to facilitate the marketing of agricultural goods.



LEARNING OUTCOMES

After studying this lesson, the learner:

- explains the concepts of agricultural marketing;
- identifies marketing channels;
- describes marketing functions;
- recognizes different marketing institutions and their role; and
- discusses Government policies to facilitate the marketing of agricultural goods.

**Notes****21.1 AGRICULTURAL MARKETING**

'Market' is a word that originated from the Latin word 'Marcatus' which means merchandise. It is related to a place where trade or business is conducted. To be considered a 'market,' a place must satisfy the following conditions.

1. It must have defined boundaries when it is physical. In e-commerce, the concept of boundaries dilutes.
2. There must be a commodity or a good for which the transaction will be carried out.
3. As the transaction happens (money for a commodity), there must also be buyers and sellers.
4. These buyers and sellers must interact with each other to arrive at equilibrium prices so that the transaction is settled.

Marketing creates time, place, form, and possession utility through various activities. Thomson suggested that agricultural marketing includes the study of all activities that facilitate the movement of goods from one end to another, as well as the agencies responsible for these activities. These activities create time, place, form, possession, and information utility for consumers. It is important to note that marketing ultimately leads to trade (exchange between a buyer and a seller).

21.2 UTILITY IN MARKETING

Demand is generated when there is utility. What is utility then? Utility simply means value and the customer or consumer wants value for money. If something does not generate utility or value or satisfaction for you, you will not spend the money on it or will not have any demand for it. Right? This utility is generated through five ways of marketing.

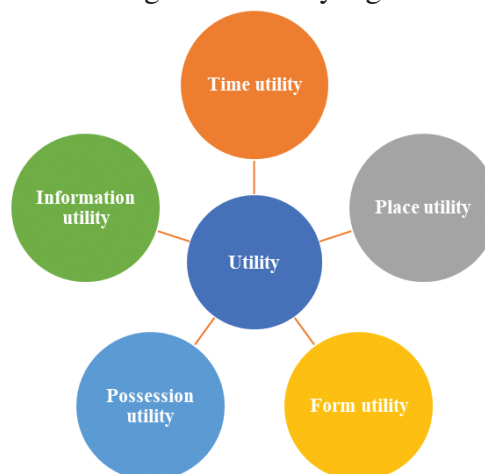


Fig. 21.1: Types of utility

21.2.1 Time utility:

It addresses the question of ‘When’? Is a commodity or good available when a consumer wants it? In other words, do you have a supply when the demand is raised? Only then does the commodity have value. What is the use of supplying woollens in summer? Nobody will purchase it, right? The consumer is willing to pay for any product when it is available at a desired time. The demand for cold drinks decreases in winter, so it is wise to produce less during winter. Crops are seasonal, and potatoes, for example, are demanded throughout the year but produced during only three to four months. To meet the demand in the off-season, potatoes are stored in cold storage. Storage ensures that potatoes are supplied to the population whenever there is a demand. Hence, people are willing to pay for potatoes. This is known as the creation of time utility. Storage adds value in terms of time. If you understand the demand of consumers and their timely needs, you will be able to create utility; otherwise, there will be no demand for your product.

21.2.2 Place utility:

It addresses the question, ‘Where do you need the goods or commodity’? Place utility refers to the activities that add value in terms of the availability of a product at a desired place. If you need mangoes in your location but they are not available, it will not help your business to grow. Transportation and logistics are the marketing activities that create place utility for consumers. Somebody who wants to provide mangoes at a desired place can create value by transporting them. Similarly, take the example of input service providers. If you purchase pesticides, seeds, or a tractor, some companies provide after-sales support or technical support in the field. Farmers prefer companies that provide such support services at a desired place, which is the field or farm for them. Online marketing, such as Amazon, is popular because you get timely deliveries right at your doorstep. Hence, place utility is created.

21.2.3 Form utility:

When value is added for the consumer by changing a good into a desirable form, demand for related products may increase. For example, if people demand pizza, the demand for cheese will increase. However, cheese is a processed form of milk, which adds value to milk. Processing creates form utility for the customer. Similarly, understanding what the consumer wants and serving the good in that form generates demand, known as form utility. Processing is therefore an activity in marketing that creates form utility for the consumer.

