

M.B.A IV Semester

Course: MM-04

RURAL MARKETING

LESSONS 1 TO 14



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Syllabus
Master of Business Administration (M.B.A.)
Course MM-04
MM-04 : RURAL MARKETING

Objective

The objective of the course is to expose the students to the rural market environment and the emerging challenges in the globalization of the economics.

UNIT- I

Nature, characteristics and potential of rural markets in India. Socio-cultural, economic & other environmental factors affecting rural marketing: Attitudes and behaviour of the rural Consumers and farmers.

UNIT-II

Marketing of consumer durables and non-durable goods and services in the rural markets with special reference to product planning, media planning, planning of distribution channels and organizing personal selling in rural markets in India. Marketing of agricultural inputs with special reference to fertilizers, seeds and tractors.

UNIT- III

Organization and functions of agricultural marketing in India. Classification of agricultural products with particular reference to seasonality and perishability. Marketing structure and performance. Processing facilities for different agricultural products.

UNIT- IV

Role of warehousing. Determination of agricultural prices and marketing margins. Role of agricultural price commission. Role of central, and state governments. Institutions and organizations in agricultural marketing.

UNIT-V

Unique features of commodity markets in India: Problems of agricultural marketing; Nature, scope and role of co-operative marketing in India.

Suggested Reading:

1. Morleg, J.S, Agricultural Products and their marketing.
2. Kohles, Ribhetd L., Marketing of Agricultural Products.
3. Boyle J.E. Marketing of Agriculture produce.
4. Taylor H.C. Agricultural Economics.
5. Kulkarni K.R. Agricultural Marketing in India.
6. Mikherjee B.S. Marketing of Agricultural Product in India.
7. Gupta, A.P. Marketing of Agricultural Produce in India.

Lesson -1

Rural Marketing-Concepts and Dimensions

Structure

- 1.0 Introduction
- 1.1 Learning Objectives
- 1.2 Presentation of Contents
 - 1.2.1 Nature of rural marketing
 - 1.2.2 Dimensions of Indian rural marketing
 - 1.2.3 Factor affecting rural marketing in India
 - 1.2.4 Characteristics of an Ideal Rural Marketing System
 - 1.2.5 Difference between Rural Marketing and Marketing of Manufactured goods
 - 1.2.6 Potential of Rural Markets in India
 - 1.2.7 Rural market Environment
 - 1.2.8 Rural marketing Environment and its Challenges
- 1.3 Self-Assessment Questions
- 1.4 Summary
- 1.5 Glossary
- 1.6 Answer to Self-Check Questions
- 1.7 Terminal Questions
- 1.8 Suggested Readings

1.0 Introduction

Rural Marketing comprises the movement of farm-produced raw materials and their derivatives. The effect of such operations is mostly on producers, middlemen and consumers. The rural marketing is a study of all such activities, involved in the procurement of farm inputs and the movements of rural products from the farms to the final consumers. Rural Marketing establishes linkage between the producer and non-producer sector. Rural Marketing as a process which involves all the aspects of market structure both functional and institutional, based on technical and economic considerations. It is confined to pre and post harvest operations, assembling, grading, storage, transportation and distribution. The rural marketing is a base of industrialization as most of raw materials are procured from rural marketing and agricultural products. Even no export promotion programme can be made successful without developing rural marketing system. Thus the rural marketing is the aggregation of agricultural development and of allied products.

Agricultural Marketing and Rural Marketing are used interchangeably. The rural market is made up of two areas.

1. The marketing of consumption goods.
2. The marketing of agricultural inputs.

1.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Nature of rural marketing
- Dimensions of Indian rural marketing
- Factor affecting rural marketing in India
- Characteristics of an Ideal Rural Marketing System
- Difference between Rural Marketing and Marketing of Manufactured goods
- Potential of Rural Markets in India
- Rural market Environment
- Rural marketing Environment and its Challenges

1.2 Presentation of Content

1.2.1 Nature of Rural Marketing

The rural market is quite different from urban markets. Agriculture is the main economic activity in rural areas. In the process of development of civilization, agriculture along river banks was the first form of settled life. Archaeological evidence reveals that bronze industry supplied tools and implements to agriculture. Agriculture supplies inputs for fabrication into manufactures cotton, oilseeds, spices etc. All food items had a rural origin.

The rural society has a very high status in this regard. The distribution of land was made by the states which belonged to the state. The British rule was the worst blow to the rural society in the last three centuries. The worst blow was to cottage and small scale industries, cultivation of indigo, tea and jute, development of timber trade and denudation of forests. The terms of trade were not favourable to Indian farmers. In these circumstances farmers were forced to live in deprivation and poverty.

Agriculture and industries are identified for the development of the rural economy. An integrated approach was evolved to take care of projects ranging from milk and milk-products to horticultural products like fruits, vegetables, flowers, herbs, etc. The processing of these is not widespread in the rural areas. The low cost and labour based technologies have been the common mode of village industry. As a result, the rural products do not enjoy competitiveness in a wider market. Most of the products are consumed locally.

1.2.2 DIMENSIONS OF INDIAN RURAL MARKETING

The various new problems are emerging in Indian rural marketing to take over the rural economy. One of them is opening up of the rural sector to real estate development corporations, insurance companies, banking and transport, tele-communication, and power to give a surge to investment in rural industry. It was strongly believed that the rural consumption pattern is traditional. It led to the conclusion that the rural economy is static.

The growing class in the rural sector is educated and are managing farms on commercial lines. They have acquired a taste for an urban life-style. The houses, interior decoration, designs, architecture, furnishing and fixtures resemble those of urban villages. The economic activities are diversified from farming to real estate development.

On the contrary, landless workers are finding it difficult to make both ends meet. Illiteracy, ignorance, deprivation and unemployment are major problems. They can hope to rise only if the state comes forward

with bold and ambitious plans to fight poverty. Training and transfer of technology are the only means of rehabilitating landless workers, through providing jobs in the rural areas. High-tech information systems, efficient transportation and steady power supply are reducing the physical isolation of villages. There is mounting pressure on industries to disperse from cities. Information-based marketing will take over the traditional marketing system. Purchases being traditionally confined to slices, salt, tobacco and textiles is no longer -elegant. It is unfortunate that rural wealth goes into land and gold. Banks are gaining acceptance among the rural people to handle and manage their investments. The main features of Indian rural markets are as under:

Size of the Rural Market: National Sample Survey-data depicts that out of the total expenditure on manufactured consumer goods, 75 per cent is spent in rural India. The per capita consumption and expenditure on manufactured consumer items is low in rural areas whereas, the market is approximately three times larger. It is assumed that all persons or families above the poverty line form the market for some branded consumer goods. This market has a resultant size of 42 million households approximately.

Rural Population. Wealth distribution in rural India is uneven. According to one estimate, the top 13 per cent of the land holdings account for 37 per cent of cultivated area. The potential market is also at the top of the spectrum. However with the increasing spread of the rural income, consumer goods are expected to make substantial penetration into the lower income strata by the normal percolation effect. There is an increasing cross flow of population between urban and project town centres which generally cross flow the products and ideas. Thus it is supplementing the demand for such products.

The Agricultural Inputs There is a very rapidly expanding demand for agricultural inputs in rural market. This is borne out by the compound rate of growth agricultural inputs

A recent survey in Andhra, Punjab and Haryana established that in these-areas, the farmers are eager to use newer agricultural technology for improving profits and are prepared to take calculated risks.

Sources of Rural Purchasing Capacity. Following are the factors which contribute to purchasing capacity in rural areas

- (i) Marketable agricultural surplus and Rural/urban terms of trade.
- (ii) The traditional remittances within the country are now being supplemented in several states by remittances from overseas.
- (iii) Government Expenditure. The various investments by Govt. generate income, and increased purchasing power of rural areas can be expected to support consumption of manufactured items. Further, these investments are expected to augment the income generation process from land in future years, which in turn, will accelerate the growth of rural markets.
- (iv) Dispersal of Industry. The investment in the development of backward areas will greatly speed up the income generation process in rural areas.

Helpful in the Food Processing Industry: India is a land of agricultural, horticulture, sericulture. It produces a number of varieties of food grains, fruits, vegetables, commercial crops and flowers. The government of India is making its efforts to develop the food processing industry while giving a number of benefits including tax benefits, incentives, subsidies, transportation and marketing facilities.

Helpful In Economic Development: Rural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development. Its dynamic functions are considered 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 utilities of the product are created by marketing.

- (i) Form Utility
- (ii) Place Utility
- (iii) Time Utility
- (iv) Possession Utility

1.2.3 FACTORS AFFECTING RURAL MARKETING IN INDIA

India is a land of agriculture and basically it resides in the villages. This population makes its both ends by cultivating, selling the agricultural product, working on agriculture which is called agricultural labours, some are involved in the processing of agricultural products and allied activities.” Some are rendering the services to the villagers by providing them seeds, fertilizers, pesticides and some are doing the job work on agriculture factors are responsible for the growth of rural marketing in India.

Professionalisation of the Marketing. Marketing has been recognised as profession in the early 1950. The tendency towards increasing specialization by persons in certain jobs has resulted in an increase in their efficiency. Specialization has resulted in increased production, which is the base for the growth of marketing. The government is also motivating the people and providing marketing education by allowing fellowship to the graduates and a huge amount of grants to the institutions.

Rapid Urbanisation. The rural population is moving to the urban areas for the purpose of acquiring education seeking employment, business purposes and selling the agricultural and rural products in the urban areas this has necessitated a faster growth of agricultural marketing.

Developing means of Transportation and Communication. The modern means of transport and communication are the most important tool of developing the size of rural marketing. The increasing transportation and communication facilities have widened the market for farm products. In the absence of these facilities, the movement of produce from one area to another was limited, and the consumption of a product was restricted only to the areas of production or, at the most, to nearby areas.

Technological Change in Agriculture. Technological developments in agriculture has resulted in the substantial increase in farm production. The marketed surplus of the agricultural produce has therefore increased. This has resulted in the growth of the marketing system.

Cooperative Marketing. Marketing Committee system and cooperative marketing are the two parallel institutions framed for the purpose of rural marketing. The marketing system is working under the direct control of the respective state governments having its three tier system The apex institution is state marketing board, at district level central marketing committee and at block level. The primary marketing committees are functioning in the areas. This is the main reason that rural marketing is gaining more and more attention in the Indian market scene.

Definitions. The following are the main definitions of Rural Marketing:

1. G.N. Murthy. “Rural Marketing’s the study of all the activity, agency and policy involved in the procurement of farm inputs by the farmers and the movement of rural products from farmers to consumers.”
2. V.S. Ramaswami. “The Rural Marketing system is a link between producer and non-producer sectors. It includes the organisation of agricultural raw-materials supply to processing industries, the assessment of demand for producers inputs and raw-materials and the policy relating to marketing farm products inputs”.

- 3. National Commission on Agriculture.** “Rural 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.”

1.2.4 CHARACTERISTICS OF AN IDEAL RURAL MARKETING SYSTEM

Agriculture is the back bone of the Indian economy. The rural marketing is based on Indian agriculture system. It should satisfy the objectives of marketing systems for all the persons associated with marketing in the process of the movement of produce from producer to the consumers. The following are the characteristics of good marketing system:

1. There should not be any government interference in free market transactions. The methods of intervention include restrictions on food grain movements, restrictions on the quantity to be processed or on the construction of processing plant, price supports, rationing, price ceiling, entry of persons in the trade, etc.
2. The marketing system should bring demand and supply together and should establish equilibrium between the two.
3. The marketing system should operate systematically and orderly.
4. The marketing system should be capable of developing far-flung marketing system in view of the rapid development of the urban-industrial economy.
5. The marketing system should be able to generate employment opportunities.
6. A good market should provide commodities which the consumers want and are ready to pay for.
7. There should not be any inefficiency or waste in the market.
8. Prices should be fair and uniform for the products for all categories of consumers.
9. The retailing services should be available in the market (together with wholesale facilities) for small consumers.
10. It should provide a wide variety of products to consumers so that they may easily

1.2.5 DIFFERENCE BETWEEN RURAL MARKETING AND MARKETING OF MANUFACTURED GOODS.

The marketing of agricultural commodities from the marketing of manufactured commodities from the marketing, of manufactured commodities, have some basic differences.

The subject of agricultural marketing has been treated as a separate discipline and this fact makes the subject somewhat complicated.

The following are the some differences between two.

Perishability. Most farm products are perishable in nature but the period of their perishability varies from a few hours to few months. Their perishability makes it almost impossible for producers to fix the reserve price for their farm-grown products. The supply of rural products is irregular. The extent of perishability of farm products may be reduced by the processing function; but they cannot be made non-perishable like manufactured products.

Seasonality. Farm products are produced in-a particular season; whereas the supply of manufactured products can be made uniform throughout the year. Their prices therefore remain almost the same throughout the year.

Bulkiness. The characteristic of bulkiness of most farm products makes their transportation and storage difficult and expensive in comparison to the manufactured products.

Variation in Quality of Products. There is a large variation in the quality of agricultural products, which makes their grading and standardization somewhat difficult. There is no such problem in manufactured goods, for they are products of uniform quality.

Irregular Supply of Agricultural Products Processing of Product. Most of the farm products have to be processed before their consumption by the ultimate consumers. This processing function increases the price spread of agricultural commodities.

1.2.6 POTENTIAL OF RURAL MARKETS IN INDIA

A number of factors have been recognized as responsible for the rural market boom which do indicate the future potential of rural market in India.

Population increase: Increase in population, increase the demand of the producers. The rural population in 1971 was 43.80 crore, which increased to more than 100 crore in the present.

Rural Increases: A marked increase in the rural market has been noticed. It is due to the agrarian development which further depicts the sign of prospects.

Development of villages: Large inflow of investment for rural development programmes from government and other sources have shown the commitment of the govt. to develop rural sector.

Development of Educational Facilities: The literacy and educational level among rural folks have been increased. It further leads to increase educational level of rural folks. It further leads to sophisticated lives and further depicts the great possibility of growth of rural sector in the Indian economy.

Buying Behaviour: There is a structural shift in the buying behaviour changes in the land tenure system caused a structural change in the ownership pattern and consequent changes in the buying behaviour. This change in the buying behaviour made a significant shift towards the development of rural market.

Prosperity. The general rise in the level of prosperity appears to have resulted to conspicuous consumption of consumer durables by almost all segment of rural consumers.

Concerted efforts at rural developments: The government has been making concerted efforts towards rural development. It is committed largely to sectors like agriculture, animal husbandry, and irrigation flood control and khadi and village industries. It is generating new employment, new income and change in purchasing power among the rural people.

The concept of green revolution: The green revolution has also been a major factor. A technological breakthrough took place in Indian agriculture. Rural India derived considerable benefit from the green revolution. It indicates the future prospectus of rural sector development in near future.

The Expected Revolution: The revolution among the rural folks completed the process. The revolution of 'rising expectations' of the rural people influenced the marketing environment of rural India. It enlarged the awareness of the rural people. It strengthened their motivation to work, earn and consume. The rise in income resulting from the new farming strategy has added meaning to the growing aspirations of the rural people which indicates that the future is basic on rural sector development.

Increase in purchasing power: The prosperity in rural areas is indicated in the buying and consumption habits. Their tendency to spend on modern gadgets has increased. This necessitates an appraisal of the rural marketing environment for evolving an appropriate and effective marketing strategy in this regard.

Understanding rural environment: The dominant economic peculiarities of rural India may be recognized in terms of income (agriculture), the frequency of receipt of income the seasonal nature of income and the consumers. These distinctive features affect the consumption pattern of rural consumers. The rural environment is changing rapidly and favourably in India.

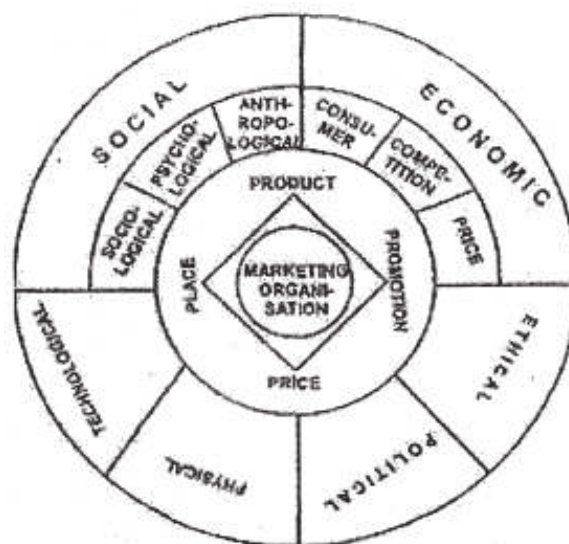
1.2.7 RURAL MARKET ENVIRONMENT

Meaning: Rural Marketing is very significant function in the present scenario. The firm's environment defines its threats and opportunity. A system is a set of objects, parts, elements components that are interrelated and interacting with one another. Every system is goal oriented and does not exist in isolation. It subsist with a given environment. The environment is complex undergoing continuous and sometimes cataclysmic change. There is every good reason to believe that the rate of change in the organisation must adapt continuously to the changing environment. A passive firm faces extinction; an adaptive firm will survive and probably give modest growth even contribute to the changes taking place in the environment. 'Environment' means everything that is external to the organisation and that surrounds an enterprise. It is the sum total of external factors within which the enterprise operates. It is made up of tangible and intangible factors both controllable and uncontrollable. The rural marketing itself is a system that ensure free flow of goods from producers to consumers to meet dimension of time, place, price quality etc. The marketing system is made up of elements products or services price place and promotion.

1. Social Environment
2. Economical Environment
3. Ethical Environment
4. Political Environment
5. Physical Environment
6. Technological Environment

These are shown in the diagram which are also known as the uncontrollable forces

FIGURE : THE MARKETING ENVIRONMENT



Social Environment. The social forces are made up of sociological, psychological and anthropological factors.

Sociological Factors. For every marketing unit, consumers are most significant factor and is part and parcel of society. The consumers, being social and rational animal, their life style is deeply influenced by the social set-up. The social conditions put deep influence on consumer taste; life and living etc. Thus, the needs and desires of the consumers can be understood in totality. The marketer should have thorough knowledge of the sociological factors.

Psychological Factors. The study of consumer behaviour is also an important factor because each consumer is unique. His behaviour attitude and personality are always different that what he wants and how his needs can be best satisfied. The psychological factors can never be ignored by doing environmental scanning in particular or in general.

Anthropological Factors. Anthropological factors are very vital in studying rural marketing. In-depth study of these aspects always help in designing and implementing the marketing strategies. In fact the basic components of marketing mix are involved in anthropological factors.

Economic Environment Consumers is not only social animal but rational animal too the components of economic forces are the factors of consumers, competition and price.

Consumers. Consumer interest progress and prosperity should be the aim of every economic activity. The marketer is to make available quality products, at reasonable, prices, in sufficient quantity at required time interval. The goods and services so made available by the marketing system must generate additional income by improving his physical and mental health.

Competition: Competition is the breadth of modern economic system. Healthy competition is the cause of quality improvement in the present scenario. On the contrary, unhealthy competition is harmful to the interests of consumers and producers too.

Price: Price is the determinant factor of the fate of the business house. Pricing strategy or the pricing is a delicate issue. If it is too high, reduces the consumers and consumption and if it is too low, the producers and marketers are left in the lurch.

Ethical Environment: The business organization has also an ethical responsibility while delivering the goods to the society. Ethical degeneration has been bringing, unbearable miseries to the consumers. No standardization as to quality adulteration giving false impression and so on are the factors behind. These have led to consumer exploitation.

Political Environment: Marketing environment has the brace of political framework and the government regulates the business activities being custodian of the nation. The marketer is to decide and act in the face of legal framework provided by the government. Thus government policies-pricing fiscal may be internal taxation *or* external levies, regional preferential policies have to be studied and interpreted clearly.

Physical Environment: The physical factors, refer to the physical distribution of goods and services. These refer to the creation of place and time utilities the distribution system is to be so designed that it implies the in depth study of cost and convenience involved in the physical distribution of products from producers to consumers.

Technological environment: Science and technology is always changing. The changing science and technology has its impact on marketing environment. Change in technology means change in production and production possibilities, their manufacturing process, costs and qualities. If changes prices structure, competition and the consumers.

An agile marketer cannot afford to miss these minute yet far reaching influences while designing and implementing the marketing strategy for his success and prosperity of the society at large. As these forces continue to develop and change they determine the changing requirement for the efficient and effective marketing plans strategies, and policies.

1.2.8 RURAL MARKETING ENVIRONMENT AND ITS CHALLENGES

The Rural Marketing strategies of organisations concerned with pushing their products to rural sector. The main difference between urban market “Realities’ and Rural Marketing . “Realities” always make it difficult to use models of urban market theories developed in western countries in rural India. Thus, the need arise of reviewing of Rural Marketing environment and its challenges emerging now would be worth praising.

Composition of Rural Marketing: The Rural Marketing comprises the agricultural produce marketed from rural areas and durable and nondurable consumer goods produced in rural as well as urban areas.

Industrial Consumable Goods: These covers: fertilizers, pesticides, insecticides, oil- j cakes, oil engines, tractors etc. .

Consumable Products: These are such goods which are used for final consumption or use such as: pen, tobacco, tea, medicines, clothing, footwear, furniture, utensils, soap and hair- oil etc.

The study conducted by NCAER showed that rural purchasing are very significant for a variety of products. The percentage of rural consumption are as:

- (i) Table and portable radios, bicycles, mechanical wrist watches and cigarettes - over 70 per cent.
- (ii) Washing cakes, casual and PVC footwear, tooth powder, and cooking oils - 60 to 70 per cent.
- (iii) Table fans, sewing machines, motor cycles, kerosene stoves, ghee, vanaspati, leather footwear, tea and toilet soap - 50 to 60 per cent.
- (iv) Quartz wrist watches, ceiling fans, black and white TV sets, mopeds, cassette recorders, washing powder, biscuits and coffee power - 40 to 50 per cent.
- (v) Pressure cookers, electric stoves, toothpaste, coffee beans, electric bulbs and health beverages - 30 to 40 per cent.
- (vi) Scooters, pedestal fans, mixer-grinders, moulded suitcases, vanishing cream, and cold cream - 20 to 30 per cent.
- (vii) Colour TV sets, refrigerators and gas stoves - 10 to 20 per cent.
- (viii) Washing machines, below 10 per cent (many products do not feature as these were not checked).

A quick look at the products reveal the priorities in consumption. Convenience products take second place to cleanliness, health, beauty, good grooming, transportation, entertainment and product mobility. However, these consumption figures only a fraction of the existing potential, and are indicative of the huge market waiting to be tapped. This can be seen from the figures for penetration of consumer durables in rural markets. The gaps are large and indicate the potential.

Bicycles, portable radios Quartz wrist watches, ceiling fans.

Table fans, mechanical wrist watches, pressure cookers, sewing machines.

Table radios, two-in-one mono recorders, black and white TV sets

Small black and white TV sets, mixer grinder, two-in-one stereo players, mopeds, scooters, motor-cycles, colour TV sets, refrigerators.

1.3 Self-Assessment Questions:

- Q1: What are the natures of rural marketing?
- Q2: Discuss about the dimensions of Indian rural marketing?
- Q3: What are the factors that affect rural marketing in India?
- Q4: Briefly explain the characteristics of an ideal rural marketing system?
- Q5: Explain the potentials of rural marketing in India?
- Q6: What is rural marketing environment?

1.4 Summary

In conclusion it can be said that the Indian rural market has grown in recent years in size, and sophistication. This offers a big opportunity to Indian marketers. The rural market, however, still remains untapped, in the following areas which is required to be concentrated with committed and time bound efforts:

- (i) The scattered location of villages,
- (ii) Low profile of retail outlets.
- (iii) Poor marketing communications network
- (iv) Lack of transport facilities: The major strategies should be confined on promotion and distribution.

These areas have to be improved to meet the challenges. The advertising, promotion should be —
adequate to meet regional variation. The suitable local promotional activities and distribution approach should be applied to distribution. Furthermore, the improvement in rural transport and warehousing and storage facilities should be concentrated considerably as to take maximum advantage of rural sector by applying latest techniques of marketing.

1.5 Glossary:

Marketing: It is a total system designed to plan, price, promote and distribute want satisfying products and services for target markets.

Market: A market is a place where people go to buy or sell things.

Purchasing capacity: It is the value that money holds that allows people to purchase more real goods for less money.

Urbanization: It refers to the increasing number of people that live in urban areas.

Cooperative Marketing: It gives an idea of collective efforts to achieve specific objectives to carry out marketing strategy for agricultural products.

Market environment: The market environment or business environment is a marketing term and refers to factors and forces that affect a firm's ability to build and maintain successful customer relationships and over which firm's has no control.

Anthropological: It is the scientific study of humans, human behaviour and societies in the past and present.

Ethical: Pertaining to or dealing with morals or the principles of morality; pertaining to right and wrong in conduct.

Agriculture product: It means crops, livestock and livestock products, including but not limited to field crops, fruits, vegetables, horticultural specialties, cattle, sheep, hogs, goats, horses, poultry, furbearing animals, milk, eggs and furs.

Buying behaviour: It is the decision processes and acts of people/prospective customers involved in buying and using products.

1.6 Answer to Self-Check Questions:

Q1: Refer to 1.2.1

Q2: Refer to 1.2.2

Q3: Refer to 1.2.3

Q4: Refer to 1.2.4

Q5: Refer to 1.2.6

Q6: Refer to 1.2.7

1.7 Terminal Questions

Q.1 What do you mean by Rural marketing? What are its different dimensions?

Q 2. What are different factors affecting rural marketing in India?

Q3. What are the different characteristics of an ideal rural marketing system?

Q.4 What is difference between rural marketing and marketing of manufactured goods?

Q.5 Define :

1. Social Environment
2. Economical Environment
3. Ethical Environment
4. Political Environment
5. Physical Environment
6. Technological Environment

1.8 SUGGESTED READINGS

1. Morleg J.E, Agricultural Product and their marketing.
2. Kohles Richard L.: marketing of Agricultural Products .

Lesson-2

Understanding Changing Pattern of Consumer Behaviour

Structure

2.0 Introduction

2.1 Learning Objectives

2.2 Presentation of Contents

2.2.1 Segmenting Rural Marketing

2.2.2 Need for Gearing Advertising and Pricing Strategies to Suit Rural Markets

2.2.3 Recent Challenges in Rural Marketing

2.2.4 Consumer Behaviour

2.2.5 Factor Responsible for change of Consumer Behaviour

2.2.6 Change in Consumer Behaviour

2.2.7 Promotional Measures

2.3 Self-Assessment Questions

2.4 Summary

2.5 Glossary

2.6 Answer to Self-Check Questions

2.7 Terminal Questions

2.8 Suggested Readings

2.0 Introduction

The widespread availability of consumer products in the villages has been changing the lives and attitudes of rural consumers. Exposure to electronic media like TV and radio has made the rural consumers more aware, conscious and discriminating. The specific changes taking place in rural purchasing patterns and habits with faster economic growth, the purchasing power of rural consumers has gone up tremendously. Increased incomes and improved education and awareness levels have made villagers to seek a better quality of life. The desire of the rural people to upgrade the quality of their life, has led to significant increases in the market sizes for consumer products. Rural consumers are becoming more knowledgeable about the availability of different brands, as increasing numbers of commercials on radio and television are educating them on the merits of various brands, leading to improved brand loyalty. Rural consumers are less susceptible to the social climbing of the urban consumer. They look for bargains and are willing to sacrifice some product features for lower prices. They are unable or reluctant to put in large outlays at a time.

2.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Segmenting Rural Marketing
- Need for Gearing Advertising and Pricing Strategies to Suit Rural Markets
- Recent Challenges in Rural Marketing

- Consumer Behaviour
- Factor Responsible for change of Consumer Behaviour
- Change in Consumer Behaviour
- Promotional Measures

2.2.1 SEGMENTING RURAL MARKETING

For effective tapping the rural markets, specific groups of rural demographics, income, geography, age, etc should be focused. It helps the marketers to concentrate on those rural markets, which yield maximum volumes, revenues and profits. It is based on a large number of variables like:

- a. socio-economic factors
- b. geographical factors
- c. personality factors
- d. buying behaviour of the rural consumers

Scientific segmentation of rural market poses a big challenge to the marketer due to lack of adequate empirical data available.

2.2.2 NEED FOR GEARING ADVERTISING AND PRICING STRATEGIES TO SUIT RURAL MARKETS.

Promotion and pricing are crucial elements in the rural marketing mix. It is important to inform and educate villagers about products and services. The advertising also has a critical role to play in changing the attitudes, habits and life-styles of villagers. Most manufacturers aimed exclusively at the urban market. There is some “spillover” of urban advertising to the rural markets. With the rural consumer acquiring the means to buy consumer and agricultural products, it will be necessary to focus on exclusive advertising for rural markets. It is vital to ensure that the advertising is in harmony with the values and cultural ethos of villagers. Advertisement has to be in harmony with those ‘Traditions and rules, to carry credibility in the villages. In rural areas, most of the products consumed, are of basic nature. The price of a product is thus a vital variable in the purchase decision in rural markets. Marketers have to be extremely flexible in their pricing strategies to build and retain market-shares in rural markets.

2.2.3 RECENT CHALLENGES IN RURAL MARKETING

India majority of its population lives in villages, no economic development programme can be a success unless due care is given to the rural areas. The areas where attention is needed are:

- (i) Adequate information about product availability.
- (ii) Suitable means of motivation.
- (iii) The participation of villagers in the improvement in quality of products.
- (iv) Effective communication system.

One should have a closer look at various Government aided rural development programmes like:

- (i) IRDP.
- (ii) TRYSEM.
- (iii) Jawahar Rozgar Yojna.
- (iv) Million Wells Scheme.

(v) Indira Awas Yojna.

(vi) Wasteland Development Project etc.

The low awareness of these programmes among rural people is one of the main reason for the effective communication gap. One should have a serious note that this is the fate of Government aided schemes where Government can use all the powers, infrastructure and funds at its disposal, one can imagine the challenges for marketers who have to face shortages of funds, undeveloped infrastructure, low income and uneducated masses. The challenges to the marketer are low level of literacy, poor infrastructure facilities, low level of income, unique media habits are some of the challenges. These are further highlighted as:

- a. **Low Literacy Rate.** Inability to read and write is the largest limiting factor in the efficiency of the press as medium for village markets
- b. **Poor Infrastructure Facilities.** It is not so easy to reach every villages; Lack of roads, telecom facilities and postal services make the task of the marketer reaching the target audience really very difficult. Remote rural locations undermine the utility of press, TV viewership is affected by low voltage and uncertain power supplies.
- c. **Media Habits.** Media habits also poses challenges for marketers. In most of the villages, almost all the readership is secondary. Household press subscription is virtually non-existent.
- d. **Low Level of Income.** The low income of the people also poses a problem. They have less disposable income; Hence, they fail to buy many products.
- e. **Non-availability of Research Data.** Decisions on message and media-mix in the urban areas are aided by study of available data. The final decision is based on a review of a number of elements like past and forecast sales, market environment, availability and cost effectiveness of media, reach, frequency, exposure value, etc.
- f. **Socio-Cultural Differences.** Mass media and message in one language can't work as linguistic and socio-cultural norms are different. It is difficult for the marketer to use a single language message in a country where 18 languages are scheduled, and hundreds are spoken in rural areas. Similarly, cultural and social norms differ from place to place, creating problems for the marketer in designing the message.
- g. **Different Leisure Time Activities.** In villages, daily routine revolves around agricultural activities. These activities don't have fixed timings. Sometimes, one has to work during the nights and at odd hours. So, it becomes difficult to find the time slot for the ads, as the leisure times are situation-based.

All the problem areas needs challenges to the communicator, but he can convert these challenges into opportunities by using effective communication strategies. Although it is difficult to reach rural people, it is not impossible.

2.2.4 CONSUMER BEHAVIOUR

The consumer behaviour is a psychological process leading to decision making. The consumer behaviour in decision making is governed by:

- (i) Sources of information.
- (ii) Role of family members (neighbours friends).
- (iii) The role of retailers in the purchase process.
- (iv) The price and quality of products.

