

Agriculture Marketing and Reforms

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“Once in your life you need a doctor, a lawyer, a policeman and a preacher, but every day three times a day you need a farmer”

Brenda Schoepp

Abstract

The aim of this study is to evaluate structural reforms in India that will not only boost the farmers’ income, but also ensure better marketing of the produce by him. Firstly, this paper examines the history of the agricultural sector, at the time of independence, and then evaluates the current status of the agricultural structures. Further, this article assesses the present market of the agriculture sector. Finally, the paper analyses the challenges of the structural reforms and then suggests the way forward to boost the farmers’ income by bringing necessary structural reforms.

Keywords: Agriculture, marketing, structures, reforms, farmers, income.

1. Introduction

India required agricultural produce not only to feed its population but also to generate it as a source of employment. Agriculture and industries related to agriculture contributed about 56.2% to the GDP and 70% of the population was dependent on it. The country at the time was following the Zamindari System wherein, all the farm earnings were being taken away by the landowner with only meager amount being given to those actually involved in the cultivation of the land. In spite of agriculture being the main occupation, the country was deficient of food grains. There appears to be multifold contributors to this problem, some of which are as follows:

- i. Soon after the independence in 1947, most of the farmers had no access to good quality of seeds.
- ii. The use of only natural fertilizers reduced fertility.
- iii. Farmers were holding land which was not contiguous and small in size.
- iv. Farmers were mostly dependent on the weather for irrigation.

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- v. The act of ploughing the field utilized age old traditional instruments for manual labour, like plough, pick axe, shovels etc.
- vi. Due to wind and other weather factors, there was erosion of land and large tracts of the lands remained uncultivated.
- vii. There were no infrastructures in terms of roads, storage etc to take the produce to the market.
- viii. There were no or limited food processing industries, therefore the capital was not being invested into this sector.
- ix. Farmers were not aware of the required crop pattern as per the demand in the market.

It was, therefore, evident that the condition of the farmer and the land under cultivation was poor and required immediate attention. It was necessary to increase the income of the villagers for their upliftment, which soon came under the focus of the Government. The emphasis in this field by the government and the implementation of the new agriculture policy in 1966-67 led to the growth of agriculture with a rate of 2.6%, which was growing only at 1% prior to the independence (Figure 1). It is also a well known fact that as the population of the country has grown over the years, the land available for cultivation has reduced. However, due to use of better seed, fertilizers, and improvement in infrastructure, the produce has multiplied in lesser land.

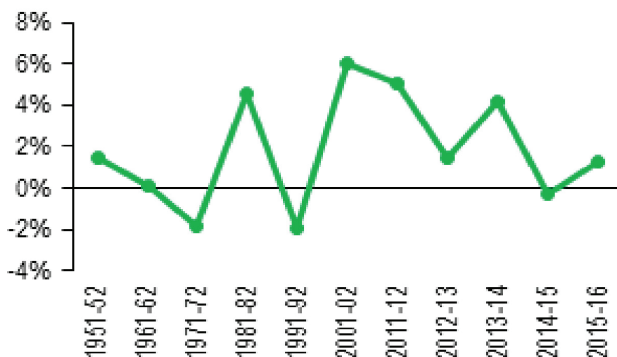


Figure 1: Agricultural growth (in %)

(Sources: Agricultural Statistics at a Glance, 2015, Ministry of Agriculture; PRS)

India, a country which was food grain deficient prior to 1965 and had to depend on rice given as aid by USA under Public Law 480 in 1954, became an agriculture surplus state with the capacity to export. Today, with the increase in industrialization, the share of agriculture stands at 16.5% of the GDP with 68% of the population still living in the villages. However, the condition of the farmer, who has toiled hard to ensure that the country is not found wanting in agricultural resources, is still living hand to mouth. There are various factors which have contributed to such a state and one of them is that the produce of the farmer is not getting the appropriate price as it is not reaching the correct place in the right time.

2. Current Status of Agriculture Structure

As stated above, the agriculture growth in India has seen a lot of swings since 1951 but this sector still provides employment to half of the country’s population and in 2019 contributed 16.02% to the GDP (Figure 2). Though India became self-sufficient through the green revolution of the nineteen sixties and the cultivated land continued to decrease, the production has been growing at a steady pace (Figure 3).