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**Notes****21.2.4 Possession utility:**

A consumer shall be able to use a good immediately after its possession. Even if you possess something but are not able to utilize it, how can you achieve possession utility? So, possession of anything is useful if it creates a utility for you. For example, if you don't get (possess) money in time (loan/finance), will you be able to purchase the product without it? This happens with the farmer. When farmers don't have money, they would want the loan to carry on their farm operations. For the said purpose, they might want to go to the bank, but they don't take it from bank for several reasons, one of them could be a delay in disbursement of loan from the bank. So, the farmer would go to the middleman or a local trader for an advance and as that money or advance is instant, it creates possession utility for the farmer. The farmer can utilize it immediately for farm operations or other needs. Timely finance thus creates possession utility.

21.2.5 Information utility:

Latest to the list of utilities and not to be missed is information utility. If you have information, you will be able to take timely decisions, otherwise it is not possible in the absence of information. This era itself is known as the era of information technology. Digital connect has made information reach faster to the customer creating value for even new products and services in the market. Hence we can say that digitalization has created information utility for the farmer as timely and right information helps the farmer in taking many decisions related to crop production and marketing in time efficient manner.

**INTEXT QUESTIONS 21.1**

1. The term market is derived from a Latin word.....
2. Demand is generated when there is
3. Agricultural crops are.....in nature.
4. Transportation creates
 - a. Information utility
 - b. Place utility
 - c. Time utility
 - d. Possession utility
5. creates form utility.

21.3 MARKETING CHANNELS

Have you ever wondered how apples from a far orchard in Himachal reach the vendor in your street or the market? The goods move from the point of production to the point of consumption through different channels or routes and in this process, number of stakeholders are involved. These routes are known as marketing channels.

Generally, a contractor can buy the orchard and arrange for the picking and transportation of apples. The apples are picked on the farm and then sorted according to size, adding value to the apples on the farm. They are then properly arranged in crates and stacked neatly on trucks. Transportation adds utility to the apples, ensuring that they reach the right place at the right time, with no spoilage and uncompromised quality. The truck then reaches the cold storage or the wholesaler in the market. The processor can buy apples from cold storage or the wholesale market and use them for manufacturing apple juice. The apple juice is then packed under the brand name (for example, Swastham) and goes to retailers (supermarkets or retail stores in your location). Raw apples from wholesalers are also purchased by retailers, and then some small vendors purchase them from retailers to sell across streets and other markets. Finally, you or your family purchase and relish its taste. Thus, you can see that many intermediaries are involved in getting apples to reach you from markets. There are two routes or channels that you would have noted in the above discussion:

1. Channel I: Farmer → aggregator → cold storage → processor → retailer → consumer
2. Channel II: Farmer → aggregator → cold storage → wholesaler → retailer → consumer

There may be other routes also when there is no aggregator and cold storage

3. Channel III: Farmer → Wholesaler → Retailer → Consumer
4. Channel IV: Farmer → Wholesaler → Exporter
5. Channel V: Farmer → Retailer → Consumer

Every channel delivers the product to the final consumer. In case of cereals, the Food Corporation of India is engaged in procuring and distributing them through fair-price shops. Hence, one of the channels for rice and wheat (through the fair-price shops) is

Farmer → Food Corporation of India → Fair Price Shop → Consumer

If a village trade is involved, then the channel becomes



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Farmer → Village trader → Wholesaler → Retailer → Consumer

Rice and pulses go through the millers to finally reach retailers and consumers. Thus millers are important in pulses and rice distribution channels.

A marketing channel is the chain of intermediaries through whom the various food grains pass from producers to consumers. Kohls and Uhl (2002) defined marketing channels as alternative routes through which the product flows from producers to consumers.

There are several factors that affect the length of marketing channels. If a product is perishable by nature, the length of the channel must be short, for example, fruits are harvested from the farmer's field and then are quickly transported to the point of consumption with less number of middlemen. Cereals, on the other hand, are picked from the field, then go to the processor, wholesaler, retailer, and consumer. In case of cereals and millers, processors are added to the channel. In case of oilseeds, we have oil extractors in the channel. The nature of the end product decides the length of the channel. If one wants to consume raw, channel will be short, with refined or processed form of the same product, the length will increase. Small units are sold through retailer; bulk is sold through wholesalers. Sometimes, neither wholesaler, nor retailer is involved; the product is directly sold to the consumers, like in Farmers' markets where one can directly purchase from the growers.

**INTEXT QUESTIONS 21.2**

1. Cereals have..... marketing channel than fruits.
2. Where does the consumer directly purchase product from the growers?
3. Why marketing channels are existing in agriculture market?

