CHAPTER 1
INTRODUCTION

Mankind is considered the superior to the living things in the world. Civilization transformed that into producer of food and other basic requirements from the nomadic behavior in which hunting and snatching were the way of life. Land cultivation and food production marked the beginning of civilization particularly in the riparian lands. Mother Nature has to offer Her blessings to satisfy the food needs of all living creatures. Land cultivation, otherwise known as farming is influenced by the behavior of natural events like rainfall, drought, flood, storm and so on and so forth. Food production has its limitations and so all food cannot be produced in all places. In other words, food production is restricted to specific locations where the soil, weather and moisture favor that activity. Nevertheless food produced has to be consumed worldwide by the human beings, animals, birds and others in need. A group of people specializing in food production and identified as farmers shoulder the noble responsibility of feeding the entire world. Hence there is no need to emphasis that food produced at specific places has to be distributed to other places of consumption. It is in this juncture, marketing plays its vital role.

Marketing is as critical to better performance in agriculture as farming itself. Therefore, market reform and marketing system improvement ought to be an integral part of policy and strategy for agricultural development. Although a considerable progress has been achieved in technological improvements in agriculture by the use of high-yielding variety seeds and chemical fertilizers, and by the adoption of plant protection measures, the rate of growth in farming in developing countries limping behind the desired levels. This has been largely attributed to the fact that not enough attention has been devoted to the facilities and services which must be available to farmers that would support agricultural sector for its development. Marketing is one of those facilities needed for over all economic development of nations.

Concept and Definition

The term *agricultural marketing* is composed of two words – agriculture and marketing. Agriculture, in the broadest sense, means activities aimed at the use of natural resources for human welfare, *i.e.*, it includes all the primary activities of production. But, generally, it is used to mean growing and/or raising crops and livestock. Marketing encompasses a series of activities involved in moving the goods from the point of production to the point of consumption. It includes all activities involved in the creation of time, place, form and possession utility.

Philip Kotler has defined marketing as a human activity directed at satisfying the needs and wants through exchange process.

American Marketing Association defined marketing as the performance of business activities that directs the flow of goods and services from producers to users.

According to Thomsen, the study of agricultural marketing comprises all the operations, and the agencies conducting them, involved in the movement of farm-produced foods, raw materials and their derivatives, such as textiles, from the farms to the final consumers, and the effects of such operations on farmers, middlemen and consumers.

Agricultural marketing is the study of all the activities, agencies and policies involved in the procurement of farm inputs by the farmers and the movement of agricultural products from the farms to the consumers. The agricultural marketing system is a link between the farm and the non-farm sectors. It includes the organization of agricultural raw materials supply to processing industries, the assessment of demand for farm inputs and raw materials, and the policy relating to the marketing of farm products and inputs.

According to the National Commission on Agriculture (XII Report, 1976), agricultural marketing is a process which starts with a decision to produce a saleable farm commodity, and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations, and includes pre- and post-harvest operations, assembling, grading, storage, transportation and distribution.

Agricultural marketing system in developing countries including India can be understood to compose of two major sub-systems *viz.*, product marketing and input (factor) marketing. The actors in the product marketing sub-system include farmers, village/primary traders, wholesalers, processors, importers, exporters, marketing cooperatives, regulated market committees and retailers. The input sub-system includes input manufacturers, distributors, related associations, importers, exporters and others who make available various farm production inputs to the farmers.

However, as Acharya has described, in a dynamic and growing agricultural sector, the agricultural marketing system ought to be understood and developed as a link between the farm and the non-farm sectors. A dynamic and growing agricultural sector requires fertilizers, pesticides, farm equipments, machinery, diesel, electricity, packing material and repair services which are produced and supplied by the industry and non-farm enterprises. The expansion in the size of farm output stimulates forward linkages by providing surpluses of food and natural fibres which require transportation, storage, milling or processing, packaging and retailing to the consumers. These functions are obviously performed by non-farm enterprises. Further, if the increase in agricultural production is accompanied by a rise in real incomes of farm families, the demand of these families for non-farm consumer goods goes up as the proportion of income spent on non-food consumables and durables tends to rise with the increase in real per capital income. Several industries, thus find new markets for their products in the farm sector.