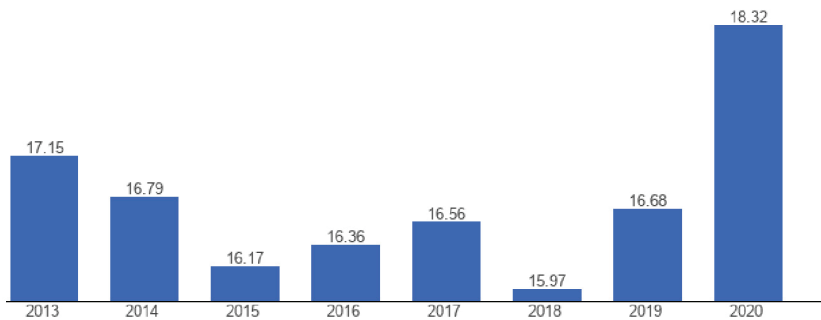


Figure 2: Contribution of agriculture sector to GDP (in %)

(Source: The Global Economy.Com, The World Bank)

The statistics do not show the real picture on ground as a large number of marginal or small farmers are not able to make use of the facilities provided by the government and continue to strive for their daily needs. In spite of 75 years of independence, the modern tools for farming and sources of irrigation have not yet reached a large part of the country. The small size of land further complicates the issue for a farmer. Also, the small farmers are exploited by

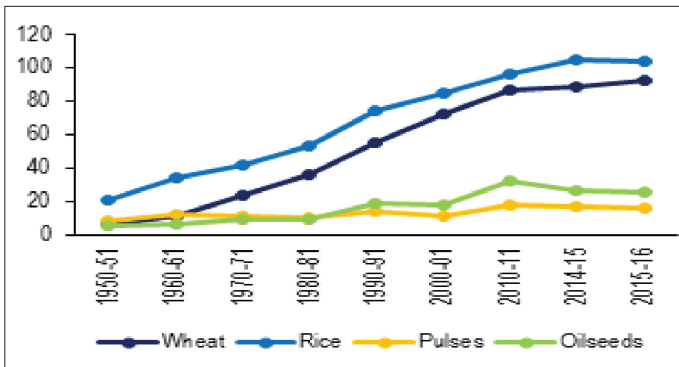


Figure 3: Agricultural production (million tonnes)
(Sources: Ministry of Agriculture; PRS)

those who have given them loans. The suicides by the farmers in Maharashtra, Telangana and other states shed further light towards the poor state of the farmers. The Central Government and State Government are trying to provide relief to the farmers by increasing the of the value of minimum support price (MSP), subsidy on fertilizers, providing high yield seeds through Kissan Mandis, free electricity and water etc, but that seems to be missing the mark and the farmer still continues to be at the receiving end, as he does not get the right price for his crop due to various intermediaries involved in the selling of his product in the market.

The farm laws proposed by the government of India faced a lot of resistance from the farmers, mainly from Punjab, Haryana and Uttar Pradesh, stating that the provisions of the minimum support price have not been kept, due to which the private companies may take over the market, thereby incurring loss to the farmers. It was also contended that the farm laws have been enacted without due consultations with the stakeholders. The agitation went on for more than a year but no solution could be found even after many rounds of talks between the government and the farmer leaders. Finally, the Government of India had to withdraw the bill on the floor of the parliament. Farmers still want that MSP for the crops must be fixed and, therefore, a committee has been formed to look into the issues of the farmers.

3. Agriculture Market in India

The agricultural market has evolved over a period, as earlier the framers were selling their produce directly to the buyers via the barter system or for money in the villages. Now, the same produce has to change many hands before it

reaches the actual consumer. It is because there is no direct link between the one growing the items and those consuming it. There is a need of a complete supply chain for the produce to reach end user which involves the assembly of the produce, preparation for consumption and then distribution. The products in these stages also have to be stored, cleaned, and graded as per the size or quality and following that, supplied to the market as per the demand. The farmer can sell his produce directly to buyers through the weekly markets but has to sell most of his produce to the mandis or co-operatives. The farmer is still facing multiple problems to sell his produce for the correct price due to various factors, some of which are as follows:

- i. There is a lack of proper storage facilities, resulting in damage to the produce.
- ii. There are no proper roads to a large number of villages, therefore, multiple modes of transport have to be used which not only requires more time but also leads to degradation of the quality of the produce.
- iii. Smaller farmers require money to sustain their families so they can't wait for the right price as they can't store their produce for long, so, at times, they take the decision to sell their produce at whatever price they are offered.
- iv. There is involvement of a large number of intermediaries who claim margins or cuts for themselves, thereby reducing the margin of full benefit going to the farmer.
- v. There is existence of large numbers of unregulated markets which adopt a lot of malpractices, further, adding to the same, there is no mechanism for gradation so the intermediaries take advantage of the same.
- vi. The farmer is not highly educated and, therefore, is not aware of the latest trends in the market. There is a gap in demand versus the supply which the farmer is not kept informed of.
- vii. The small scale farmers have to sell their produce to the big farmers or the middlemen at very low cost. Over a period of time, due to getting very less prices, these farmers fall into the debt traps.
- viii. Though there are a few co-operatives, a lot of produced items do not have the same due to which small farmers will always be at the receiving end.

It is required that, with time, steps are taken to ensure that the challenges being faced by the farmers are mitigated by proper provisions with due consensus of all the stake holders. The following steps should be taken to ensure that there is improvement in the market for the farmers:

- i. There is a need to ensure that more storage infrastructure is created with appropriate facilities all over the country.
- ii. The roads and transport systems are required to be improved to ensure that multiple handling is reduced.
- iii. The markets should be regulated by bringing right provisions for the benefit of the farmers.
- iv. Though the banks are providing loans to the farmers and the situation has improved from past, more actions, for easier and long term loans for the farmers, are required to be taken.
- v. In many fields, we have observed that co-operatives have been successful. There is a need to bring in more produce by the farmers in the ambit of the co-operatives.
- vi. The farmers are required to be educated about the modern farming techniques and provided with timely information about various issues related to farming, including the market trend, well in time.
- vii. Though the efforts of the government to do away with intermediaries have not succeeded, there is a need to build consensus on the same before the issue is completely shelved.