21.4 MARKETING FUNCTIONARIES

Following are the marketing functionaries involved in the marketing of the agricultural produce

21.4.1 Producers:

Producers, also known as farmers, are the first functionaries. Farmers perform important marketing functions like, grading, sorting, and cleaning, among others. They also sell

their produce in village or local markets. Farmers who are big and have relatively large produce to handle also perform the function of transporting the produce to distant markets and selling it to wholesalers in cities. Direct selling to wholesalers or large buyers in the cities helps farmers to earn profits.

21.4.2 Middlemen:

Middlemen perform various marketing functions and add value to the produce. However, redundant middlemen who do not add any value to the commodity ecosystem are not desirable. They can be classified as follows:

- A. **Merchant middlemen:** They hold the title of the goods and sell or buy them on their own. Further, the merchant middlemen are of two kinds:
 - a. **Wholesalers:** They trade in bulk. They may buy the agricultural commodities either directly from farmers or other traders (could be other wholesalers too) in the market and then sell it to the retailers either in the same market or in other markets. The functions performed by the wholesalers are:
 - Assembling the goods for consumers from different localities
 - Sorting the goods based on their quality
 - Maintaining the supply during peak and lean seasons
 - Regulate the flow of goods in various markets
 - Provide loan facilities to farmers to meet their requirements
 - They have storage facility also.
 - b. **Retailers:** Wholesalers are the point of purchase for bigger buyers, for example, processors who need the commodity in bulk. But what about the small quantities or small traders? The merchant middlemen who purchase from wholesalers and then sell in small units to the consumers are called retailers. These are closest to the consumers in any marketing channel.
 - c. **Itinerant traders:** These are petty merchants who purchase directly from producers. Generally, small and marginal farmers sell to itinerant traders as they don't have enough income to take the product themselves to the buyers in the markets. Itinerant traders move from one village to another and make this task easy for the farmers by purchasing the produce directly from them, transporting it to the market, and selling it there.



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d. Village merchants: As the name suggests, they function at the village level. It is generally found that in villages, farmers take loans from local traders because they believe that institutional sources of finance (such as banks) involve a lot of paperwork and are hard to access. The easy availability of loans from non-institutional sources of finance, such as these village merchants, binds them to sell their produce only to these village merchants. The village merchants not only provide loans to the farmers, but they also supply essential goods for consumption purposes to these farmers. Another feature of this relationship is that the farmers who sell to these village merchants are poor and therefore cannot go to distant markets to sell their produce.

B. Agent middlemen: Agent middlemen act on the part of their clients. They neither own the produce nor hold its title. The agent middlemen provide services and have nothing to do with the buying and selling of the goods in the market. Now you must be wondering what kind of services are needed in the markets. There are several services like weighing, grading, sorting, packaging, sewing bags, loading, unloading and many more. All these services are provided by the middlemen. In lieu of the services that these agent middlemen provide, they charge the farmer. This is known as their commission or brokerage. The Agent middlemen are of two types.

a. Commission agents or Arhatias: A commission agent acts as a representative of either the buyer or the seller in the market and handles the product in its physical form. Their job is to connect the buyer and seller and help execute the trade. They find prospective buyers and sellers and act as a mediator between them. The agent negotiates on both parties' behalf and is also responsible for arriving at an equilibrium price agreed upon by both parties. Upon the execution of the trade, they collect money from the buyer, deduct their commission, and pay the remaining amount to the seller. In exchange for the money, they deliver the goods in physical form. In unregulated markets, the commission agent is also known as an 'arhatia,' and these are two types: Kaccha arhatia and Pacca arhatia.

Kaccha arhatia: They act on farmers' behalf. They charge interest on the loan they provide to the farmers. Alongside, they also charge commission or arhat to the farmers.

Pacca arhatia: They act on behalf of traders like oil, pulse and rice millers, cotton and jute traders etc.

In regulated markets, the commission agent is only of one type and is known as an 'A' class trader. He occupies a shop or a godown for his client and charges for the service. He provides several other chargeable facilities to his client, who could be either farmers or traders.