Agricultural marketing, therefore, can be defined as comprising of all activities involved in supply of farm inputs to the farmers and movement of agricultural products from the farms to the consumers. Agricultural marketing system includes the assessment of demand for farm-inputs and their supply, post-harvest handling of farm products, performance of various activities required in transferring farm products from farm gate to processing industries and/or to ultimate consumers, assessment of demand for farm products and public policies and programmes relating to the pricing, handling, and purchase and sale of farm inputs and agricultural products. Of late trade in the domestic and international markets also become the part of it.

Scope and Subject Matter

Agricultural marketing in a broader sense is concerned with the marketing of farm products produced by farmers and of farm inputs and services required by them in the production of these farm products. Thus, the subject of agricultural marketing includes product marketing as well as input marketing.

The subject of output marketing is as old as civilization itself. The importance of output marketing has become more conspicuous in the recent past with the increased marketable surplus of the crops and other agricultural commodities following the technological breakthrough. On one hand surplus production in agriculture resulted in problem of distribution to consumption centres and on the other transformed agriculture into a commercial venture where market needs came to the lime lite. Input marketing is a comparatively new subject. Farmers in the past used such farm sector inputs as local seeds and farmyard manure. These inputs were available with them; the purchase of inputs for production of crops from the market by the farmers was almost negligible. The importance of farm inputs – improved seeds, fertilizers, insecticides and pesticides, farm machinery, implements and credit – in the production of farm products has increased in recent decades. The new agricultural technology is input-responsive. Thus, the scope of agricultural marketing must include both product marketing and input marketing. In this book, the subject-matter of agricultural marketing has been dealt with; both from the theoretical and practical points of view. It covers what the system is, how it functions, and how the given methods or techniques may be modified to get the maximum benefits.

Specially, the subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and costs, price spread and market integration, producer's surplus, marketing institutions, government policy and research, imports/exports of agricultural commodities and commodity and futures trading.

New Role of Agricultural Marketing

Agricultural marketing scenario in the country has undergone a sea-change over the last six decades owing to the increases in the supply of agricultural commodities and consequently in their marketed surpluses; increase in urbanization and income levels and thereby changes in the pattern of demand for farm products and their derivatives; slow and steady increase in the linkages with the overseas markets; and changes in the form and degree of government intervention in agricultural markets. Therefore, the framework under which agricultural produce markets function and the factors which influence the prices received by the farmers now need to be understood in a different perspective compared to that in the past. The role of marketing now starts right from the time of decision relating to what to produce, which variety to produce and how to prepare the product for marketing rather than limiting it to when, where and to whom to sell.

Markets and Marketing

Market – Meaning

The word *market* originated from the latin word 'marcatus' which means merchandise or trade or a place where business is conducted.

Word 'market' has been widely and variedly used to mean: (a) a place or a building where commodities are bought and sold, *e.g.,* super market; (b) potential buyers and sellers of a product; *e.g.,* wheat market and cotton market; (c) potential buyers and sellers of a country or region, *e.g.*, Indian market and Asian market; (d) an organization which provides facilities for exchange of commodities, *e.g.*, Bombay stock exchange; and (e) a phase or a course of commercial activity, *e.g.*, a dull market or bright market.

There is an old English saying that two women and a goose may make a market. However, in common parlance, a market includes any place where persons assemble for the sale or purchase of commodities intended for satisfying human wants. Other terms used for describing markets in India are *Haats, Painths, Shandies* and *Bazar*.

