

Strategies for development of Agri-Marketing System

Production and marketing aspects of agricultural produce are intertwined with each other. Market-driven production rather than production-propelled marketing is the order of the day. Under the present dispensation, the agriculture and allied departments dealing with production enhancement are totally dissociated from the marketing setup. This has led to conspicuous absence of integration in planning and implementation of different schemes at district level. The need of the hour is to bring convergence amongst agriculture and allied departments in marketing of agricultural produce. This calls for convergence of schemes and resources therein to explore the synergies for the benefit of farmers. Efforts have been made to realize this objective through ATMA platform at the district level.

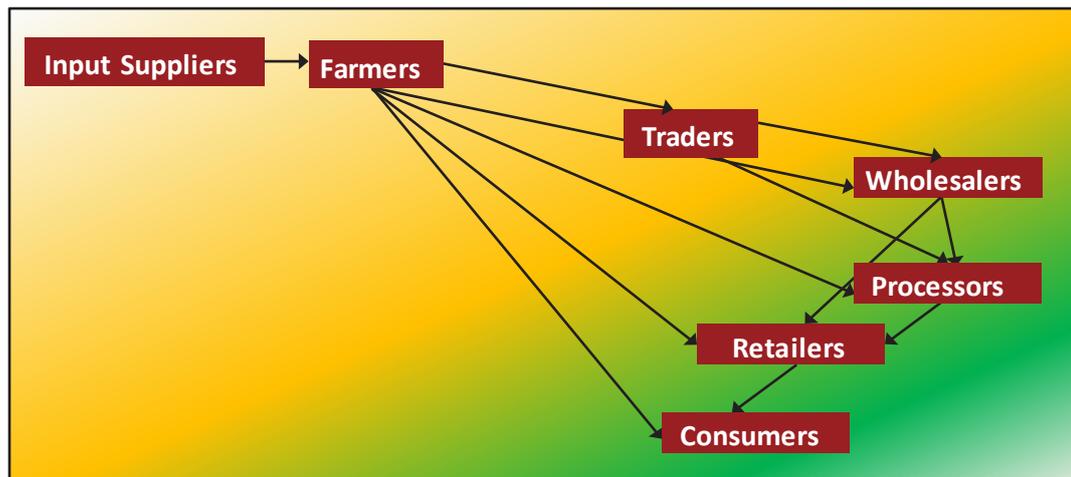
The efficacy of the agricultural marketing system has to be assessed in terms of both the infrastructure facilities (hardware) and different ongoing marketing practices (software). An analysis of the existing system reveals that the existing gaps on the marketing front are mainly due to absence of coordination between the production departments and marketing departments. It is also observed that the present agricultural policy/plans are basically production-focused, relegating the marketing aspects to the back burner.

The agricultural marketing system is no more confined to regulated market only and the change in the dynamics in the agricultural economy has brought about changes in the marketing systems in the form of different alternative marketing systems such as value chain, Contract Farming, Direct Market, Futures Market, Spot markets, Group Marketing, Hub and Spoke model of terminal markets etc. These instruments have the potential to measure up to the challenges of modern agricultural production system. Hence, there is a need to tune the marketing system to the needs of the production system. This calls for concerted efforts of both the agencies i.e., production and marketing, through an integrated planning process.

Value chains play an important role in transforming agriculture commodities from raw material to end products demanded by the consumers. There are number of stakeholders involved in the agricultural commodity value chains and the partitioning of gains among the stake holders along the chain is often debated and analyzed. Farmers, traders, wholesalers, retailers, big retail chains and consumers are major actors of the vale chain. With the collective enlightenment of all stakeholders.

- The value addition in different phases of production can be mapped into a value chain map for easy understanding, which depicts interlinkages between successive stages in the value chain. A simplified value chain map as shown in figure.
- As markets develop, the value chains will become more complex with more competing channels both for inputs and outputs.
- A wide range of participants from smallholder farmers to transnational retailers with a wide range of technologies such as small-scale juice vendors to large sugar manufacturing plants will participate in value chains.