Consumer satisfaction is the soul of each producer: Every producer should know the consumer requirements. On the basis of consumers wants, the manufacturer prepares its strategy. Marketing is described as engineering customer satisfaction.

Marketing concept is a philosophy of business that satisfy the customers wants. Consequently, all activities by the business organisation must be devoted to find out what the customers want and then after satisfying those wants while making a profit over the long run.

The understanding of consumers has to come invariably from the consumer. The information relating to consumer behaviour has to be necessarily based on an enquiry into his purchase process. Each decision made by a consumer to buy a product or brand involves the problem solving process. Through the purchase, a consumer attempts reducing the drives. In the process, the consumer tries to reach maximum satisfaction.

Factors responsible for Purchasing.

“The purchase act by a consumer is governed by various factors such as (1) economic, (2) social and (3) psychological. Consumers are inherently concerned with meeting their needs, with living their lives that implies in terms of cultural socio-economic and psychological influences.” Since the purchase is a process, it is necessary for a marketer to analyse the factors involved in the process. He should also take many decisions concerning to style, size, colour, retail agent, and the like. “Buyers act like rational people, decide after applying themselves thoughtfully to problems.

Sources of Information.

In general, consumers are not always sure of their preferences. The availability of product more often are based on persuasion. Marketing communication can help to shape wants and beliefs. A consumer is exposed to the information created and transmitted by the marketers into the environment. The transmission may be through different media available, such as radio, television, print, film, and outdoor. It would, therefore be of interest to study the source from which consumers gather the information relating to product offerings. A consumer before buying collects the information for their need satisfaction for the following purpose:

- (i) Awareness
- (ii) Interest
- (iii) Evaluation
- (iv) Product Awareness The consumer may want to be aware of a product before he buy it. He needs information about the existence or availability of a product or brand.
- (v) Interest in Product.

The consumer has three basic types of information sources to which he can turn in order to satisfy his information needs. Firstly, the market-dominated sources, which are under the direct control of the marketer, such as the product itself, packaging, promotion through different media distribution, etc. Second, the consumer-dominated sources. Thirdly, neutral information sources, such as reports and magazines, and newspaper articles about products.

Role of Advertisement. It is of importance to study the impact of advertisement. The analysis is not made product-wise. To know the effectiveness, the question may be asked like whether the consumers had taken the messages from advertisements into consideration in their purchasing process. The responses broadly indicate the perceptions of the consumers towards the reliability of the advertisements.

Inter-Personal and Social Influences. It implies the consumer's constant and frequent interaction with his immediate neighbours. Consumer behaviour cannot be fully understood unless consideration is given to the effects of inter-personal influence on development of attitudes, norms, values, aspirations and purchase behaviour. One's family is also an inter-personal determinant of consumer behaviour. The influence of household members is often significant in the purchase decision process. The selection process of a brand may be primarily decided within the family. Roughly more than fifty per cent of the cases, husband, wife, son and daughter would select the brand in both rural and urban areas. It may thus be inferred that consumers associate brand use with social prestige, a factor to be reckoned with by marketers.

Price Consideration in Buying Process. On an average, for both rural and urban consumers, price is relatively more important in the use of durable products, and less important for non-durables.

Price-Quality Relationship. There is much evidence that a relationship exists between a product's price and its perceived quality. Strong relationship for perceived product quality and price leads to the propensity to buy generic products.

Perception about Product Prices. Consumers generally perceive a product to be of inferior quality when it is priced low. On the other hand, when a product is priced high, it is believed that the quality of the product is very high. Generally there are no rural, urban and income-wise variations regarding this perception.

Price Increase and Change of Brand. It would be of interest to marketers to find the general attitude of consumers relating to the change of brand on account of price increase. A marketer would be able to analyse and set the pricing strategies for his product.

Place of Buying. It is equally necessary for a marketer to find out the place where consumers buy their products. The place of buying has important implications to the marketers for designing the distribution network. The type of distribution network varies across products. In a country of the size of India, with a majority of the population living in a large number of widely dispersed settlements, distribution has a crucial role in meeting the needs of the masses by making goods available in every part of the country. It often provides the key to the development of potentially large markets for various products. The reach of distributive trade varies from product to product.

2.2.5 FACTORS RESPONSIBLE FOR CHANGE OF CONSUMER BEHAVIOUR

Source of Information. Radio has maximum reach in terms of providing information to rural consumers, and TV is the most important source of information for urban consumers.

Source of Information. A majority of the rural and urban consumers draw information from friends and neighbours.

Role of Retailers. More rural consumers gather information from retailers, compared to those in urban areas.

Role of Friends. Friends and retailers are the most reliable sources of information, compared to other sources in both rural and urban areas, and retailers play a vital role in rural markets, particularly for convenience products.

Role of Advertisement. Very few consumers feel that advertisements through mass media have made any impact.

Brand Loyalty. In a majority of cases, the family members select the brand in both rural and urban areas.

Income Group. Middle and higher income consumers from urban areas and higher income consumers in rural areas are fairly conscious of brand use and social prestige.

Role of Price. Price is relatively more important in the case of durable products and less important for non-durables for both rural and urban consumers.

Quality Product. Consumers in both rural and urban areas generally perceive a product to be of inferior quality when it is priced low and when a product is priced high, the quality of the product is perceived to be high.

Place of Buying. A majority of the consumers buy the convenience products from the same shop, indicating high shop loyalty in both rural urban markets; however, rural higher income consumers buy from outside the village.

2.2.6 CHANGE IN CONSUMER BEHAVIOUR

The market structure in India is dichotomous comprising rural and urban markets. In spite of the same needs, aspirations, beliefs and attitudes, certain specific characteristic features of rural consumer behaviour call for unique marketing strategies to be distinctively developed.

The sea change one finds in India, is that material and multinational companies have started concentrating on rural markets to sell their products with multiple marketing inputs. The rural market's contribution to the total market has gone up in the recent scenario.

Pressure in the urban market are forcing many to move into rural areas because of some reasons like demand for heavy promotional expenditure due to tough competition, decrease in product life cycle, increase in the awareness level of consumers, etc.

As a result, the rural markets are becoming green pastures for marketers. They are growing faster than the urban markets. The potentialities of the rural market are like a “woken up sleeping giant”, and to tap these potentialities or opportunities, marketers need to have challenging marketing strategies. However, for exploitation of this market, its scattered nature and the changing behavioural patterns of consumers must be recognised and analysed, so that a better platform for the exploitation of the opportunities can be created.

Reasons of Changing Behaviour of Rural Consumers. The life-style and purchasing patterns of rural consumers are undergoing significant changes. Widespread availability of consumer products in village during the last decade is changing the line and attitude of rural consumers. Exposure of TV and radio has made consumer more aware, which result in composite effect of change in the purchasing patterns and habits of rural consumers. This change has created a latent opportunity and demand calling for a unique developmental marketing.

The basic changes in the consumer behaviour can be highlighted as:

Better Quality of Life. Increase in income and improved awareness level have made villagers seek a better quality of life. This desire has led to significant changes in the market size of consumer products. Rural consumption now covers a variety of items, from food to electronic items.

Brand Awareness. Generally the rural consumers do not ask for just tooth paste or soap, but for specific brand such as ‘Close-Up’ ‘Lux’ or other brands. Sharpened brand awareness demands creative advertising and promotional strategies to create brand loyalty.

Desire for New Products and Fashion Consciousness. The rural consumers are willing to experiment with new products and a variety of brands without any hesitation. This makes it easier to get higher trial rates when new products are launched in the villages.

Increase in awareness of new fashions stimulates the demand for textile goods, readymade garments and cosmetics. The market for these products in the rural areas is growing at a much faster pace as compared to other products.

No Desire to Save. A new tendency is noticed among rural consumers; they are willing to spend money instead of keeping it. Today, they spend their surplus income on several products like clothes, entertainment items, insurance policies, etc.

Influence Through Demonstration. Rural consumers have greater faith in a product if they actually see it in use. It is therefore useful to conduct demonstrations with a new product to strengthen credibility. This type of promotional campaigning hastens consumer adoption.

Role of the Retailers. The rural consumer has always relied strongly on the recommendation of rural retailers. This factor can have an impact on the distribution network. The retailer can become a very useful link between the marketer and the rural consumer.

Some other changing factors also should be given due consideration while designing the game plan for rural markets. They are the increasing significance in the buying process, role of opinion leaders, effect of films and television, increasing interest in premium products, changing demand for packaged products, etc. Understanding the consumption pattern of rural people is helpful in developing efficient marketing strategies for exploiting the potentialities of the rural market. Managing this complex market calls for modification in each tool of the marketing mix and each step of procedure for marketing.

Selection of Target Market for Proper Penetration and Profit. Marketers, necessarily, will have to tap the rural market rigorously in the future. It will be necessary to segment the rural market in a structured manner. Here, identification of clusters must be made on a scientific basis. Each segment of the rural market has to be judiciously evaluated for its total sales and contribution. After estimating the receptivity of the villagers to a new product, their level of satisfaction with existing products, current level of competition, and possible reactions of competitors.

Pricing Strategies. Pricing strategies must be framed keeping in mind the estimated rural market size, perceived value of consumers, target share of the market, and margin expected by retailers and distributors. In spite of the decreasing role of pricing, as compared to other tools of the marketing mix, it becomes a critical determinant.

Distribution Strategies. Considering the significance of rural market, the main problem is cost of distribution. The distribution cost of serving the rural market, tends to be high due to several factors, viz. poor communication facilities, less off take, and high scattered distribution of outlets. Further, in spite of increasing awareness, there is a tendency among rural consumers to buy those products, which are readily available at convenient retail outlets.

2.7.7 PROMOTIONAL MEASURES.

The right communication of promotional strategies make the difference between success and failure. Consumer education forms an essential part of promotion. Technological advancement in the field of television has made it a powerful medium to expose products to rural people. Both the media and the advertising messages should be tailored to appeal to rural audiences. To market a product effectively, we have to get off our high horses and understand rural ways.

In short, unique promotional strategies depend on correct identification” of opportunities. Further, reorientation and training programmes are essential to reorient the attitudes of the sales staff. Implementation of these strategies demands persistence and tremendous patience, because of the uniqueness for the rural consumer, and of the structure of the rural market. To be successful in the rural market place, consistent co-ordination between selected marketing inputs is extremely essential. It requires adoption of scientific marketing management.

2.3 Self-Assessment Questions:

- Q1: Explain the segmenting rural marketing?
- Q2: Discuss about the recent challenges in rural marketing?
- Q3: What do you meant by consumer behavior?
- Q4: What are the factors responsible for change of consumer behavior?
- Q5: Briefly explain source of information?
- Q6: What is the role of advertisement?

2.4 Summary

Consumer behaviour analysis is the use of behaviour principles, usually gained experimentally, to interpret human economic consumption. It stands academically at the intersection of economic psychology on one hand, and marketing science - the study of the behaviour of consumers and marketers, especially as they interact - on the other. Whilst behaviour principles are central to its theoretical and empirical research programme, its quest to interpret naturally occurring consumer behaviours such as purchasing, saving, brand choice, the adoption of innovations, and the consumption of services raises subtle issues.

2.5 Glossary:

Segmenting: It means to divide the marketplace into parts, or segments, which are definable, accessible, actionable, and profitable and have a growth potential.

Strategies: A plan of action designed to achieve long-term or overall goals.

Rural marketing: It is a process of developing, pricing, promoting, and distributing rural specific goods and services leading to desired exchange with rural customers to satisfy their needs and wants, and also to achieve organizational objectives.

Consumer behaviour: The behaviour exhibited by consumers in buying and using products and services is called consumer behaviour.

Retailer: A person or business that sells goods to the public in relatively small quantities for use or consumption rather than for resale.

Penetration: The obtaining of a share of a market for some commodity or service.

Branding: It is a marketing practice in which a company creates a name, symbol or design that is easily identifiable as belonging to the company. This helps to identify a product and distinguish it from other products and service.

2.6 Answer to Self-Check Questions:

- Q1: Refer to 2.2.1
- Q2: Refer to 2.2.3
- Q3: Refer to 2.2.4

Q4: Refer to 2.2.5

Q5: Refer to 2.2.4

Q6: Refer to 2.2.4

2.7 Terminal Questions

Q 1. What are the different factors affecting rural marketing segmentation .

Q 2. What are the recent challenges in rural marketing?

Q 3. Define the different factors responsible for Purchasing?

Q 4. What are the different factors responsible for change of consumer behaviour?

2.8 Suggested Readings

1. Taylor H.C. : Agricultural Economics.

2. Gupta, A.P. “Marketing of Agricultural Products in India”.

Lesson-3

Marketing of Agriculture Produce

Structure

- 3.0 Introduction
- 3.1 Learning Objectives
- 3.2 Presentation of Contents
 - 3.2.1 Marketing of Agriculture Produce
 - 3.2.2 Marketing Cottage and Artisan Products
- 3.3 Self-Assessment Questions
- 3.4 Summary
- 3.5 Glossary
- 3.6 Answer to Self-Check Questions
- 3.7 Terminal Questions
- 3.8 Suggested Readings

3.0 Introduction

The services involved in moving an agricultural product from the farm to the consumer. These services involve the planning, organizing, directing and handling of agricultural produce in such a way as to satisfy farmers, intermediaries and consumers. Numerous interconnected activities are involved in doing this, such as planning production, growing and harvesting, grading, packing and packaging, transport, storage, agro- and food processing, provision of market information, distribution, advertising and sale. Effectively, the term encompasses the entire range of supply chain operations for agricultural products, whether conducted through *ad hoc* sales or through a more integrated chain, such as one involving contract farming.

3.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Marketing of Agriculture Produce
- Marketing Cottage and Artisan Products

3.2 Presentation of Contents

3.2.1 Marketing of Agriculture Produce

Probably there is no village in the country where one cannot find soaps like Lux, Hamam, Lifebuoy or detergents like Rin or cigarettes like Scissors, Blue Bird, Charminar or small tea sachets from Brooke Bond or Lipton. Similarly the shops in most of the taluk, towns, block headquarters towns and Nandi towns stock electrical goods, torch lights, dry cells, cosmetics, sewing machines mopeds and other durable items where the rural consumers go for selling the agricultural produce and also make purchases of durable items mentioned or above.

Traditionally, many rural shops have been stocking and selling packaged products like tea, soaps and other similar items. Companies have definite distribution arrangement in rural areas and keep such information

confidential to safeguard their interests. Organisations like ORG regularly conduct retail shop level audit to know brand wise off-take of packaged goods in rural market. A proper and efficient agricultural produce marketing system is imperative for the development of rural market for consumables, durables and non durables and services. The income of Rural Consumers depends upon the efficiency of agricultural produce marketing, irrespective of the technology adopted in production. Any technological innovation should go hand in hand with efficient marketing. The main features of agricultural produce are as:

- Bulkiness goods.
- Perishability commodities.
- Wide varieties
- Dispersed production
- Processing needs for consumption.
- Seasonal factors
- Comparative advantage

Generally the farmers, market only the raw agricultural produce (as harvested) without any processing. At the farm level, processing of raw produce is generally not done rather the value addition to the produce is very minimal. Since, only raw produce is marketed there, arises a need for many intermediaries to operate between the producer and consumer. There are many functions to be performed by the intermediaries in the marketing of agricultural produce. The major functions to be performed are:

- Assembling
- Equalization
- Dispersal.

In fact, the share is much lower in case of non durable produces like fruits and vegetables. Agricultural production being seasonal, most farmers produce the same crop at the same time. Further, the producers are forced to bring the produce to the market soon after the harvest, creating a glut in the market. This problem is much more acute in case of like vegetables, fruits and flowers.

The farmers do lack of knowledge about demand and supply conditions. They do not have any such system or organizations which can protect their interests. They are exploited by the intermediaries. The marketing expenses are also borne by the producers. “In the case of manufactured goods all the marketing charges are included in the ultimate price paid by the consumer.

Thus, the agricultural produce marketing system requires attention with a view to improve it so that, the price realization are higher. It has been noticed that improvements have been brought about in the system, which have proved beneficial to the producers. Establishment of Regulated Markets is a major improvement in the system.

Regulated Markets: Presently there are about 500 Primary and secondary agricultural produce wholesale assembling market functioning in the country. These markets take their produce for sale. All the states have now enacted an Agricultural Produce Markets Act, which has empowered the state to control these markets in several ways. These acts provided for regulating the existing markets and also creating new ones wherever necessary. The salient features of the act are:

- An elected market committee is constituted to administer these markets. It consists of representatives from all interests like farmer producer commission agents, wholesalers and some government nominee etc.
- All the functionaries in the market have to obtain a licence from the market committee to operate.
- The charges to be collected are fixed by the market committee called Arbitration Committee.
- The sale proceeds have to be paid to the farmer-producers.
- The sales have to be conducted very transparently.
- The market charges incurred in effecting the sales have to be borne either by sellers or buyers or shared equally between the sellers and buyers.
- Any dispute in the process of sale is referred to the arbitration committee whose decision is always final.
- The licensed functionaries are required to submit complete details of all transaction taking place each day. The complete information is disseminated to the villages of the market, which helps the farmer in judging the best time to go to the market.
- Physical facilities like rest house, canteen, drinking water, cattle shed, etc. are provided in the regulated markets for the benefit of the farmers and their cattle.
- Facilities for grading and standardization of the produce are provided to the farmer.
- The packing sizes for various commodities are also stipulated by the market committee.
- The warehousing Corporation are expected to establish their godowns near the market for the benefit of the farmer producers. The receipt issued by the warehouse authorities is supposed to be a negotiable instrument, for purposes of getting loans from any bank if needed. In short, 'Regulation of markets' has really helped the farmers in cutting down the marketing charges and to extent exploitation also. The establishment of regulated markets has conferred tangible and intangible benefits to the farmers. It helped in avoidance of malpractices and better price realization.

3.2.2 MARKETING COTTAGE AND ARTISAN PRODUCTS

Cottage industries and artisans are very significant to the rural economy, these have proved a significant source of employment and income generation for the rural people and also to the rural artisans. Most states have specialized in products like, bidriware, rose wood inlay and ivory items, metal craft and brassware Bandhani and Jewellery of Rajasthan, carpets and shawls of Kashmir. These skills are family oriented and passed on to the rural people. These products have aesthetic value are highly priced and have a good export market.

The significance of cottage industry and artisans products can be illustrated as follows:

1. Provides a occupation to the rural population.
2. Enables the rural population to supplement their incomes.
3. Provide employment during off season, drought and famines.
4. Develops rural talent
5. Reduces evils of urban industrialization.

Broadly the rural/cottage industries and rural artisans products can be enumerated as follows:

- (i) **Agro-based.** Ghani oil processing of cereals and pulses, cane, gur and khandsari, pahn gur, beekeeping, coir, fruit processing and preservation and sericulture.
- (ii) **Textiles.** Handlooms, polvvastra, khadi.
- (iii) **Wood Related.** Match industry, carpentry bamboo and cane work and hand made paper.
- (iv) **Metal wares.** Aluminium vessels, brassware, black smithy and agricultural tools.
- (v) **Leather.** Leather processing.
- (vi) **Pottery and ceramics.**
- (vii) **Chemicals.** Inks and dyes.
- (viii) **Fishing.** Dried fish.
- (i) **Miscellaneous:** Non-edible oil soaps, lime, gobargas, minor forest produce, shellac, gums and resins.

There is tremendous scope for developing such village and cottage industries which can go a long way in augmenting the employment and income of the people in rural areas.

To help such rural/cottage industries and rural artisans, produce and market their production, a number of central and state level organizations help these industries in following ways.

- (i) Technology upgradation.
- (ii) Organization for the artisans.
- (iii) Getting credit from institutions.
- (iv) Procurement and supply of raw material.
- (v) Domestic marketing through retail outlets.
- (vi) Export marketing wherever possible.

These incentives have helped the artisans to stay in their profession and also profitably practice the trade known to them for ages without migrating to the urban areas.

These apart, there are Khadi Gram Udyog Bhawan which also render necessary help to the rural industries and artisans. Their retail outlets styled as Khadi Gram Udyog Bhandars are found all over the country. They sell a wide variety of products ranging from honey, toilet soaps, washing soaps, khadi vastra, khadi silk vastra, leather shoes, and chappies, papads, match boxes cotton clothing and several other items. The All India Handicrafts Board and State Handicrafts Development Corporation also play a significant role in marketing of these products. These organizations encourage the rural/cottage industries and artisans by providing necessary help by opening showrooms in all metros, cities and towns for marketing the rural produce. The All India Handicrafts Board's showroom at Janpath in New Delhi attracts numerous foreign tourists.

Similar showrooms are also owned and operated by State Handicraft Boards, in the country, also try to give a brand image to the products sold by them in these showrooms. The rural handlooms sector has also received a significant treatment. The number of people dependent are very large. The States have formed state handloom weavers cooperatives for the handloom weavers in rural areas. These organizations also try to promote a brand image to their products like. At the national level also there is a Handloom Development Corporation which organises 'Handloom Fairs' in different parts of the country. The marketing efforts put

forth by these organizations are quite commendable. By organizing the weavers into cooperatives, assisting them in production and arranging for marketing the end products, these organisations have helped the rural people to earn more incomes.

If the rural market has to expand and grow, it is not enough to simply concentrate on marketing of manufactured goods, but it is necessary to pay attention to the marketing aspects of the rural production, viz. agricultural produce and products of rural cottage industries and rural artisans. Such an organisation will help the rural population in generating more disposable income for the purchase of manufactured goods. In other words the marketability of rural produce has to be improved significantly to ensure a market for consumables durables and services.

It would be interesting to study and understand the marketing of these agro inputs since the marketing practices vary widely. Some of these inputs have to be marketed as per the directions of the government while others enjoy a free and unrestricted market. The marketing mix adopted by the manufacturers marketing for some of the important inputs is described below:-

3.3 Self-Assessment Questions:

Q1: Briefly explain marketing of agriculture produce?

Q2: What do you mean by Argo-based?

Q3: Discuss about the marketing cottage and artisan products?

Q4: what are the significance of cottage industry and artisan product?

Q5: Give some examples of agriculture products?

3.4 Summary

This chapter focuses on one of the most important issue of Marketing of agricultural produce or “agricultural marketing and involves many functions like assembling of farm produce, grading, storage, processing, preparation for market, transportation to market centers, financing, risk-bearing, and distribution to ultimate consumers through various market channels. All these functions need specialized skills, and therefore they cannot be handled by the producer or the ultimate consumer by themselves. Therefore, different agencies and institutions have come up to perform these functions. For the smooth conduct of market operations, these agencies must interact with the needs of each other. Any disturbance in any of the functions creates problems in the smooth flow of agricultural commodities to the consumers. Proper marketing of the farmer’s produce ensures fair prices for his produce. This, in turn, encourages him to produce more for the market. The wants of the urban sector are better satisfied and the process of industrialization gets a boost. As a result, the income of the farmer increases, and that results in his increased demand for industrial products. Therefore, the need for a proper marketing system for the speedy economic development of the country is a ‘sinequa-non

3.5 Glossary:

Agriculture product: It means crops, livestock and livestock products, including but not limited to field crops, fruits, vegetables, horticultural specialties, cattle, sheep, hogs, goats, horses, poultry, furbearing animals, milk, eggs and furs.

Cottage: The dwelling of a farm laborer or small farmer.

Artisan product: A person or company that makes a high-quality, distinctive product in small quantities, usually by hand and using traditional methods.

Export: It refers to a product or service produced in one country but sold to a buyer abroad.

Raw material: It is a basic material that is used to produce goods, finished products, energy, or intermediate materials that are feedstock for future finished products.

3.6 Answer to Self-Check Questions:

Q1: Refer to 3.2.1

Q2: Refer to 3.2.2

Q3: Refer to 3.2.2

Q4: Refer to 3.2.2

Q5: Refer to 3.2.1

3.7 Terminal Questions

Q1. Define marketing of agriculture produce.

Q2. Define different rural/cottage industries and rural artisans products.

3.8 Suggested Readings

1. Kulkarni K.R. Agricultural Marketing in India.

2. Mukherjee, B.B. : Marketing of Agricultural Produce in India.

Lesson - 4

Marketing of Durable and Non-Durables

Structure

- 4.0 Introduction
- 4.1 Learning Objectives
- 4.2 Presentation of Contents
 - 4.2.1 Consumable Inputs
 - 4.2.2 Durable Inputs
 - 4.2.3 Durable Inputs of Agricultural Marketing
 - 4.2.4 Marketing of Fertilizers
 - 4.2.5 Fertilizer Marketing-Mix
 - 4.2.6 Changing Scenario in Fertilizer Marketing
 - 4.2.7 Agricultural Chemicals
- 4.3 Self-Assessment Questions
- 4.4 Summary
- 4.5 Glossary
- 4.6 Answer to Self-Check Questions
- 4.7 Terminal Questions
- 4.8 Suggested Readings

4.0 Introduction

The agriculture and allied activities are the mainstay in rural India. The rural population directly engaged in this activity, agriculture inputs marketing has been a big business. In traditional farming, there was no need for any externally produced inputs and all the requirement was produced on the farm. A number of corporate bodies are engaged in the manufacture and marketing of agriculture inputs like fertilizers pesticides/ insecticides, seeds, oil engines, electric motors and pump sets, tractors and other related equipment.

The agricultural inputs can be classified into two categories— consumable inputs and durable inputs. Consumable Inputs include fertilizers, pesticides, seeds and the like. Durable inputs include tractors, motors and pump sets, major farm machinery items like harvesters, threshers and winnowers.

4.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Consumable Inputs
- Durable Inputs
- Durable Inputs of Agricultural Marketing
- Marketing of Fertilizers
- Changing Scenario in Fertilizer Marketing
- Agricultural Chemicals

4.2 Presentation of Contents

The various inputs which fall under these two categories are listed below:

4.2.1 CONSUMABLE INPUTS

1. Manure and fertilizer
2. Calcium and gypsum
3. Chemicals
4. Seeds
5. Diesel, oil and petrol
6. Feed
7. Veterinary medicines
8. Packing material.

4.2.2 DURABLE INPUTS

1. Farm implements
2. Irrigation equipment
3. Construction materials
4. Transportation equipment
5. Farm animals
6. Others

It would be interesting to study and understand the marketing of these agro inputs since the marketing practices vary widely. Some of these inputs have to be marketed as per the directions of the government while others enjoy a free and unrestricted market. The marketing mix adopted by the manufacturers marketing are some of the important inputs is described below:

4.2.3 DURABLE INPUTS OF AGRICULTURAL MARKETING

Cattle, Poultry and Aqua Feeds. This is another area where a number of multinational and Indian companies also are very active (Hindustan Lever and Godrej Agrovet). The milk production in the country got a boost with the implementation of operation food programmes. The strains of breeds they distribute require proper care and feeding. The farmers who have taken up dairy or poultry have to care for balanced nutrition; Aqua farms for breeding and harvesting shrimps is catching-up fast in the country due to expert possibilities. Considerable investment have been made in coastal areas of Andhra Pradesh, Tamil Nadu, Pondicherry, Orissa to establish shrimp farms. In fact the area under paddy is declining because of the establishment of shrimp farms. These activities will increase the demand for scientifically prepared, balanced feeds. Such animal based, activities also create a demand for veterinary medicines, both for prophylacies and treatment.

Tractors. The country produces about 1.5 lakh tractors per annum, which are sold without much difficulty. These tractors of different horsepowers 25 HP, 35 HP and above 35 HP are manufactured and marketed by major companies like HMT, Escorts, Eicher, Massey Ferguson, International, Punjab Tractors etc. Since the cost involved in the purchase of tractors and implements is substantial, the dependency is more on loans from the rural financial institutions. It has been estimated that nearly 90 per cent of the tractor sales is based on the loans advanced by rural financial institution like state land development banks and commercial

banks. Since such loans are treated as long terms loans, the prospective buyer of the tractor should be able to offer collateral security to the lending agency. Hence farmers with sizable land holdings alone can afford to apply for loans which clearly segments the agricultural machinery market. While in the case of consumable inputs, all farmers, irrespective of the size of holding, will constitute the market, in the case of tractors and other agriculture machinery these is a need to clearly identify the segment of farmers which can own and use the tractors profitably. For example, in highly irrigated areas where three to four crops are grown in a year, even a farmer owing and operating in about 20 acres of land can efficiently use a tractor. Whereas in dry/ unirrigated/ rainfed areas farmers with more than 20 or 25 acres of land alone can afford to use the tractor profitably. When the farmer approaches a bank for finance for purchase of a tractor, the bank not only takes into account the possible utilisation of tractor on his own farm, but also the possibility of hiring out the services of the tractors to the neighbouring farmers. Thus most of the farmers who do have large land holdings are able to obtain loans for purchase of tractors.

The most important criteria which count in tractor purchase are :

1. Area of land holding
2. Nature of land holding (irrigated/dry)
3. Types of crops grown and number of crops grown in a year
4. Availability of loan
5. Possibility of hiring out the services of the tractor to others. -
6. Requirements of tractor for transport of produce to market and inputs to the farm.

From the following point of view the factors which count for successful sale are :

1. Loan available from banks
2. Personal selling, identification of potential tractors users and approaching them.
3. Trouble free service—less number of break downs.
4. Availability of spares for easy repairs
5. After sales service
6. Resale value of tractors.
7. Training on how to use Tractors.

4.2.4 MARKETING OF FERTILIZERS

Over the years, the market for fertilizers has developed significantly. In the early fifties, fertilizers were not acceptable to farmers because of wrong notions. The expansion efforts of the Government and fertilizer companies have ensured a phenomenal growth.

The fertilizers consumption depends upon several factors like:

- Profitability of farming.
- Availability of irrigation facilities.
- Introduction of new technology.
- Availability of fertilizers.
- Prices of fertilizers.

Fertilizers are classified into three different groups depending upon the nutrients they supply to the crop like Nitrogenous (N), Phosphatic (P) and Potassic (K). The fertilizers which supply only a single nutrient like N or P or K are called straight fertilizers.

In addition there are fertilizer mixtures which supply all the three nutrients in proportions required by different crops and different regions.

Marketing of fertilizers is highly controlled by Government regulations. Fertilizers are governed by both essential commodities act (ECA) and Fertilizers control order (FCO). What the companies normally do is to add their company name to the generic name.

Under the Essential Commodities Act (ECA) and Fertilizers Control Order (FCO) the Government is empowered to allocate the quantum and territories to various manufacturers. The manufacturers are obliged to sell only such allocated quantities in allocated territories only. Each type of fertilizers should contain a specified percentage of the nutrient. Fertilizers have to be sold at a uniform price throughout the country and selling prices are notified by the Government for different fertilizers. Since the government fixes the price of fertilizers, a fixed return on investment is guaranteed to the fertilizer manufacturers which is given as subsidy. The government also prescribes the transport cost/equated freight payable for the fertilizers produced and transported by different manufacturers. The manufacturers are expected to transport the production within the equated freights fixed by the government. If they exceed these limits, the excess cost will cut into their profits/Margins. The specified transportation model include rail and road for transit of fertilizers from factories to allocated marketing territories. The policy also prescribes that rail transportation should be full rake loads up to a single destination and from this point road transportation can be used for further dispersal. The government policy also prescribes the distribution margins payable to the channel members in respect of each variety of fertilizers. The government further insists that fertilizers shall be delivered freight paid up to block headquarters level. Since the government enforces several restrictions on fertilizer marketing the manufacturers are entitled for subsidies on many accounts.

4.2.5 FERTILIZER MARKETING MIX

The fertilizer marketing mix can be discussed as under

Product. The manufacturer can manufacture and market fertilizer mixtures which supply the three nutrients in a proportion that is required by certain types of soils or crops or regions. These are called paddy mixture or sugarcane mixture, but the bag should clearly indicate the proportions of the three nutrients e.g. there could a mixture as 20 : 20 : 20 which means the mixtures contain N, P and K in that proportion. The basic purpose of any product under fertilizer category is to supply N, P & K nutrients.

