

AGRICULTURAL MARKETING IN THE WAKE OF WORLD TRADE AGREEMENT

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The term agriculture marketing is catching a lot of attention of late in the context of liberalization vis-à-vis globalization and privatization.

For India and the other developing countries, liberalization is an advantage. Initially, many economists were optimistic about being apart of the global village. As time panes, more challenges are coming up leading to more confusion. Given this backdrop, it would be appropriate to collate the relationship between two and its interlinked opportunities in view of open trade policy.

Initially, let us question, the conventional definition of market and its application in the post-modern era. Market is defined as the place where buyers and sellers meet. The question is, in the process of globalization, is there any necessity for the seller and buyers to meet, given the advent of technology specifically when cyber transactions are taking place through fax, telephone and internet. Theoretically, the text book propositions-markets are often related with price, given the condition *ceterus paribus* marketing – the process broadly termed as trade, which occupies an important place in the whole process of economic reforms and liberalization.

Using the Malthusian theory of population as the basis it can be seen that the number of people in the urban belt are in continuous rise; therefore adding doubly to the responsibilities of growing more by the rural peasants – even though the share of agriculture in India's GDP has declined from one-third to just one-fourth and the central statistical organization survey envisages that the share of agriculture enterprises in terms of numbers and employment is on the constant rise.

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Between 1980 – 98 the share of agricultural enterprises rose from 12 to 18 per cent. The farmer therefore has to take commercial and marketing skills equally. In India the size of farms are small and mostly marginal large farms are either left fallow or diversified for different activities by and large. Therefore in this paper farmer refers broadly to small and marginal peasantry system.

Problems of the Indian farmer

- ✱ Small and fragmented holdings
- ✱ Below average yield levels
- ✱ Lack of innovation and mechanization
- ✱ Lack of attention towards quality
- ✱ Post – harvest losses
- ✱ Heavy dependence on monsoon
- ✱ Less of involvement in marketing activities
- ✱ Huge marketing channel
- ✱ Distress sale of produce
- ✱ Poor bargaining power
- ✱ Weak market intelligence services
- ✱ Lack of Political Empathy

Why Trade is vital?

The importance of trade for agricultural produce could be viewed from varied perspectives : nationally as well as internationally keeping in view, economy, peasants, traders, consumers so on and so forth. Few important essentialities that causes poor marketing of agricultural commodities are:

- ✱ Conflicting interests of farmers, middlemen and consumers
- ✱ Fluctuations in agricultural prices and supplies
- ✱ Under utilization of resources like godowns, cold chains, market yards etc.,
- ✱ Inadequate transportation, communication and information network
- ✱ Destitution, seasonality, perishability, glut in production, storage, lack of processing - few to mention

Understanding how the marketing system works

In the whole gamut of marketing system, especially in agricultural commodities, risks and profits are highly linked. Apart from 30 per cent of the produce, normally the produce of the large growers is marketed directly to the wholesale markets. These farmers are in a better position to absorb the risk involved with marketing the produce themselves. On the contrary, the small and marginal farmers, are mostly dependant on local traders / commission agents for marketing their produce.

Market Surplus

In the situation ‘paradox of plenty’ it is very important to assess the adequacy of agricultural marketing infrastructure in the country. It is imperative to estimate the availability of agricultural production and its consumption in term of surplus. The following table depicts the same.

Table : Projection of Production and market Surplus of Agricultural Products (2006 – 07)

Commodity	Market Surplus Ratio(%)	Production		Market Surplus	
		1999-2000	2006-07 (Projected)	1999-2000	2006-07 (Projected)
Rice	43.0	87.5	103.5	37.63	44.50
Wheat	51.5	68.7	84.3	35.38	43.41
Coarse Cereals	43.1	39.2	34.4	16.89	14.83
Total Cereals	-	195.4	222.2	89.90	102.74
Pulses	72.4	13.5	21.0	9.77	15.20
Total Foodgrains	-	208.9	243.2	99.67	117.94
Oilseeds	79.6	21.6	33.8	17.19	26.90
Groundnut	68.3	5.9	11.5	4.03	7.85
Mustard & Rape	84.3	6.1	8.9	5.14	7.50
Other Oilseeds	86.3	9.6	13.4	8.28	11.56
Sugarcane	92.9	315.1	352.8	292.72	327.75
Cotton	100.0	2.1	3.2	2.10	3.20
Vegetables	83.0	85.0	110.7	70.55	91.88
Fruits	97.0	49.5	70.5	48.02	68.38

As can be seen from the table that by 2006-07, the total marketable surplus is 102.74 mt. for total cereals , 151.20 mt for pulses and 26.90 mt for oilseeds.