- b. **Brokers:** Brokers are also service providers but they do not have the physical possession of the commodity. A broker brings together the buyers and the sellers, so that both parties can negotiate. For rendering this service or facilitating the negotiation between parties, brokers charge 'brokerage' which depends on the kind of services provided. In physical markets, their role is limited; however, they are essential for virtual markets.
- c. **Speculative middlemen:** Speculative middlemen hold the title to goods and make profits by trading them. They have access to a lot of information related to prices, production, weather, and other factors that affect the supply and demand of commodities, which helps them in discovering prices in the market. Their role is important as they help stakeholders make informed decisions. They absorb the risk of price and production by buying at low prices, giving signals to others to buy, and selling at higher prices, giving a sell signal. They make profits on short and long-run market fluctuations and exit the market accordingly. Other stakeholders like farmers and traders simply follow them.
- d. **Facilitative middlemen:** As the name suggests, these middlemen shall make marketing easy. Yes, you understood it right. Facilitative middlemen facilitate various marketing sub-activities and charge fee against rendering them. These middlemen are:
 - i. **Hamals or labourers:** They perform the loading and unloading of commodities on trucks or other transport means. They also assist in weighing bags in the market and also perform functions like, cleaning, sorting, refilling and stitching of bags. The fee that they charge is commonly known by the name of 'hamali'.
 - ii. **Weighmen:** They weigh the commodities and are paid by the commission agents for performing the job.
 - iii. **Graders:** They grade the commodity into desired grades in the market.
 - iv. **Transport agency:** The agency helps in providing transport facility to move the commodity from one to another market.

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- v. **Communication agency:** It communicates the prevailing prices and quantity available in any market.
- vi. **Advertising agency:** It is engaged in advertising about the product and its quality via different modes like newspapers, radio etc.
- vii. **Auctioneers:** They help in putting up the produce for auction purpose and inviting bids.
- viii. **e-marketing:** They help in selling the products online.

Marketing functionaries	Nature of work
Producer	Person who produces the product.
Wholesaler	Person who buys the produce from producer and add services to it. For this service, he charges a price before further selling the product at market.
Retailer	The market functionaries who sell the produce finally to the consumer.
Middleman/Commission agent	The market functionaries who provide the facilities for marketing of the produce.
Consumer	The person who finally pays for consumption of the produce.

**INTEXT QUESTIONS 21.3**

- Wholesalers trade in
- Merchant middlemen hold the of the good.
- In unregulated markets, commission agents are also known as
- Hamals are..... middlemen.

21.5 MARKETING FUNCTIONS

Marketing function is defined as any single activity which is performed in moving a product from production centre to the consumers. There are several ways to classify

marketing functions.

According to Thomsen, marketing functions are classified as:

A. Primary functions: These include

- a. Assembling or procurement
- b. Processing
- c. Dispersion or distribution

B. Secondary functions: These include

- a. Grading
- b. Standardization and quality control
- c. Packing or packaging
- d. Storage and warehousing
- e. Risk management
- f. Price determination or discovery
- g. Dissemination of market information
- h. Transportation
- i. Buying and selling
- j. Financing

C. Tertiary functions: These include

- a. Banking
- b. Supply of energy
- c. Electricity
- d. Communications – posts & telegraphs
- e. Market information



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Further the marketing functions are classified in following way¹:

- A. Physical functions:** These include
 - a. Grading
 - b. Storage and warehousing
 - c. Transportation
 - d. Processing
- B. Exchange functions:** These include
 - a. Selling
 - b. Buying
- C. Facilitative functions:** These include
 - a. Financing
 - b. Risk taking
 - c. Standardization of grades
 - d. Dissemination of market information

Another classification of marketing functions² is given in following way:

- A. Physical movement functions:** These include
 - a. Grading
 - b. Packing
 - c. Storage
 - d. Transportation
 - e. Distribution
- B. Ownership movement functions:** These include
 - a. Determining need
 - b. Creating demand
 - c. Finding buyers and sellers

- d. Negotiation of price
- e. Rendering advice
- f. Transferring the title to goods

C. Market management functions: These include

- a. Financing
- b. Accounting
- c. Securing information
- d. Formulating policies
- e. Providing organization supervision



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INTEXT QUESTIONS 21.4

1. Banking is function of marketing.
2. Give two examples of exchange functions.
3. Which of the following comes under primary function of marketing?
 - a. Banking
 - b. Processing
 - c. Communication
 - d. Risk management



ACTIVITY 1

Visit to a grain market or APMC market in your area and know about participants in the market and what do they do. Try to find out their margins. Don't you wonder why they are richer than your farmers?