- ✦ Understanding the value chain is important as it explores why farmers choose a particular type of input like type of seeds they purchase given the institutional and market infrastructure and demand.
- ✦ The value chain maps are helpful in understanding these chain actions throughout the value chain.
- ✦ The market map is an analytical tool that helps in understanding policy issues that affect the functioning of the chain and also the institutions and organizations providing the services (eg, market information, quality standards) that the different chain actors need in order to make better informed decisions.

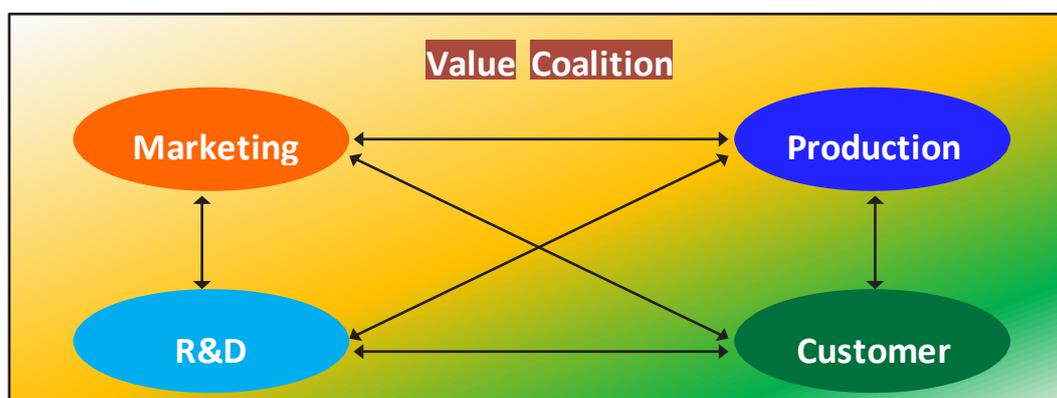


Market Map is made up of three interlinked components

- ✦ Value chain actors (farmers, traders, consumers)
- ✦ Enabling environment (infrastructure and policies, institutions and processes that shape the market environment)
- ✦ Service providers (the business or extension services that support the value chains' operations).

Value Coalitions

- ✦ Often, a single work process can concurrently involve several units in the value chain and might be more accurately thought of as value coalitions.
- ✦ The value coalition model recognizes that value is often created by the simultaneous interaction of several stakeholders.



- ✦ In figure R&D, Marketing, Production and Customers are all viewed as working together to add value.
- ✦ Problems arising in the value coalition model thus involve several units and require their simultaneous participation to find solutions.

How producers, contracting firms will benefit from efficient value chains

- ✦ The concept of agricultural value chain includes the full range of activities and participants involved in moving agricultural products from input suppliers to farmers' fields, and ultimately, to consumers.
- ✦ Each stakeholder in the chain has a link to the next in order to form a viable chain. By understanding the complete production to consumption system of dryland crops, it is possible to determine how the marketing and value-addition activities take place and who shares how much benefit from such activities.
- ✦ It has been argued that linking of farmers to the markets through efficient value chains would reduce the use of intermediaries in the chain, and strengthen the value-adding activities by better technology and inputs, upgraded infrastructure, processing and exports.
- ✦ This process can raise the income of farmers and will provide an incentive for improving their management practices towards higher farm productivity.
- ✦ The income of the farmers can be enhanced by increasing production, value addition, and better marketing options.
- ✦ The marketing factors are marketable surplus, marketing channels, numbers of players at each level, profit margin of respective players, cost reducing innovations along the value chain and value addition by different value chain players.
- ✦ The strengthening of value chains by some sort of contract between producers and firms will benefit both producers and firms that are involved in input/technology supply and output marketing.