Price. Prices are totally controlled by Government including the margins for channel members and the companies may offer to their dealers volume discounts or off-reason discount at the most. This is very closely watched by the Government and any such rebates have to be borne by the company as the subsidy will not cover such discounts.

Distribution. The government policies dictate the area for distribution for each manufacturer. Therefore, the manufacturers do not have much say in distribution.

Most fertilizer manufacturers use distribution networks to reach the fertilizers to end users. Earlier the proportion of fertilizer distributed between the co-operatives and private trade was in the ratio of 60 : 40. Presently the trend is reversed and private trade accounts for 60 per cent, while cooperatives and Agro Industries Corporations for only 40 per cent.

Promotion. In the case of fertilizers promotion allows the manufacturers to use their ingenuity not only to sell the quantity allocated to them but also create a brand image. Various promotional measures are adopted by different fertilizer manufacturers.

Inter-personal and Group Contracts. Right from house to house contract campaigns, the small farmer groups are adopted by fertilizer manufacturers. These are combined with training programmes for the farmers.

Mass Media. Mass media has also been extensively used by fertilizer manufacturers to promote their product. Advertisements in vernacular press and journals, literature-on-crops and Radio has been very extensively used, especially before and after farm programmes like Krishi Darshan and farm and home programmes. They also take part in exhibitions and fairs.

In addition many manufacturers use their own audio-visual vans through which they screen films interspersed with fertilizers advertisements slide shows, puppet shows and other forms of entertainment like film, music and the like.

Special Promotion Measures. Many fertilizer manufacturers resort to special promotion drives. These could be result and method demonstrations in the farmers' fields, arranging for field visits of farmers to research centres. Some manufacturers even institute awards for farmers getting highest yields in specific crops on the lines of Krishi Pandit awards. The manufacturers adopt villages with an aim to promote all round development. Even the commercial banks involved in rural financing go in for village adoption programmes either independently or with some fertilizer manufacturers. Such programmes not only aim to increase fertilizer consumption but also other people related activities.

In short, the promotion measures adopted by fertilizer manufacturers are quite innovative and worth being emulated by other involved in marketing of consumables and durables also.

4.2.6 CHANGING SCENARIO IN FERTILIZER MARKETING.

Since 1991-92 the fertilizers market has undergone a phenomenal change. The nitrogenous fertilizers have gone up substantially due to decontrol. This has pinched many manufacturers and sales have come down. This is expected to offset an increase in fertilizer prices. The manufacturers and marketing men have to prepare themselves for such an eventuality when all the four Ps of marketing mix will be totally under their control. It is unfortunate that the fertilizer industry is unable to reach out to farmers. It is time the industry comes-out of such a mindset and thinks in terms of marketing and competition in a true sense.

As of now, there appears to be no threat to the ever expanding market of fertilizers. But research is underway to develop 'Bio-fertilizers', which are supposed to be more environment friendly and can be produced at lesser costs. Some bio-fertilizers like Rhizobium, Blue-Green Algae, etc. are already in the market. The bio-fertilizers being cheaper, there is a likelihood of bio-fertilizer catching up and the market for chemical fertilizers declining. As of today, this appears to be a distant possibility, given the technology and need for accelerating agriculture production.

The scope for increasing fertilizer consumption in the country is enormous which is justified by the following facts:

Lastly the following table shows the proportion of fertilized area to gross cropped area and proportion of farms using fertilizers. This presents a very interesting picture.

TABLE : FERTILIZER CONSUMPTION PATTERN: FARM SIZE WISE

Sr. No.	Size group in Hect.	Proportion of Holdings Using Fertilizers (%)	Proportion of Fertilized Area to Gross Cropped Area (%)	Fertilizer Input in Kgms per Hectare
1.	Below 1	36.8	31.3	92.3
2.	1 to 2	44.8	32.7	85.8
3.	2 to 4	55.3	36.1	80.1
4.	4 to 10	55.4	35.2	71.1
5.	10 and above	58.8	34.2	59.0
6.	All holdings	45.2	34.4	76.4

It is seen that on an average only about 45 per cent of the agricultural holdings use fertilizers, which is again restricted, approximately to one third of the gross cropped area in the holdings. The consumption of fertilizers per unit area varies from 59.0 kg to 92.3 kg per hectare in different size groups.

It is because of following reasons.

(a) To bring in new holdings to use fertilizers (new accounts)

(b) To encourage more area to come under fertilizer application and increase the consumption where fertilizers are already being used. The ever expanding market for fertilizers calls for innovative and effective marketing strategies with subsidy being withdrawn slowly, the manufacturers have to think and evolve innovative marketing strategies. It will not be wishful thinking if the fertilizer industry gets completely decontrolled in the near future. In such an eventuality all the elements of marketing mix will be under the control of the manufacturers and marketing which would necessitate evolution of appropriate strategies.

4.2.7 AGRICULTURAL CHEMICALS

The chemicals used for control of pests, diseases, rodents, vims. etc. are broadly termed 'agricultural chemicals'. The agriculture chemicals market can be classified as follows :

- a) Insecticides
- b) Fungicides
- c) Rodenticides
- d) Herbicides
- e) Fumigants

The agricultural chemicals market comprises insecticides that account for about 80 per cent, fungicides 15 per cent and the rest 5 per cent of the total market. The manufacturers of technical grade material and formulations.

There are about 79 licensed manufactures of technical grade material, out of which only about 51 are estimated to be active. Nearly 10 out of these 51 manufacturers alone account for about 80 per cent of the production of technical grade material. In 1985-86, the installed capacity for manufacture of technical grade material was 1,02,328 tonnes out of which only 68 per cent was utilized. But the agriculture chemicals market

has been growing steadily at about 7.5 per cent per annum. This is evident from the fact that the production of technical grade materials, which was only 19,280 tonnes in 1966 increased to about a lakh tonnes in 1985-86.

The formulators buy the technical grade material and prepare various formulations for the ultimate users in different concentrations for different crops and also for different types of pests and diseases, These are about 800 formulators in the country. It is estimated that there are about 77,080 sale points for agro chemicals. Out of this 55,870 are privately run 16,237 are run by cooperatives and 4,973 outlets by respective state governments.

All the manufacturers and formulators have to register themselves with the Central Insecticides Board under the Insecticides Act of 1968. The banned insecticides should not be manufactured or sold, e.g. DDT was banned in the country in October 1989. Apart from this, the formulators are free to adopt any trade or brand name for the products manufactured. Hence the same chemicals are sold on Several trade or brand names by different companies.

Nearly 50 per cent of the sale points for agro-chemicals are concentrated in four or five states, viz. Andhra Pradesh, Uttar Pradesh, Gujarat, Tamil Nadu and West Bengal. As in the case of fertilizers the consumption of agro chemicals is also concentrated in certain states. This is, of course dictated by the crops grown and their susceptibility to pests and diseases e.g. cotton and paddy alone account for nearly 65 per cent of the agro-chemicals consumption. The consumption of agricultural chemicals varies widely across different states.

TABLE . STATE-WISE SHARE OF AGROCHEMICALS CONSUMPTION

<i>Sr. No.</i>	<i>Name of States</i>	<i>Proportion to Total (%)</i>
1	Andhra Pradesh	33.6
2	Karnataka	16.2
3	Gujarat	15.2
4	Punjab	11.4
5	Maharashtra	5.1
6	Haryana	4.7
7	Tamil Nadu	3.6
8	West Bengal	2.9
9	Orissa	2
10	Uttar Pradesh	1.7
11	Kerala	1.3
12	Madhya Pradesh	1
13	Bihar	0.8
14	Assam	0.3
15	Himachal Pradesh	0.1
16	Rajasthan	0.1
17	All States	100

In India the agrochemical consumption is dependent upon several factors—irrigation facilities, types of crops grown, concentration of plantation crops, susceptibility, of crops to different pests and diseases. This can explained by the fact that the irrigated area, is substantial in the state, dependence on paddy and commercial crops like sugarcane,- tobacco and chillies, and intensity of cropping. Thus the market for agrochemicals is not uniform. This is further substantiated by Table which presents the data on proportion of agrochemicals consumption crop-wise.

TABLE : AGROCHEMICALS CONSUMPTION : CROP-WISE

Sr.No.	Name of Crop	Area under the Crop to Total Area (%)	Consumption to Total (%)
1.	Cotton	5.0.	27
2.	Rice/Paddy	24.0	‘27
3.	Plantation Crops	0.5	15
4.	Vegetables	1.7	12
5.	Sugarcane	1.8	4
6.	Oilseeds	10.0	4
7.	Wheat	10.0	3
8.	Others	47.0	8

Though a crop like cotton occupies only 5 per cent of the total cultivate area, it accounts for 27 per cent of the total agrochemicals consumption which indicates its high susceptibility to pests and diseases. The cotton farmers use large quantities of pesticides/insecticides either to control the pests and diseases after the attack or as a prophylactic measure to prevent the occurrence of pests and diseases.

Thus the market for agrochemicals depends heavily on the region and the crops grown therein. Since there are no significant government controls as in the case of fertilizers, the elements of marketing mix are very much under the control of the manufacturers and marketing men of agrochemicals.

Product. The formulators are free to manufacture and market any combination or concentration of insecticides or pesticides from the basic chemicals. They are also free to use any trade or brand name for their product. In other words, flexibility available to the manufacturing or marketing men is very immense. Even though these applicators are not very expensive, most farmers do not possess them. They either borrow from their neighbours or hire from agro input vendors. Most cooperative societies at village level and the departments of agriculture of various state governments keep these applicators for custom hiring to farmers. This is a case of providing product related services without which the product cannot be used effectively.

Price. The prices of agro-chemicals are not controlled by the government. The manufacturers are free to fix the prices. The main consideration in pricing is the strategy of the competitors and the nature of insecticides/pesticides.

Distribution. This is the most, crucial aspect in the marketing of agrochemicals. Appropriate chemical have to be made available at the time of pests/disease attack. This requires a reliable method of forecasting the seasons of attack of different pests and diseases depending upon the crop growing seasons. In addition, most chemicals have a definite shelf time. Fortunately, the chemicals are low’ volume and high value products unlike fertilizers, which are high volume and high value products. This enables quick movement. This is one

of the reasons why there are a number of small formulators who cater to local areas. This distribution arrangements for agrochemicals “appear fairly adequate with about 75,000 retail selling outlets. Since most of the chemicals are poisonous and hazardous, packaging requirements are of at most importance along with instructions for the use of products in the field.

Promotion. The promotion measures adopted by agrochemical manufacturers and marketing men are nearly the same as for fertilizers. In addition, the agrochemical manufacturers maintain contracts with the departments of agriculture and agricultural research stations, since they recommend the farmers the specific names of pesticides/insecticides to be used for different types of pests and diseases. This is highly productive promotion measures adopted by the agrochemical manufacturers.

Threats. There appear to be no immediate threat to the agrochemicals market, but this may not be so in the long run. The usage of chemical on crops results in effects in food consumed, which are supposed to be carcinogenic. Thus’ a need is felt to develop agrochemicals of biological origin. Neem -based chemicals and biological organisms are being widely tried. Hence the pesticide/insecticide manufacturers and marketing men should think in terms of developing such eco-friendly products and be market leaders.

Seeds. Marketing of seeds is an important area wherein lies the key to future with the entry of multinationals in production and marketing of hybrid and high yielding seeds, the agriculture scenario is bound to change drastically from self sufficiency to exports. The liberalization and globalization policies also favour seeds marketing with the importance given to food processing industry. Traditionally the seeds market was in the hands of central and state seeds corporations. In addition, a few private seed companies were also in operation. The responsibility of evolving new varieties of high yielding seeds mostly rested with the government agencies like agriculture research stations and agricultural universities of central and state governments. The corporation distributes their seeds through co-operatives, private dealers and their own sales counters.

With the entry of several multinational seeds companies like Cargill and Pet Seeds of USA, Pioneer Seeds, Hoechst, Harrison Vanderhave ITC, Indo-American Hybrid Seed Company etc. the scenario is fast changing. Simultaneously the Government is also encouraging the food processing industry through several concessions with a view to earn foreign exchange. For example, Pepsi has encouraged cultivation of high yielding tomato varieties in Punjab to meet their export commitments of tomato puree and paste. In addition many public limited companies are also engaged in the business of cultivation, processing and sales of vegetables and fruit both internally and for exports. Max Rorth Orchards, ITC, Hindustan Lever, Thapar’s Reitgel India, etc. to name a few. Many such corporate bodies are also engaged in the processing and export of fruit and vegetable products, flowers, mushrooms, prawns and cereals. The bodies either have their own captive farms or procure them from increase the demand for seeds considerably.

4.3 Self-Assessment Questions:

Q1: What do you meant by marketing of fertilizers?

Q2: Explain fertilizers marketing-mix?

Q3: Name some agricultural chemicals?

Q4: Explain the concept of distribution?

Q5: How promotion measures adopted by agrochemical manufacturers?

Q6: Explain changing scenario in fertilizers marketing?

4.4 Summary

Rural India presents a big opportunity for companies. The National Council of Applied Economic Research expects the number of middle-and high-income households in rural India to grow to 111 million in 2007 from 80 million last year– twice the rate of growth in the cities. The average rural Indian household will have five major consumer appliances by 2006, the agency predicts, up from three in 1998. To effectively tap the opportunity in the big emerging rural market, companies have to reconfigure their resource base, rethink their cost structure, modify their distribution systems, re-evaluate the price-performance relationships and redesign their product development process. Succeeding in the rural market is a challenging task, so companies have to revamp their existing marketing strategies.

4.5 Glossary:

Agriculture marketing: It covers the services involved in moving an agricultural product from the farm to the consumer.

Poultry: It can be defined as domestic fowls, including chickens, turkeys, geese and ducks, raised for the production of meat or eggs and the word is also used for the flesh of these birds used as food.

Aqua feeds: The Company is working on algal extracts and processed animal by products as new sustainable ingredients for *aqua feeds*.

Fertilizer: It is any material of natural or synthetic origin (other than liming materials) that is applied to soil or to plant tissues to supply one or more plant nutrients essential to the growth of plants.

Chemicals: A *chemical* substance is a form of matter having constant *chemical* composition and characteristic properties.

Distribution: It is the process of making a product or service available for the consumer or business user who needs it.

Promotion: It refers to any type of marketing communication used to inform or persuade target audiences of the relative merits of a product, service, brand or issue.

4.6 Answer to Self-Check Questions:

Q1: Refer to 4.2.4

Q2: Refer to 4.2.5

Q3: Refer to 4.2.7

Q4: Refer to 4.2.5

Q5: Refer to 4.2.7

Q6: Refer to 4.2.6

4.7 Terminal Questions

1. What are different durable inputs used in agricultural marketing?
2. What is fertilizer marketing mix?
3. Define :
 - a) Agricultural chemicals
 - b) Marketing of fertilizers

4.8. SUGGESTED READINGS

1. Boyle J.E. Marketing of Agricultural Produce.
2. Taylor H.C.: Agriculture Economics.

Lesson-5

Media Planning

Structure

- 5.0 Introduction
- 5.1 Learning Objectives
- 5.2 Presentation of Contents
 - 5.2.1 Advertising-A Necessity
 - 5.2.2 Media for rural communication
 - 5.2.3 Vastness and uneven Spread
 - 5.2.4 Low per Capita Income
- 5.3 Self-Assessment Questions
- 5.4 Summary
- 5.5 Glossary
- 5.6 Answer to Self-Check Questions
- 5.7 Terminal Questions
- 5.8 Suggested Readings

5.0 Introduction

The biggest single advertising problem is the shortness of the reach of mass media. The mass media gap in India is as conspicuous as the income gap. Therefore, there is a need for extending basic infrastructure with a view to enlarging the reach of the mass media in rural India. Hopefully, the electronic revolution will follow the Green Revolution in rural India. Apart from the press and the cinema, mobile cinema, demonstration vans, puppet shows and theatres may convey the product message and sell the product directly to thousands of peasant customers. These are often an important means of changing habits by means of real like demonstrations of the goodness of the product and its utility and by the invaluable personal link established between the seller and buyer. To the extent that traditional social institutions like the panchayats still influence social habits, particularly in spending at the time of marriages and festivals, they can be useful instruments for mass changes in consumers habits.

5.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Advertising-A Necessity
- Media for rural communication
- Vastness and uneven Spread
- Low Per Capita Income

5.2 Presentation of Contents

5.2.1 Advertising – A Necessity

It is a general assumption of advertising theory that advertising helps to create demand. The basic trends of demand for products are determined primarily by prevailing social and environmental conditions.

Advertising itself serves not so much to increase the demand for a product as to speed up the expansion of demand that may come from favourable conditions and to retard advances due to unfavourable conditions. Most rural marketers treat this as an almost insoluble problem. In our country, we have either over or under planned strategies for growth. Over planning leads to over capitalization. The rural market information gap is wide enough to justify major collaboration between governments, universities, independent research organization and business.

Advertising catering to the rural society with divergent lifestyles and value system presented an unusual challenge between the strategy of homogenization or heterogenisation. This sort of advertising involves constraints in the form of cost duplication of facilities and fragmentation. Our rural marketers should keep an eye on import substitution and upgrade raw materials on the basis of research and development before they can ensure that adequate raw materials reach the manufacturing areas for products which would then reach rural markets in a steady flow and at relatively stable prices.

During the last two decades, major diversification programmes as well as capital investment programmes in backward areas have been undertaken by many companies to strengthen their sales and distribution system. The company's periodic socio-economic surveys in rural India have enabled them to assess the changes that are taking place there, and to suitably modify their marketing and distribution set-up to meet the new needs of consumer economically.

Many companies are supplying to rural customers directly as well as indirectly a wide range of products. A recent macro-economic survey indicates that there is a great opportunity not only for the further growth and distribution of traditional consumer goods but also, increasingly, for products which help to improve farm yields. The numbers being continuously drawn into the cash economy have risen. This highlights the need and the opportunity for the spread of trade and industry to rural areas. The Indian scene presents interesting trends, the landholding community's expenditure pattern shows that it is an active and expanding part of the cash economy. Industry, too, is being slowly dispersed to the countryside. Investments in rural areas have been made by the Government as part of its development planning. A thorough rural survey and market analysis are therefore required to determine the most cost effective method of distribution because most hamlets in the interior are inaccessible.

5.2.2 Media for Rural Communication

The rural communication consists of two categories:

5.2.1 Traditional

5.2.2 Mass

The traditional media has an effective reach in villages. The simple forms of entertainment should be laced with proper advertisements to get the desired results. The advertisements should be held and displaced learn months in the village when there is not much harvest work and in harvests when villagers are busy.

The advantage of traditional media is of low cost and high accessibility in villages. Villagers take keen interest. The disadvantages include that the media gives limited retention and the success depends on the skills of the performers and co-ordination of the campaign company's.

Puppetry: Puppetry is a common and very popular entertainment in rural areas. It is inexpensive. The art is adaptable to mythological, puranic or present day stories. The puppets used in puppetry are managed with the manipulation of strings. The puppeteer narrates or sings stories. Government of India and the State Government make use of puppet shows to communicate to the rural masses ideas of literacy, cleanliness,

values and desired social issues. Life Insurance Corporation of India (LIC) uses this media extensively in fairs and festivals. The festive occasions are used to call singers, experts, dancers etc, and to propagate this art. Weekly markets called 'Haats' are places where the villagers congregate in large numbers. As per NCAER estimates, there are 47,000 haats and the business transacted per year is around Rs. 850 Crore. This consists of fifty percent FMC G items. India Oil Corporation (IOC) and Dabur use the media for communication and advertising their products.

Demonstrations and Exhibitions: With the help of audio-visual media, companies are arranging demonstration of their products and how to use them. This raises awareness of the products in rural areas. Companies manufacturing FMCG items, kitchenware, detergent, bicycles, paints etc, use the village Panchayat officer of village head's house for demonstration and exhibition of their products. The demonstration method also gives valuable feedback to the manufacturers in the rural requirements. Exhibiting products in exhibitions and visiting trade fairs and exhibitions change the business outlook and product knowledge. The benefits of exhibitions are detailed in a case shown in Box 5.1.

Folk Theater: The folk theater in India villages is very old and a powerful media. The shows consist of traditional mythological stories or modern day satires. The shows take many hours in the night extending up to early morning of the next day. Many government departments effectively use this media to educate masses on social issues. Each state has its own form and style of folk theater and called Nautanki, Veedit Jataka, Burra Katha, Tamasha etc. Tea, Coffee and cold drink companies use this media extensively.

Wall Paintings and Cutouts: The big board's on shops, walls of shops, large walls at strategic places like village haats, name boards and cut out boards are extensively used to paint and advertise. Bright colors and village scene and people picture are used. Simple, direct messages are written in local language to arrest the attention. Nestle coffee, coke, pepsi and Tata group use this media extensively in rural marketing. Communication by colourful pictures is powerful and lasting.

Postcards, Posters and Handbills: Are used for regular follow up by the companies or for product launching.

5.22 Mass or Conventional Media Mass media is becoming popular as it is driven by technological innovation and creating an impact on rural minds. The advertisers are using local language and good audio visuals. The media is used to show the working of products, functions and benefits in an effective manner for attraction and retention.

Word of Mouth: Opinion leaders are an important influence in any decision making in the rural scene. Opinion leaders influence people on what to buy, how much to buy, sources and brands. The group consists of village mukhiya or sarpanch, school teacher, postmaster, village doctor, village nurse and the bank manager. The advertisers and advertising companies are now educating and influencing this group about their products and services. The village mobile peddler has an important role in spreading importance and use of product to village masses. While peddling his wares on the carts, the mobile trader speaks to his customer. The FMCG products are sold by word of mouth in villages. The mobile trader deals in items like soaps, cosmetics, toys and plastic household items.

Print : Print media is gaining prominence in view of the fact that the literacy levels in few states is good and increasing. The media in vernacular languages like Malayalam is prominent. 'Malayala Manorama' in Malayalam, 'Eenadu' in Telugu and 'Dainik Bhaskar' in Hindi are good examples. The State Government and publicity departments are using the media to propagate social economic issues of the state or region. LIC

is using the media extensively to educate the rural masses on the schemes introduced by the Corporation from time to time. The fertiliser companies, ITC and Hindustan Lever use the media for their advertisements. Colourful photographs of the village womenfolk and greenery contain the advertisements and retain the messages. Coca-Cola, Pepsi, Miranda, Amul and Nirma use the media in vernacular newspapers.

Radio : The reach of radio is all over rural India. Radios are quite popular since the last four decades. FM radio stations are becoming popular near big cities since the last one decade. Regional language programmes like news, soap operas, family dramas and agricultural bulletins are being watched in rural areas. Advertising time is sold in radio media for product advertisement by companies. The advertisements are properly positioned in the popular programmes with suitable music compositions. The advertisements are relatively cheaper and large coverage. FMCG, fertilizer, pesticides, textile companies use the media effectively and extensively.

Cinema Theatres : Cinema is a powerful media in four southern states. Villages go to towns to watch films of their favourite stars. Cinema houses advertise products at small cost. The slides or films can be made to suit local language and conditions. In northern India, the cinema viewership is less in theatres, whereas film cassettes to view on VCRs are becoming popular. The advertisements are suitably placed in film cassettes by cassette making companies, Film actors or actresses are used to advertise the products to have bigger impact on the advertisements. Amul, Fertiliser companies, NIRMA, toothpaste companies, cosmetic and toiletry companies use the media extensively to advertise their products.

Television : Television has occupied the first place in advertisement, TV is able to reach on an all India basis with large audience or viewership. With its large viewership, TV becomes a cost effective advertising media. TV has entered rural homes in a big way. A judicious combination of spot and network advertisement is choice of the FMCG sector where FMCG would like to reach both urban and rural population. TV channels, in turn are making their production attractive with large advertisement amounts received by it. Slick computer graphics and background music attract the audience. Recent ORG - National Readership survey estimates that 31 percent of rural adults view television. Of these viewers 31 percent of rural adults view television. Of these, 35 percent are regular viewers, 7 percent are frequent and 58 percent are occasional viewers. Region-wise, TV viewership percentages are as follows :

TABLE 5-1 Television Viewership

Region	Viewership
North	37
South	26
East	23
West	39
All India	31

Advertisement on cable television local network is also attracting localised limited audience. Cable TV spots are purchased by advertisers.

The TV broadcasting and advertisements thereon is a development of two decades in India. The older people in rural areas do not approve of TVs for viewing. A recent news item of imposing.

Video on Wheels: Advertising agencies have created and established the video van. The van has a small electricity generating set, video player, lighting and audio facilities. The van shows products, side panels showing the company information and after sales service etc.

The video van moves from village to village advertising the company products. It is an innovative concept in advertisement. The video in the van plays the VCD disc to give audio visual impact laced with film drippings for attraction. The marketing persons accompanying the van distribute samples, pamphlets and discuss the advertisements of products with the villagers.

Many Languages and Dialects

India is a country of many languages. All the vernacular languages have evolved over the millennium. Prior to that, for about a thousand years or more, our literary world was cosmopolitan as Sanskrit held sway over South Asia, and as Latin did in Europe. In addition, our villages have dialects. These are 18 official recognised languages in India and about 850 dialects are spoken.

Language becomes a barrier in effective communication in the marketing efforts. The languages and dialects vary from state to state, place to place and district to district.

India never had a common language which was intelligible to the masses everywhere in India. For many centuries, Sanskrit remained a common medium. It was the language of the learned class only. Under the British, the English gained importance. Since independence, Hindi is spreading all over India, thanks to Hindi film and TV popularity.

There are now 18 scheduled national languages. Table 5.2 below shows the comparative strengths of these languages.

TABLE 5-2 Comparative Strengths of Scheduled Languages

Mother tongue	Percentage to total pop.	Speakers (million)
Hindi	39.85	33,72,72,114
Nepali	0.25	20,76,645
Bengali	8.22	6,95,95,738
Assamese	1.55	1,30,79,696
Urdu	5.13	4,34,06,932
Punjabi	2.76	2,33,78,744
Telugu	7.80	6,60,17,615
Jashmiri (1981)	0.46	31,76,975
Tamil	6.26	5,30,06,368
Konkani	0.21	17,60,607
Marathi	7.38	6,24,81,681
Gujarati	4.61	4,96,73,814
Kannada	3.87	3,27,53,676
Malyalam	3.59	3,03,77,176
Oriya	3.32	2,80,61,313
Sindhi	0.25	21,22,848

Manipuri	0.15	12,70,216
Sanskrit	0.01	49,736
*1991 Figures		

The marketing campaigns and messages have to be produced and delivered in local language. This challenge is special to the marketer in rural marketing.

5.2.3 VASTNESS AND UNEVEN SPREAD

India is a vast land and measures 3214 kms from north to south and 2933 kms from east to west with a total land area of approx. 3.29 million square kms. It has a land frontier of 15,200 kms and a coast line of 7516.5 kms. The land has different features. The mainland comprises of seven regions:

- (i) Northern mountains including Himalayas and North-Eastern mountain ranges,
- (ii) Indo -Gangetic plain
- (iii) The Desert
- (iv) Central highlands and peninsular plateau
- (v) East Coast
- (vi) West Coast
- (vii) Bordering seas and islands

Each of the above type of land has different crops, living patterns and so on.

The population density of 28 states and 6 union territories vary. The percentages of rural -urban population in each of these states vary considerably. The urban population as on date vary from Bihar (87.7%) to Maharashtra (57.5%) and Union Territories (53.4%). Table 5.3 gives projected statewise rural population upto year 2016.

TABLE 5.3 Projected Statewise Rural Population

States	upto 2016				
	1996	2001	2006	2011 (%)	2016
Andhra Pradesh	71.2	69.3	67.7	65.2	63.1
Assam	88.3	87.7	87.1	86.5	85.8
Bihar	85.9	84.8	83.7	82.6	81.4
Gujrat	63.9	62.3	60.7	59.0	67.3
Haryana	73.9	72.5	70.9	69.4	67.8
Karnataka	67.5	65.8	64.2	62.4	60.7
Kerala	71.3	68.8	66.3	63.6	60.9
Madya Pradesh	75.0	73.1	71.1	69.1	66.9
Maharashtra	59.4	57.5	55.6	53.6	51.6
Orissa	84.9	83.1	81.1	78.9	76.5
Punjab	69.3	68.1	66.8	65.6	64.3

Rajasthan	75.9	74.6	73.2	71.3	70.0
Tamil Nadu	64.5	63.1	61.8	60.4	58.9
Uttar Pradesh	78.7	77.3	75.7	74.1	72.4
West Bengal	72.0	71.5	70.9	70.4	69.8
Other States & Union Territory	56.2	53.4	50.7	48.0	45.3
All India	72.8	71.2	69.6	68.0	66.3

(Source: statistical Outline of India 2002-03).

The financial standing of people also vary from state to state. Even their living styles also change as per earning capacities. The rich states are becoming richer and poor ones poorer in the last two decades. The poverty ratios between states vary; the lowest is Bihar 44.09% and richest is Punjab 8.02% - productivity of land varies considerably. Table 5.4 below gives statewise projected poverty ratios.

Projected Poverty Ratios

States	1996-97	2001-02	2006-07	2011-12 (%)
Andhra Pradesh	17.35	11.13	5.35	2.44
Assam	26.46	10.65	3.82	2.07
Bihar	44.09	27.46	14.08	6.65
Gujarat	17.07	9.05	3.94	1.28
Haryana	18.41	10.16	5.00	2.58
Karnataka	22.38	14.02	7.34	3.14
Kerala	30.72	17.86	8.68	3.45
Madhya Pradesh	21.22	11.35	4.76	1.38
Maharashtra	33.38	21.97	12.75	6.81
Orissa	32.74	20.66	11.41	5.43
Punjab	40.21	22.93	10.76	4.63
Rajasthan	8.02	2.98	0.85	0.15
Tamil Nadu	20.31	10.85	4.70	1.52
Uttar Pradesh	30.73	18.11	8.96	3.59
West Bengal	32.52	21.91	12.66	6.92
Other States & Union Territory	25.08	13.54	6.26	2.86
All India	29.18	17.98	9.53	4.37

5.2.4 LOW PER CAPITA INCOME

Per capita incomes in the rural population is low compared to urban India. In addition, distribution of income in villages is skewed because of age-old systems of landholding called Jarnindari. The rich landlords enjoy large incomes and lead an extravagant life whereas majority in villages have low incomes, that too seasonal. There is a clear divide of haves and have-nots. The contribution of agriculture in national GDP is

25.1% and it is generated in villages wherein the population of 71% live where per capita availability of land is 0.33 hectare and cultured land only 0.15 hectare. Per capita income is low accordingly in villages, in addition, the rich farmer with his money and power gets political power.. Political power brings in more money. The rich rural section gets richer and the poor get poorer.

The marketer faces challenges in rural marketing to decide off-take quantities, stocking patterns, frequency of distribution, package size, inventory levels and a host of connected issues. More poor people live in villages and overall income levels are low. Table below gives rural urban population living below the poverty line.

Population Below Poverty Line, 1999-00

	Total		Poverty Line (Rs)	
Andhra Pradesh	11.9	15.8	262.9	457.4
Assam	9.5	36.1	365.4	344.0
Bihar	42.6	42.6	333.1	379.8
Delhi	1.1	8.2	362.7	505.5
Goa	0.1	4.4	318.6	539.7
Gujarat	6.8	14.1	318.9	474.0
Haryana	1.7	8.7	362.8	420.2
Himachal Pradesh	0.5	7.6	367.5	420.2
Jammu & Kashmir	0.3	3.5	367.5	420.2
Karnataka	10.4	20.0	309.6	511.4
Kerala	4.1	12.7	374.8	477.1
Madhya Pradesh	29.9	37.4	311.3	481.7
Maharashtra	22.8	25.0	318.6	539.7
Manipur	0.7	28.5	365.4	344.0
Nagaland	0.5	32.7	365.4	344.0
Orissa	16.9	47.2	323.9	473.1
Punjab	1.4	6.2	362.7	388.2
Rajasthan	8.2	15.3	344.0	465.9
Sikkim	0.2	36.6	365.4	344.0
Tamil Nadu	13.0	21.1	307.6	1475.6
Tripura	1.3	34.4	365.4	344.0
Uttar Pradesh	53.0	31.2	336.9	416.3
West Bengal	21.3	21.0	350.2	409.2
All India	260.3	28.1	327.6	454.1

Source: statistical Outline of India. Tata Services Ltd

5.3 Self-Assessment Questions:

- Q1: Explain media for rural communication?
- Q2: What do you mean by mass media?
- Q3: What do you understand by low per capita income?
- Q4: Explain vastness and uneven spread?
- Q5: What are the necessities of advertising?