The word market in the economic sense carries a broad meaning. Some of the definitions of market are given below:

1. A market is the sphere within which **price determining forces** operate.
2. A market is the area within which the forces of **demand and supply** converge to establish a **single price.**
3. The term market means not a particular market place in which things are bought and sold but the **whole of any region** in which buyers and sellers are in such a free intercourse with one another that the prices of the same goods tend to equality, easily and quickly.
4. Market means a **social institution** which performs activities and provides facilities for exchanging commodities between buyers and sellers.
5. Economically interpreted, the term market refers, not to a place but to a **commodity or commodities and buyers and sellers** who are in free intercourse with one another.
6. The American Marketing Association has defined a market as **the aggregate demand o**f the potential buyers for a product/service.
7. Philip Kotler defined market as an **area for potential exchanges.**

A market exists when buyers wishing to exchange the money for a good or service are in contact with the sellers who are willing to exchange goods or services for money. Thus, a market is defined in terms of the existence of fundamental forces of supply and demand and is not necessarily confined to a particular geographical location. The concept of a market is basic to most of the contemporary economies, since in a free market economy, this is the mechanism by which resources are allocated.

Components of a Market

For a market to exist, certain conditions must be satisfied. These conditions should be both necessary and sufficient. They may also be termed as the components of a market.

1. The existence of a good or commodity for transactions (physical existence is, however, not necessary);
2. The existence of buyers and sellers;

3. Price at which the commodity is transacted or exchanged
4. Business relationship or intercourse between buyers and sellers; and
5. Demarcation of area such as place, region, country or the whole world.

Dimensions of a Market

There are various dimensions of any specified market. These dimensions are:

1. Location or place of operation
2. Area or coverage
3. Time span
4. Volume of transactions
5. Nature of transactions
6. Number of commodities
7. Degree of competition
8. Nature of commodities
9. Stage of marketing
10. Extent of public intervention
11. Type of population served
12. Accrual of marketing margins

Any individual market may be classified in a twelve-dimensional space.

Classification of Markets

Markets may be classified on the basis of each of the twelve dimensions already listed.

1. On the Basis of Location or Place of Operation

On the basis of the place of location or place of operation, markets are of the following types:

(a) Village Market: A market which is located in a small village, where major transactions take place among the buyers and sellers normally residing in that village, is called a village market.

(b) Primary Markets: These markets are located in towns near the centres of production of agricultural commodities. In these markets, a major part of the produce is brought for sale by the producer-farmers themselves. Transactions in these markets usually take place between the farmers and primary traders.

(c) Secondary Wholesale Markets: These markets are located generally at district headquarters or important trade centres or near railway junctions. The major transactions of commodities in these markets take place between the village traders and wholesalers. The bulk of the arrivals in these markets are from other markets. The produce in these markets is handled in large quantities. There are, therefore, specialized marketing agencies performing different marketing functions, such as those of commission agents, brokers and weighmen in these markets. These markets help in assembling commodities from neighboring district/tehsil/state.

(d) Terminal Markets: A terminal market is one where the produce is either finally disposed of to the consumers or processors, or assembled for export. In these markets, merchants are well organized and use modern methods of marketing. Commodity exchanges exist in these markets which provide facilities for forward trading in specific commodities. Such markets are located either in metropolitan cities or at sea-ports. Delhi, Mumbai, Chennai, Bengaluru, Kolkata and Cochin are terminal markets in India for many commodities.

(e) Seaboard Markets: Markets which are located near the seashore and are meant mainly for the import and/or export of goods are known as seaboard markets. These are generally seaport towns. Examples of these markets in India are Mumbai, Chennai, Kolkatta and Cochin (Kochi).

2. On the Basis of Area/Coverage

On the basis of the area from which buyers and sellers usually come for transactions, markets may be classified into the following four classes:

(a) Local or Village Markets: A market in which the buying and selling activities are confined among the buyers and sellers drawn from the same village or nearby villages. The village markets exist mostly for perishable commodities in small lots, *e.g.,* local milk market or vegetable market.

(b) Regional Markets: A market in which buyers and sellers for a commodity are drawn from a larger area than the local markets. Regional markets in India usually exist for food grains.