Market Infrastructure

Agricultural produce markets established under the market regulation programme, have been playing an important role in providing market places to the farmers to sell their produce. The existing marketing system for agricultural and allied produce in the country constitutes a of 3 tier network of markets.

Rural primary market	Conventional way of exchange of goods in the village or in the vicinity of towns
Secondary markets	Serves a geographical area of about 500 sq.km. There are 7289 wholesale assembling markets exists in India
Tertiary Market	Which is of national Importance Transactions are in greater volumes

As an appendage and innovation to the above kind, other alternative marketing system are also cropping up in India with the basic concept of direct marketing with different names in different parts of the country.

Direct Marketing by farmers organisations needs to be promoted in the light of the continued criticism that both farmers and consumers suffer economic losses in the existing agricultural marketing structure. The similar logic holds good for consumer organizations, who can procure directly from producers and distribute to the consumers to equalize with their purchasing powers. The government should support these organizations with different schemes till they become financially self-sufficient on commercial lines.

Marketing through informal groups with an access to common facilities of post-harvest management and use of joint resources has also been found to be successful in Asian countries like Philippines and Malaysia etc. The group action strengthens bargaining power of the farmers and the marketing expenses get spread equally, resulting in a better share in the net returns. This could be a metaphor for 'social capital'. The budget of 2001-02 has announced

agri-business and agri-clinics with the possible expectations in helping rationalizing the involvement of middlemen / intermediaries in the marketing channel. These service providers may fulfill door-to-door orders with full consciousness to packaging and quality.

Another interesting venture could be electronic trading (E-Trading), which may facilitate the direct interaction between buyers and sellers. For this purpose, young entrepreneurs could set up portals of their own. Agricultural produce market committee can also set-up special kiosks for the purpose in order to provide the facilities. The issue in the concept calls for the dual role of farmer as producer and seller. Given the present system of agricultural technology, can we justify the rationale ?

Information Network System

In order to improve the present market information system, The ministry of agriculture has recently implemented an IT based central sector scheme to link 710 important regulated markets spread all over the country including the state agricultural marketing boards and Directorates. Under the scheme, an agricultural information systems network is being set-up to computerize 27 major commodities with online data of daily market arrivals, prices, storages, dispatches with destination costs, sold and unsold stocks, infrastructure facilities etc. With the advances in communication and information technology, the world has become a small place and a larger market at one go.

In order to utilize the new emerging trade opportunities for the benefit of the farming community, agricultural marketing information system in the country needs to be strengthened and IT has a very vital role to play in the whole process.

Forward and Future Markets

The new economic liberalization policy has strengthened the process of commercialization of the agricultural sector. With this process, there is an urgent need for an efficient price risk management to protect the agricultural sector from price volatility. Several agro-based industries including traditional

ones are being set-up. The performances of these industries depend heavily on the price of raw materials, as they constitute a major share in the costs.

High volatility in price makes agro-based industries prone to high price risks. Therefore, it calls for developing a risk management mechanism to safeguard their business and thereby to plan production and sales economically.

In the process of economic liberalization and signing of WTO agreements, the government has given a thrust to enhance international trade in raw agricultural commodities exposing the domestic market to international price risk. Withdrawals of government intervention from commodity sector ensure only demand and supply forces will determine the market prices in the new economic environment. It is also expected that an efficient price management mechanism for agricultural commodities encourage commercial banks to finance the commodity sector and to attract direct foreign investment in the agricultural sector. Given the scenario, future markets may play a vital role.

Commodity futures markets in the country are regulated through forward contracts (regulation) Act 1952, under the jurisdiction of the department of consumer affairs, Government of India. The forward markets commission (FMC) performs the functions of advisory, monitoring supervise and regulation in future and forward trading. The trading is done on exchanges owned by the private associations registered under the act. These exchanges operate independently under the guidelines of their byelaws approved by the FMC. In the country, currently future controls are traded for nine commodities in 20 commodity exchanges : Pepper, castor seeds, castor oils, Potato, gur, turmeric, hessian, sacking, cotton and coffee. International futures trading have been initiated for pepper in Kochi and castor oil in Vashi (Mumbai). The linkages between the spot and future markets seem to be poor due to domination of speculators. The government therefore has to continue its efforts to strengthen traders. Efforts have also to be made to extend the role of exchange in other services like warehousing, financing, investment and market intelligence, which could improve existing of futures markets.