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**Notes****21.6 MARKETING INSTITUTIONS**

Marketing institutions have a greater role to play in agricultural marketing. Marketing institutions means all government and private bodies including farmer and trader bodies which are involved in marketing functions. Marketing institutions give way to:

- Framing rules and regulations to facilitate trade
- Establishing organizations to perform certain marketing functions
- Establishing market infrastructure like storage, warehousing, grading and standardization facilities, and quality control labs, etc.
- Administering government policy and programmes
- Regulating demand and supply through various measures

21.6.1 Public sector marketing institutions:

- **Directorate of Marketing and Inspection (DMI), Faridabad**
It was established in 1935 to implement the policies and programs of marketing of agriculture and allied produce in the country.
- **Commission for Agricultural Costs and Prices (CACP)**
Established in 1965, CACP recommends two set of prices – Minimum Support Prices and procurement price.
- **Food Corporation of India (FCI)**
Established in 1965, FCI is involved in maintaining buffer storage and distribution of food grains across the country at affordable prices to the needy population.
- **Jute Corporation of India (JCI)**
Headquartered in Kolkata and set up in 1971, JCI works for the betterment of the jute cultivators, especially getting them access to the Minimum Support Prices for Jute.
- **Cotton Corporation of India (CCI)**
It was established in 1970 under Companies Act 1956. It is headquartered in Mumbai and engaged in trade, procurement and export of cotton.
- **Tea Board**
It was established under Tea Act 1953 and advances loan and subsidies to tea

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growers for extension, planting, and replanting of tea gardens. It also promotes export, market intelligence, and participation of tea growers in fairs, exhibitions etc.

- **Coffee Board**

It was set up on December 21, 1940 under Coffee Market Expansion Act. It is located in Coorg, Karnataka and engaged in promotion of sales and consumption of Indian coffee in India and rest of the World.

- **Spices Board**

It was established in 1987 at Cochin, Kerala under Spices Board Act 1986. The Board looks after more than 50 crops, their quality production and exports.

- **Rubber Board**

It was established under Rubber Board Act 1947, in Kottayam, Kerala. The Rubber Board conducts research and training programmes to promote production of Rubber. The board also markets the rubber and provides extension services to the rubber growers in India.

- **Cardamom Board**

It was established in 1966 for developing activities to promote extension of cardamom plantation, improving cardamom's quality and for increasing the productivity of cardamom in India.

- **Tobacco Board**

It was established on January 1, 1976 under the Tobacco Board Act 1975. The main function of the board is to get remunerative prices to the tobacco growers in India.

- **Coconut Board**

It was established on 12th January 1981 and is headquartered in Kochi, Kerala. Its main function is to contribute to production and marketing of coconut through research and extension services.

- **Coir Board**

Coir board was established in 1953 under Coir Board Industries Act 1953, at Allepey, Kerala. The Board conducts research on different aspects of coir industry.



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- **Central Silk Board**
It was set up in 1949 under Central Silk Board Act 1949 in Bangalore. The board is engaged in development of the silk industry, export and import of raw silk.
- **National Horticulture Board (NHB)**
It was set up in 1984 under Societies Registration Act to promote horticulture crops in the country. The Board also established suitable infrastructure to facilitate production, processing and marketing of horticultural products in India. Credit its support, India's production of horticulture crops is more than the production of food grain crops (cereals, pulses, oilseeds etc.).
- **National Dairy Development Board (NDDB)**
It was established in 1965 and assigned the job of creating facilities to promote milk production and marketing in the country.
- **Central Warehousing Corporation (CWC)**
Established in 1962 under Warehousing Corporation Act 1962, it provides logistics support to Indian agriculture sector. It has close to 450 warehouses in India.
- **State Warehousing Corporation (SWC)**
- **Agricultural and Processed Food Products Export Development Authority (APEDA)**
It was established in 1986 and mandated with development of agricultural exports and maximizes foreign exchange through promotion and facilitation of agri-exports.
- **Marine Products Export Development Authority (MPEDA)**
It was established in 1972 to undertake promotional work for marine sector, its development and exports from India.
- **Export Inspection Council (EIC)**
It established to ensure quality of commodities for export from India.
- **Agricultural Produce Market Committee (APMC)**
APMCs are regulated markets to trade in agricultural and livestock produce.
- **e- National Agriculture Market (e-NAM)**
This is the unified national electronic market and helps in connecting farmers pan India through expanded market intelligence service.