5.4 Summary

Rural Communication has recently emerged as a key concern for communicators of both profit-oriented corporations exploring rural areas to expand marketing their products, as also by those in social service institutions trying to reach social (especially) health related messages in rural, tribal and far-flung areas in the countryside. It is, therefore, important for us to understand this entire issue, including its key concepts and communication scenario in rural areas. This chapter, in order to understand the key concepts of rural communication, attempts to explain the communication process in rural areas, showing as to how much of the rural communication goes waste as 'noise'. There are a number of factors that make rural messages effective.

5.5 Glossary:

Advertising: It is a marketing communication that employs an openly sponsored, non-personal message to promote or sell a product, service or idea.

Communication: It is the act of conveying meanings from one entity or group to another through the use of mutually understood signs, symbols, and semiotic rules.

Exhibition: It is an organised presentation and display of a selection of items.

Folk theatre: It is a composite art form in India with a fusion of elements from music, dance, pantomime, versification, epic and ballad recitation, graphic and plastic arts, religion and festival peasantry.

Vastness: Very great in size, amount, degree, intensity, or especially in extent or expanse.

Per capita income: It is national income divided by population size. Per capita income is often used to measure a sector's average income and compare the wealth of different populations.

5.6 Answer to Self-Check Questions:

- Q1: Refer to 5.2.2
- Q2: Refer to 5.2.2
- Q3: Refer to 5.2.4
- Q4: Refer to 5.2.3
- Q5: Refer to 5.2.1

5.7 Terminal Questions

1. What do you mean by advertising and explain its importance?
2. What are different modes used in media for rural communication?

5.8 Suggested Readings

- (i) Kohles, Richard L. : Marketing of Agricultural Products.
- (ii) Boyle J.E, Marketing of Agricultural Produce.

Lesson - 6

Marketing of Agricultural Inputs

Structure

6.0 Introduction

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6.0 Introduction

Agricultural inputs can be categorized into two types: Consumable and Durable inputs. The former include manures and fertilizers, seeds, insecticides/pesticides, diesel oil and electricity. On the other hand, Durable inputs include tractor, trailers, harvesters and threshers, pump sets, and other implements. Output marketing is an aspect of agricultural marketing. A timely and adequate supply at fair prices of farm inputs - seeds, chemical fertilizers, plant protection chemicals, farm equipment and machinery, labour, electricity, diesel oil and credit are of great importance in the production of output. The importance of purchased farm inputs has significantly increased in the recent past with the technological break-through in Indian Agriculture.

Agricultural inputs are at the heart of rural marketing and rural development. They support farm production which is the source of income to a large rural population and help create market for other consumable and durable products in rural areas. Being industry processed, manufactured, packaged and branded products; they are vehicles of modernization and rural development. But they differ in their market as they have a derived demand, are less frequently brought, and are expensive.

6.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Meaning
- Agricultural Inputs and Their Types
- Fertilizers Marketing
- Marketing through Mass Media
- Seeds-Marketing
- Chemicals Marketing
- Marketing of Feeds for Life stock
- Rural Marketing Scenario
- Composition of Consumer Goods
- Relevance of Product, Price, Place and Promotion in Rural Market
- Rural Market Segmentation
- Targeting
- Product Strategies
- Pricing Strategies
- Distribution Strategy
- Promotion Strategies

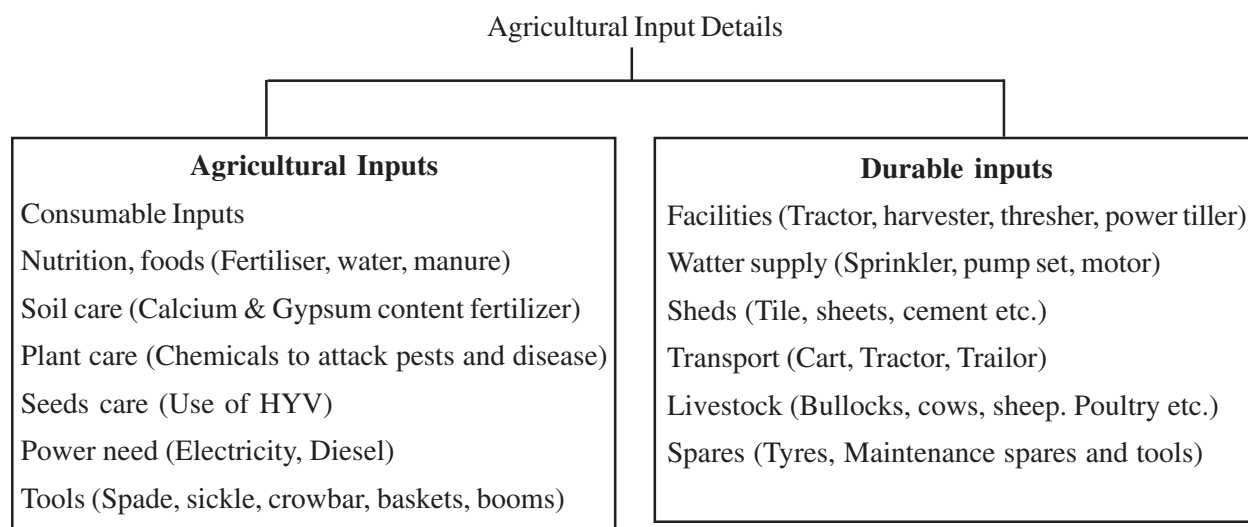
6.2 Presentation of Contents

6.2.1 Meaning

Rural marketing study will be incomplete without the coverage of inputs and secondary or supportive functions. Inputs like seeds, fertilisers, chemicals are essentials to give desired input. Support functions like tractors, implements, bullocks, electricity and diesel are required and to be marketed to farmers. Some sell easily and some need efforts. For aquaculture, poultry and sheep breeding, the feeds are required. This is also a business activity which will grow gradually.

6.2.2 AGRICULTURAL INPUTS AND THEIR TYPES

The job of marketing the agro-input has become more important than it ever was. Traditionally, this area was not given more importance. The farming was now became an enterprise and a potential commercial function to earn more. Now, big corporate sectors, produce fertilizers, pesticides and insecticides to take care of the growing input needs. In addition to this, the use of electricity, tractors and other farm machineries have also increased. Considering all these aspects, the agri-inputs business can be classified into two categories as follows.



Farmers are bound to use what are compulsory like seeds, water, bullocks, sickle, spade and the like. Usage or purchase of other inputs differs from farmer to farmer.

6.3.3 FERTILIZERS-MARKETING

The requirement of fertilisers is increasing year after year and hence there is more scope in marketing of various types of fertilisers. Annual growth of around 10% can be worked out on this for future plans by marketers and producers of fertilisers.

The consumption of Nitrogen (N), Phosphates (P) and potash (K) fertilisers is very high and hence there is more marketing scope of these fertilisers. The consumption of these items is increasing steadily and will continue to increase.

Table : Consumption Pattern of Various Fertilizers

Fertilisers	1997-1998	1998-99	1999-2000	2000-2001	2001-2001
NitrogenousFertilisers	10,901	11,354	11,592	10,920	11,310
PhosphaticFertilisers	3,914	4,112	4,799	4,215	4,382
Potassic Fertilisers	1,373	1,332	1,678	1,567	1,667
All Fertilisers (NPK)	16,188	16,798	18,069	16,702	17,360
Percentageincrease	13.14	3.77	7.57	7.56	3.90

There is lot of variation in statewise consumption of fertilisers. States like Punjab, Haryana, TN, AP and UP have higher pattern of consumption, while states like Rajasthan, Assam and Orissa have very low consumption. This means the marketing efforts yield results in few states and is very difficult to sell in others.

Table : Per hectare consumption of Fertilisers for Cropped Area during 2001-2002.

Sr. No.	State/U.T.	2001-2002
1.	Andhra Pradesh	143.46
2.	Karnataka	101.48
3.	Kerala	60.72
4.	Tamil Nadu	141.55
5.	Gujarat	85.52
6.	Madhya Pradesh	39.96
7.	Maharashtra	78.24
8.	Rajasthan	38.88
9.	Haryana	155.69
10.	Himachal Pradesh	41.40
11.	Jammu & Kashmir	64.55
12.	Punjab	173.38
13.	Uttar Pradesh	130.44
14.	Bihar	87.39
15.	Orissa	40.91
16.	West Bengal	126.82
17.	Arunachal Pradesh	2.88
18.	Assam	38.81
19.	Tripura	30.45
20.	Manipur	104.94
21.	Meghalaya	17.16
22.	Nagaland	2.13
23.	Mizoram	13.72
24.	Sikkim	9.72
	All India	90.12

Source: Ministry of chemical and fertilizers.

Table : Consumption of Kharif, Rabi for 1970-71 to 2001-2002

Year	('000 Tonnes of Nutrients)			Percent share	
	Kharif	Rabi	Total	Kharif	Rabi
1970-71	830	229	629		
1980-81	2.138	3.378	5.516	38.8	61.2
1990-91	5.741	6.805	12.546	45.8	54.2
2000-01	8.034	8.668	16.702	48.1	51.9
2001-02	8.085	9.275	17.360	46.6	53.4

Source: Ministry of Chemical and Fertilisers.

Table : Current selling Prices of Fertilisers

Type of fertilizer	Selling price
Urea	4.830
Di-ammonium Phosphate	9.350
Complex fertilizers	6.980-9.080
Single Super Phosphate	

* Source: Ministry of Chemical and Fertilisers.

The consumption pattern of fertilisers has direct relevance to output pattern of crops. The marketing personnel have to spread this theory to lesser fertiliser consuming states. The government agencies should do more advertising in low consumption states to improve the productivity. This works as a back-up for the marketing team for fertilisers.

Even though some states are consuming very low volume of fertilizers. The marketing of fertilisers is well attended by traders; co-operative societies and village farm leaders. This cannot be taken up in the same way as the consumer goods sales representatives visit potential customers.

6.2.4 Marketing Through Mass Media

For advertisements, the local language newspapers, magazines and TV media should be used to inform on advantages of fertiliser uses. All India Radio (AIR) is very popular in villages and the advertisements through AIR serve good purpose 1; by the Government, the next logical step is to create a fertilisers.

Table : Fertiliser Production, Import and Subsidies

Year	Production		Imports				
	Nitrogen	Phosphate	N+P+K	Imported Urea	Domestic Urea	Decontrolled P&K Fertiliser	Total
1990-61	98	52	419	-	-	-	-
1970-71	830	229	629	-	-	-	-
1980-81	2,164	841	2,759	335	170	-	505
1990-91	6,993	2,052	2,758	659	3,730	-	4,389
2000-01	10,962	3,743	2,090	1	9,480	4,319	13,800
2001-02	10,768	3,860	2,398	47	8,257	4,504	12,808
2002-03	10,876	4,356	1,004	505	6,499	4,224	11,228

Source: Ministry of Chemical and Fertilisers/Eco-Survey 2002-03

6.2.5 SEEDS-MARKETING (DISTRIBUTION)

Seed is the most essential input and hence not much of marketing effort is required. The marketer may have to explain only if new varieties have come, Another explanation required is the quantify required per acre and the quantum of crops expected from a particular variety.

Type	Unit	1997-98	1998-99	1999- 2000	2000-01	2001-02	2002-03
Breeder Seed	Qtls	46.134	38.994	51.131	42.690	47.021	49.000
Foundation Seed	‘000 Qtls	684	675	466	591	550	600
Certified Quality Seed Distribution	‘000 Qtls	7.879	8.497	8.798	8.627	9.100	9.300

Source: Ministry of Agriculture.

For a long time, seeds marketing was taken care by government departments due to malpractices done by traders. At present many private corporate sectors are involved in seeds production and sales. They are also concentrating on developing and selling seeds for food grains. In addition, few of them develop seeds for fruits and vegetables of high quality.

6.2.6 CHEMICALS MARKETING

Chemicals used as poison to eradicate pests, diseases, rodents, virus etc. are require at various stages of farming and during storage of crops. This is an input to safeguard the crops and goods. The category of chemicals are as follows:

- Insecticides - About 80% of total chemicals used
- Fungicides - About 10% of total chemicals used
- Rodenticides
- Herbicides - About 5% of total chemicals used
- Fumicides

These are poisonous materials and hence only licensed manufacturers are allowed to produce and sell them. There are specifications and safety measures to be followed for all chemicals. The cotton farmers use large quantities of pesticides/insecticides either to control the pests and diseases after the attack or as a prophylactic measure to prevent the occurrence of pests and diseases. Thus, the market for agro-chemical depends heavily on the region and the crops grown therein. Since there are no significant government controls as in the ease of fertilisers, the elements of marketing mix are very much under the control of the manufacturers and marketing men of agro-chemicals.

Product: The manufacturer are free to manufacture and market any combination or concentration of insecticides or pesticides from the basic chemicals. They are also free to use any brand names. For spraying of chemicals, the sprayer or applicators arc required. Many farmers even don’t have these applicators. They borrow from friends. Co-operatives give these applicators/sprayers on hire.

Price: Price of agro-chemicals is not governed by any statute. The competition guides the prices. Effectiveness of certain brands gets the advantage of premium pricing.

Promotion: Sales promotion of chemicals is on similar lines as that of fertilisers. This also requires to create awareness of losses due to pests, rodents etc. Village fairs, congregation for festivals and election meetings are places to organise advertisements. Hoardings at prominent places and in village roads and highways enable the rural people to remember the product.

Distribution: Chemicals should be made available when they are needed most. Sometimes crops are affected by epidemic diseases and at that time right kind of pesticides should be available in nearby places. Different chemicals required for different crops, duration of need, self life of chemicals, method of dosage and usage are very important. Storage of pesticides consumes lesser space compared to fertilisers and hence traders can keep required stock for six months. Only thing is that safety is to be taken into consideration as these are poisonous materials for humans and livestock.

6.2.7 MARKETING OF FEEDS FOR LIVESTOCK

Sale of cows, bullocks, buffalos and feeds for poultry, fish etc: is a business which is growing fast. Dairying is a very big business activity and for this food and: care of cows and buffaloes is essential. The oil cakes from oil industries, fodder (green and dry), grass (green) and mix of bran or raiigh flour from flour mills are arranged to feed animals. Hence selling of animal feed is also a part of rural marketing. For poultry, fish and shrimps, some units make and sell special packed feed and this method is popular all over India. In coaxial areas, local people who cultivate fish, shrimps and lobster separately use such Iced for faster growth of marine life to get quick returns on their investments.

6.2.8 RURAL MARKETING SCENARIO

In order to sell consumer goods, it is better to revise again the rural marketing scenario in which efforts are being made to sell modern goods.

Rural Income: Around 75% of the rural income is generated from agriculture produce and related functions. This means the income is seasonal and there is no steady or regular income flow. This also means whenever the crop is good in quality and quantity. The cash flow is good and the trend reverses if crop fails partly or fully.

Demand is Irregular: With the rural population's demand being too agro related, the demand for goods is not steady. It will be more in season and very little or nil in off season.

Not Savings Minded: Rural people are yet to cultivate the savings attitude and use support of banking for safety. This habit only can put them in a position to buy consumer goods whenever they want.

Education: Literacy and the education level of rural people are low and increasing very slowly. This puts them at a disadvantage to bargain with any organisation, government, local bodies and traders. The situation explained above is gradually changing; slowly rural people are trying to adopt to modernity to the extent economically possible. Few still may be attached to socio--cultural values and do not spend money on modern facilities.

6.2.9 COMPOSITION OF CONSUMER GOODS

Consumer goods are divided as consumables (consumer non-durables) and consumer durables. The table covers only selected few and the list could be exhaustive if we go on writing all items.

<i>Consumer-Non-durables</i>	<i>Consumer-Durables</i>
Washing powders, cakes, bath soaps, shaving soap	• Bicycles, electric irons
Tea and coffee-loose and various packages, brands	• Pressure cookers, wrist watches, clocks
Face powders, bindi, fragrance, cosmetics	• Transistors, radios, audios
Batteries, razor blades	• Citing fans
Papers, writing stationery, magazines	• Mopeds, scooters, motorcycles
Different dress materials	• TV (B&W, coloured)
Toothpowder, paste, brushes	• Power tillers, harvesters

The perception about the rural consumer is now gradually changing. They are not sticking only to essential items. Now they constitute a big potential market for consumer goods. The investment pattern is changing from buying gold and jewellery to buying tractors, implements and pumpsets. The youth have adopted to buying razors and shaving soap/cream rather than going to the barber. The rich farmers buy all possible modern amenities. For others, the economic lot has to improve for increased purchases.

The trend for the increased sale of consumer goods is directly linked to increase in the agricultural income of farmers. From the studies conducted by HLL in Punjab, Haryana and the rural areas of Andhra Pradesh, it is found that there is rise in the use of modern facilities in farming and this is likely to lead to increased output. This is further substantiated by the fact that sale of fertilisers is on the rise. Both, these factors should improve the income level of farmers due to increased output. This naturally leads to more sale of consumer goods of all types and varieties.

6.2.10 RELEVANCE OF PRODUCT, PRICE, PLACE (DISTRIBUTION) AND PROMOTION IN RURAL MARKET

Selling consumer goods would increase steadily with the right kind of approach on GPs, the fundamentals of marketing strategies. This has been well understood by the companies who have been doing market surveys. Others simply need to take advantage of their efforts and experiences.

Product: Products which are needy, can be produced and in their economic range only should be tried. Hence, the marketers should provide such, colours so that sales is easier. It is advisable to keep the stocks of the types that will be liked by rural people.

Price: The rural people should not feel that they are made to pay more than what is available in urban markets. Hence, what is sold to them in the rural market should be a slightly lower price or same price as in urban markets. To reduce price, the manufacturers should do some modifications in attributes like package, packing or discount offer to work on minimum possible profit margin.

Place: After taking care of product and price aspect, the next important category is distribution. The product should be made available to the rural consumer at convenient places/points. Wherever the agents or leaders are not available, the good old hawker method will work. The bigger companies who make huge profits due to selling in cities and urban areas can afford to invest more to develop sales distribution in the rural sector.

Promotion: Promotion is a back-up function for the sales force. It is essential to communicate the merits and advantages of products through various methods of promotion methods. Promotion strategies consist of advertising, sales promotions, public relations and publicity and personal selling.

6.2.11 RURAL MARKET SEGMENTATION

Demographic factors are taken into consideration for market segmentation of consumer goods and fast moving consumer goods (FMCG). In case of rural marketing i.e., to sell outside goods in rural areas, demography comes into the picture. However, the categories are much reduced. Here economic level, exposure to awareness of modern life and socio-economic features come into the picture. Some of the segmentations are as under:

Occupational Segmentation: This leads to economy-wise categorisation. Artisans, farm labourers

- Small farmers, tenant farmers
- Medium level farmers

- Large farmers and
- Very large farmers, zamindars.

Sociological Segmentation: There are six categories in this type of segmentation. This leads to socio-economic representation of the segment.

Rich Farmers: who have large lands and are local leaders. They spend time in the urban areas and try doing some other occupation.

Tenant Farmers: working on rented land to share the crops with owners of the land. 6J+-5.
Agricultural Labours: They work on wages in the land of rich farmers.

TRMI (Thomson Rural Market Index):

- Agricultural labourers
- Gross cropped area
- Gross irrigated area
- Area under non-food crops
- Pumpscts
- Fertiliser consumption
- Tractors
- Rural credit
- Rural deposits and
- Villages electrified.

Based on these factors, the districts are classified as A, B, C, D and E. which are in the order of high potential market to low potential market.

Lin Quest: This method is software developed by Initiative Media on data along the following parameters:

- Demographic
- Agricultural
- Income
- Literacy and
- Civic Amenities

MICA Rating: This is also a software package to be used on similar lines as Lin-Quest. The parameters of this segment are as follows:

- Total volume of agricultural output
- Bank Advances
- Cropped area
- Irrigated area
- Number of cultivators and
- Fertiliser consumption.

6.2.12 TARGETTING

After identification of various segments, the next step is to initiate the evaluation of equipments, selecting particular segments as targets and coverage of these selected segments. All three functions together are called as targeting.

Evaluation of Segments

For evaluation of segments, certain pertinent evaluation criteria have to be identified. The possible criteria should ultimately lead to sales volumes and profitability.

Sales volume and profitability: Towards this, the organisation has to collect the data based on the following factors:

- Likely sales volume e Promotion costs
- Distribution costs
- Sales value and
- Profit margin

Market trend: The evaluation of sales volume gives the current situation. What we have to see is the growth potential both in near future and distant future. The growth is more directly related to growth of population in an area.

Attracting: Some segments easily get attracted with certain promotional programmes. Some of the commonly followed methods are gift schemes, installment payments, combined offers etc.

Organisational objectives: An organisation should evaluate the segments based on its own short range and long range objectives.

Constraints: Constraints and limitations of a segment depends upon local socio-cultural values, government rules, established brands and any environmental problem. In such a situation, a more cautious approach is desired.

Service Difference

Service factor applies to automobiles, TV sets, audio sets, refrigerators, mixes etc. Here also companies change their warranty period from time to time depending upon the games of competition at the moment there is strategic competition amongst mobile telephone companies about price, service, discount, deferred payments etc.

Marketing People The sales and service people of organisations can give extra impact of sales or service and make a difference with competitors. This is more possible in service organisations like hospitals, schools and colleges, banks and even travel agencies. The promptness of replies, a friendly disposition, quick handling of work and sometimes taking care of 2-3 customers simultaneously displays efficiency and concern for customer care.

6.2.13 PRODUCT STRATEGIES

For the rural segment and rural consumers, many MNCs and Indian companies have done market surveys to understand the product strategy to be adopted. The rural market is much different than the urban market and the studies have helped to achieve results rather than making mere presence and attempts.

Small Size Packings: The low per capita income, non-availability of regular pay and cash forces the rural consumer to buy in small packets various products. The examples can be explained in plenty.

FMCG: Almost all FMCG goods manufacturers have come out with smaller packets and low price varieties. Toothpastes are available in 10 gm, 25 gm and 50 gm packets/tubes. Soap powders are available for Rs. 2, 5, 14 kg, 50 kg packets. Bath soap cakes are available in small sizes of 25 gm and 50 gm in addition to the standard 75 gm sizes.

Low-Priced Package and Product

Big and small companies have adopted an unwritten policy to dump second grade quality to sell at lower prices in the rural market. Products like ghutka, cold drinks, beedis, cigarettes, tea and coffee powders came to the rural areas in smaller packets and lower rates than those sold in cities. The quality will be medium or lower level, loose tea is packed and sold in different brand names suiting the rural public. The established brands cannot do this and hence they try to sell the quality product in very small packages. They can always make up marginal losses in rural areas by selling high-priced products in cities.

Rough, Tough and Loud

Village people believe that rugged looks, tough or robust looks and bright colours last longer. This is the reason why 'Jawa' motorcycle was sold more in rural areas. Similarly loud noise making transistors, radios, bright coloured clothes, banians, underwears or turbans sell better. Heavy furniture with attractive and fast colours sell better than light type with decent colours. They expect most of the products bought to serve them for a longer period or lifelong.

Product Design

The innovation in product design will be appreciated by the rural people only if it leads to price reduction. The changes made should suit their tastes and likes. Simple to use and handle are specific requirements. Material substitutions need to be adopted for price reduction. All this is worth doing due to the market potential.

Products

Rural people are not interested in fancy items which are later meant to be kept in showcases. They are more particular to buy only utility-oriented products.

Brand image

The rural people identify the brands in their own way. For example, Eveready battery cells are called 'red-battery' and many products are identified by symbols and specially symbols related to the Hindu deity. In brief, the product strategy should cover low pricing, small packets, rugged build and easy to remember names so that slowly the rural market can be developed.

6.2.14 PRICING STRATEGIES

It is natural that pricing strategy for rural segments must be in tune with the packaging and product strategy. Considering inhibitions, low income levels and poor cash flow in rural sector pricing has to be on the lower side. Hence, packaging has been made to suit low value purchases by rural people.

Low Pricing: Smaller packets of tea, toothpowder, shampoo, detergent powder, soap cakes, arecanut packets, ghutka packets, some standard quality and some low quality are sold at prices with very low margins. This strategy is followed by all manufacturers and traders at the all India level.

Cost Saving in Packing: For selling in rural areas, producers have resorted to use of cheap quality or ordinary pickings so that to some extent, price reduction is possible. Eatables like biscuits, sugar candies and others are packed in single plastic bags so that it is just enough to carry and handle. Moreover, rural people are not interested in sophisticated packing's. They look for price and utility.

Conversions: The standard pricing factors like costs, competition, premium product value, new product pricing, channel factor, promotion costs etc. are not carefully thought out in case of rural pricing as consumer goods are to be pushed in the rural sector. The producers need to develop the market and make a revolutionary change in rural society and rural culture.

6.2.15 DISTRIBUTION STRATEGY

The smaller villages are not fully touched due to various reasons like accessibility, small markets and far distances from towns and villages. Strategies for distribution to various rural segments are discussed as under:

Small Villages: in order to reach smaller villages, two types of strategies have to be adopted i.e., reach all villages above 2000 population and reach all those within 50 km radius of big towns and cities. This will help cover about 50% of the rural population and even this extent of coverage means approximately 350 million population and this is a massive coverage.

Agro-input Dealers: Agricultural input dealers have knowhow and scope to deal with rural public as they are already in touch with them for essential inputs like fertilisers, seeds and chemicals. In their transactions they are already managing credit arrangements and hence are in a better position to take care of consumer goods also. This method needs to be tried seriously. With affluence, their awareness of modern goods and facilities also has increased. In addition to this, the areas where cooperatives of sugar and dairy are stronger, the farmers have better income level and cash flow is steady. It is in such places that the efforts to sell consumer goods give results. These farmers will set a trend for other farm communities.

Activating Co-operative Societies: Though cooperatives have been started mainly for input and output of rural produce, there is scope and possibility to use these premises and offices for marketing of consumer goods to rural people.

Utilizing PDS Stores and Petrol Pumps: These are two unexplored areas to develop market. Public Distribution Systems (PDS) are available throughout the country and even in villages. Similarly petrol pumps are available on all highways, state highways and link roads to towns and big villages. These two places therefore have ample scope to be of immense utility to be adopted for consumable and durable goods to be sold to the rural population.

PDS stores have now-a-days become least active due to decreasing importance of this scheme and very little gap between market price and PDS prices. This naturally gives scope to make better utilisation of these outlets.

Towns as Feeder Centres: Towns are frequently visited by rural people for education, cinema, dramas, purchases, medical treatment and various functions. The distribution strategy can be changed based on the changing life style, communication and conveyance facilities.

6.2.16 Promotion Strategies

Various types of promotion methods work as integrative systems between producers and consumers. In case of consumer goods, this is done on large scale whereas for rural products, it is on small scale or specific target wise done. The producers and processors think in terms of “How to reach our customers” and “How our customer can reach us”.

6.16.1 Public Relations of General Consumer Goods

Urban Market	Rural Communication
Speeches, seminars	Agriculture Magazines
Press conferences	Co-operative meetings
Annual Reports	Hoardings in towns and highways
Charitable donations	
Sponsorships	
Publications	
Community relations	
Lobbying	
Company Magazines	

6.16.2. Advertising for General Consumer Goods

Urban Market	Rural Communication
Newspapers, Magazines	Advertisement in tent cinemas
Packaging, outer, inner	Handbills
Movie interval ads	Audiovisual display
Directories entry	Hoardings at prominent locations
Bill boards	Use of folklore and local language
Display signs	Publicity during fairs and market mandis
Stores displays	
Audiovisual advt.	
Logos, symbols	
Video tapes	
web sites	

The product package, shape, colour, pricing and sales persons get up and general impressions are no more monopoly of consumer goods, dealers

TOP Cinema: For the last 60 years, cinema continues to be influencing factors in style, tastes, dress materials and total Indian culture. Product advertisements before a movie, and during intervals get good publicity. All the theaters do this with the help of slides and 1 or 2 minutes movie type advertisements to highlight the product performance and utility.

Television: Since the last two decades, TV viewing has been a regular pastime for all Indian public. The TV serials like 'Mahabharat', 'Ramayan', 'Humlog' and cricket matches have made TV Very popular.

The research based data shows that the South has cinema dominance and rest of the country has TV dominance. Accordingly, the advertisement strategy should be adopted to reap more benefits. For all India coverage, important and popular serial intervals are best to advertise on TV. Advertising before and in between this programme also gets good effect. The only constraint is that such prime time advertisements cost more. Only products which can absorb such high costs can afford this.

The first and most famous commercial on Radio was 'Binaca Geethmala' on Radio Ceylon. Subsequently, many programmes have come on 'Vividha Bharati' and local languages Film songs are popular and playing advertisements in between to attract attention by the listeners. Coverage of radio stations is wide, and serves the purpose. Rural people have the habit of carrying transistor radio sets and hence they play the radio wherever they go. About 75% of the rural population listens occasionally.

Print Media: Due to low literacy rate and poor reading habits, this is not a popular promotion strategy. Rural people normally read newspapers on Fridays and Sundays when there is more coverage about the movies being shown and the forth coming movies. So the promotion of cinema viewing is best done by the newspapers as far as rural people are concerned.

Hoardings: Hoardings on village entry junctions, writing and painting on walls of public buildings in villages. The rural inputs like fertilisers and pesticides are advertised like this.

Various Congregations like Mela/Jathra/Shondis/Hats: Certain places have specific market days which can be used for mass communication to speed awareness of products.

6.3 Self-Assessment Questions:

Q1: Explain agricultural input?

Q2: What is chemical marketing?

Q3: What do you mean by rural marketing segmentations?

Q4: Explain pricing strategies?

Q5: Explain the term targeting?

Q6: What is promotion strategy?

6.4 Summary

The marketing of agricultural inputs, though having a huge potential, is becoming increasingly challenging and competitive over the years. The objective of the programme is to impart a clear foundation of professional marketing skills & knowledge to the participants, important for success in the marketing of agricultural inputs. The programme builds an overview and in-depth awareness of the input market environment. It then proceeds with specific knowledge & applications of various marketing management concepts to agricultural inputs including consumer behaviour, segmentation-targeting, product differentiation & positioning, pricing, distribution & channel management, logistics management, financing, and effective communication & promotion methods. Integrative sessions then focus on comprehensive marketing strategy formulation and strategy implementation. The product domain would seek to include seeds, fertilizers, plant protection agro-chemicals, herbicides, organic products, biotech products, farm machinery & equipment, water & input management devices, feeds & animal products.

6.5 Glossary:

Fertilizer: It is any material of natural or synthetic origin (other than liming materials) that is applied to soil or to plant tissues to supply one or more plant nutrients essential to the growth of plants.

Mass media: It refers to a diverse array of media technologies that reach a large audience via mass communication.

Livestock: It is commonly defined as domesticated animals raised in an agricultural setting to produce labor and commodities such as meat, eggs, milk, fur, leather, and wool.

Rural marketing: It is a process of developing, pricing, promoting, and distributing rural specific goods and services leading to desired exchange with rural customers to satisfy their needs and wants, and also to achieve organizational objectives.

Segmentation: It is the process of dividing a market of potential customers into groups, or segments, based on different characteristics.

Tenant: A person who occupies land or property rented from a landlord.

Strategies: A plan of action designed to achieve long-term or overall goals.

Packaging: The wrapping material around a consumer item that serves to contain, identify, describe, protect, display, promote and otherwise make the product marketable and keep it clean.