Contract Farming

Contract farming is generally defined as farming under an agreement between farmers and processing and or marketing firms for the production and supply of agricultural products under forward agreements, frequently at predetermined prices. Within this broad frame work there are different variants of contracts depending on the intensity of contractual arrangements.

Variations of contracts

- ✦ **Market provision:** -Terms & conditions of future sale: price, quality, quantity and timing etc.
- ✦ **Resource provision:** -selected inputs, extension or credit including on occasions land preparation and technical advice
- ✦ **Management specifications:** -The grower agrees to follow recommended production methods, inputs regime, and cultivation and harvesting specifications.

Contract farming- a crying need

- ✦ Addresses traditional ills
- ✦ Fragmented holdings, long chain of market intermediaries.
- ✦ Producer's ignorance about buyers' requirements- marketing concept

- ✦ Low farm mechanization
- ✦ Inadequacy of capital and distress sale
- ✦ Contract farming;- scale economy, corporate mgt, reduce transaction costs, vertical integration

✦ Crops suitable for Contract Farming

- ✦ **Perishable:** cannot be stored for long periods and needs to find market immediately
- ✦ **Bulky:** and therefore costlier to transport
- ✦ **Plantation crops:** Growers cannot abandon the plantations or the estates and are locked into relationship with processor
- ✦ **Processable:** Need for processing created inter-dependence between growers and processors, vulnerable to exploitation
- ✦ **Variations in quality:** Where crops vary in quality and quantity, is important for processing
- ✦ **Unfamiliar:** Medicinal plants like Safed musli, Ashwagandha etc. and new products for new markets like gherkins etc

Contract Farming Status In Odisha		
State	Crop	Company/ Corporate
Odisha	Seeds (paddy, Ragi, Green gram, arhar, ground nuts etc), Vegetables, Milk, Sugar, Eucalyptus	Orissa State seeds Production Corporation, Nature Fresh, Vegi cart, OMFED, Shakti Sugar, J.K.Paper

Group Marketing

- ✦ Farmers form group for marketing of their produce
- ✦ Take advantage of common transportation, storage, access to information, bargaining,
- ✦ Group can go in for backward linkage and forward linkage
- ✦ Group can directly sell to hotels, hostels, restaurants etc
- ✦ Groups can take advantage of Government schemes.

Retail Chain Linkage

- ✦ Retail chains like Wall Mart, Reliance, Spencer etc. do backward linkage and forward linkage
- ✦ Enter into contract farming mode, providing advisory services, quality inputs and assured market for the produce and also assured price to the farmers for their produce
- ✦ Provide safe food to the consumers, by promoting good agricultural practices (GAP) at the pre-harvest stage (insecticide and pesticide residue)
- ✦ Save the farmers from being exploited by unscrupulous middlemen

Direct Marketing

- ✦ In regulatory marketing system, the state APMC Acts did not permit direct purchase from the farmers' field and the farmers were supposed to come to the market yard for selling their produce
- ✦ This was discouraging processing, export and contract farming etc.
- ✦ Now after the reforms direct marketing is permitted in the states which have amended their state acts as per Model Act of the central Government.

- ✦ Under direct marketing provision, a trader, exporter, and processor can directly buy from the farmers and enter into buy back arrangement with them.
- ✦ Now under direct marketing a number of farmer markets (Rythu Bazar of Andhra Pradesh, Uzvar Santhaigal of Tamil Nadu, Apni Mandis of Punjab) have been set up in different states. These markets facilitate direct linkage between farmers and consumers and other end-users.
- ✦ This is a model to eliminate middlemen and improve farmer's share in consumer's rupee.

Support Price Marketing

- ✦ Under the system, MSP is provided to the farmers for a number of food grains and other fiber crops.
- ✦ During the harvest season a number of procurement centres are set up for this.
- ✦ These procurement centres are equipped with requisite quality assessment equipment during the harvest season, as prices are linked to the grade of the produce based on different quality parameters. e.g moisture content for paddy.
- ✦ The procurement centres are supposed to have infrastructure for weighing, storage, transportation etc.