*Notes***Cooperative Sector Institutions**

- Primary Agricultural Cooperative Marketing Societies
- National Consumers Cooperative Federation
- Farmer Producer Organizations
- National Cooperative Tobacco Growers Federation
- Special Commodity Cooperative Marketing Organizations (Sugarcane, Sugar, Milk)
- National Cooperative Development Corporation (NCDC)
- National Agricultural Cooperative Marketing Federation
- Tribal Cooperative Marketing Federation
- State Cooperative Marketing Federation

**INTEXT QUESTIONS 21.5**

1. The organization which maintains buffer storage on the behalf of government
 - a. National Horticultural Board
 - b. APEDA
 - c. Food Corporation of India (FCI)
 - d. National Dairy Development Board
2. The public sector institution responsible for agricultural export is
3. Which organization does declare the MSP (Minimum support price)?

21.7 GOVERNMENT POLICY SUPPORT**21.7.1 Agricultural Price Policy**

The agricultural product prices are characterized by

- The supply of agricultural produce does not adjust quickly to changes in demand or price.

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- The cost of production varies across regions.
- The soil characteristics vary from region to region, resulting in application of diverse inputs and adoption of good agricultural practices. As a result, the output quality has large variations.
- Prices decrease during the harvest period and increase during the sowing period. This is due to the simple relationship between supply and prices. As the supply increases during the harvest period, prices fall. When the buyers absorb the supply from the market, prices start to increase. However, at that time, the farmer has nothing to sell.

What comes from this discussion is that the agricultural prices are volatile in nature for various reasons. The Government takes the responsibility of stabilising agricultural prices and takes the responsibility of public distribution through fair price shops or ration shops, and announcing the Minimum Support Prices (MSP) for 24 crops in India. These crops include cereals, pulses, oilseeds, sugarcane, and fibre crops.

History of Agricultural Price Policy:**Commission for Agricultural Costs and Prices (CACP):**

CACP was set up in 1965 under the Ministry of Agriculture and Farmers' Welfare upon the recommendations of L.K. Jha Committee. The commission's policy contributions are:

- a. **Minimum Support Prices (MSP):** The Cabinet Committee on Economic Affairs reserves the right to recommend the Minimum Support Prices by the CACP. These prices are announced to protect farmers against the steep downward fluctuation in price and act as an assurance against price uncertainty.
- b. **Procurement Prices:** These are the price at which the Government procures the food grains for deficit growing states, for serving the poor and below poverty line population and also to the regions that may face drought, floods or other calamities. These are always higher than the MSP.
- c. **Issue Prices:** These are below open market prices and always higher than procurement prices. Food grains prices supplied through fair price shops and rationing at subsidized rates are issue prices.

21.7.2 Farmer Producer Organizations (FPO):

It is noted that during the sowing season, farmers, especially marginal and small farmers,

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don't have enough cash in hand to purchase inputs. These farmers are still at the mercy of bigger farmers or traders. Not only this, they face trouble getting their produce to the market on time and fail to negotiate prices with buyers. Over time, it has been observed that due to the challenges that the average farmer faces in India, the next generation does not want to take up farming as a source of living. A big question, therefore, is how to make agriculture a remunerative enterprise and how to retain farmers in it.

The challenge lies in ensuring that small and marginal holdings stay productive and remain the source of livelihoods for millions of people. Cooperatives have been suggested as one way to address problems and issues related to small and marginal farming in India. As a result, a large number of farmer cooperatives were born. However, the success of these cooperatives was limited to a few sectors and unpleasant in others. The cooperatives had to be registered with the Registrar of Cooperatives and focused more on welfare. It should be noted that commercial business was never the aim of cooperatives, so they could never develop themselves along those lines. As the operational area of cooperatives is confined to the boundaries within the state, there was less freedom for them to operate.

In view of the above constraints, the government thought of taking up an initiative and formulating legislation that would enable the incorporation of cooperatives as companies and the conversion of existing cooperatives into companies while ensuring that the main elements of the cooperative business remain intact in the new legislation. Later, on the recommendation of a committee headed by Dr. Y.K. Alagh in 2002, an amendment was made in the Companies Act of 1956. Part IXA was introduced in the Companies Act, named the 'Producer Companies Act.' The producer company has to be registered with the Registrar of Companies.

'Gujarat Cooperative Milk Marketing Federation' marketing dairy products under 'Amul' brand name, IFFCO, and KRIBHCO are among the largest producer cooperatives in the World.