6.6 Answer to Self-Check Questions:

Q1: Refer to 6.2.2

Q2: Refer to 6.2.6

Q3: Refer to 6.2.11

Q4: Refer to 6.2.13

Q5: Refer to 6.2.12

Q6: Refer to 6.2.16

6.7 Terminal Questions

1. What do you know about rural market segmentation. Explain.
2. Write Notes on:
 - a) Targeting
 - b) Positioning and
 - c) Segment selection.
3. What are the rural distribution strategies. What new methods can you suggest.
4. What is rural pricing strategy. How does it differs from Urban market pricing strategy.
5. Explain different promotion methods in rural marketing.

6.8 SUGGESTED READINGS

1. Taylor H.C. : Agricultural Economics.
2. Morleg J.E. : Agricultural products and their Marketing.

Lesson-7

Marketing Agencies

Structure

- 7.0 Introduction
- 7.1 Learning Objectives
- 7.2 Presentation of Contents
 - 7.2.1 Meaning and Its Types
 - 7.2.2 Monetary Transactions
 - 7.2.3 Marketing Institutions
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 - 7.2.6 Regulation of Agricultural Marketing
 - 7.2.7 Institutional Support for Agri-Business
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7.0 Introduction

Marketing agencies are essential for all types of businesses. It ensures long term success of the companies and always comes up with new ideas and ways in which they can maintain a long term relationship with their fellow customers. In general, the marketing agencies consist of a group of people who work towards the development of any company in a way that it brings a lot of profit. These people are highly specialized and knowledgeable and carry the huge responsibility of safeguarding the brand value of a company in the marketing field. The marketing agencies also referred to as marketing firms are those specialized agencies that help a particular business entity to build up brand value in the most effective way possible.

It consists of a team of experts who have had several experiences in the field of marketing and they use their knowledge and their experience in bringing the best out of any business entity or a company.

7.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Meaning and Its Types
- Monetary Transactions
- Marketing Institutions

- Marketing Channels
- Government Intervention in Agro-Marketing
- Regulation of Agricultural Marketing
- Institutional Support for Agri-Business

7.2 Presentation of Contents

7.2.1 MARKETING AGENCIES - MEANING AND ITS TYPES

This applies to all category of products viz. industrial, consumer and agricultural. The basic thinking behind appointment of agents is as follows: Local/rural level agents are better suited for payment follow-up due to geographical, language and social reasons.

Frequent touch of agents will enable the producer to get a more realistic position of demand-supply equation. There are various types of agents for different products. In case of agro-based products, we can classify agents as follows:

National Level Agents (Import-Export): This has relevance to. import-export of agro Based products and rural products. The amount payable to the agent has direct relevance to the sales value/volume and hence chances of increased sales are bright.

National Level Agents (Domestic Sale): These agents depending upon the product and the area coverage, there can be one or more national level agents.

State Level Agents: The workings of these agents work pertain to the kind of wholesalers for towns and smaller places in the state. Some agents/dealers make packets with their own brand name to have good brand image sales in their territory of business.

State level agents normally will have spacious godown facilities and financial strength to withstand payment delays. State capital or important business city of the state will be the place of state level agents. Sub-Agents: At various district places and towns, the state level agents will have sub-agents to take care of smaller territories. This will simplify the agent's work and save botheration of dealing with innumerable customers.

7.2.2 MONETARYTRANSACTIONS

Agents: This category works on behalf of the producer and hence they do not buy title.

Merchants: They buy the title of the goods and then sell at their will in their own brand name and at any convenient price.

7.2.3 MARKETING INSTITUTIONS

One of the most important and well-known institutes for rural products is 'Agriculture Produce Market Committee' in short, APMC. This is a product of the co-operative movement and is formed in all the states governed by Cooperative Act.

NIAM (National Institute of Agricultural Marketing) was originally established in 1988 having the name CAM (Centre for Agricultural Marketing). The main aims and objectives are (i) Develop agricultural marketing infrastructure through teaching, research and consultancy services, (ii) Design and organise need-based training and (iii) To offer educational programmes in agricultural marketing for supplementing the existing facilities.

Most of the agro-based products have short life or are perishable and hence extra care needs to be taken for marketing, despatch on first come first served basis. Delays may cost in terms of price and quality.

7.2.4 MARKETING CHANNELS

Marketing channels (Trade channels/Distribution channels) are an essential part of marketing and service activities. Majority of producers do not sell their goods directly to the consumers. They use intermediaries like merchants, agents and brokers to take care of their marketing and related functions.

The role of channels is not mere distribution. They have to constantly interact with producers and customers to coordinate quality, quantity and expectations aspects.

Channels for Rural-Produce Distribution

Good old methods: Wholesalers, Retailers, Vans, Weekly Bazars and Melas (Fairs).

New methods: Co-operative Societies, PDS (Public Distribution System), Agricultural Input Dealers, Individual Sales Personnel, Exhibitions and Sports Events.

Traditional Rural System : The traditional rural system was to treat agricultural production for sustenance and not for growth and prosperity: Total dependence on rains, natural manure, selecting an auspicious day and time for seeding and cutting the crops were the hallmark of traditional system of Indian Agriculturists.

The ‘Cash Crops’ idea was not known. People were content to grow grains which are required for physiological needs. Important crops were wheat, jowar, rice, pulses and sugarcane.

7.2.5 GOVERNMENT INTERVENTION IN AGRO-MARKETING

During the British rule, marketing conditions varied from province to province and in respect of different products. The first government intervention started in 1928 when the Vice- Roy formed ‘Royal Commission on Agriculture’ to recommend improvement measures.

There was a practice of brokers representing both buyers and sellers and taking commission from both. The Government imposed prohibition of such dual representation. The regulated markets were functioning for the wholesale trade of selected commodities.

Improvement Areas

For uniformity at the national level, it is necessary to have a full fledged Directorate of Agricultural Marketing in the Department of Agriculture in every state.

7.2.6 REGULATION OF AGRICULTURAL MARKETING

Some of the important legislations passed towards the reformations are as follows:

1. Forward Contracts (Regulation) Act 1951.
2. The Emblems and Names (Prevention of Improper Use) Act, 1950.
3. The Drugs Control Act, 1950.
4. The Indian Standard Institution (Certification of Money) Act 1952 (Now it is called Bureau of Indian Standards).
5. The Prevention of Food Adulteration Act, 1954. .
6. The Essential Commodities Act, 1955 and
7. The Standards of Weights and Measures Act, 1976.

Agricultural Produce (Grading and Marketing) ACT, 1937: In order to facilitate sending higher quality cotton to Textile Mills in Manchester, Britishers desired to have quality measure in agricultural produce. For this reason and to bring about an orderly and scientific marketing of agricultural produce in domestic market also, the Agricultural Produce (AP- Grading and **Marketing**) Act 1937 was formulated. Various commodities of agriculture, horticulture, forestry and dairy are graded as per notified standards. A procedure is made for sampling, testing, grading, marking, packing and sealing in accordance with rules to give AGMARK certification.

Prevention of Food Adulteration Act, 1954 : It was important to stop this practice and in order to empower authorities to take action against such greedy traders and merchants, the above said Act was formulated. Food Department officials can take samples and test at the production level or retailer's level and if the sample is found substandard, the lot is seized and prosecution is initiated under the Adulteration Act, 1954.

Essential Commodities Act, 1955 : This Act has been formulated in the interest of the ' public to ensure that essential commodities are made available to the general public at fair prices. The Act covers regulating production, distribution, prices and quality control in both agro-products and industrial products.

Fruit Products Order (FPO) 1955 : It is very essential that production and storage is taken care of under sanitary and hygienic conditions in the factories. Hence, Fruits Products Order 1955 has been issued under Section 3 of the Essential Commodities Act, 1955.

COLD STORAGE ACT 1964

MEAT FOOD PRODUCTS ORDER 1973

MRTPACT, 1969

Standards of Weights and Measures Act 1976 : Under the WM Act, use of nonstandard weights and measures is prohibited and punishable. The authorities check the weights at various stores and give directives for changing the weights if they are worn out or damaged. They also give certification to new manufacturers of weights to be used by traders.

Drugs and Cosmetics Act, 1980 : This Act is aimed at restricting imitations, false representations or using similar names of popular medicines. Further, there is care to be taken from the hygiene and storage point of view. Lifespan of drugs, permitted flavours and colours are to be followed carefully.

Bureau of Indian Standards Act, 1986 : Indian Standards Institution (ISI) was renamed BIS (Bureau of Indian Standards) since 1st April 1987. The main function of BIS pertains to standardisation, marking and quality certification of various types of goods and materials, mainly of industrial purposes. BIS certification carries weightage in marketing, pricing and is associated with tenders put forward by manufacturers.

Consumer Act, 1986 : The Act has been proclaimed for better protection of consumers. To achieve this, consumer protection councils are established at central and state levels and Consumer Disputes Redressal Agencies at the Central, State and District levels. The objectives of these Councils are broadly as follows:

7.2.7 INSTITUTIONAL SUPPORT FOR AGRI-BUSINESS

During the year 1992, the Central Government felt that institutional support will provide better marketing facilities and hence SFAC (Small Farmers' Agri-Business Consortium) was set up to boost agriculture productivity, and to provide good links between consumers and producers.

NABARD is an autonomous body having a chairman, MD and 13 Board of Directors consisting of experts in rural development, banking and RBI representatives. The authorised capital is Rs.500 crores and it can raise funds from the Government of India, World Bank, financial institutions and also from the open market.

Panchayat Mandi (Agri-Mandi) : The concept of self governance has gone to the level of marketing of village produce through village markets and fairs. The Indian Constitution's 73rd Amendment Act in 1993 empowers Panchayat Raj institutions to implement programmes of economic development in the rural sector. The concept of 'Panchayat Mandi' is to reduce the influence of middlemen and traders. This is possible only if functioning of the Zilla Panchayat is effective in coordination with State marketing boards and APMC (Agriculture Produce Market Committee).

State Agricultural Marketing Banks (SAMB) :

State Agricultural Marketing Banks are set up to actively regulate markets for foodcrops and follows:

Total number of regulated markets in the country - 6809 numbers Grading centres provided for 150 agro-commodities.

3124 cold storages arranged with capacity for 8.2 million tonnes of fruits and vegetables

Specilised boards formed for tea, coffee, rubber, spices, coconut, oilseeds, vegetable-oils and horticulture.

The National Council for State Marketing Boards (NCOSAMB) : An agro-based country like India needs training centres with modern facilities throughout the country. The Government of India provides grants-in-aid to states to set up such training facilities. NCOSAMB is the body to coordinate the programmes of such training, which is mainly for farmers and traders dealing in farm-related inputs and outputs. The advice and assistance of various agricultural universities and management institutions is taken for more effectiveness. NIPM (National Institute of Plantation Management) is one such institute which imparts managerial and agro-related technology and techniques to students. Similarly there is NIAM (National Institute of Agricultural Marketing) which gives training to various levels of marketing personnel.

High Powered Committee on Agricultural Marketing : In June 1992, the. Shankarlal Guru Committee on agricultural marketing gave a report with the following recommendations:

1. To make a plan to regulate atleast half of the unregulated markets in the country during the 8th five year plan.
2. To start a separate nationalised bank to help agricultural marketing with its branches in the regulated markets spread all over the country to work in close cooperation with the marketing committees.
3. The majority members of SAMB should be farmers and the chairman must be an agriculturist. There should be regular elections to select committee members and
4. Public agencies should purchase agro-produce directly from farmers and not through intermediaries.

The national level organisation NCOSAMB was set up in February 1988 as an apex body for member boards in each state SAMB. This will facilitate to discuss agro-marketing problems and to share experiences of various people related to marketing activities. It also formulated guidelines and laws for the balanced development of food and agricultural marketing systems.

State Trading Corporation (STC): The State Trading Corporation of India Ltd. (STC) is a premier international trading house owned by the Government of India. Having been set up in 1956, the Corporation has developed vast expertise in handling bulk international trade. Though dealing largely with the East European countries during the early years of its formation, today it trades with almost all the countries of the world.

Areas of Operation Exports from India Imports into India Domestic trading

Market support operation-Rubber, Tobacco etc. Off-Shore Trading Counter Trade and joint Ventures

To the Overseas Buyer : STC acts as an expert guide for buyers interested in Indian goods. For them, STC finds the best Indian manufacturers, undertakes negotiations, fixes delivery schedules and overseas quality control - all the way to the final shipment and to the entire satisfaction of the buyer.

To the Indian Industry: The Indian manufacturers, whose products sail the seas via STC, benefit a lot from its expertise. STC helps thousands of Indian manufacturers to find markets abroad for their products. STC assists the manufacturers to use the best raw materials, guides and helps them manufacture products that will attract buyers abroad.

To the Indian Consumer: The Indian consumers also benefit from STC's expertise and infrastructure. STC imports essential commodities for them to cover shortfalls arising in the domestic market.

Exports from India: STC exports a diverse range of items to a number of destinations throughout the world. Exports by STC vary from traditional agricultural commodities to sophisticated manufactured products. STC makes purposeful use of its world-wide connections, abundant experience, up-to-date information about the market trends and long-term perspectives on various commodities to ensure competitive prices, right quality and adherence to delivery schedules to the buyers abroad.

Principal Items of Exports : The principal items of exports include the following agri-commodities: wheat, cashew, coffee, rice, tea, tobacco and rubber, sugar, extractions, opium, handpicked and selected (HPS) groundnuts, spices, castor oil and seeds and jute goods.

Imports into India : STC imports a number of essential commodities to cover the domestic shortfalls and hold the price line. STC serves the national objective by arranging timely imports at most competitive prices. In the process, the Corporation makes best use of its strength in handling bulk imports, vast infrastructure and above all an experience of over four decades in fulfilling the needs of the industry.

7.2.8 FOOD CORPORATION OF INDIA

The Food Corporation of India (FCI) was set up under the Food Corporations Act 1964, in order to fulfill the following objectives of the Food Policy:

- (i) Effective price support operations for safeguarding the interests of the farmers.
- (ii) Distribution of food grains throughout the Country for Public Distribution System and
- (iii) Maintaining satisfactory level of operational and buffer stocks of food grains to ensure National Food Security.

Procurement of Food grains: To nurture the Green Revolution, the Government of India introduced the scheme of minimum assured price of foodgrains which are announced well before the commencement of the crop seasons, after taking into account the cost of production/inter-crop price parity, market prices and other relevant factors:

- The Food Corporation of India along with other government agencies provides effective
- Price assurance for wheat, paddy and coarse grains.

- FCI and the State Government agencies in consultation with the concerned State Governments establish large number of purchase centres throughout the state to facilitate
- Purchase of foodgrains.
- Centres are selected in such a manner that the farmers are not required to cover more than 10 kms to bring their produce to the nearest purchase center of major procuring states.
- Price support purchases are organised in more than 8,000 centres for wheat and 4,000 centres for paddy every year in the immediate post-harvest season.
- Such extensive and effective price support operations have resulted in sustaining the income of farmers over some period and in providing the required impetus for higher investment in agriculture for improved productivity.

Storage Management : Another facet of the Corporation's manifold activities is the provisions of scientific storage for the millions of tones of foodgrains procured by it.

These depots include soils godowns and an indigenous method developed by FCI, called Cover and Plinth (CAP). CAP storage is a term given to the storage of foodgrains in-the open with adequate precautions such as rat and damp proof plinths and preservation system. An ongoing programme sees that both preventive and curative treatment is timely and adequate. Grain in storage is continuously scientifically grades, fumigated and aerated by trained and experienced personnel.

Transportation Management : Ensuring accessibility to food in a country of India's size is a Herculean task. These foodgrains are transported from the surplus States to the deficit States. The foodgrain surplus is mainly confined to the northern State transportation involves distances throughout the country. Stocks procured in the markets and purchase centers is first collected in the nearest depot and from there dispatched to the recipient States within a limited collected in the nearest depot and from there dispatched to the recipient States within a limited time.

7.3 Self-Assessment Questions:

- Q1: What is marketing agencies?
- Q2: What are the different types of marketing agencies?
- Q3: Explain marketing channels?
- Q4: What is the full form of NABARD?
- Q5: What is the full form of SAMB?
- Q6: When MRTP act was passed?

7.4 Summary

On the basis of the above discussion, it is concluded that there are number of mechanisms, which have evolved in the process of effecting the availability of agricultural goods from the producers to the consumers. Many types of agencies in agricultural marketing have evolved in the process, which provides a variety of services to the farmers as well as to the consumers. In the times to come, newer forms of agricultural marketing agencies are likely to become popular.

7.5 Glossary:

Agencies: A that provides a particular service.

Import: An import is a good or service brought into one country from another.

Export: It refers to a product or service produced in one country but sold to a buyer abroad.

Agro-marketing: It covers the services involved in moving an *agricultural* product from the farm to the consumer.

Management: It means directing and controlling a group of people or an organization to reach a goal.

7.6 Answer to Self-Check Questions:

Q1: Refer to 7.2.1

Q2: Refer to 7.2.1

Q3: Refer to 7.2.4

Q4: NABARD (National Bank for Agriculture & Rural development)

Q5: SAMB (State Agricultural Marketing Banks)

Q6: 1969

7.7 Terminal Questions

Q1. What are different marketing agencies?

Q2. What do you mean by marketing channels and explain different channels used for rural produced distribution?

Q3. Define

- a) State Trading Corporation
- b) NCOSAMB
- c) State Agricultural Marketing Banks
- d) Panchayat Mandi
- e) Consumer Act 1986

7.8 Suggested Readings

1. Kohles, Richard L. : Marketing of Agricultural Products.
2. Taylor H.C. : Agricultural Economics.

Lesson- 8

Agro-Processing

Structure

8.0 Introduction

8.1 Learning Objectives

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8.2.2 Co-operative Processing

8.2.3 Growth of Co-operative Processing

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8.0 Introduction

Agro processing is defined as set of techno-economic activities, applied to all the produces, originating from agricultural farm, livestock , aquaculture sources and forests for their conservation, handling and value-addition to make them usable as food, feed, fibre, fuel or industrial raw materials. Agro processing sector has experienced expansion during last 5 decades, starting with a handful of facilities which were mainly operating at domestic/cottage level. The scope of the agro-processing industry, thus, encompasses all operations from the stage of harvest till the material reaches the end users in the desired form, packaging, quantity, quality and price. Ancient Indian scriptures contain vivid account of the post-harvest and processing practices for preservation and processing of agricultural produce for food and medicinal uses. Inadequate attentions to the agro processing sector in the past have put both the producer and the consumer at a disadvantage affecting the economy of the Country as a whole.

8.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Meaning
- Co-operative Processing
- Growth of Co-operative Processing
- Social Benefits from Dairy Co-operatives
- Operation Flood
- Public Distribution System

8.2 Presentation of Contents

8.2.1 Meaning

Agriculture raw produce, tree crops, livestock and fisheries all need to be processed before sales. All the more, care and packing is involved in the case of exports. For example, paddy cannot be used directly by the consumer. It has to be milled in rice mills to separate rice from husk. Similarly, many of the agricultural products are not directly consumable. They have to undergo one or more stages of processing before they are utilised by the ultimate consumer. Sugarcane gets converted into sugar and jaggery, cotton is processed to remove seeds, converted into thread before sending to the textile mills.

Agro-processing units are an important linkage between the farmer and consumers. They add value to the product and develop processing industries and employment. This leads to industrial development in a region but is also capable of opening up raw crop and livestock avenues to the farmers and motivating them to higher productivity and diversified crop mix. Farmers will gain more due to value addition and lesser post-harvest losses.

Due to processing unit's technology, work skills and managerial skills of rural people are bound to improve. The processing, grading and standardisation has helped to improve exports. For example, in 1995-96, exports of India valued at \$31800 million of which agro-processed products were 61.4% at \$19,510 million respectively.

8.2.2 CO-OPERATIVE PROCESSING

The important reason to take up co-operative processing is to reduce the price spread between the producer and consumer by eliminating the middlemen processors. Thus, the producer gets his legitimate share in price paid by the ultimate consumer. Other reasons for co-operative processing are as under:

- 1. Marketing Advantages:** Most of the cash crops and other agro-produce need to be processed. Many intermediaries are taking advantage of processing and selling whenever price is advantageous. The agricultural marketing scene will drastically change if processing is done on a co-operative basis. So far co-operative marketing is not a big success because processing is not done by co-operative societies.
- 2. Growth of Co-operative Sectors:** Co-operative Apex Banks give credit to farmers. There is co-operative marketing for collections and recovery. However, in between if processing is also handled by co-operative processing units, the money is rotated between various co-operatives and enables for each one's growth and recovery of debt. From overall growth of co-operative sectors, a common processing by co-operatives is essential.
Mutual help to co-operatives can be ensured. For example, sugar produced from a cooperative sugar factory can be sold through these societies. Subsequently the transactions and profit margins are handled by the co-operative sectors.
- 3. Rural Industrialization:** Rural people cannot hope for industrialization of their areas by private entrepreneurs or public sectors. The most convenient, suitable and appropriate method is to develop agro-based industries for processing of their field produce, live stock and dairy related, oil processing related activities. By this they can use available resources and create employment to their own people.

4. **Processing Cost:** Private processors may vary or hike rates as per their thinking and opportunities. Co-operative societies fix rates on collective decision basis, thus creating uniform rates to all. Added to this grading, pooling, transportation and storage can be organised to make it economical and convenient to farmers.
5. **Growth Promotion:** If co-operative processing is taken up the farmers of that area can become adventurous to try cash crops or try these crops which need processing. The sale of their produce is ensured at economical investment. Also their storage and safety problems largely get solved due to better facilities co-operatives have carried to individual farmers.

Development of co-operative processing is essential not only for increasing rural incomes and facilitative credit for production, but also for building up a co-operative rural economy. Whenever co-operative processing units are developed, they have been very useful and helped for overall development of the co-operative movement.

Co-operative Processing of Oilseeds

Oilseeds are grown for centuries and various types of oils are used by mankind for various purposes. The most important are edible oils derived from groundnut, mustard, sunflower, soyabean, linseed, copra, castor seed, cotton seed etc. Cultivators are spread over all the states and growth quantity of a particular type is related to usage volume. For example, Keralites use copra oil for cooking, Oriyans use mustard oil, majority of others use groundnut oil. The oilseeds production in India was 10.83 million tonnes in 1985-86 and rose to 24.2 million tonnes in 1996-97.

In 1986, Government of India has set up 'Oilseed Technology Mission' to help improve production, processing and technology management in oilseed growth towards self reliance. Oil extraction from oilseeds is still being done as per traditional ways in small scale. Considering population growth and consequent high volume edible oils requirement, this processing industry should have been in large scale since five decades. The co-operative sector started processing oilseeds since the NSOs decade. Gradually modern technology and large scale production has become popular and groundnut oil and sunflower oils are produced in large scales. Now different types of oils *are* available in plastic bags and cartons in 1A, 1, 2, 5, 10 kgs and in (ins of 16 kgs, the last one being standard packing since Centuries.

Oilseeds are the second largest agriculture produce after foodgrains. Hence NCDC is giving priority to finance the co-operative processing units. This enables co-operatives to go in for modern machinery and plants for large scale production with high quality care, with focus on value addition, efficiency and quality. Further as a diversification and total package, activities, the farmers can involve in the following inter-related functions:

- Plan and produce oilseeds based on previous years sales and anticipated demand for different variety.
- Organise various inputs required to produce oilseeds.
- Collection, transportation and processing of oilseeds in cooperative processing units and
- Marketing of oils and by-products through cooperative marketing.

For all such activities, NCDC started 'Oil processing complexes' since 1980 onwards and as a scheme of integrated project, 'Cooperative Development Service' (CDS) has been started. As a result of various measures taken by cooperatives and NCDC, oilseed processing by co-operatives has become popular. MP State is called the oilseed state of the nation due to its soyabean revolution.

Similarly, Rajasthan has high production of mustard oil. Parallel many private entrepreneurs are also producing substantially various edible oils and selling their brands in different size packets.

Problems in Oilseeds Processing

1. The main hurdle in co-operative processing is fluctuation in oilseed prices. This happens mainly for groundnut which is in more demand by oilseed processors.
2. Private processors buy and hold seeds for processing - co-operatives cannot take fast decisions due to collective decision making and contract agreements made with sellers.
3. Many co-operative processing units are having idle capacity of upto 70% of the time due to inability to buy seeds and rotate funds.
4. Sometimes crop yield in the area will be very low, thus making the processing capacity idle.

Remedial Measures

NCDC reviewed the problems and made following suggestions:

1. State governments were advised to give financial assistance to the oil processing co operatives to take care of price fluctuations.
2. In areas where low yield/area is repeating, the Agriculture Department should be approached to undertake programmes for intensive cultivation of oilseeds in those areas.
3. Oilseed processing units should open deposit schemes for its members and make it compulsory (if necessary) to have funds for buying seeds and
4. Professional managers should be asked to take charge of processing units rather than government employees, who may not know much of their job and associated tasks.

Co-operative Processing of Milk

Cooperatives Dairies for milk production, processing and marketing is a big success story in India. Greater Bombay City's need for huge quantity of milk led to the co-operative societies movement in Anand of Khaira District of Gujarat which later on became famous with its brand name as AMUL.

With a 100 crore population, 6 lakh villages and 70% rural population, India's rural sector certainly needs some other occupation than farming of the land. In this context, the co-operating dairy farm, which is co-operative milk and milk products processing and marketing, is an essential different economic activity. It has enterprise, employment and business prospects. By the cooperative method, it can be organised in a bigger and better way.

Co-operative dairy enables the rural people to sell milk, milk powder, cereals, butter, cheese, sweets made from milk and ghee. Of these items, the marketing of milk is complicated as it perishes fast. It is produced in villages and can be sold more only in towns and cities. Hence, it is advantageous to convert excess milk into other saleable forms. Moreover, value addition and higher price is possible in milk products. To organise all these activities more effectively, qualitatively and successfully, the co-operative processing is a better method.

8.2.3 GROWTH OF CO-OPERATIVE PROCESSING

Large scale marketing of milk has to be attended to on a scientific basis in view of its perishability. Small producers cannot afford this. Moreover individuals and unorganised groups cannot have bargaining power for borrowing money from banks and in marketing. Further, to make various products of milk, processing units are required. Unorganised sector will be without various experts in the business.

Dairy co-operatives have proved to be most successful with advent of AMUL (Anand Milk Union Limited) at Anand in Khaira District of Gujarat. They have provided gainful employment and regular income to the rural people. Sale of milk is made easy, the flow of milk required is regular and on larger scale. With increase in population, the demand continues to rise. The Dairy Development has infused new economic boom in the rural sector wherever cooperatives are operating and villagers have got better economic and social positioning.

The dairy related workers have been benefited directly and indirectly. The direct impact can be seen by having more cows, increase in milk production, steady rise in price of sale, improved income and employment to owners of cows. A study conducted on co-operative dairies has brought out the following facts and figures:

1. Milk giving cows were found more with farmers in tie-up with co-operatives rather than independent sellers.
2. The cows/buffaloes of co-operative units are giving average 5.5 litres yield/day compared to 4.5 litres/day of others. This is due to better care taken by the co-operatives in up-keep of their livestock.
3. This has become a highly paying income especially to the landless farmers.
4. Co-operatives are able to generate profits which are distributed as annual bonus to members. This advantage is lost by non-members.

8.2.4 SOCIAL BENEFITS FROM DAIRY CO-OPERATIVES

1. It has overcome caste system barriers and enabled rural people to mingle freely and attend all types of functions of their member families.
2. It has developed group culture, teamwork and reduced or avoided rivalry and unfair competition. Progress through the co-operative movement has been a good focus for them.
3. Women have got equal status in rural society wherever the co-operative milk union movement is growing. This has raised morale of the womenfolk.
4. Rural poverty and unemployment is taken care to some extent due to these co-operatives.
5. Due to democratic election of office bearers of co-operatives, many young and better qualified rural people are entering this movement and helping it to grow.
6. The movement helps to spread family planning, healthcare, education, national/social responsibilities etc. as the group culture enables them to do more than mere business activities

8.2.5 OPERATION FLOOD

Operation Flood was launched on 1 July 1970 and in last three decades, this has become one of the most successful movements in India. This covers one crore of rural milk producing households all over India and is the biggest dairy development project activity in the world.

Co-operatives similar to the brand name AMUL were developed in 18 milk sheds of 10 large scale states to organise collection and processing of rural milk for selling in towns and cities through co-operatives. IDC (Indian Dairy Corporation) started giving all support to improve operation flood activities so that it gets popular, efficient and profitable to producers and consumers. In the year 2000, India was declared the world's largest milk producer.

8.2.6 PDS (PUBLIC DISTRIBUTION SYSTEM)

8.6.1. Objectives of PDS

1. To ensure availability of essential goods to poorer sections of the society at reasonable rates.
2. Essential commodities normally distributed are wheat, rice, imported edible oils, sugar and kerosene at below the open market price.
3. This serves as an anti-inflationary measure having significant bearing on stabilising prices and in improving the nutritional standards of the rural sector and
4. It serves as an anti-poverty measure, thus ensuring of food security.

The Revamped PDS

Revamped PDS was started in January 1992 by Identifying 1700 blocks areas in the most backward regions of the country. A target of 11,225 new fair price shops, prevention of leakage, pilferage in supplies and elimination of bogus cards was taken up seriously.

In turn, 1700 blocks were categorised as 143 blocks as 'Deserted Development Programme', 596 as 'Draught Prone Area Programme', 1048 under 'Integrated Rural Development Project' and 55 designated hill areas.

Under the revamped PDS scheme, additional 3.30 lakh tonnes storage capacity is created and 24"lakh new ration cards issued. "Further, new items like tea, clothes, soap, salt etc., are supplied through PDS to some fair price shops and this is economically viable. By August 1995, another 671 blocks are added to the revamped scheme, raising total numbers to 2446 under the RPDS scheme.

Rural PDS

It has been observed that the PDS is working mainly in towns and cities where grains are available at market rates. In the rural sector where the PDS scheme is not popular or not working well, it is due to the fact that upto 70% of the rural population is self reliant on foodgrains and others tend to get grains from landlords at fair price or on a barter deal.

Another glaring case is that PDS fails to assist the mobile population of labour class (agriculture, construction of roads and bridges) and tribals like Lambanis. Some method has to be evolved to take care of this deprived category of the population.

As a consequence of liberalisation, the gap between market rate and PDS rates of grains and sugar has reduced considerably. Earlier the difference varied from state to state. For example, in AP, rice was sold in PDS at Rs.2/- per kg when the market rate was Rs.7/- per kg. In Karnataka, it was sold at Rs.6/- per kg when, market rate was around Rs.8/- per kg etc. At present people are not very keen to buy at PDS due to only about 10% or maximum 20% difference in rate. Moreover one can get choice of quality, quantity and no procedure hassles in the open market.

The ultimate remedy for food surplus is to grow surplus like foodgrains 'operation flood in case of milk. Surplus availability will reduce market rates and hence little or no pressure on the PDS method of distribution.

8.3 Self-Assessment Questions:

Q1: What is co-operative processing?

Q2: Explain problems in oilseeds processing?

Q3: What is the full form of PDS?

Q4: What is the full form of NCDS?

Q5: Define agro-processing?

8.4 Summary

In conclusion inadequate attention to the agro-processing sector in the past put both the producer and the consumer at a disadvantage and it also hurt the economy of the Country. Agro-processing is now regarded as the sunrise sector of the Indian economy in view of its large potential for growth and likely socio economic impact specifically on employment and income generation. Some estimates suggest that in developed countries, up to 14 per cent of the total work force is engaged in agro-processing sector directly or indirectly. However, in India, only about 3 per cent of the work force finds employment in this sector revealing its underdeveloped state and vast untapped potential for employment. Properly developed, agro-processing sector can make India a major player at the global level for marketing and supply of processed food, feed and a wide range of other plant and animal products.

8.5 Glossary:

Marketing: It is a total system designed to plan, price, promote and distribute want satisfying products and services for target markets.

Livestock: It is commonly defined as domesticated animals raised in an agricultural setting to produce labor and commodities such as meat, eggs, milk, fur, leather, and wool.

Cooperative Marketing: It gives an idea of collective efforts to achieve specific objectives to carry out marketing strategy for agricultural products.