Processor Marketing

- ✦ A processor of a certain produce need certain processible varieties of certain quality and quantity with assured supply throughout the year / season.
- ✦ A processor, of necessity, has to go in for buy-back arrangement
- ✦ Those states which have amended their APMC Acts (17 till now) very much promote and encourage processing
- ✦ Processing leads to crop diversification and better income to farmers.

Spot Marketing

- ✦ A spot exchange (say National Spot Exchange) provides an electronic platform, an alternative to regulated marketing, for online transaction throughout the country(like stock market)
- ✦ Spot Exchanges like NSE, NCDEX Spot exchanges etc have now outlets in different market yards.
- ✦ Thus the farmer is not confined to a particular market yard or not under compulsion to sell through only a particular commission agent.

Export Marketing

- ✦ Exporters directly procure from the farmer field
- ✦ Enter into buy-back arrangement with farmers
- ✦ Set up their own procurement centres and other infrastructure like storage, cold storage facilities in the production pockets.
- ✦ Thus provide the farmers access to markets, marketing infrastructure, quality control, remunerative price for their produce etc.

Futures Market and Commodity Exchanges

- ✦ A future exchange is a financial market where different groups of participants trade commodity – linked contracts, with the underlying objective of transferring exposure to commodity –price risks.

Agricultural Marketing Development

Well-functioning marketing systems necessitate a strong private sector backed up by appropriate policy and legislative frameworks and effective government support services. Such services can include provision of market infrastructure, supply of market information and agricultural extension services able to advise farmers on marketing.

Agricultural Advisory Services and the Market

Promoting market orientation in agricultural advisory services aims to provide for the sustainable enhancement of the capabilities of the rural poor to enable them to benefit from agricultural markets and help them to adapt to factors which impact upon these.

Market Infrastructure

Efficient marketing infrastructure such as wholesale retail and assembly markets and storage facilities is essential for cost-effective marketing, to minimize post-harvest losses and to reduce health risks. Markets play an important role in rural development, income generation, food security, developing rural-market linkages and gender issues. Rural assembly markets are located in production areas and primarily serve as places where farmers can meet with traders to sell their products.

Market Information

Efficient market information can be shown to have positive benefits for farmers and traders. Up-to-date information on prices and other market factors enables farmers to negotiate with traders and also facilitates spatial distribution of products from rural areas to towns and between markets. The service provided is often insufficient to allow commercial decisions to be made because of time lags between data collection and dissemination. Modern communications technologies open up the possibility for market information services to improve information delivery through SMS on cell phones and the rapid growth of FM radio stations in many developing countries offers the possibility of more localized information services. In the longer run, the internet may become an effective way of delivering information to farmers. Market information services but these have largely been targeted at traders, commercial farmers or exporters.

Farmer's Producer Organization

Farmer's producers organizations refer to independent, non-governmental membership based rural organization of part or full time self-employed small holders and family farmers. FOs are essential institutions for the empowerment, poverty alleviation and advancement of farmers and the rural poor politically, FOs strengthen the political power of farmers, by increasing the likelihood that their needs and opinions are heard by policy makers and the public. FOs can help farmers gain skills, access inputs form enterprises, process and market their products more effectively to generate higher incomes. By organizing, farmers can access information needed to produce, add value market their commodities and develop effective linkages with input agencies such as financial service providers, as well as output markets. FOs can assists their members purchase input and equipment, meet quality standards and manage the drying, storage, grading, cleaning, processing, packing, branding, collection and transportation of produce. Organize farmers have greater bargaining power than individual and are better able to negotiate with other more powerful market players.

The participant farmers will be supported to identify appropriate crops relevant to their context, provided access to modern technology through community based processes including farmers field schools, their capacities will be strengthened and they will be facilitated to access forward linkages with regard to technology for enhanced productivity, value addition of feasible products and market tie up.