(c) National Markets: A market in which buyers and sellers spread at the national level. Earlier national markets existed for only durable goods like jute and tea. But with the expansion of roads, transport and communication facilities, the markets for most of the products have taken the form of national markets.

(d) World or International Market: A market in which the buyers and sellers are drawn from more than one country or the whole world. These are the biggest markets from the area point of view. These markets exist for the commodities which have a world-wide demand and/or supply, such as coffee, machinery, gold, silver, etc. In recent years many countries are moving towards a regime of liberal international trade in agricultural products like raw cotton, sugar, rice and wheat. It is expected that the international trade in such commodities will become free from many restrictions that exist now.

3. On the Basis of Time Span

On this basis, markets are of the following types:

(a) Short period Markets: The markets which are held only for a day or few hours are called short-period markets. The products dealt within these markets are of a highly perishable nature, such as fish, fresh vegetables, and liquid milk. In these markets, the prices of commodities are governed mainly by the extent of demand for, rather than by the supply of, the commodity.

(b) Periodic Markets: The periodic markets are congregation of buyers and sellers at specified places either in villages, semi-urban areas or some parts of urban areas on specific days and time. Major commodities traded in these markets is the farm produce grown in the hinterlands. The periodic markets are held weekly, biweekly, fortnightly or monthly according to the local traditions. These are similar to 'spontaneous markets' in several developed countries.

(c) Long-period Markets: These markets are held for a longer period than the short-period markets. The commodities traded in these markets are less perishable and can be stored for some time; like foodgrains and oilseeds. The prices are governed both by the supply and demand forces.

(d) Secular Markets: These are markets of a permanent nature. The commodities traded in these markets are durable in nature and can be stored for many years. Examples are markets for machinery and manufactured goods.

4. On the Basis of Volumes of Transactions

There are two types of markets on the basis of volume of transactions at a time.

(a) Wholesale Markets: A wholesale market is one in which commodities are bought and sold in large lots or in bulk. These markets are generally located in either towns or cities. The economic activities in and around these markets are so intense that over time the population tends to get concentrated around these markets. These markets occupy an extremely important link in the marketing chain of all the commodities including farm products. Apart from balancing the supply and demand and discovery of the prices of a commodity, these markets and functionaries in them serve as a link between the production system and consumption system. The wholesale markets for farm products in India can be classified as primary, secondary and terminal wholesale markets. The primary wholesale markets are in the nature of assembling centres located in and around producing regions. The transactions in primary wholesale markets take place mainly between farmers and traders. Secondary wholesale markets are generally located between primary wholesale and terminal markets. The transactions in these markets take place between primary wholesalers and traders of terminal market. The terminal markets are generally located at the large urban metropolitan cities or export centres catering to the large consuming population around them or in the overseas markets.

(b) Retail Markets: A retail market is one in which commodities are bought by and sold to the consumers as per their requirements. Transactions in these markets take place between retailers and consumers. The retailers purchase the goods from wholesale market and sell in small lots to the consumers in retail markets. These markets are very near to the consumers.

The distinction between the wholesale and retain market can be made mainly on the basis of buyer. A retail market means that the buyers are generally ultimate consumers, whereas in the wholesale market the buyers can be wholesalers or retailers. But sometimes-bulk consumers also purchase from the wholesale markets. The quantity transacted in retail markets is generally smaller than that in the wholesale markets.

5. On the Basis of Nature of Transactions

The markets which are based on the types of transactions in which people are engaged are of two types:

(a) Spot or Cash Markets: A market in which goods are exchanged for money immediately after the sale is called the spot or cash market.

(b) Forward Markets: A market in which the purchase and sale of a commodity takes place at time t but the exchange of the commodity takes place on some specified date in future *i.e.,* time $t + 1$. Sometimes even on the specified date in the future ($t + 1$), there may not be any exchange of the commodity. Instead, the differences in the purchase and sale prices are paid or taken.