Processing: It means perform a series of mechanical or chemical operations on (something) in order to change or preserve it.

Promotion: It refers to any type of marketing communication used to inform or persuade target audiences of the relative merits of a product, service, brand or issue.

Agriculture: It is the process of producing food, feed, fiber and many other desired products by the cultivation of certain plants and the raising of domesticated animals (livestock).

8.6 Answer to Self-Check Questions:

Q1: Refer to 8.2.2

Q2: Refer to 8.2.2

Q3: PDS (Public Distribution System)

Q4: NCDC (National co-operative Development Corporation)

Q5: Refer to 8.2.1

8.7 Terminal Questions

1. What do you mean by co-operative processing ? What are the reasons for co-operative processing?
2. Explain-the social benefits of Dairy Co-operatives?
3. What is Public Distribution System? And, what are its objectives?

8.8 SUGGESTED READINGS

1. Gupta, A.P. “Marketing of Agricultural Products in India.
2. Kulkarni K.R. Agricultural Marketing in India.

Lesson -9

Processing

Structure

9.0 Introduction

9.1 Learning Objectives

9.2 Presentation of Contents

9.2.1 Meaning and Necessity

9.2.2 Advantages of Processing

9.2.3 Processing Types

9.2.4 Buying and selling of Agro-Produce

9.2.5 Methods of Sales

9.2.6 Food Processing

9.2.7 Food processing, manufacturing and marketing

9.3 Self-Assessment Questions

9.4 Summary

9.5 Glossary

9.6 Answer to Self-Check Questions

9.7 Terminal Questions

9.8 Suggested Reading

9.0 Introduction

The agro products and food processing industry sector in India is one of the largest in terms of production, consumption, export and growth prospects. India is the world's second largest producer of fruits & vegetables, but hardly 2 per cent of the produce is processed. India is the land of spices and its production amounts to 25-30 per cent of the world production. It is also the largest producer of milk in the world. And, if you take into account India's varied agro-climatic zones, then what we have is a nation blessed with all the right ingredients for success in agriculture. The government has accorded the agro products and food processing industry high priority, with a number of fiscal relieves and incentives, to encourage commercialization and value addition to agricultural produce, for minimizing pre/post-harvest wastage, generating employment and for export growth.

9.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Meaning and Necessity
- Advantages of Processing
- Processing Types
- Buying and selling of Agro-Produce
- Methods of Sales
- Food processing, manufacturing and marketing

9.2 Presentation of Content

9.2.1 MEANING AND NECESSITY

Processing is converting the agro-produce to make it suitable for consumption. Many of the agricultural products are processed. While very few are directly used. For example, rice is taken out from husk, groundnut is taken out from shell or cover and used as eatable stuff and for oil extraction. Similarly soyabean, sunflower seed and copra and processed to extract oil. Hence, the processing is an essential part of rural marketing. This enables to add value and sell what is ultimately required by the consumers.

Some of the commonly followed processing activities for various commodities are as under:

1. *Sugarcane*—is crushed in large scale to extract juice. It is used for making sugar, jaggery and khanda-sari etc.
2. *Milk*—It is commonly known as dairy products like milk powder, ghee, khoa, butter milk, ice cream etc.
3. *Oilseeds*—The maximum utilization of oilseeds is made to extra at oil on large scale.
4. *Fruits*—The fruits are cut, cleaned and juice is made an tinned for sale.
5. *Wheat* It is converted into flour, maida and used in making various bakery products. The flour is sold to households for making 'chapati'.
6. *Rice*—It is milled in rice mills to remove husk.
7. *lea, Coffee*—The processing of tea leaves and coffee seeds is done to get desired taste before making marketable packs.
8. *Cashew*—The processing is done to remove fruit and to remain only ripe seeds by removing the cover of the seed.
9. *Tobacco*—The tobacco leaves are processed by a particular method to get desired odour and taste.
10. *Alcoholics*—The molasses is processed to prepare Indian made foreign liquor.
11. *Bamboo*—The bamboos are processed to make furniture, baskets and support for tents and hutment roofs.
12. *Cotton*—It is processed to make yarn and cloth.
13. *Pulp*—The pulp is cut waste of sugarcane. This is used for making paper.
14. *Leather*—It is obtained after meat processing.

Further it is observed that there is lot to know about agro-processing. All these need large scale mechanized processing. The processing units are in private, co-operative and public sectors. The processing units are going to continuously improve due to Technological changes, process changes.

9.2.2 ADVANTAGES OF PROCESSING

- It is possible to have variety of food items of the possessive and fetch more values in the market. For example, milk is converted into various from.
- Processing enables the consumer to use the product directly in food preparation.
- Processing helps to convert raw produce to value added high consumable item.
- Processing enables to store perishables for a longer time using preservatives.

- Employment opportunity is created in many processing units like sugar factories, rice mills, juice units etc.

9.2.3 PROCESSING TYPES

Different agro-produce have different processing activities based on food preparations and salability. Some of these are as under:

Paddy Processing

This is a staple food in most of the counties of Asia. The processing in various stages is carried out as follows :

Drying : The harvested paddy is having moisture content in the range of 10-20% and this will be removed by natural drying or forced drying. Forced drying is to blow natural or hot air to paddy stocks are reduce the time of drying.

Boiling : In some regions people prefer to eat 'Boiled Rice' which means the rice is slightly or partly boiled before de-husking. It gives a particular taste which is liked by my people.

De-husking : This is an important activity to convert paddy to rice and for centuries this was done manually or semi-mechanized way. The common methods are as follows :

- Manual:* The paddy is pounded with the help of a thick specially made pole to separate husk from rice. This is useful for small quantities required for a family.
- Rice Mills :* The mechanical operations take care of husk removal and polishing. In all the rice growing areas rice-mills are very common. In some places co-operate rice mills are created for the use of poor and marginal farmers.

Polishing is surface cleaning of rice for better marketability, though agro-experts feel, bran removal reduces food value of the rice. Next operation is separation which simply means separation of broken rice from full size rice by sieving.

Wheat Processing : Processing of wheat is more a job of traders and households rather than that of farmers. The farm produce is saleable to the market once the weeds are removed. The wheat is ground to take wheat flour, soji, maida and the bran is separated. The purposes of grinding is to use flour for making 'chapati' which is main food all over India and most part of Asia. Other processed category are 'soji', 'maida' which are used for making various eatables, bakery products, sweets etc. Some types of processing are as under :

(a) Grinding operations to make soji (coarse flour), flour (atta) and Maida. The methods are as follows :

Manual Method : This is very old traditional methods still being used in rural and semi- urban placed. Two round flat stones with a handle are used. Normally households grind about 1 kg wheat/day. One stone is rotated above a stationery stone and in between the grains get crusted to powder form.

Four Mill or Chakki : The manual stone grinding method is improved to run it by electric motor. This is faster and daily upto 500 kg can be ground. In towns and cities these are very popular and grinding is done at economical rate of Rs. 0.75 to Rs. 1.50 per kg for different grains. Once in 15 days the stone surface is dressed to get good grinding effect and once in a year they are replaced.

Roller Flour Mills : This is commercial level of flour mill, processing being in large scale. Normally, for sale of atta, maida and soji the roller flour mills are used as it is continuous production in large scale. This has a system to separate bran, fine atta and course atta and soji. The processing cost works out to Rs. 0.30 to 0.50 per kg of wheat. There are about one lakh roller flour mills in India of which larger numbers are wheat growing areas.

Processing of Pulses : Pulses are very commonly used food items in various forms and are rich in protein. The vegetarians use daily pulses in one or more forms. Milling is the main processing. Pulses are used by people for various preparations in split condition rather than whole gram.

Processing of Oilseeds : Oilseeds processing is universal and some of the oilseeds can be consumed only by making it in oil form. Now-a-days fast mechanical methods have come up increasing speed, efficiency and high volume output.

- (i) Traditional Method
- (ii) Mechanization of Traditional Method
- (iii) Expeller Method

The oil cake is used as animal feed due to its protein content.

Processing of Fruits : Fruits are seasonally available. IT is difficult to store due to perishability and hence the need to process in different forms to make them usable for longer periods.

(i) Juices : Various fruits are crushed into juices and bottled. This enables to enjoy the product for longer duration by increasing the self life.

(ii) Jam and Jelleys : Fruits are made into pulp form and additions and preservatives added and packed.

Processing of Milk

One of the oldest processing art and science is processing of milk. Milk is highly perishable.

The processing can be small scale at homes or large scale in factories. By converting the milk into processed form value added price, durability and alternate product advantage is gained.

Processing for Exports: In case of processing for exports, the activity has to be attended as per the process procedures suggested by the importer. Packing and forwarding is also to be attended on their guidelines.

9.2.4 Buying and Selling of Agro-Produce

Buying and selling representative sit on two chairs across a table. The sales and purchase activities has to be equal and opposite. That means seller sells for a price and buyer has to pay it. Or buyer insists for specific price and salesman has to sell.

Transactions for a commodity take place only once if producer sells to consumer. A commodity is transacted more than once i.e., two or three times i.e. producer to wholesaler from wholesaler to retailer and from retailer to consumer.

9.2.5 Methods of Sales

Open Auction Method: This is popular and reliable method. This gives an opportunity to buyers to verify on quality, grade and marketability. The highest bidder is given the title of goods.

Advantages of Open Auction Method: The quality will be ascertained by the bidders and they get time to think and decide on reasonable price.

- The gathering enables to know the trend if market from different grains.
- Since the auction is open and all get opportunity to participate this is a very fair and good method.

Disadvantage of Open Auction Method

- There is no control if buyer later on fails to pay and lift the goods.
- Once the grains inflow trend is known the buyers start under quoting.

Direct Negotiation: The wholesale merchant will contact farmer or commission agent and offer his price after verifying the quality, grade and likely price he can obtain when he sells if the price is in the negotiable range the seller negotiates and finalizes the deal.

Pledging the Crop Method: Farmers take loan from Zamindars, money lenders and pledge the standing crop to them. The crop serves as a security of lent money. This procedure is followed by mostly small and marginal farmers.

Tenancy Method: Farm owner does not do farming. This way farmer is left with half the produce for his own family use and then to sell surplus if any.

Closed Tender Method: Co-operatives, government godowns call for sealed tender offers for the stock they have. The quality can be seen in the godown before giving offer. The price is quoted and sent in a sealed cover on a particular day the cover is opened and the sale is made to the highest bidder.

Negotiations : In any commercial transactions negotiations are part of the deal. The scope of negotiation is for following factors.

- (i) Price
- (ii) Payment
- (iii) Transport and Storage

9.2.6 Food Processing

Introduction to Food System : The world market is now open and we are in a global village. The increase in travel, tourism, business visits has made it necessary to make different kinds of food shuff made available in important metros, capitals and port cities.

The cities are growing much faster than it was a decade ago. It has become essential to have varieties of foods in leading hotels and stores. They must have some kind of food suitable to Europeans, Japanese, Chinese, Koreans and visitors from USA. Thus food industry is growing fast and packed food supplies also has increased.

Due to growth of IT industries there is more disposable money with our youth. This has lead to mushrooming growth of new variety food sales of pizzas, burgers, ice creams, chips, sweets and non-veg. food. There is change in socio cultural habits and a long with it the food habits.

Whatever type and variety of food is made the basic ingredients remain same i.e., wheat, rice, maize, dal, vegetables, fish, poultry, mutton, eggs, etc. Food is more spicy in Indian sub-continent and more quantity of rice arid chapati/roti is consumed. Whereas in USA and Europe food consists more of eating non-veg. stuff and less of rice and bread. As far as flids we consume more water, butter milk, Rasam etc. whereas westerners consume more of beer, wine, fruit juices and less water. The changes are partly due to climatic conditions and partly due to socio-cultural values since centuries.

Recent Developments: In the last one decade more and more youngsters have been going abroad. There is change in social values. This is a revolutionary change in India. Many of those who go abroad for studies and jobs settle outside India. Many of Indian students who go or studies and work to USA, UK settle their only due to high paid salaries.

Those Indians who have time or one of the spause not regularly employed cook their own food requirement and also try and cater to others. Others buy packed food coming from India. Every type of Indian food needs, even ‘pan-supari’ and ‘Ghutka’ is exported for their consumption. In UK and Canada all types of Punjabi food is available in some areas due to more people of Punjab origin.

Indian Ethos and Attachments: When Indians go abroad the liking and attachment to Indian food, socio-cultural values increase.

In the same way it is very natural that Indians abroad prefer to eat Indian food. They like the native spices, pickles, jams, papads, rasgulla, bulab jamun, various sweet items, mango and its products, Biryani varieties etc.

Specially made spices for different kinds of vegetable preparations, Biryani's, sambar, rasam making are available now in market. These spices are sold abroad to help Indians get the genuine taste of Indian food.

Classification of Food Products : There are many categories of food items and the list seem to grow. The changing tastes like, new trials will increase the food varieties.

- (i) Raw agro based food
- (ii) Processed agro based food
- (iii) Semi processed agro based food like milled wheat in various forms like atta, rawa (soji), maida etc.
- (iv) Process animal food like mutton, poultry, pork etc.
- (v) Dairy products like milk, butter milk, butter, ghee, curds, paneer etc.
- (vi) Beverages like instant coffee, espresso coffee, cold coffee, instant tea, cold tea etc.
- (vii) Snacks and sweets
- (viii) Food supplements like chutneys, masalas, corn products, pickles, salads, condiments, food colouring, food preservatives are also sold in large quantities.
- (ix) Change of habits—There is a phenomenal change in food habits in last one decade, especially in younger generations.
- (x) Import-Export—Food, is one of the important item in import-export trade and will continue to increase its importance.

9.2.7 FOOD PROCESSING, MANUFACTURING AND MARKETING

9.7.1. The Need for Processing : Processing gives a term of utility to the raw product. The processing firms play a vital role in converting bulky, perishable farm products into storable, concentrated and more appealing food products. For all these activities the food processor will have to take help of farmers, transportation, storage and financial institutions.

Some of the major food processing industries are covered under classification of food products. The processing events carrying wastes, makes separate food varieties, easy to pack, store and sell.

Processing Operations: The processing activity involves heavy investment in plant and machinery. For this it is essential to see that the relevant farm produce is made available for full year or at least ten months in a year so that two months can be used for overhauling, annual maintenance as in case of sugar factories.

Many with processing storage of raw as well as finished products need to be better care taken. Further mechanization and automation of processing and packaging is essential in high volume production. The product innovation, changes and modernization development is related to customers changing expectations, business growth and changing tastes.

Marketing of Processed Food : The main objective of food processing is to develop value added products that will enhance their competitive position in the market place by taking care and satisfying consumer needs. The package of market segmentation, target marketing, product differentiation and positioning of their value added, branded products is followed.

Product Strategies: The objective of processing is to convert undifferentiated low profit commodity into a differentiated, branded, high value added, profitable food product. In product strategies different foods and brands may emphasize quality, convenience, packaging, nutrition or even price as the key marketing idea. Brands in food items are becoming very popular in India and abroad.

Another product strategy is ready to eat food packages, boil in the bag food, ready to serve dinners, rolls, noodles and various types of ice creams. There is good competition in the industry and this benefits consumer in terms of quality, variety and price.

Potato is one of the very commonly used item in innovation work of food varieties. This can be mixed in any vegetable, any type of rice preparation and can be consumed directly in many varieties.

Innovations in other activities are :

- (i) New marketing methods
- (ii) New products and services and
- (iii) New business organisations such as co-operative food processing, joint ventures, food chain stores and sea food outlets.

Pricing Strategies

- Processor may use high price-high quality strategy.
- Another method is lower price and moderate quality.
- Psychological pricing.

Distribution Strategies (Place) : This covers selling food through the conventional food stores, selling in non-food stores, selling to food service market, home delivery and selling through vans and vehicles. Most of the food manufacturers prefer the sales volume they get from mass outlets.

Food sales is easy if contract of industry, corporate offices are booked on contract basis. There can also consumer markets at local, state level and national level. It depends upon the type of food and volume of production to trade it at any of these three levels. There are food brokers who take up responsibility of moving food items with requisite care of cold storage and better storage facilities.

Promotional Strategies : Promotional strategies are essential marketing functions to remind, inform or persuade a prospective customer to buy the goods. The type of sales promotion could be one or more of the following :

- (i) Print media
- (ii) TV Coverage

Advertising is very essential part of sales promotion even for established brands. The brand name should be heard again and again to leave an impact in the minds of consumers.

Promotion strategy will be more successful if varieties increase, package sizes are different for different market segments.

9.3 Self-Assessment Questions:

Q1: What do you mean by processing?

Q2: Explain necessity of processing?

Q3: Define food processing?

Q4: What are the advantages of processing?

Q5: Briefly explain types of processing?

9.4 SUMMARY

Food processing is to convert farm products to utility products. The marketing functions include new product development, taste changes in product, packaging, labeling, promotion and branding. Competition in food industry necessitates promotional activities on a continuous basis. There is a battle of advertisements on TV with moves and counter moves. Investment in food processing is heavy and hence full capacity utilization is a big challenge.

9.5 Glossary:

Processing: It means perform a series of mechanical or chemical operations on (something) in order to change or preserve it.

Marketing: It is a total system designed to plan, price, promote and distribute want satisfying products and services for target markets.

Strategies: A plan of action designed to achieve long-term or overall goals.

Pricing: Pricing is the process you need to go through to figure out what price to attach to each unit.

Distribution: It is the process of making a product or service available for the consumer or business user who needs it.

Promotion: It refers to any type of marketing communication used to inform or persuade target audiences of the relative merits of a product, service, brand or issue.

9.6 Answer to Self-Check Questions:

Q1: Refer to 9.2.1

Q2: Refer to 9.2.1

Q3: Refer to 9.2.6

Q4: Refer to 9.2.2

Q5: Refer to 9.2.3

9.7 Terminal Questions

1. What do you know about new trends in food outlets.
2. What is your marketing strategy for a fast food processing unit.
3. Explain about sales promotion for packed foods.
4. What are Indian ethos and food liking.

9.8 Suggested Readings

- (i) Mukherjee, B.B. : Marketing of Agricultural Produce in India.
- (ii) Gupta A.P. Marketing of Agricultural Products in India.

Lesson - 10

Warehousing

Structure

10.0 Introduction

10.1 Learning Objectives

10.2 Presentation of Contents

10.2.1 Meaning

10.2.2 Different between Warehousing and storage

10.2.3 Functions of Warehousing

10.2.4 Types of Warehousing

10.2.5 Warehousing in India

10.2.6 Functioning of Warehouses

10.2.7 Warehouse Licenses

10.2.8 Logistics

10.2.9 Storage

10.2.10 Handling and Transport

10.2.11 Market Organization and Staff

10.2.12 Product Positioning

10.2.13 Hierarchy of Markets

10.2.14 Low Level of Literacy

10.2.15 Seasonal Demand

10.3 Self-Assessment Questions

10.4 Summary

10.5 Glossary

10.6 Answer to Self-Check Questions

10.7 Terminal Questions

10.8 Suggested Readings

10.0 Introduction

The practice of storage and warehousing is as old as civilisation. Only the methods, quantity, and safety factors have improved in the modern times. Undoubtedly it is one of the important marketing functions that involves holding and preserving goods from the point of time they are produced until they are needed for consumption. Storage is an exercise of human foresight by means of which commodities are protected from deterioration, and surplus supplies in times of plenty are carried over to the season of scarcity. The storage function, therefore, adds the time utility to products. Agriculture, particularly in India, is characterized by relatively large and irregular seasonal and year-to-year fluctuations in production. The consumption of most farm products, on the other hand, is relatively stable. These conflicting behaviours of demand and supply make it necessary that large quantities of farm produce need to be stored for a considerable period of time.

10.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Meaning
- Different between Warehousing and storage
- Functions of Warehousing
- Types of Warehousing
- Warehousing in India
- Functioning of Warehouses
- Warehouse Licenses
- Logistics
- Storage
- Handling and Transport
- Market Organization and Staff
- Product Positioning
- Hierarchy of Markets
- Low Level of Literacy
- Seasonal Demand

10.2 Presentation of Contents

10.2.1 Meaning: Warehouse is a large scale structure for storage of goods and to protect them from pest, rodents, insects, pilferage and losses. It is better to understand difference between warehousing and storage before understanding more about warehousing.

10.2.2 DIFFERENT BETWEEN WAREHOUSING AND STORAGE

Warehousing	Storage
1. The warehousing is large scale storage of goods for wholesale.	Whereas storage is meant for small scale or short time storage prior to sale.
2. In warehousing the structures are vast and built exclusively for storage with requisite facilities.	Whereas storage sheds and houses are multi-purpose places and exclusive for storage.
3. They are scientifically designed to protect the goods from pests, rodents, insects, pilferage and losses.	Whereas storage is built as per convenience in some and specific attention given in some other storage.

10.2.3 FUNCTIONS OF WAREHOUSING

Warehousing is done on such a large scale, that all FCI godowns come in this category. Thus national food wealth is safe in their warehouses. The important functions of warehousing are

- (i) Price Stabilisation,
- (ii) Scientific Storage,
- (iii) Finance Arrangement and
- (iv) Market Information.

Price Stabilization: Storing in a warehouse assures food availability safety to the public and better storage for farmers. They can sell later on whenever the price is favourable to them and till then their commodity is safe. By releasing goods in instalments in a staggered manner, the goods prices are kept in a range without too much fluctuation.

Scientific Storage: It is graded, labels are kept for each lot. Different items are categorised separately. Environmental care is better and the location is made free from rodents, pests and insects.

Finance Arrangement: The arrangements of finance can be made against the goods kept with them. The warehouses or co-operative banks give finance. The nationalised banks also provide finance based on warehouse endorsements of stock.

Market Information: The warehouse offices keep informing the stockholder about prices. This enables the farmers to know when to sell the goods.

10.2.4 Types of Warehouse

Public warehouse: These are government owned warehouses where the public or farmers can store their produce. Co-operative warehouses are also working in a similar way but the storage offer is open to its members only.

Private warehouse: These are owned by individual or a company. The facility is mainly created for self use.

Bonded warehouse: This is commonly referred to as dealing in import clearance at seaports and airports. This facility is created by the Government since all are not in a position immediately pay the Customs Duty and clear the imported goods. Until they clear the duty, the provision to store is made in bonded warehouses. This also enables the buyer to clear in lots if finance is constraint to clear full goods at a time. The rules and procedures are to be followed strictly for taking out the goods.

Bonded warehouses staff take care of safety, cleanliness and upkeep of the packages in their custody. The importer has choice to delay the collection and also to collect in small quantities and If there is need to send back the materials (.rejection, wrong supplies etc) the bonded warehouse is the best place to do it.

Warehouse for special commodities: Some items are so special that it is impracticable to combine the storage with others. Warehousing has to be protected from fire and there should be no scope to spread fire.

Refrigerated warehouse: For fast perishables products like fruits, vegetables, fish, meat and eggs, the storage temperature has to be kept around 0° C to 10° C for retaining them for a longer period.

10.2.5 WAREHOUSING IN INDIA

In pre-independence era, the warehousing concept was in the form of large storages controlled by the rich farmers or 'Zamindars'. They were having facilities and resources to take care of large scale storage, hoarding and then selling at their convenience.

It is only after independence that the Indian Government through its five year plans gave priority to agriculture and related activities. The Government of India enacted the Agricultural Produce Corporation Act. 1956. This Act in turn has promulgated the following corporations:

- (i) National Co-operative Development and warehousing board in 1956
- (ii) Central Warehousing Corporation in 1957 and
- (iii) State Warehousing Corporation in various states in 1957-58.

The National Co-operative Development Corporation (NCDC): the main functions of NCDC are as follows:

- To finance co-operative societies which are engaged in processing, storage and marketing of agro-produce.
- To arrange funds to co-operative societies for purchase of agricultural produce on behalf of the Central Government
- To participate in share capital of co-operative owned warehouses for agricultural produce and

Central Warehousing Corporation (CWC): The Central Warehousing Corporations were started in 1957 throughout India with a purpose to take care of safe storage and distribution of foodgrains and other essential commodities.

The main functions of CWSs are as follows:

To make an all India network of warehouses for foodgrains and offer commodities.

To keep stocks belonging to farmers and individuals for safe custody till sales, on rental basis. To work as government's agent to buy, sell and store and distribute.

CWC can move goods interstate to attend to more needy areas.

CWC has opened bonded godowns to assist the people to store the goods until clearance by customs. With these facilities, CWC is assisting all industries, farmers and co-operative societies in more than usual storage activities.

State Warehousing Corporations: State Warehousing Corporations are built to reach smaller places in the town.

10.2.6 FUNCTIONING OF WAREHOUSES

CWC and SWC warehouses are formed mainly for social benefit to keep the foodgrains safe and consumable for at least one year or even more. This is required as agriculture goods are seasonal and foodgrains need to be stored till the next season. Warehouses are like insurance against unpleasant happenings and shortage of foodgrains and other agro-products.

Farmers, public and wholesalers can store foodgrains in CWCs or SWCs for safe custody until they are sold to consumers.

In warehouses, pesticides and chemicals are used to keep the goods safe from pests, insects and rodents. This is a periodical and continuous activity as planning safety measures is a continuous task of warehouses.

The credibility of the warehouse lies in keeping the record bills upto date.

10.2.7 WAREHOUSE LICENCES

Individuals, group of individuals, co-operative society and a company can apply for licence to start a warehouse to state government officials.

The licences are subject to renewal and for this period inspection will be undertaken by the government officials and

Licence will be cancelled for non-payment of renewal fees, unsafe conditions, poor maintenance and following complaints from the customers.

The rural marketer has many challenges but the vast and expanding markets call for good marketing strategies to create win-win situations to all parties in the chain of rural marketing.

10.2.8 LOGISTICS

The term logistics is used to include all aspects of movement and storage of materials and to deliver the material to the end user. In this chapter here we may use the term for the planning of movement of materials. The planning of packing of rural marketing for rural input materials and for rural output materials is a gigantic task. It involves many agencies. Logistic planning is a difficult one considering the following facts:

- (i) The quantities involved are large and collection points are many.
- (ii) The producers and end users are scattered.
- (iii) Nature of materials are bulky, perishable, not of standard pack or size,
- (iv) Many villages are not approachable where only village carts can play.
- (v) Transport goods available only one-way trip. The return trip is non-remunerative,
- (vi) Entire logistics are in a peak season time. That is no uniform work.
- (vii) There are intermediaries in some markets. There are direct deliveries in some commodities
- (viii) Planning of package, storage and movement of agri- goods for exports, live stock etc. pose special problems.

10.2.9. STORAGE

Agricultural produce are seasonal in nature. The produce has to be consumed all through the year, offseason as well as in season. The storage of the produce starts from the farm till it reaches the consumer. Agricultural produce is bulky and in large quantities. The storage space and infrastructure required is large. The storage space required for bulk storage of 5000 MT is one acre. Storage infrastructure is low and cannot meet seasonal requirements. Indian farmers are left with no choice but to store in the open field for months due to lack of storage space. The stored grains in the open are lost if there are unseasonal rains. This happens in Punjab and Haryana in many places. The storage should be proper so that the grains are clean and protected against insects, pests, rodents, birds and of course thefts. The storage points are:

- At the farm
- In assembling and village collection centres for onward transport
- With processor
- With wholesaler and
- At the consuming market place or with the retailer

The storage of perishable agricultural produce like vegetables, fruits, flowers, eggs etc. pose major challenges to the marketer, the shelf life of these items is small and proper storage is very small. There is considerable wastage now. Planned development of infrastructure and funding is required in arranging proper storage facilities.

10.2.10. HANDLING AND TRANSPORT

The handling of agricultural produces at various points like the farm level, village level with the processor, the wholesaler and retailer pose problems in view of nature of commodity, packing costs and requirements of the end user. Almost all handling is manual and packed in gunny bags. Handling of perishable agri-produce is a larger challenge to the marketer. Any rough or wrong packing and handling will bring lesser profits.

The transport area is a historical problem. For centuries, the agricultural produce is handled on bullock carts and camel backs. The system continues even as on date. This happens because of bad roads or no roads connecting the village to the nearest market place. India has one of the largest road networks in the world with 2.466 million kilometers of road network. The road quality is not of the standard required. The national highways road length is 5200km, less than 2% of total and are of quality. National highways handle 40% of the total road traffic. The movement of materials on bullock carts in addition to manual handling is a slow and costly process. This leads to losses and pilferage of marketable items. The logistics, storage, handling and transport cost impact adversely the rural marketing activities.

10.2.11 MARKET ORGANISATION AND STAFF

Marketing activity in any company in India is basically urban-oriented. No thrust is given to rural marketing. Considering the size of the rural Market and potential, a large size marketing organisation is the requirement. The staffing has to cater to this growing market. The steps needed are :-

- Design of proper organisation for rural markets,
- Trained staff to be deployed,
- Staff to be located in villages to take care of cluster of villages and
- Necessary investments be made in this vital area to get desired results in the rural marketing activity.

10.2.12. PRODUCT POSITIONING

Indian rural markets have unique features: vast area, heterogeneous and a developing market. The markets have two aspects - inward and outward. The range of products will be wide. The transportation and handling costs are high for the reasons detailed earlier. Product positioning becomes a challenge in view of the facts that

- The incomes of the families in villages vary considerably. The rich landlords have the ability to spend.
- Rural wants, habits and needs are changing with modern education and communication facilities.
- Large product range of the companies.
- Substitute materials and brand copies available in rural markets
- Cost increases due to handling, storage and transports.
- Smaller packs to meet the pockets in rural areas and
- Cost of advertising to reach the masses in villages.

Companies like Coca Cola and ITC are advertising messages that villagers understand. The message is also delivered by the actors who dress as a typical villager. Tea, Coffee, Coconut Oil, shampoo, panmasala etc is packed in small plastic sachets costing a rupee or two for the rural market. These are becoming quite popular.

10.2.13. HIERARCHY OF MARKETS

Rural markets for different commodities have different periodicities and different markets. Examples are:

- (i) Vegetable market:
- (ii) Grains market
- (iii) Fruit market
- (iv) Cotton market
- (v) Animal fares and
- (vi) Tea & Coffee have separate markets.

Villagers go these markets regularly and meet the commission agent, contact persons and-wholesalers etc to get the feel of the market. Depending upon the purchasing habits of the particular rural area, the distribution network for different commodities and periodicity has to be planned by the marketer.

10.2.14 LOW LEVEL OF LITERACY

Rural literacy rates are low as compared to the urban population. In conveying his message, the marketing planner has to put in special efforts. He has to opt for the electronic media which is costly. The more interior the village, the larger the problem of communication. Radio and are good mediums of communication for rural India in view of liking of the villagers for the media and cost competitiveness. The visual impact and the use of local language give good advantage. The video vans are also becoming popular. IFFCO and Hindustan Lever use video vans to advertise their products. Promotion of products with audio visual aids and demonstration are catching up in rural marketing.

In rural marketing, the advertisement banners and cut-outs have to be colourful and use sign language with pictures to overcome literacy barriers in villages. Recent advertisement of the small bottle of cold drink priced at Rs. 5 is shown by 5 fingers of the right hand and small branded cold drink bottle in the other hand symbols have better retention power in advertisements.

10.2.15 SEASONAL DEMAND

Rural economy becomes seasonal. The distribution and sale of the village inward marketing like FMCG, agri-implements or agri-inputs or outward like grains vegetables, fruits follow seasonal patterns. The demand for FMCG and fertilizers is at the start of the Kharif and Rabi season. The villagers have money at this point of time. Village incomes are seasonal, hence demands are also seasonal.

The festival and marriage seasons have considerable marketing activities in villages. Festivals like Dassera, Deepaval, Sankranti, Pongal, Baisakhi are peak demand season. The harvest season and the village deity chariot function (Ratha Utsav) are good seasons. The timely movement of materials and communicating with rural masses is a challenge to the rural marketer, planning for items for seasonal marketing is essential in the area of prior campaigns, demonstrations, coordination, movement of goods, previous experience in displays and arranging customer attractions by way of festival discounts to stimulate demand.