21.7.3 Contract Farming/Marketing:

Contract farming is an agreement between a buyer and a seller where a seller provides the inputs to the farmers and also extension services as well. Quality is monitored to grow a crop as per seller's requirements, and thereby marketing of produce is assured to the farmers. PepsiCo, Kisan, and several other companies are engaged in contract farming in India. The Poultry sector is highly integrated and more than 90 per cent poultry farms run on contract.

**Notes****ACTIVITY 2**

Visit as many markets as you can. What are the strengths and weaknesses that you noticed? What can be done to improve these markets?

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**WHAT YOU HAVE LEARNT**

- The term 'Market' is derived from the Latin word 'Marcatus' which means merchandise.
- A market must have defined boundaries. There must be a commodity or good for which the transaction will be carried out.
- As the transaction happens (money for commodity), there must also be buyers and sellers. The buyers and sellers must interact with each other to arrive at equilibrium prices so that the transaction is settled.
- Marketing creates time, place, form, and possession utility via different activities. Storage adds value in terms of time.
- Transportation and logistics are the marketing activities that create place utility for the consumer.
- Processing creates form utility for the customer by adding value to the commodity.
- The goods move from the point of production to the point of consumption through different channels or routes, and in this process, there are stakeholders involved. These routes are known as marketing channels.
- Producers, also known as farmers, are the first functionary in the market.
- Middlemen are essential as they perform different marketing functions, provide services, and add value to the produce.
- Redundant middlemen who do not add any value to the commodity ecosystem are not desirable.

- Middlemen are of four kinds: Merchant Middlemen, Agent Middlemen, Speculative Middlemen, and Facilitative Middlemen.
- In unregulated markets, the commission agent is also known as 'arhatia' and of two types: Kaccha arhatia and Pacca arhatia.
- Brokers are also service providers, but they do not have physical possession of the commodity. A broker brings together the buyers and the sellers so that both parties can negotiate.
- Speculative middlemen have the title to the goods, and they hold this title to make profits.
- Facilitative middlemen facilitate various marketing sub-activities and charge a fee for rendering them.
- The marketing function is defined as any single activity performed in moving a product from the production centre to the consumer.
- Marketing institutions mean all government and private bodies, including farmers and trader bodies, which are involved in marketing functions.
- The Cabinet Committee on Economic Affairs reserves the right to recommend the Minimum Support Prices by the CACP.
- MSP is protection against a steep decline in prices.
- FPOs are farmer collectives engaged in the marketing of inputs and outputs.
- Contract farming is an agreement between a buyer and a seller wherein a seller provides the inputs to the farmers and also extension services and quality monitoring to grow a crop as per his requirements, and thereby assures a market to the farmer.

*Notes***TERMINAL QUESTIONS**

1. Why do we need more of Farmer Producer Organizations?
2. Discuss marketing functions.
3. What are the different institutions involved in marketing?
4. What is the importance of middlemen in the market?



Notes

5. Describe the agricultural marketing system in India.
6. What do you mean by marketing channels?
7. What is contract farming?
8. What are the benefits of contract farming?
9. What do you understand by Minimum Support Prices?
10. What is procurement price?



ANSWERS TO INTEXT QUESTIONS

21.1

1. Marcatus
2. Demand
3. Seasonal
4. Place utility (option b)
5. Processing

21.2

1. Longer
2. Farmers' market
3. The market channel existing in the agricultural market facilitates the smooth flowing of product to consumers.

21.3

1. Bulk
2. Title
3. Arhatias
4. Facilitative

21.4

1. Tertiary
2. Selling and buying
3. Processing (option b)

21.5

1. Food Corporation of India (FCI)
2. APEDA (Agricultural and Processed Food Products Export Development Authority)
3. CACP (Commission for Agricultural Costs and Prices)

GLOSSARY

Market: A place where trade or business is conducted.

Marketing function: Any single activity which is performed in moving a product from production centre to the consumers. It includes assembling, processing, distribution, grading, storage risk management, selling etc.

Middlemen: Middlemen are group of persons in distribution chain facilitating flow of products from producer to consumer. They include wholesaler, retailer, village merchants, commission agent or broker.

Title of goods: The speculative middleman has the agreement with the producer to own the product on an agreed price. Further when he sells this product to whole seller or other market actors, he projects as if he is the owner of the product.

Utility: Utility simply means value. Demand is generated when there is utility.

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Notes

WHAT YOU HAVE LEARNT