Warehouse Receipts

Warehouse receipts can play an important part in making Indian agri-business more responsive to market opportunities and more competitive in relation to world markets. This can also be an important instrument to make it more attractive for banks to lend to agriculture sector, to reduce the cost of public support for agricultural marketing and to reduce transaction costs and to improve price risk management.

They ensure increased liquidity in rural areas, lower cost of financing, shorter and more efficient supply chain, enhanced rewards for grading and quality, development of other productivity enhancing agricultural services and better price risk management.

Government warehouses have hitherto mainly served the public sector, they constitute a major asset that can be used to further the employment of warehouse receipts. Government warehouses are there across the nation. They have developed a homogenous storage and quality practices and their warehouse receipts are accepted by most banks. Their drawback in the paradigm of liberalization and globalization are that they are not well integrated with private supply chains, which acts as hurdle in lending specially by the international banks and therefore this paper proposes autonomy-thereby improved services.

Price Support Policy

Food grains marketing has been a subject of considerable debate in the recent past. It is noted that the intervention by the Government in foodgrains market, specially rice and wheat in the form of price support, buffer stocking and public distribution system (restricted to politically strong states) has helped to achieve self-sufficiency also improving the physical and economic access of masses to food. Therefore, food security and food management system built up over the years acts as an essential component of national policy.

The minimum price support policy is currently applicable to 24 agricultural commodities, where needs to be continued. However, there are several other commodities, which are of considerable economic significance in various

agro-climatic regions of the country that need urgent attention through comprehensive price stabilization scheme of selected crops. The scope and contents of market intervention scheme by the respective state governments should be encouraged to formulate and implement market intervention programmes for establishing the prices of crops not covered by MSP policy. Through the policy of market interventions, operational efficiency of purchasing agencies needs to be toned up in the context of cost efficient purchases vis-à-vis competitive sales so as to avoid or reduce losses. There is a considerable variation in the structure of taxes and fee on the agricultural produce in various states, which also distorts the operation of the domestic markets leading to wrong signals to the producers with considerable fallacy in the efficiency of the operation of the private traders via farmers cooperatives and public agencies. There is a need for bringing uniformity in the state level tax structure for agriculture commodities for improving the marketing efficiency.

Epilogue

The trading system can only be understood when it is replaced within the context of an economic life, and no less a social life. And this complex is itself constantly evolving and undergoing metamorphosis; it never has the same meaning from one era to the next. Given the constantly changing agrarian structure, there needs to be an equal change in the trading pattern (both domestic and international). Efficiency in theorizing the concepts related to marketization simply may not be laudable. There needs to be an effective implementation simultaneously. Another factor that calls for attention wherever there is innovations to be introduced, is the issues of sustainability and the linkages (backward and foreword) that are involved.

There is need to reduce the gap between conceptualization and thereby efficiency in programming. There was a proposal to modify the essential commodities act 1955 in the budget of 2001- 2002, which is yet to take shape. Unless there is free trade within the country, The process of international trade has hardly any relevance. The World Bank glorified concept 'social capital' –grouping up by coming together around certain activities or by virtue of their status (small and marginal farmers here) etc., may work. Basically,

Indian farmers are very skeptical in nature. They are a bit conservative in terms of sharing the resources. There are instances where groups could not manage conflicts and thereby dilution has set in place.

The economic reforms in India have helped to address the problems of marketing vigorously, which has gained momentum due to signing the World Trade Agreement. Given the conditions, it is important for our farmers to realize the situation and understand the intricacies. Farmers should be made to realize the importance of getting organized like in the western (developed) countries, so that their voices are heard and to have more bargaining power. In the process, education plays an important role. A little more effort from the public extension system would probably work with the assistance of voluntary agencies who are already in the job. When we talk of international trade – along with the quality and management, it is equally essential to have internal liberalization at least for the sake of small and marginal farmers.

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