10.3Self-Assessment Questions:

- Q1: What do you mean by ware housing?
- Q2: Explain functions of ware housing?
- Q3: Explain the different ware housing and storing?
- Q4: Define the term logistics?

Q5: Briefly explain product positioning?

Q6: Explain hierarchy of markets?

10.4. Summary

The problems in rural marketing are continuing inspire of efforts to improve in the nine five year plans, with government efforts and co-operatives putting their good efforts. The position is improving but slowly. The problems can be broadly classified as:

- (i) Logistics, storage, handling and transportation
- (ii) Marketing organisation and staff
- (iii) Mass communication media
- (iv) Dealer attitudes and motivation
- (v) Consumer education and motivation and
- (vi) Location and degree of demand.

10.5 Glossary:

Warehousing: It is the act of storing goods that will be sold or distributed later.

Market: A market is a place where people go to buy or sell things.

Product positioning: It is a form of marketing that presents the benefits of your *product* to a particular target audience.

Hierarchy: A system in which members of an organization or society are ranked according to relative status or authority.

Seasonal demand: It is defined as a certain time series with repetitive or predictable patterns of demand, due to re-occurring seasonal events.

Logistics: It is generally the detailed organization and implementation of a complex operation.

10.6 Answer to Self-Check Questions:

Q1: Refer to 10.2.1

Q2: Refer to 10.2.3

Q3: Refer to 10.2.2

Q4: Refer to 10.2.8

Q5: Refer to 10.2.12

Q6: Refer to 10.2.13

10.7 Terminal Questions

1. What do you mean by warehouse and how it is different from storage?
2. What are different functions of warehousing
3. What are different types of warehouse?

10.8 SUGGESTED READINGS

1. Morleg J.R. Agricultural Products and their Marketing.
2. Taylor H.C. : Agricultural Economies.

Lesson-11

Price Determination

Structure

- 11.0 Introduction
- 11.1 Learning Objectives
- 11.2 Presentation of Contents
 - 11.2.1 Objectives
 - 11.2.2 Pricing by CACP
 - 11.2.3 Cost Concepts
 - 11.2.4 Price Structure
 - 11.2.5 Agricultural Price Policy in India
 - 11.2.6 CACP(Commission for Agricultural Cost and Prices)
 - 11.2.7 Trends in Agriculture price Policies
 - 11.2.8 Small Farmers and Procurement Prices
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- 11.6 Answer to Self-Check Questions
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11.0 Introduction

Price discovery is price formulation decision. This has direct relevance to demand-supply situation, quantum of inflow and likely sales and the negotiations they follow in buyer-seller meets on market days. The price and its stability speaks of soundness of agro-economy. Frequent changes, abnormal variations and extremely high or low quotations do not speak good of a market condition. Individually a farmer or trader cannot do anything about price trends and fluctuations. Collectively co-operative societies wholesale trade associations and farmer's associations can play an effective role.

The Agricultural Price Commission (APC) was set up in January 1965 It was since renamed as the Commission for Agricultural Costs and Prices (CACP) The commission is expected to keep in view at least three points:

- (i) The need to provide incentives to the producer for adopting and using improved technology for maximizing production
- (ii) The need to ensure rational utilization of land and other productive resources and
- (iii) The terms of trade between the agricultural sector and the non-agricultural sector.

In the Indian context, a positive price policy has to correct market imperfections which are the result of unequal competition due to various rigidities and information gaps. It has also to provide proper market signals to achieve desired national objectives in terms of overall production, cropping patterns, remunerative incomes to farmers and assured supply of essential goods at reasonable prices to the consumer.

In the short run, the price policy has to provide stability in crop prices to avoid uncertainty. The medium-term goal is to achieve stability in terms of trade for agriculture to encourage investment. It is observed that agricultural prices have greater flexibility than the industrial prices both in the up and down swing. The greater flexibilities of agricultural prices are suggestive of the low price elasticity's of demand and supply of agricultural products.

11.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Pricing by CACP
- Cost Concepts
- Price Structure
- Agricultural Price Policy in India
- CACP (Commission for Agricultural Cost and Prices)
- Trends in Agriculture price Policies
- Small Farmers and Procurement Prices
- Reasons for Higher Marketing Costs

11.2 Presentation of Content

11.2.1 OBJECTIVES

- i. The principal objectives of the price policy are to step up agricultural production by assuring the producer that the prices of his produce will not fall below a certain minimum level
- ii. To prevent excessive rise in prices and thereby protect the consumer interests and
- iii. To stabilize prices to curb speculative activities

MAIN CONSTITUENTS

The main constituents of the price policy are:

- (a) Announcement of minimum support prices for major farm products well in advance of the sowing season.
- (b) Fixation of procurement prices of major foodgrains
- (c) Running a public distribution system for sale guarding the interest of low income consumer.
- (d) Building up buffer stock to meet emergency situation.

Price of commodities of last year or last season. That becomes a guideline for one and all. Hence, after getting the data the wholesalers and co-operative agro officials work out an acceptable price range for each commodity. The offers and offer acceptance for sale and purchase will be in this range of prices. Thus, the price formulation is evolved. This in a way a kind of arriving at consensus of all the stock holders in agri-business.

11.2.2 PRICING BY CACP

The minimum support prices for major agricultural products are announced each year after taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP). The CACP, when recommending prices, takes into account all important factors including cost of production, changes in the prices, input/output price parity, trends in market prices, intercrop price parity, demand and supply situation, parity between prices paid and prices received by farmers etc. Among these multiple factors that go into the formulation of support price policy, the cost of production is the most significant. Thus, for making the support price functionally meaningful, the minimum guaranteed price ought to cover at least the reasonable cost of production in a normal agricultural season obtained from efficient farming.

The CACP analyses the cost of production data for various States in respect of various committees of consultation with the States. After a meeting of the State Chief Ministers, the MSP/procurement prices are declared. With costs of production for the same crops varying between regions and also across farms within the same region and for different producers, the level of costs that could be accepted as a norm poses enormous difficulties.

11.2.3 COST CONCEPTS

In fixing the support prices, CACP relies on the cost concept which covers all items of expenses of cultivation including in that the imputed value of inputs owned by farmers such as the rental value of owned land and interest on fixed capital. Some of the important cost concepts used by CACP are the C2 and C3 costs.

C2 Cost

C2 cost includes all actual expenses in cash and kind incurred in production by actual owner plus rent paid for leased land plus imputed value of family labour plus interest on value of owned capital assets (excluding land) plus rental value of owned land net of land revenue).

C3 Cost

Cost C2 + 10 per cent of cost C2 to account for managerial remuneration to the farmer.

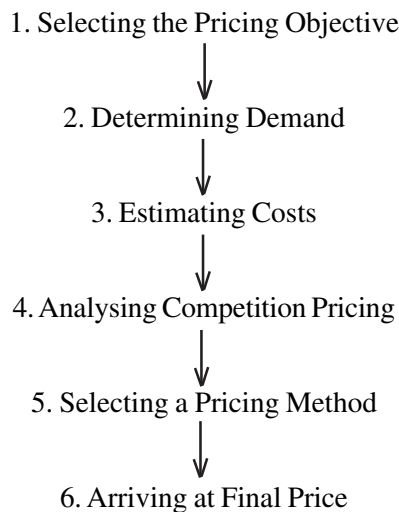
Costs of production are calculated both on a per quintal and per hectare basis. Since cost variations are large over States, CACP recommends that MSP should be considered on the basis of C2 cost. However, increases in MSP have been so substantial in case of paddy and wheat, that in most of the States MSPs are way above not only the C2 cost but the C3 cost as well. For instance, weighted average of C3 costs of eight wheat growing States is presently only Rs 532 per quintal while the weighted average of C2 cost is Rs 483 per quintal as against which CACP recommended MSP is Rs.620 per quintal. The producer subsidy at C2 cost is therefore Rs. 137 per quintal (MSP minus C2 cost) and Rs.88 per quintal at C3 cost (MSP minus C3 cost). The price determination is also guided by the MSP. Processing of Agro-produce is an important activity in marketing function.

- Processing improves quality, value addition and salability of products. More varieties can be made out of one agro-output.
- Processing is an art and science. One should have modern facilities for large scale and quality work in processing.
- Processing generates employment, improves packing, handling and sales presentation. This activity is bound to increase in future.

- There is scope to develop further improved and economical method in various agro based processing functions
- Price fixing, monitoring requires market knowledge, trend, demand-supply knowledge and rich experience in agro-business.

11.2.4 PRICE STRUCTURE

Decision of pricing arises (a) whenever a company manufactures a new product, (b) whenever existing product is to be launched in a new region and (c) whenever bidding is to be done for big contracts. The six steps had shown below cover various factors to be thought over while pricing:



After setting the price objective, the demand is determined. The other steps followed as under:

Estimating Costs

There are two types of costs: fixed costs and variable costs: Fixed costs do not change much as it consists of rent, salaries, electricity bills, maintenance of office, vehicles and interest on loans. All these costs are incurred regardless of the quantum of output. Variable costs are related to production and service. The basic costs of seeds, pesticides, manures/fertilisers, inspection, tests, sales commission, watering, pump and tractor maintenance and fuel cost, production labour are also variable costs, which vary depending upon the quantum of production. All these figures can be calculated to work out total cost. This will be used to calculate the unit cost which in turn will be a guideline for adding profit margin to arrive at sales price at the production point. This price will have further margins of traders and wholesalers to arrive at price to be incurred by consumers.

Analysing Competitor's Prices

In case of rural produce, competition is more only in branded products, packaged products and food items. The market is yet to be so broad-based as to think or worry on competitor's costs, pricing and the marketing strategy. For example, Amul brand products have hardly any competition of comparable volume, quality and brand image. Hence the price comparison aspect is best suited to non-agro products.

Selecting a Price Method

Mark-Up Pricing: Standard method for products is to add profit margin to the total cost of manufacturing and overheads. In case of agro-based products this method can be worked for packed and branded items.

Going Rate Pricing: This is to fall in line with the current market rates. The larger group of competitors set a price trend and another smaller group follows it.”

Price Discounts

Cash Discount: It is an established practice to offer upto 2% discount on bulk purchases and payments made against delivery. This is done to avoid botheration of payment follow-up and the costs involved in such follow-up.

Seasonal Discounts: The business will be on low key during off season for certain activities like wollen garments are sold lesser in summer.

The discount factor has certain commonalities irrespective of products being sold. These are:

- (i) To clear stock
- (ii) To improve sale in a dull trading season
- (iii) For survival in competition and
- (iv) To clear the perishable goods before it is too late.

By-Product Pricing: In case of certain goods, the sale of products has supplementary contributions in sale of by-products. For example Banana sales are supplemented by sale of leaves coconuts are supplemented by sale of tender coconut water. Bamboo sale is supplemented by sale of tender shoots as vegetables.

11.2.5 AGRICULTURAL PRICE POLICY IN INDIA

For any country, pricing policy has been an effective tool in controlling price levels, encouraging farm production and supporting weaker sections of the rural population. The policy focuses into the aspect of maintaining remunerative prices to fanners to encourage agricultural production. This is more relevant to developing and populous countries where self reliance on food production is very important.

11.2.6 CACP (COMMISSION FOR AGRICULTURAL COSTS AND PRICES)

During the first and second five year plans (1951-61) the pricing policy mainly supported consumers. The price support policy started in the third FYP (1961-66). The right approach is to provide incentives to producers and at the same time protect the interest of consumers. The Agricultural Price Commission (APC) was set up in January 1965 and this was renamed as CACP. This body is formed to take care of the following:

- Provide incentives to the producer for using improved technology for maximising production.
- To help maximum utilisation of land and other farm production resources,
- The likely effect of price policy on cost of living, level of wages and rest of the economy. The terms of trade between the agricultural sector and the non-agricultural sector.
- The need to achieve balanced growth of different crops and
- Recommend procurement price for foodgrains to be sold through PDS (Public Distribution System).

11.2.7 TRENDS IN AGRICULTURE PRICE POLICES

The minimum support price to the producers was arranged by CACP to safeguard producers from short-time glut in the market. The process helped to stabilise prices and insured the producer from loss making. The minimum support price is now termed as 'procurement price'. This price is kept below the market price and above minimum price.

11.2.8 SMALL FARMERS AND PROCUREMENT PRICES

The support price or government procurement prices are not helping the small and marginal farmers. No doubt, higher procurement price benefits farmers, but it is not always reaching the needy. The small and marginal farmers always being in debt would have pledged the crop to traders or village chief and they hardly have marketable surplus. Their problems get further compounded if there is an inadequate rain and fertiliser costs are increasing.

Shortcomings of Government Procurement

- (i) The agricultural price policy covers only a small percentage of farmers and hence the cause of social justice is not taken care of adequately,
- (ii) The Government cannot afford to bear the food subsidy on a continuous basis as it again has to recover this from taxation being taken from the public.
- (iii) If there is no linkage between input costs and price, the farmers are not encouraged for productivity and higher production.

Higher Marketing Costs of Agro Products

In India, the agricultural sector still is on traditional lines and very little technology use is made even after 55 years of independence. Some of the reasons for higher marketing costs are as follows:

The wholesalers and retailers being traders take a large share of profits.

The pilferage, losses due to pests and rodents is very higher and upto 10% on an average.

Only towns and district places have good godowns and the rents are more for poor farmers.

11.2.9 Reasons for Higher Marketing Costs

There are many reasons for higher rural marketing cost in the Indian economic environment. Some of the reasons are as follows:

Transportation: Indian road conditions, especially in the rural sector are very bad. This makes movement of automobiles difficult and hence bullock carts are to be used. The carts can take smaller loads and movement is slow. It transports for a short distance from where trucks/vans can be used for further movement. This involves repeated handling of materials. These factors lead to extra costs and slow movement of rural produce.

Processing Costs: Whenever processing has to be done at some other place, it involves additional transport, handling, wastage and thus causing extra cost burden.

Quantity Problem: Marginal and small farmers mobilise smaller quantity to the market and thus they incur extra cost of movement and percentage wastage will be more. Moreover due to smaller quantity, they are not in a position to bargain on price and hence expenses will be more when one calculates on per kg basis costs for transport.

Middlemen: For quick conversion, many farmers sell the produce to the wholesalers and traders. They in turn sell to consumers through the retailers. The profit margins of the mediators increases the costs.

Losers in Storage: Before sales, the grains and other goods are stored. In storage there will be up to 10% loss due to pests, insects and rodents. Also cost increases due to the use of pesticides and godown rent and maintenance.

11.3 Self-Assessment Questions:

Q1: Explain the term price determination?

Q2: Write the objectives of price policy?

Q3: What is the full form of CACP?

Q4: Explain pricing structure?

Q5: Explain the term mark-up pricing?

Q6: Write a brief note on by-product pricing?

11.4 Summary

In the situation in which Indian agriculture was at the time of independence, there was a need of security to be provided to the farmers. The government policy of MSP was a need of the time. However, in the present age of free market economy and in a situation where the land holdings are getting smaller and smaller, such a mechanism of regulated pricing needs to be looked again. The Indian agriculture has to be responsive to the changes in the international economic environment. The role of CAPC should also undergo a change in the times to come. It must consider the price, which can be sustained in the market and not the unrealistically high prices of agricultural commodities. In absence of such a change, it would continue to put burden on the government, which might become unbearable.

11.5 Glossary:

Price determination: To determine the *cost* of goods sold and services rendered in the free market. In a free market, the forces of demand and supply determine the *prices*.

Pricing: Pricing is the process you need to go through to figure out what price to attach to each unit.

Transportation: It is the movement of humans, animals and goods from one location to another

Cost: A cost is the value of money that has been used up to produce something or deliver a service, and hence is not available for use anymore.

Marketing cost: The total cost associated with delivering goods or services to customers.

Agro-product: From poultry to vegetables to grains, crops, meat, fish and fruits – everything. Dairy products too are one of those agro products that you should use.

11.6 Answer to Self-Check Questions:

Q1: Refer to 11.0

Q2: Refer to 11.2.0

Q3: CACP (Commission for Agriculture Costs and Prices)

Q4: Refer to 11.2.3

Q5: Refer to 11.2.3

Q6: Refer to 11.2.3

11.7 Terminal Questions

1. What is processing in agricultural activity? Do we need it?
2. Explain methods of paddy processing
3. What do you know about processing of wheat and pulses? Explain.
4. Explain methods of price discovery and role of MSP in fixing market prices for rural produce.

11.8 Suggested Readings

1. Kulkarni K.R. Agricultural Marketing in India.
2. Taylor H.C.: Agricultural Economics.

Lesson-12

Institutions and Organization in Agricultural Marketing

Structure

- 12.0 Introduction
- 12.1 Learning Objectives
- 12.2 Presentation of Contents
 - 12.2.1 Meaning
 - 12.2.2 NAFED (National Co-operative Marketing Federation)
 - 12.2.3 STATEFED (State marketing Federation)
 - 12.2.4 NCDC (National Co-operative Development Corporation)
 - 12.2.5 FSS (Farmers Service Societies)
- 12.3 Self-Assessment Questions
- 12.4 Summary
- 12.5 Glossary
- 12.6 Answer to Self-Check Questions
- 12.7 Terminal Questions
- 12.8 Suggested Readings

12.0 Introduction

This Chapter explores various organizations and institutions that provide direct or indirect assistance to agricultural marketing in India. Depending on the objectives and role, the marketing institutions can be grouped into public organisations and co-operatives and other informal bodies. Public sector organisations include National Cooperative Marketing Federation, National Cooperative Development Corporation, Farmer's Service Societies, Agricultural Produce Marketing Committees, Central and State. The Government has been playing an important role in developing the Agricultural Marketing System in the country. In this chapter the above concepts are in details.

12.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Meaning
- NAFED (National Co-operative Marketing Federation)
- STATEFED (State marketing Federation)
- NCDC (National Co-operative Development Corporation)
- FSS (Farmers Service Societies)

12.2 Presentation of Content

12.2.1 Meaning

One of the major improvements in the area of rural marketing the formation of the concept of it Cooperative Marketing and Processing Societies. The farmers with common interest form Cooperative Societies. These societies shoulder the responsibility of processing and marketing the produce for the member farmers. The processed agricultural produce becomes a 'value added' product and the benefits accrue to the farmers. A number of cooperative societies are engaged in this activity which are performing well in the market..

A real beginning was made in the integration of Production, Processing and Marketing of milk—a highly perishable product—with the initiation of Operation Flood V programme. This was followed by Operation Flood II and III programmes. Under this programme the dairy farmers in villages are organized into village level cooperative societies called the Dairy Cooperative societies (DCSs). They formed cooperative unions at the district level. These Unions take the responsibility collecting milk from the DCSs, processing it in their dairy and marketing it. These unions also supply the necessary inputs required for milk production to the dairy farmers. The Unions at district level form a Milk Producers Cooperative Federation at the state-level. The federation renders the necessary help to the Unions and in turn to the DCSs for product ton, processing and marketing of milk and milk products. These types organizations are popularly known as 'Amur' pattern societies.

Federation (State Level)
Unions (District Level)
Dairy co-operations (Village Level)
Farmers

Society pattern of organization

The system is functioning very well. Inputs required for milk production are supplied with an assurance that irrespective of the quantity of milk supplied, the pre-announced, assured prices will not change. The value addition through processing of milk into butter, ghee, ice-cream, milk based sweets and other milk products stays within the organization. The payment for the milk supplied could be on a daily, weekly or a fortnightly basis.

At the time of payment, the cost of inputs provided is deducted. Despite being successful and widely followed throughout the country, the proportion of milk handled by this system is hardly 20 per cent of the total production of about 50 million tonnes in the country. The initial aid for this scheme was provided by the European Economic Community in the form of skimmed milk powder and butter through National Dairy Development Board set up by the Government of India, Operation Flood I concentrated on flooding the entire metropolis with milk, while Operation Flood II and III concentrated on flooding the state capitals and district headquarters. By and large this scheme has proved a success. This system also provides for the conversion of milk during flush season into white butter and skimmed milk powder which has a shelf life. In the lean season when the quantum of milk collection goes down, the butter and skimmed milk powder can be reconstituted into milk to meet the demand.

The concept of organizing the farmers for production, processing and marketing of agricultural produce has been accepted because of its success in the case of milk. Similar efforts are on in the area of edible vegetable oils. Here again most of the states have already established Cooperative Oilseeds Growers Federations with processing facilities and are marketing edible oil under their own brand name. Since the organization is viewed as a commercial venture, they follow modern management practices.

Similarly, the Horticultural Producers Cooperative Marketing and Processing Society Ltd. (HOPOMS) at Bangalore, is engaged in the collection of vegetables and fruits from their members for sale in Bangalore city. This society is now operating in about four districts of Karnataka and will shortly cover the entire state. The society has opened purchase centres at important locations that purchase vegetables and fruits from the farmer-producers. In addition to retailing, they also undertake bulk supply to institutions, industrial canteens, etc. Here again, the intermediaries are rendered redundant as their functions are taken over by the society, keeping service as the prime objective and a very low margin to cover the costs. The members producing vegetables and fruits are only happy to sell their produce to the society.

The present policy of the Government is to encourage establishment of food processing industries, since these are considered foreign exchange earners. This has given impetus to many entrepreneurs and multinationals to invest in food processing industries. The companies like Marico industries, ITC Ltd, Lipton, etc are in the edible oil manufacturing and marketing field. Entry of Pepsi has given a boost to tomato cultivation in four districts of Punjab. They have signed contracts with the farmers for growing and supplying tomatoes which they process. The farmers are given high yielding tomato seedlings and other necessary inputs for cultivation, and are supervised by agronomists and extension staff of the company. This type of integration of production-processing-marketing is required in the case of agricultural produce marketing.

There are many more such examples in our country. The returns to the farmers can increase substantially if the farmer producers unite and take more initiative in processing and marketing. The farmers should be in a position to participate in processing and marketing, where the value addition to the raw produce takes place. This would certainly help the farmer-producers realise higher returns.

The recent liberalisation measures initiated by the Government should have a significant impact on farm income. The Dairy industry, hitherto reserved for the cooperative sector only, is now thrown open to private sector also. With the private sectors clout of marketing, this should be a boon to the dairy farmers. In addition, many byproducts which were of no value earlier are now being used economically with the necessary technology being available.

Traditionally our country has been importing raisins from overseas. 'Mahagrapes' mentioned earlier, is now perfecting the technology for manufacturing raisins from grapes. If the raisin-making technology is perfected, the prices of grapes during the harvest season can improve, since shelf life can be given to this perishable product.

12.2.2 NAFED (NATIONAL CO-OPERATIVE MARKETING FEDERATION)

NAFED is a national level body formed to coordinate state level federations and give technical guidance and advise them in their functioning. It also monitors inter-state trading and international trading. It leads all co-operatives in cooperative marketing in the country and for exports. The important functions of NAFED are as follows:

- To participate in intra-state, inter-state and international trade fairs and exhibitions.
- To promote, co-ordinate and facilitate marketing of agricultural and related products

- Through co-operative societies.
- To take care of sales, purchase, imports, exports and distribution of agro-based commodities to pursue business operations.
- To help increase godowns, storage facilities and cold storage facilities throughout the country, as per the need.
- Organise distribution of agro-inputs through the co-operative marketing societies.
- Work as government agency or that of co-operative institution to purchase, sell, store and distribute agro-products, horticultural products, forestry and animal husbandry produce, wool, agricultural requirements, implements and other consumer goods.
- Providing consultancy services and training to the co-operative institutions.
- Utilise services of foreign agencies to improve and develop co-operative marketing, processing and other activities in India.
- To become shareholders of other co-operative societies and
- Undertake processing of agricultural, horticultural and forest produce.

From the above points, it is clear that NAFED works as a nodal centre for improvement, growth and development of the co-operative sector in India. It has established 31 offices throughout India to take care of some on many of the above said functions.

Progress of NAFED

Some of the progress areas and achievements of NAFED can be summarised as under:

- NAFED helps the government to stabilise prices.
- It is trying consistently since the last two decades to protect interests of both producers and consumers.
- During 1997-98, it has made outright purchase of agro-products worth Rs.2.6 crore. In the same year, it has exported agricultural and horticultural products worth Rs.34 crore.
- Whenever domestic need arises, it is importing various pulses, fertilisers and grains.
- It is diversifying into other areas like tourism promotion. It is also taking up R&D work related to agricultural marketing work.

Though NAFED is doing its assigned responsibility, the figures of purchase, sales and exports do not speak high, considering the total business volume in the field of activity.

12.2.3 STATEFED (STATE MARKETING FEDERATIONS)

State Marketing Federation is a state level institution working as the federal body of the primary marketing co-operatives. All the states have STATEFEDS and their functions are as follows:

- To improvise, coordinate and promote marketing and trading activities of member societies.
- To organise direct marketing operations on behalf of the member societies.
- To take up intra-state and inter-state trade on behalf of the government or member societies.
- Nominating agencies for intra-state or inter-state trade.
- To buy, sell and distribute agricultural implements.
- To work as agent of NAFED, NCDC or any other co-operative related organisations for purchase, sales, storage and distribution of rural related various products.

- Helping members-for construction of godowns, processing units etc.
- Help members for standardisation and grading of various rural products and
- Liaisoning with the government, quasi-government and other agencies during sales,
- purchase, and distribution of rural products and inputs required for agro-based production..
- Progress of Statefed's Working

In addition to marketing function, the STATEFEDS have been doing processing of agricultural and horticultural products. Food and fruit is taken up in large scale by many state units. Processing units for foodgrains have also been set up for produce like wheat, barley, maize, pulses, oilseeds etc. The value of agricultural commodities marketed by the federations in 1994-95 is worth Rs.9503 crore.

12.2.4 NCDC (NATIONAL CO-OPERATIVE DEVELOPMENT CORPORATION)

The objectives of starting NCDC in 1962, to promote programmes through various cooperative societies are:

Production, processing, marketing, storage, exports and imports of agricultural produce, food items, poultry feed and agricultural inputs and implements.

Processing, marketing, storage and export of forest-based produce.

Funetlons of NCDC

In order to meet the objectives for which it was established in 1962, NCDC undertakes the following functions:

- Arrange loans and subsidies to state governments for financing of co-operative societies and to employ staff for the implementation of plans of co-operatives.
- Arrange funds to state governments to finance co-operative societies for procurement of agro-products and foodstuffs.
- Promote programmes through co-operative societies for supply of seeds, manures, fertilisers, agricultural implements and other articles for growth of agro-products.
- To provide loans to co-operative societies for their working capital against state government guarantee and
- To participate in share capital at the national level and more than one state level co-operative societies.

Promotional Functions of NCDC

- To sponsor and finance projects meant for the integrated development of the co-operative sector.
- To provide consultancy services in the development of the co-operative sector.
- To help co-operatives in implementing rural development programmes in an efficient way.
- To help develop policies at State and Central government level and in NAFED.
- To impart training to the personnel working in projects financed by NCDC and
- To organise conferences and seminars at various places to share experiences and exchange views on the working of co-operatives.

Achievements of NCDC

Co-operative societies have become an integral part of the rural community and continue to play an important role pertaining to rural economy. Following paragraphs explain the important role played by NCDC to promote rural marketing activities

1. Financial Assistance: Upto the end of March 1997, NCDC has provided total financial assistance of Rs.302 crore for co-operative marketing activities. Of this amount, about Rs.76 crore is provided to co-operatives in lesser developed states.
2. Horticulture Marketing: As part of its promotional plans, NCDC is giving priority to horticultural marketing in the co-operative sector.
3. Fruits and Vegetable Marketing: NCDC helps co-operatives to directly market fruits and vegetables. During 1996-97, co-operatives were able to sell fruits and vegetables worth Rs.160 crore with the help of NCDC.
4. Creation of Storage Capacity: The storage capacity under the domain of Co-operative Societies has been increased from 11 lakh tonnes in 1962-63 to 1.36 crore tonnes by March 1997. About half of the rise in capacity is arranged with the help of international aids. In addition to general storage, cold storages are also being increased. Almost all the cold storages are developed with the assistance of NCDC.
5. Cooperative Sugar Factories: Total financial assistance provided by NCDC to various co-operative sugar mills upto March 1997 is Rs.853 crore. These are mainly given for developmental programmes of co-operative sugar mills.
6. Cooperative Spinning Mills: Financial assistance needs to be to co-operative spinning mills from the starting stage itself. The assistance is in the form of share capital and term loan. Upto March 1997, the installed capacity of 175 co-operative spinning mills was 33 lakh spindles worth 11,900 rotors amounting to about 12% of the total installed spindles in the country.
7. Oil Seeds Processing: Financial assistance is provided for co-operatives providing soyabean oil, vanaspati, refining units, palm oil units and for facilities like silo storage. MP, UP and Rajasthan are leading in soyabean-based edible oil units and produce about 7.5% of the total national production. Until March 1997, NCDC had sanctioned Rs.520 crore for oil processing projects.
8. Particle Board Projects: Particle board industrial projects are innovative in nature and are slowly replacing wood. This will help contain deforestation and maintain ecological balance. NCDC has financed various particle board projects. Upto March 1997, Rs.53 crore has been sanctioned for particle board projects.
9. Farmer's Services Cooperatives: NCDC has specific schemes under which all types of societies engaged in retail distribution of fertilisers and other agricultural inputs and non credit activities are covered for margin money assistance depending upon their requirements. Upto March 1997, Rs.24.23 crore is sanctioned by NCDC to 5679 farmer's services cooperatives of which 1669 Nos. are in lesser developed states.
10. Assistance to RASDCOS: Regional Agro-industrial Development Co-operatives (RAIDCOs) are formed in some states for procurement, storage and distribution of agricultural inputs. NCDC provides margin money assistance. During 1996-97, NCDC sanctioned Rs.30 lakh to RAIDCO in Kerala.
11. Funding for Less Developed States: In order to bring in uniform development of all states, NCDC tries to be liberal to help lesser developed states. Co-operatives in least developed states are given loan on liberal terms and upto 95% of the project amount Upto end March 1997, Rs.816 crore has been disbursed to co-operatives in backward states. This works out to about 21% of the total amount disbursed by NCDC.

12. International Funds and NCDC: NCDC has been implementing projects financed by international funding agencies like IDA, World Bank and EEC etc. These projects are in co-operative processing and storage areas. NCDC has done projects worth Rs.883 crore from such funds.
13. Integrated Cooperative Development: NCDC intends to develop co-operatives as multipurpose agencies to arrange a wholesome service to the rural public with this ambition. NCDC has been strategically implementing integrated co-operative development projects. Traditional Agricultural Marketing System in few districts of the country. Upto March 1997, NCDC has sanctioned an amount of Rs.371 crore for 64 projects. It is actively involved in planning, promoting, coordinating and financing co-operative development programmes at the national level. Since its inception, it is giving importance to promotional and developmental roles to strengthen and develop agriculture and allied sectors in the country.

12.2.5 FSS (FARMERS' SERVICE SOCIETIES)

It was found that bank facility and co-operative society facilities are mainly utilised by the rich farmers and landlords. The poor farmers and small landowners were not getting the benefits of governmental facilities. The NCA (National Commission on Agriculture), which noticed the tendency of the misuse of credit felt that the facilities should reach small and marginal farmers. This category of small farmers not only need money but timely availability of inputs, technical advice and support services like storage, transportation, processing and marketing preferably through a single agency. It is from this point of view that NCA recommended formation of FSS, one each at the taluka level. The Central Government accepted the suggestions and FSS started functioning from the financial year 1973-74.

Organisation of FSS

1. There should be one FSS for each tehsil/taluka and common service at the district level.
2. Lead bank of the district should organise credit facilities.
3. FSS is a registered co-operative body, having its own by-laws and autonomy.
4. It should have 11 to 13 member board including four nominees of the government, one from the bank and the rest small farmers.
5. State Government will give active support to FSS with share capital participation in each

Objectives of FSS

1. FSS is formed to provide full package of services and technical guidance needed by small farmers for increasing production in an integrated manner and at one point.
2. The major thrust area is to provide credit to weaker sections, in view of this, two-thirds Members on the board would represent the weaker sections.
3. It takes up total responsibility of agro-rural development, through all its members which covers small, marginal farmers and local artisans.