6. On the Basis of Number of Commodities in which Transaction Takes Place

A market may be general or specialized on the basis of the number of commodities in which transactions are completed:

(a) General Markets: A market in which all types of commodities, such as foodgrains, oilseeds, fibre crops, gur, etc., are bought and sole is known as general market. These markets deal in a large number of commodities.

(b) Specialized Markets: A market in which transactions take place only in one or two commodities is known as a specialized market. For every group of commodities, separate markets exist. The examples of specialized markets are foodgrain markets, vegetable markets, wool market and cotton market.

7. On the Basis of Degree of Competition

Each market can be placed on a continuous scale, starting from a perfectly competitive point to a pure monopoly or monopsony situation. Extreme forms are almost non-existent. Nevertheless, it is useful to know their characteristics. In addition to these two extremes, various midpoints of this continuum have been identified. On the basis of competition, markets may be classified into the following categories:

(a) Perfect Markets: A perfect market is one in which the following conditions hold good:

(i) There is a large number of buyers and sellers;

(ii) All the buyers and sellers in the market have perfect knowledge of demand, supply and prices;

(iii) Prices at any one time are uniform over a geographical area, plus or minus the cost of getting supplies from surplus to deficit areas;

(iv) The prices of different forms of a product are uniform, plus or minus the cost of converting the product from one form to another.

(b) Imperfect Markets: The markets in which the conditions of perfect competition are lacking are characterized as imperfect markets. The following situations, each based on the degree of imperfection, may be identified:

(i) Monopoly Market: Monopoly is a market situation in which there is only one seller of a commodity. He exercises sole control over the quantity or price of the commodity. In this market, the price of a commodity is generally higher than in other markets. Indian farmers operate in monopoly market when purchasing electricity for irrigation. When there is only one buyer of a product, the market is termed as a monopsony market.

(ii) Duopoly Market: A duopoly market is one which has only two sellers of a commodity. They may mutually agree to charge a common price which is higher than the hypothetical price in a common market. The market situation in which there are only two buyers of a commodity is known as the duopsony market.

(iii) Oligopoly Market: A market in which there are more than two but still a few sellers of a commodity is termed as an oligopoly market. A market having a few (more than two) buyers is known as oligopsony market.

(iv) Monopolistic Competition: When a large number of sellers deal in heterogeneous and differentiated form of a commodity, the situation is called monopolistic competition. The difference is made conspicuous by different trade marks on the product. Different prices prevail for the same basic product. Examples of monopolistic competition faced by farmers may be drawn from the input markets. For example, they have to chose between various makes of insecticides, pumpsets, fertilizers and equipments.

8. On the Basis of Nature of Commodities

On the basis of the type of goods dealt in, market may be classified into the following categories:

(a) Commodity Markets: A market which deals in goods and raw materials, such as wheat, barley, cotton, fertilizer, seed, etc., are termed as commodity markets.

(b) Capital Markets: The market in which bonds, shares and securities are bought and sold are called capital markets; for example, money markets and share markets.

9. On the Basis of Stage of Marketing

On the basis of the stage of marketing, markets may be classified into two categories:

(a) Producing Markets: Those markets which mainly assemble the commodity for further distribution to other markets are termed as producing markets. Such markets are located in producing areas.

(b) Consuming Markets: Markets which collect the produce for final disposal to the consuming population are called consumer markets. Such markets are generally located in areas where production is inadequate, or in thickly populated urban centres.

10. On the Basis of Extent of Public Intervention

Based on the extent of public intervention, markets may be placed in any one of the following two classes:

(a) Regulated Markets: These are those markets in which business is done in accordance with the rules and regulations framed by the statutory market organization representing different sections involved in markets. The marketing costs in such markets are standardized and, marketing practices are regulated.

(b) Unregulated Markets: These are the markets in which business is conducted without any set rules and regulations. Traders frame the rules for the conduct of the business and run the market. These markets suffer from many ills, ranging from unstandardised charges for marketing functions to imperfections in the determination of prices.