4. Challenges of Current Agriculture Structures

The main challenges faced by the farmers involved in agriculture today are not much different than what they were at the time of independence. The only issue is that even with sufficient supply of food in the country, the condition of an average farmer has not changed much as the agriculture structures remain mainly plagued with same old issues with little improvement in the condition in few areas. There are a large number of challenges which are being faced by the agriculture sector, which have been well documented in the 102nd Annual Conference of Indian Economic Association (IEA) held on 27-29 December 2019. All the factors in detail are not being covered, but the major challenges being faced in current context are as follows:

- i. Over a period, due to various factors, including increase in population and division of land within the families, the agricultural land has shrunk.
- ii. The irrigation system in the country has improved, however it is not corresponding to the needs of the farmers and a lot of areas remain without any irrigation scheme. The farmers, therefore, still have to depend on weather.

- iii. The farmers are mainly growing wheat, rice and sugarcane which are water intensive. There is no plan for diversification of the crops.
- iv. The mechanical instruments still can't be used by a large number of farmers due to small holding of land, cost of the equipment and no knowledge of operating them.
- v. There is no proper infrastructure for transportation and storage of the produce, leading to wastage and loss to the farmer.
- vi. Though, the Government is providing subsidies on fertilizers, still some farmers can't afford the same or don't know how to use them correctly, thus impacting fertile content of the soil.
- vii. There are only 23 crops for which the MSP has been fixed and even then, all those crops are not purchased by the Government. Therefore, the prices for the produce are very meager.
- viii. The capital flow in the form of investment for sustained farming is not there. This leads to absence of infrastructure which is very important for vibrant agriculture.
- ix. The farmer is not aware of the demand by the consumers due to absence of a feedback system. This leads to growing of crops with little demand, leading to wastage and low prices.

5. Way forward

There is an urgent need to look at the challenges being faced by the farmers, in order to ensure that we meet the target of doubling the farmers' income by 2022 or so. There are many studies which have been conducted to address these issues in the field of agriculture sector. The possible ways forward for mitigating these challenges are as under:

- i. Diversification of the crops will not only increase the farmer's income but also help in alleviating the problem of erosion of land and meeting the demand of the consumer in a better way.
- ii. Farmers may not require subsidy, provided we can give them adequate infrastructure to enable them to pay for the services they enjoy. Giving free or subsidised services may be misused. If some fee is charged for the services, then that amount can be utilized for developing infrastructure.
- iii. There is a need to infuse technology in the farming sector for ensuring better yield and market based produce.

- iv. Solar Power Generation can serve as an alternate crop for the farmers, provided adequate training and skills are given to them. This will add up to their income in the non-farm sector and provide security. They can also be given land on lease, if required, as land holding of poor or marginal farmer may not be such that he can sustain such a project on his land.
- v. The infrastructure to the villages is required to be increased so that the farmer can access market for his produce to get the right price, the wastage is reduced and in case of large distances, storage facility is available.
- vi. Irrigation is still a problem for most of the farmers. The project of linking of rivers of India as per the Ministry of Jal Shakti Report, in which two rivers Godavari and Krishna were linked by a canal in Andhra Pradesh with an estimated cost of Rs 1,300/- crores on 16 Sept 2015 and Ken-Betwa Link project, is still under progress. It appears that the project is moving very slowly.
- vii. There is need to give freedom to the farmer to sell his produce without compromising the prices of sale, to avoid losses to the farmer. Also, a system should be put in place to give feedback to the farmer well in time to ensure that he can diversify the crop based on the demand of the market.
- viii. Like Amul started collecting milk directly from the sellers and utilized it for further distribution which is consequentially known as the 'White Revolution', on similar lines, the farm produces can be brought to the market to get the right prices.
- ix. There is a need for Central and State Government cooperation to ensure that the farmer becomes the ultimate beneficiary.
- x. The Government will have to attract investment in agro-food industries to produce world class products and open the market for export of these items.

6. Conclusion

There are multiple challenges in the agriculture sector with regard to the structural reforms and marketing, which are impacting the farmers' income and these issues are also required to be addressed at various levels; all this requires multiple research papers to address each of the problems separately. As far as this paper is concerned, the structural reforms and changes in marketing in the agriculture sector are necessary to boost the farmers' income. If we, as country have to ensure that there is economic development, then there is a

need to ensure that living standards of 68% of the population staying in rural areas are uplifted. The same is possible only if the income of the farmers is increased by bringing about the reforms in the agricultural sector by providing the necessary infrastructure and proper marketing of the produce.

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