11. On the Basis of Type of Population Served

On the basis of population served by a market, it can be classified as either urban or rural market.

(a) Urban Market: A market which serves mainly the population residing in an urban area is called an urban market. The nature and quantum of demand for agricultural products arising from the urban population is characterized as urban market for farm products.

(b) Rural Market: The word rural market usually refers to the demand originating from the rural population. There is considerable difference in the nature of embedded services required with a farm product between urban and rural demands.

Rural markets generally have poor marketing facilities as compared to urban markets. According to the survey of the Directorate of Marketing and Inspection (DMI) of Government of India, only 46 per cent of rural primary markets, of the country have the facility of market yards; 6.4 per cent have office buildings, 3.2 per cent have cattle shed, 3 per cent have canteen, 4.9 per cent have storage facilities, 5.1 per cent have auction platforms, 12.9 per cent have drinking water facility and 5.2 per cent markets have electricity facility. Marketing support services such as godowns, cleaning, price information and extension services were found completely non-existent in most of these rural markets.

12. On the Basis of Market Functionaries and Accrual of Marketing Margins

Markets can also be classified on the basis of as to who are the market functionaries and to whom the marketing margins accrue. Over the years, there has been a considerable increase in the producers or consumers co-operatives or other organizations handling marketing of various products. Though private trade still handles bulk of the trade in farm products, the co-operative marketing has increased its share in the trade of some agricultural commodities like milk, fertilizers, sugarcane and sugar. In the case of marketing activities undertaken by producers or consumers co-operatives, the marketing margins are either negligible or shared amongst their members. In some cases, farmers themselves work as sellers of their produce to the consumers. On the basis, the market can be (**a) farmers markets, (b) cooperative markets or (c) general markets.**

It must be noted that each market or market place can be classified on the basis of the 12 criteria mentioned above. A 12-dimensional classification of markets is shown in Chart 1.1.

Chart: 1.1 12 – Dimensional Classification of Markets

ON THE BASIS OF LOCATION	VILLAGE MARKETS PRIMARY MARKETS SECONDARY WHOLESALE MARKETS TERMINAL MARKETS SEA-BOARD MARKETS
ON THE BASIS OF AREA OR COVERAGE	LOCAL/VILLAGE MARKETS REGIONAL MARKETS NATIONAL MARKETS WORLD/INTERNATIONAL MARKETS
ON THE BASIS OF TIME SPAN	SHORT PERIOD MARKETS PERIODIC MARKETS LONG PERIOD MARKETS SECULAR MARKETS
ON THE BASIS OF VOLUME OF TRANSACTIONS	WHOLESALE MARKETS RETAIL MARKETS
ON THE BASIS OF NATURE OF TRANSACTIONS	SPOT/CASH MARKETS FORWARD MARKETS
ON THE BASIS OF NUMBER OF COMMODITIES TRANSACTED	GENERAL MARKETS SPECIAL MARKETS
ON THE BASIS OF DEGREE OF COMPETITION	PERFECT MARKETS MONOPOLY MARKETS DUOPOLY MARKETS OLIGOPOLY MARKETS MONOPOLISTIC

	COMPETITIVE MARKETS
ON THE BASIS OF NATURE OF COMMODITIES	COMMODITY MARKETS CAPITAL MARKETS
ON THE BASIS OF STAGE OF MARKETING	PRODUCING MARKETS CONSUMING MARKETS
ON THE BASIS OF EXTENT OF PUBLIC INTERVENTION	REGULATED MARKETS UN-REGULATED MARKETS
ON THE BASIS OF TYPE OF POPULATION SERVED	URBAN MARKETS RURAL MARKETS
ON THE BASIS OF MARKET FUNCTIONARIES AND ACCRUAL OF MARKETING MARGINS	FARMERS MARKETS CO-OPERATIVE MARKETS GENERAL MARKETS

Importance of Agricultural Marketing

Agricultural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development. Its dynamic functions are of primary importance in promoting economic development. For this reason, it has been described as the most important multiplier of agricultural development.

India's age-old farming practices have taken a turn in recent decades. There has been a technological breakthrough – the evolution of high-yielding variety seeds, increasing use of fertilizers, insecticides, pesticides, the installation of pumping sets, and tractorization. This technological breakthrough has led to a substantial increase in production on the farms and to the larger marketable and marketed surplus. To maintain this tempo and pace of increased production through technological development, an assurance of remunerative prices to the farmer is a prerequisite, and this assurance can be given to the farmer by developing an efficient marketing system.

The agricultural marketing system plays a dual role in economic development in countries whose resources are primarily agricultural. Increasing demands for money with which to purchase other goods leads to increasing sensitivity to relative prices on the part of the producers, and specialization in the cultivation of those crops on which the returns are the greatest, subject to socio-cultural, ecological and economic constraints. It is the marketing system that transmits the crucial price signals. On the other hand, and in order to sustain the growth of the non-agricultural sector, resources have to be extracted from the agricultural sector – physical resources to guarantee supplies of food and raw materials for the agro-industry and financial resources for investment in non-farm economy as well as for re-investment in agriculture.

On the basis of IADP experience, Kiehl has shown that the "marketing problem" begins to emerge in the process of shifting from traditional to modern agriculture because of production surpluses generated by the shift. Indeed, the term modern agriculture implies a market-oriented agriculture. The scope for moving towards modern agriculture must include market dimensions if the momentum of production transformation is to be sustained.

The importance of agricultural marketing in economic development is revealed from the following:

(i) Optimization of Resource use and Output Management

An efficient agricultural marketing system leads to the optimization of resource use and output management. An efficient marketing system can also contribute to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation. A well-designed system of marketing can effectively distribute the available stock of modern inputs, and thereby sustain a faster rate of growth in the agricultural sector.

(ii) Increase in Farm Income

An efficient marketing system ensures higher levels of income for the farmers reducing the number of middlemen or by restricting the cost of marketing services and the malpractices, in the marketing of farm products. An efficient system guarantees the farmers better prices for farm products and induces them to invest their surpluses in the purchase of modern inputs so that productivity and production may increase. This again results in an increase in the marketed surplus and income of the farmers. If the producer does not have an easily accessible market-outlet where he can sell his surplus produce, he has little incentive to produce more. The need for providing adequate incentives for increased production is, therefore, very important, and this can be made possible only by streamlining the marketing system.

(iii) Widening of Markets

An efficient and well-knot marketing system widens the market for the products by taking them to remote corners both within and outside the country, i.e., to areas far away from the production points. The widening of the market helps in increasing the demand on a continuous basis, and thereby guarantees a higher income to the producer.

(iv) Growth of Agro-based Industries

An improved and efficient system of agricultural marketing helps in the growth of agro-based industries and stimulates the overall development process of the economy. Many industries like cotton, sugar, edible oils, food processing and jute depend on agriculture for the supply of raw materials.

(v) Price Signals

An efficient marketing system helps the farmers in planning their production in accordance with the needs of the economy. This work is carried out through transmitting price signals.

(vi) Adoption and Spread of New Technology

The marketing system helps the farmers in the adoption of new scientific and technical knowledge. New technology requires higher investment and farmers would invest only if they are assured of market clearance at remunerative price.

(vii) Employment Creation

The marketing system provides employment to millions of persons engaged in various activities, such as packaging, transportation, storage and processing. Persons like commission agents, brokers, traders, retailers, weighmen, hamals, packagers and regulating staff are directly employed in the marketing system. This apart, several others find employment in supplying goods and services required by the marketing system.

(viii) Addition to National Income

Marketing activities add value to the product thereby increasing the nation's gross national product and net national product.

(ix) Better Living

The marketing system is essential for the success of the development programmes which are designed to uplift the population as a whole. Any plan of economic development that aims at diminishing the poverty of the agricultural population, reducing consumer food prices, earning more foreign exchange or eliminating economic waste has, therefore, to pay special attention to the development of an efficient marketing for food and agricultural products.

(x) Creation of Utility

Marketing is productive, and is as necessary as the farm production. It is, in fact, a part of production itself, for production is complete only when the product reaches a place in the form and at the time required by the consumers. Marketing adds cost to the product, but, at the same time, it adds utilities to the product. The following four types of utilities of the product are created by marketing:

(a) Form Utility: The processing function adds form utility to the product by changing the raw material into a finished form. With this change, the product becomes more useful than it is in the form in which it is produced by the farmer. For example, through processing, oilseeds are converted into oil, sugarcane into sugar, cotton into cloth and wheat into flour and bread. The processed forms are more useful than the original raw materials.

(b) Place Utility: The transportation function adds place utility to products by shifting them to a place of need from the place of plenty. Products command higher prices at the place of need than at the place of production because of the increased utility of the product.

(c) Time Utility: The storage function adds time utility to the products by making them available at the time when they are needed.

(d) Possession Utility: The marketing function of buying and selling helps in the transfer of ownership from one person to another. Products are transferred through marketing to persons having a higher utility from persons having a low utility.

The foodgrain marketing system is more important in India than the marketing of other agricultural commodities because of the following reasons:

(a) Foodgrains account for around two-thirds of the gross cropped area and 40 per cent of the gross value of crop output in the country. Foodgrain marketing, therefore, provides income to most Indian farmers so that they may buy the required inputs for the farm as well as purchase items of domestic need;

(b) The foodgrain marketing business provides livelihood to lakhs of traders, processors, commission agents and other persons engaged in the foodgrain trade; and

(c) The foodgrain marketing system helps in providing food for consumers and fodder for livestock.

Model Quiz

1. Agricultural marketing is a process which starts with _________________ of a saleable farm commodity.
2. The subject matter of agricultural marketing includes _____________ as well as _____________ marketing.
3. The word MARKET originated from the latin word _______________________
4. ___________________ markets are located in towns near the centres of production of agricultural commodities
5. Commodity exchanges exist in _________________ markets.
6. __________________ markets are of a permanent nature.
7. Which of the following is an imperfect market?

a. Monopoly b. oligopoly c. both a and b d. none of these Ans: c

8. In duopsony market there will be

a. One buyer b. one seller c. two buyers d. two sellers. Ans : c

9. Pick out the wrong statement Ans: d
   a. Heterogenous and differentiated form of a commodity is noticed in monopolistic competition.
   b. Different trade marks are used in monopolistic competition.
   c. Different prices prevail for the same basic product.
   d. Sellers in monopolistic competition mutually agree to charge a common price.

10. Converting groundnut into oil creates

    a. Place utility b. form utility c. time utility d. possession utility. Ans: b.

11. Transport function of marketing creates

    a. Place utility b. form utility c. time utility d. possession utility. Ans: a.

12. Storing milk creates

    a. Place utility b. form utility c. time utility d. possession utility. Ans: c.

13. ABC company buying potatoes from XYZ trader results in

    a. Place utility b. form utility c. time utility d. possession utility. Ans: d.

TRUE or FALSE

1. Commodities traded in secular markets are not durable in nature. (False)
2. Retail markets are very near to consumers. (True)
3. In forward markets, exchange of commodity takes place in future time. (True)

4. In perfect markets, commodity prices at a point of time differ only by the cost of transport between the markets. (true)
5. Fertilizer market is an example of oligopoly market. (False)
6. Raw materials are sold in capital market. (False)
7. Retail markets are located in the consuming markets. (True)
8. Traders frame the rules for the conduct of the business in regulated markets. (False)
9. Marketing margins are usually high in cooperative marketing. (False)
10. Number and size of the firms existing in the market is a measure of market conduct.(False)