Functions of the FSS

1. Monetary credit requirements of members including term loans will be arranged by FSS.
2. Input services will be arranged at reasonable prices. This also enables credit to be converted into inputs.
3. FSS will take care of marketing with special produce marketing like milk marketing society etc.

4. It helps in providing facilities like construction of wells, godowns, small irrigation systems and even pavements/roads for farmers and
5. It provides credit to co-operative societies of dairy, livestock rearing, etc.

FCI is sparing stocks to WFP projects from the central pool stocks as and when required by them.

- The Central Pool stocks are maintained by FCI and State Governments and their agencies in Punjab, Haryana, UP and MP.
- The total stock in the Central Pool as on 01.12.2002 is 51.54 million tonnes.

12.3 Self-Assessment Questions:

Q1: Explain society pattern of organization?

Q2: What is the full form of NAFED?

Q3: What is the full form of NCDC?

Q4: Write down the functions of NCDC?

Q5: What is the full form of FSS?

Q6: Explain the objectives of FSS?

12.4 Summary

On the basis of the above discussion, it is clear that there are number of mechanisms, which have evolved in the process of affecting the availability of agricultural goods from the producers to the consumers. Many types of institutions and organization in agricultural marketing have evolved in the process, which provides a variety of services to the farmers as well as to the consumers. In the times to come, newer forms of agricultural marketing organisation and institutions are likely to be established.

12.5 Glossary:

Marketing: It is a total system designed to plan, price, promote and distribute want satisfying products and services for target markets.

Agriculture marketing: It covers the services involved in moving an agricultural product from the farm to the consumer.

Cooperative Marketing: It gives an idea of collective efforts to achieve specific objectives to carry out marketing strategy for agricultural products.

Federation: A federation is a political entity characterized by a union of partially self-governing provinces, states, or other regions under a central federal government.

NCDC: The National Cooperative Development Corporation (NCDC) is a statutory Corporation set up under an Act of Indian Parliament on 13 March 1963. The objectives of NCDC are planning and promoting programmes for production, processing, marketing etc.

NAFED: National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) is an apex organization of marketing cooperatives for agricultural produce in India, under Ministry of Agriculture, Government of India. The objectives of the NAFED shall be to organize, promote and develop marketing, processing and storage of agricultural etc.

FSS: The primary source is from a flight service station (FSS), and all stations answer the common frequency 122.2 MHz A flight service station (FSS) is an air traffic facility that provides information and services to aircraft pilots before, during, and after flights, but unlike air traffic control (ATC), is not responsible for giving instructions or clearances or providing separation.

FCI: The role of Food Corporation of India(FCI) is to maintain sufficient buffer stock in the country and price stabilisation. FCI has played a significant role in India's success in transforming the crisis management oriented food security into a stable security system.

12.6 Answer to Self-Check Questions:

Q1: Refer to 12.2.1

Q2: NAFED (National co-operative Marketing Federation)

Q3: NCDC (National Co-operative Development Corporation)

Q4: Refer to 12.2.4

Q5: FSS (Farmers Service Societies)

Q6: Refer to 12.2.5

12.7 Terminal Questions

1. Define NAFED. Explain its important functions.
2. Define STATEFED and explain its functions.
3. Explain the achievements of NCDC.

12.8 SUGGESTED READINGS

1. Taylor H.C. Agricultural Economics.
2. Kulkarni K.R. Agricultural Marketing in India.

Lesson-13

Agriculture Marketing (Prospects and Constraints)

Structure

- 13.0 Introduction
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 - 13.2.5 Relationship between Marketed Surplus and Marketable Surplus
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 - 13.2.7 Relationship between Price and Marketable Surplus
 - 13.2.8 World Food Programme
 - 13.2.9 Sports and Welfare Activities
 - 13.2.10 Padma Shree/Arjun Awardees
 - 13.2.11 Problems in the ways of Marketing of Agriculture Produces
 - 13.2.12 Challenges in Agricultural Marketing
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- 13.6 Answer to Self-Check Questions
- 13.7 Terminal Questions
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13.0 Introduction

Aggregate farm output is changing from period to period in the history depending on natural and unnatural causes. Even today the situation remains same and the output varies from season to season depending on uncontrollable factors like weather, disease and man-made causes like prices, government incentives and proper inputs. Quantity changes in agricultural produce influence marketing processes of the commodities. The quantities of the commodities are more than what the farmer needs are available for marketing. Marketing creates value for this excess produce by encouraging competition for improvement of quality, prices, services and create value for the consumers. Marketing also assists in efficient allocation of resources in the agricultural area and in turn can improve living standards in developing countries.

13.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Meaning
- Producer's Surplus
- Marketable Surplus
- Relationship between Marketed Surplus and Marketable Surplus
- Factors Affecting Marketable Surplus
- Relationship between Price and Marketable Surplus
- World Food Programme
- Sports and Welfare Activities
- Padma Shree/Arjun Awardees
- Problems in the ways of Marketing of Agriculture Produces

13.2 Presentation of Contents

13.2.1 Meaning

13.2.2 Producer's Surplus

Producer's surplus is referred to as surplus in common usage. This surplus comes out of total produce. The quantity made available to the non-farming population is producer's surplus. For marketing, this quantity is available and hence plays an important role. The total quantity produced by the farmer is not of significance to develop marketing strategies. The marketing plans are made considering producer's surpluses.

In developing countries, the growth of marketable surplus determines the pace of development of economy. Increase in production generally goes with increase in producer's surplus. In other words, the expansion of agricultural production sets trend for the growth of trade. For this reason, the policy makers of Government of India gave top priority in increasing agricultural production of foodgrains, pulses, oilseeds in our nine five year plans since independence. The main thrust areas of policy makers were:

- (i) Proper procurement and purchase policies:** This involves streamlining of public distribution systems, making available proper transport and storage facilities taking into account producer's surplus of different commodities. Traders and consumers make purchase policies based on the quantities of producer's surplus and prices.
- (ii) Price policies:** Government encourages the development of markets in agricultural produce by direct and indirect incentives. The policies stimulate growth of production and markets. Estimation of producer's surpluses in advance help in making policies and follow-up actions.
- (iii) Development of infrastructure:** This includes facilities like handling, importing, roads, rail, wagons, storage capacity is possible, based on advance estimates of the producer's surpluses.
- (iv) Global trade in agricultural produce:** Decision whether to export a commodity depends on producer's surpluses expected and domestic consumption patterns. Next question is whether it is remunerative.

- (v) **Checking price fluctuations:** Government interventions in setting procurement prices, reserve or support prices, quantitative restrictions, providing subsidized foodgrains to weaker sections of society are some of the measures to halt hoarding and increasing prices by middlemen. Government agencies assist in the speedy movement of essential commodities to curb profiteering. Considerable quantities of agricultural produce, in particular horticulture produce goes waste due to bad packing, delays in transport and storage. Organising farm supply chains is the need.

13.2.3 MARKETABLE SURPLUS

It is the quantity of produce that can be made available to the non-farming population. The marketable surplus is the residue left after meeting the requirements of the farmer. The requirements of the farmer are:

- family consumption of the farmer
- cattle feed
- farm needs that is seeds
- payment to others in kind which include labourers, artisans like blacksmith, potter, mechanics, carpenter
- payment to the landlord towards rent
- social and religious payment in kind and
- losses enrooted and wastage

To put this in simple formula, we have:

Marketable Surplus = Total Production - Requirements of Farmer M. S. = T.P. - R.F.

13.2.4 MARKETING SURPLUS:

This is the quantity of the agricultural produce which the farmer - producer actually sells in the market irrespective of his requirement of his family consumption farm needs or owner requirements. Marketed surplus may not necessarily increase with increase in marketable surpluses. Both may be equal more or less depending on cash requirements of the farmer. Urgent requirement of cash leads to distress sale by the farmers. Increase in real income of the small farmer increased his consumption. Generally increase in production must increase in marketed surplus.

13.2.5 RELATIONSHIP BETWEEN MARKETING SURPLUS AND MARKETABLE SURPLUS

The marketed surplus may be higher, equal or lower than the marketable surplus depending on various conditions. The relationship may be indicated by a formula as under:

Marketed surplus < Marketable surplus

The three stages are:

- (i) When marketed surplus is equal to marketable surplus. Here the farmer holds only his personal requirements. This happens for perishable commodities. Here the economy is said to be smooth and perfect.
- (ii) When the marketed surplus is more than marketable surplus.
In this case, the farmer retains less than his actual requirements of his family and farm. This is called 'distress sale'. The case happens when cash requirements are pressing or clearing loans. This happened to small and marginal farmers. In this case, the sale of produce is more than marketable surplus. The farmer has no choice but to buy from the market same commodities for his family requirements. When the price of commodity falls, the distress sale takes place to meet the cash requirements or commitments.
- (iii) Marketed surplus less than marketable surplus.

This happens generally and has two situations:

- Higher price expectations. Farmer retains more than his requirement for his consumption and other payments in kind expecting a price rise of the commodity. He should have retention capacity. Sometimes the farmers hold produce upto the next production season. Alternatively holding may be for meeting emergencies or for fear of bad season or bad crop.
- Substitution to cheaper crop or commodity for purpose of consumption to get advantage of higher price.

13.2.6 FACTORS AFFECTING MARKETABLE SURPLUS

The marketable surplus changes in India from crop to crop, place to place, state to state and as time changes. The marketable surplus quantity in a farm changes based on factors detailed below:

(i) Production: Production volume and yield has maximum influence. The higher production and/or yields give higher marketable surplus. The reverse is also true.

(ii) Price of commodity: Price of the commodity may or may not increase the marketable surplus depending on the farmer's view of the market trends and stability of the prices.

(ii) Nature of commodity: The nature of commodity determine the quantity of marketable surplus from the producer's surplus

- Long shelf life produce: Items like foodgrains are better and hence lower marketable surplus. The farmer would like to hold some portion to take advantage of price surges or to meet emergencies.
- Perishable commodities: The horticultural products like vegetables and fruits give generally higher marketable surplus. Same is the case with animal produce like fish, mutton.
- Non-food crops: In case of non-food items, the marketable surplus is high. Examples are cotton, jute and rubber - the quantity retained for family consumption is nil. Other examples are raw wool, skin and hides.
- Cash crops: Cash crops need further processing before consumption. In such cases, the marketable surpluses will be high. Examples are oilseeds, spices, sugarcane.

(iv) Consumption habits: The retention of output quantities by the farmer depends on consumption habits. A South Indian holds more rice as he is basically a consumer of rice. The reverse is the case in Haryana or Punjab.

(v) Landholding: The large size of holding of land gives a larger percentage of marketable surplus.

(vi) Size of family: The larger the size of the family of the farmer, the smaller the marketable surplus due to increased home consumption.

(vii) Requirement of feed and seeds: As the requirement increases for feed and seed, marketable surplus of the crop reduces.

(viii) Natural causes: Causes of climate like below, normal rainfall or high rainfall makes the farmer hold back produce affecting marketable surplus.

(ix) Market reasons: Spurt in price change of habits of consumption change marketable surplus.

(x) Emergency reasons: Unnatural causes: like floods, droughts, fires and wars affect marketable surplus and it happens quickly so.

(xi) Social reasons: Large festivities in villages bring in changes in marketable surplus.

(xii) Elasticity of demand: Production commodities like foodgrains expand the market sales increase in larger proportion than increase in production. This affects marketable surplus. Due to many of the above reasons, marketable surpluses have occurred in India.

13.2.7 RELATIONSHIP BETWEEN PRICE AND MARKETABLE SURPLUS

Two diametrically opposite views have been given by experts in the field regarding the relationship between prices and marketable surplus of foodgrains.

(i) Positive relationship: The hypothesis is based on the recent developments. The farmers now have basic education. They read newspapers and hear news regarding the marketing of families in various states falling under this category. A fixed quantity of 20 Kg. of foodgrains per family per month is issued under this category. The stocks are issued at highly subsidized rates much below the APL Price and

- Above Poverty Line (APL): Families which are not covered under BPL are placed under this category. The stocks are issued at Central issue Price under this category. There are a number of other welfare schemes of the Government of India:
- Mid-Day-Meal-Scheme (MDM): The Government of India has introduced MDM National programme of Nutrition Support to children of primary education in primary schools w.e.f. 15.8.1995. Under the scheme, every child is entitled for 3 kgs of wheat/rice per month @ 100 grams per day free of cost.
- Jawahar Rojgar Yojna (JRY): Under this scheme, foodgrains are issued for generating the rural employment opportunities and instead of wages, foodgrains are issued to the people and
- Market Intervention-Scheme: At times, the Government of India allots foodgrains under “Market Intervention Scheme” to stabilise the prices of foodgrains.

13.2.8 WORLD FOOD PROGRAMME (WFP)

FCI is sparing stocks to WFP projects from the central pool stocks as and when required by them.

- The Central Pool stocks are maintained by FC! and State Governments and their agencies in Punjab, Haryana, UP and MP.
- The total stock in the Central Pool as on 01.12.2002 is 51.54 million tonnes.
- The Food Corporation of India has three-tier training activities involving:
- Training of officers at the Central Training Institute, Gurgaon.
- ‘Training of staff at the four Zonal Training Institutes at New Delhi, Mumbai, Kolkata and Chennai and
- Nomination of officers in reputed technical/management institutes in India and abroad.

In addition, the FCI also organises need-based training programmes in collaboration with reputed institutes of concerned disciplines. The Central Training Institute situated in the institutional area at Gurgaon is a state-of-art institute having computer facility, library, hostel, conference halls, conference equipments etc. Approximately, 1500 officers are trained every year in this institute. Officers from State undertakings and Central public sector undertakings are also trained in the institute.

13.2.9 SPORTS AND WELFARE ACTIVITIES

FCI encourages sports and sportspersons, by inducting them in regular service, giving 100 scholarships every year by providing financial assistance and specialised training at National Institute of Sports. (There exists a Sports Promotion Board at the apex which is affiliated with major National and State Sports Federations). Talented sports youngsters in the age group of 15 to 18 years, 18 to 21 years and 21 to 24 years are granted

scholarships annually. Besides, sportspersons working with FCI are encouraged by granting various in- service incentives including accelerated promotion, grant of increments and cash awards, depending upon their performance at National and International levels. FCI is proud of its National/international sportspersons who brought laurels to the country.

13.2.10 PADMA SHREE/ARJUNA AWARDEES

Towards this end, Shiny Wilson (Athletics) and former world champion in weight lifting, Ms. Malleshwari have been honoured in their respected sports with Padmashree and Arjuna.

13.2.11 PROBLEMS IN THE WAYS OF MARKETING OF AGRICULTURE PRODUCE

Agriculture is the main stay of the Indian economy and more than two thirds of the population depend for their livelihood on agriculture and agro- based occupations. The growth rates of Indian agriculture are falling since the last one decade. Consequently the share of agriculture in GDP is falling year after year. As on date the share is 27.99. To increase the contribution of agriculture in the growth of GDP, a minimum growth rate of 3% is necessary on a long-term basis. It is seen that in the last decade, this growth has been put at 2.1 % and the growth percentages year by year fluctuate considerably giving shocks to the economy.

The main problem is over dependence on monsoon or weather gods to be kind or cruel. The financial year 2002-03 saw a rain deficit of 19% for the country as a whole. 29 percent of country's area faced draught conditions which included 10 percent area falling under severe drought conditions. The economic survey of the year 02-03 shows a quick estimate of a lowest growth rate of- 3.1 percent for this fiscal year.

Problems are also created by man in the agricultural sector in achieving its potential. To achieve the desired 3 percent growth rate on long term and sustained basis, the problems need to be understood and resolved. The problems are mainly of rural marketing. These problems require long range planning, large investment over a period and proper strategies to get success. The problems faced are;

- (i) Under developed people,
- (ii) Under developed market,
- (iii) Lack of proper physical communication facilities,
- (iv) Media for rural communication,
- (v) Many languages and dialects,
- (vi) Vastness and uneven spread,
- (vii)capita incomes,
- (viii) Logistics,
- (ix) Storage,
- (x) Handling and transport,
- (xi) Market organisation and staff,
- (xii)Product positioning,
- (xiii) Hierarchy of markets,
- (xiv) Low level of literacy and
- (xv) Seasonal demand.

Each one of the above is dealt in detail here under:

Under Developed People

The rural society is bound by traditions, old customs, habits and practices. The impact of modern science and technology has made impact in patches and by and large the old beliefs continue. The villagers are not commercially trained or oriented and he has fatalistic belief. In this sense he believes that whatever has happened or happening is due to God and nothing can be done. Low per capita income has given rise to low consumption pattern as compared to the urban population. Farmers are having small land holding. This makes thinking small and there is no use of machinery or modern scientific farming techniques. This all has led to a narrow mind set.

Under Developed Market

It is the under developed people who generate this kind of market. More people are below the poverty line and in addition, many villages are draught prone. Rural markets are not developing for want of adequate banking and credit facilities. The rural market needs banks to enable remittances, to get replenishment of stocks, to transact on credit basis and to obtain credit support from the bank. Retailers need banks to have credit facilities to carry optional stocks. At present every 40th village in India has a bank. Because of this, the banks are not able to offer credit to consumers, leading to low marketing activities in rural India.

In the rural market, there are two or three brands only available for choice as compared to many brands in urban markets. For branded products also there are spurious cheaper copies available in rural markets. This makes the rural consumer suspicious in buying branded products. The life style of a villagers is simple and does not easily adapt to new practices or products. Rural markets are dispersed over a large area all over the country. 3.7 million rural outlets, accounting for 75% of the total are located in seven Indian states. The development level of the markets also vary. The underdeveloped markets post a large challenge to the rural marketer.

Lack of Proper Physical Communication Facilities

All the organised communication facilities are available in urban areas. Only 30 percent population gets modern communication facilities. Print media reaches only 18 percent of the rural Indians. Radio or transistors are popular in rural India due to fact that radio transmission covers all parts of India. Television is becoming popular since the last two decades but only 25 percent of villages are covered by transmission. Cinema is becoming popular especially in the rural population in the southern states. The villager has to travel long distances to go to a cinema hall. The village, even today, depends on post, telegrams and phones for their communication needs. Efforts are on way to gradually build data communication to villages and get a 'leap frog' in communication. This is a good step but a slow process, -needing substantial investments.

13.2.12 CHALLENGES IN AGRICULTURAL MARKETING

The agricultural market is growing at a faster pace since the last four decades and adjusting itself to new socio-economic conditions, important changes that have happened are:

- Green Revolution: Agricultural productivity has increased due to different measures taken.
- improved seed quality,
- emphasis by successive five year plans of the Government of India, giving thrust to the agricultural sector. The structure of the tenth Plan and comparative figure of the Ninth plan are given in Box.
- increased mechanisation

- non-food crops
- importance to co-operatives
- enhancement of dairying, poultry
- use of more irrigated land, pump sets
- use of non-conventional energy sources and
- increased farming knowledge about use of fertilizers, pesticides and farming.

Increase In income: The Government of India has been allocating large funds year after year for the planned growth of rural economy and agriculture. Cultivators have taken up high yield cash crops and multi-cropping. This has reduced dependence on seasons. The disposal income with villagers is on the increase. Job opportunities in villages have increased due to various government schemes for rural employment. Minimum agriculture labour wages and procurement prices of cereals have also increased. All this has substantially been increasing the purchasing power of the common villager.

Improvement in infrastructure: With efforts from state and local bodies, the road connections, transport and communication facilities in villages have improved. This has impact on increased market reach.

Increase in expectations: Contact with urban population and faster communications are increased the expectations of a general villager. The lifestyles are changing to modern and there are potential consumers in the villages. Consumerism is thus entering the villages in a big way.

With plus points as detailed above in village social-economic areas, the marketing of agricultural produce has the following challenges:

- **Transport and distribution:** All “weather” roads are lacking to nearly 30% of the villages. In the rainy season, it is not possible to reach many of them. The agricultural product cannot move.
- **Communication:** The low level of literacy is the main hurdle in village communication. In this area, telephones and mobile phones are helping to bridge a large extent the communication gap.
- **Scattered villages:** There are 5.7 lakh villages. The movement of produce from villages to town and between villages poses challenges. The distances make the operations on many occasions uneconomical.
- **Warehousing facilities:** The nature of commodities needs special warehousing and., transport. Such warehouses are not available in adequate number. There is considerable wastage.
- **Inadequate credit facilities:** A villager producing agricultural goods face problems in getting funds at the right time due to procedural hassles. -This makes the business cycle to come to a halt.
- **Segmentation:** The requirements of agricultural products vary from place to place, income levels, tastes, seasons etc.
- **Nature of commodities:** the perishable nature of commodities makes the price un remunerative. At times, even the villagers does not get transport costs in return.

13.3 Self-Assessment Questions:

- Q1: Explain the term producer surplus?
- Q2: Explain marketable surplus?
- Q3: What are the factors affecting marketable surplus?
- Q4: What is the full form of WFP?
- Q5: What is the full form of FCI?
- Q6: What are the challenges in agricultural marketing?

13.4 Summary

Rural marketing has two constituents-marketing inputs and outputs. The marketing output is agricultural marketing which deals in marketing of village produce. The modern form of agricultural wholesale and retail markets have evolved in response to competitive market pressures, changes in consumer market and attempts to improve marketing operational efficiency and satisfy consumer wants. Commodities in agriculture marketing include all farm produce and animal produce. Agricultural marketing gives a multiplier effect to the growth of agriculture in addition to enhancing efficiency and effectiveness. The history of agricultural marketing in India is five decades old. Science and technology are helping to grow more agricultural produce of quality at affordable prices. The growth of agriculture in India since independence is impressive.

13.5 Glossary:

Marketing: It is a total system designed to plan, price, promote and distribute want satisfying products and services for target markets.

Agriculture: It is the process of producing food, feed, fiber and many other desired products by the cultivation of certain plants and the raising of domesticated animals (livestock).

Producer: A producer is someone who creates and supplies goods or services.

Surplus: An amount of something left over when requirements have been met; an excess of production or supply.

WFP: The World Food Programme (WFP) is the food-assistance branch of the United Nations and the world's largest humanitarian organization addressing hunger and promoting food security.

Income: Income is the consumption and saving opportunity gained by an entity within a specified timeframe, which is generally expressed in monetary terms.

Transport & Distributer: Moving products from manufacturing plants to warehouses, between facilities and to distributors, can represent more than half of your total logistics costs.

13.6 Answer to Self-Check Questions:

Q1: Refer to 13.2.1

Q2: Refer to 13.2.3

Q3: Refer to 13.2.5

Q4: WFP (World Food Programme)

Q5: FCI (Food Corporation of India)

Q6: Refer to 13.2.11

13.7 Terminal Questions

1. What are different types of surplus?
2. What is relationship between marketed surplus and marketable surplus.
3. What are the different factors affecting marketable surplus?

13.8 SUGGESTED READINGS

1. Taylor H.C. Agricultural Economics.
2. Kulkarni K.R. Agricultural Marketing in India.

Lesson-14

Co-operative Marketing

Structure

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14.0 Introduction

The rural marketing system has been suffering from a number of problems for which suitable steps and constructive suggestions can be implemented. Commercialization of agriculture warrants guaranteed marketing system to push the enhanced production quickly, easily and at a fair price.

The establishment of cooperative marketing societies is another step which has been taken to overcome the problems arising out of the present system of marketing rural produce. The need for strengthening co-operative organisation has therefore, been recognised for the marketing of the produce of producers and for making inputs available for them at the right price and time. The cooperative institutions are expected to function as competition of private traders in the market.

14.1 Learning Objectives

After studying this lesson, you will familiarize with following concepts:

- Meaning
- Structure of Co-operative Marketing
- Functions of Co-operative Marketing
- Need or Objectives of Co-operative Marketing
- Merits and Limitations of Co-operative Marketing
- Limitations and Problems of Co-operatives
- Merits of Co-operative Marketing
- Co-operative Marketing Society
- Main characteristics of Co-operative Marketing
- Objectives of Co-operative Marketing
- Advantages of Co-operative Marketing
- Limitations of Co-operative Movement
- Suggestions to Improve Co-operative Marketing

14.2 Presentation of Contentd

14.2.1 MEANING

A co-operative sales association is a voluntary business organisation established by its member patrons to market farm products collectively for their direct benefit. It is governed by democratic principles, and savings are apportioned to the members on the basis of their patronage. The members are the owners, operators and contributors of the commodities and are the direct beneficiaries of the savings that accrue to the society.

The profit earned by the society is distributed among the members on the basis of the quantity of the produce marketed by him in other words, cooperative marketing societies are established for the purpose of collectively marketing the products of the member producers.

The cooperative marketing societies may be grouped into the following types:

1. Single Commodity Co-operative Marketing Societies They deal in the marketing of only one rural commodity. The examples are Sugarcane Co-operative Marketing Society.

2. Multi-commodity Co-operative Marketing Societies They market a large number of commodities produced by the members, such as foodgrains, oilseeds and cotton.

3. Multi-purpose, Multi-commodity Cooperative Marketing Societies

These societies market a large number of commodities and perform such other functions as providing credit to members, arranging for the supply of the inputs required by them, and meeting their requirements of essential domestic consumptions goods.

14.2.2 STRUCTURE OF COOPERATIVE MARKETING

The pattern of the three-tier structure has been discussed in the paragraphs that follow :

Primary Co-operative. These societies market the product of the producer members in that area. These co-operatives will either buying from members or acting as agents for the grower producers to sell, on behalf of them. They sell the members' produce directly to consumers or industrial users.

Central or District Level Co-operative Societies. These are engaged in the task of buying selling and extending credit facilities to primary cooperative societies. These are located in the secondary' wholesale markets and generally offer a better price for the produce.

State Marketing Societies. They are above the level of central, co-operative marketing societies which is grown as a provincial society. The basic function of these is to co-ordinate the activities of the affiliated societies and conducts such activities as' inter-State trade, export- import, procurement, distribution of inputs and essential consumer goods, dissemination of market information and rendering expert advice on the marketing of rural produce.

14.2.3 FUNCTIONS OF CO-OPERATIVE MARKETING

The main functions of co-operative marketing societies are:

1. To make arrangements for the transport of the produce of the members from the villages to the market on collective basis and bring about a reduction in the cost of transportation;
2. To market the product of the members of the society at fair prices;
3. To make credit facilities available to the members against the security of the produce brought for sale
4. To make arrangements for the scientific storage of the members produce
5. To act as an agent of the government for the procurement of foodgrains and for the implementation of the price support policy.

14.2.4 NEED OR OBJECTIVES OF CO-OPERATIVE MARKETING.

1. To Eliminate Malpractices.
2. To Establish Appropriate Reward for the Efforts.
3. Concomitant of Integrated Programme.
4. To Stabilise the Agricultural Price.

14.2.5 MERITS AND LIMITATIONS OF CO-OPERATIVE MARKETING

Co-operative venture has its own set of merits to its credit and a few limitations on the counterpart.

- Development of orderly marketing.
- Realization of Higher prices Elimination of Trade Abuses.
- Lower cost of production
- Better Selling Methods
- Control of Quality and Better Grading
- Instrument of Education
- Essence of Integrated Programme of Credit

14.2.6 LIMITATIONS AND PROBLEMS OF CO-OPERATIVES

- Disloyalty of Members
- Lack of scientific Management
- Defective Business Techniques
- Rivalry from Private Traders

14.2.7 MERITS/ADVANTAGES OF CO-OPERATIVE MARKETING

Co-operative Marketing societies have the following merits and demerits:

- Merits of Co-operative Marketing. The main merits are as:
- Development of orderly Marketing
- Lower Cost of Production
- Essence of Integrated Programme of Credit
- Better Selling Methods
- Instruments of Education.
- Control of quality and better grading
- Realization of higher Prices.
- Elimination of Trade Abuses.

14.2.8 CO-OPERATIVE MARKETING SOCIETY

According to the Reserve Bank of India's (RBI) definition, "A marketing society can be considered as a cooperative association of cultivators formed primarily for the purpose of helping the members to market their produce more profitably than is possible through the private trade".

The definition given by Dr. G.S. Kamat is that, "A cooperative marketing organisation is like any other cooperative marketing society which in contrast to privately owned firms, endeavors to benefit the uses and to limit the returns received by the suppliers of equity capital i.e. owners. This control of a cooperative by its patrons permits the distribution of profits to the name and file of members rather than to the few well-to-do suppliers of capital".

Cooperative in short means working together. The progress can be achieved by mutual cooperation such as government and public. An individual is isolated and becomes powerless in trying to achieve various targets but in association with various other people, he will be able to do much more and much better.

Cooperative marketing is an institutional form of agricultural marketing when a cooperative formed voluntarily by the farmers' endeavors to benefit its members by undertaking the total responsibility of marketing operations on their behalf.

14.2.9 MAIN CHARACTERISTICS OF CO-OPERATIVE MARKETING

1. **Association:** It is an association of agricultural producers started with membership fees and having a common programme of marketing and related activities.
2. **Voluntary organisation:** Members join on their own or by following suggestions of friends. There is no pressure or compulsion to become members. This is an important aspect of co-operative association formations. Members take initiative to develop and ensure the growth of a co-operative society.

3. **Democratic values:** Members choose amongst themselves Chairman, Secretary, Treasurer and governing **body** members by voting. This is done once in 3, 2 or 1 year as per procedure agreed by all the members. Every member has-the right to give one vote regardless of **number** of shares held by him/her. This method and voting system enables only capable and devoted members to take care of formal responsibilities.
4. **Price bargain:** A co-operative society can bargain better price in the market for its members. This is made convenient due to holding capacity, high volume trading, elimination of middlemen and the support of the Co-operative Apex bank for sustenance.
5. **Profit sharing:** Profits earned in a co-operative society are shared by all the members, in proportion to the contributions made by them on business. This arrangement is the safety and security factor for these farmers.
6. **Training and Education:** The co-operative movement has to succeed and spread. For this, educational programmes for training in co-operative management institutes help to develop better thinking amongst members. Provision has to be made for expenses towards education in the annual budget allocations.
7. **Intra and Inter Co-operative relation:** Not only good mutual friendly relations within a co-operative are essential, there should even be excellent coordination between different cooperatives. This will simplify the tasks and improve morale amongst members.
8. **Service organisation:** Though the name is co-operative marketing and marketing is an' important function, the basic objective of starting co-operative schemes is to give good service to farmers, so that, they can concentrate on productivity, production and improvements.

14.2.10. OBJECTIVES OF COOPERATIVE MARKETING

- To strengthen bargaining power of the farmers and get a better price.
- Eliminate middlemen at all levels of functioning.
- Develop fair trading practices. Stabilize prices.
- Organise grading, packing and proper storage.
- Help members by arranging finance and giving advance on materials kept for sale.
- To work as government agent for procurement and implementation of price-support policy.
- Help farmers for buying of seeds, implements and requisite fertilizers.
- To establish good relations with regulated markets, marketing boards and other agencies
- Related to the area of agro-marketing.
- Flow of information relating to government policies and developments in agriculture
- related matters and
- Training and education of farmers on cooperative movements and its benefits.

14.2.11 ADVANTAGES OF COOPERATIVE MARKETING

Elimination of middlemen and Unfair Practices: Since middlemen (sometimes 2-3 stages) are avoided, the producer and consumer will gain. Moreover in a co-operative society all transactions are recorded and this avoids possibility of any unfair attitude towards the consumer or producer in terms of quality, quantity, price and delivery.

Fair Price to Farmers: Due to the elimination of middlemen, both producer and consumer get cost benefit due to narrowing of the gap between consumer price and price payable to the producer.

Cost and Price Care: Since grading, standardisation and packing will be done by experts or more experienced people of the co-operative sector, the cost and price care is better taken of. The risk factor is minimised to the farmer as he can hand over such responsibilities to the co-operative society.

Help to Grow More: By providing seeds, fertilisers and pesticides, the cooperative societies help or facilitate the farmers to concentrate on the quality and quantity of production. Also various interactions with society and members help farmers to know the type of produce in demand, costs, price trends and productivity levels.

Impact on Traders: Once the co-operative sector works efficiently and price range is set for various products in the market, the private traders have to follow the trend and refrain from exploitation.

Knowledge Sharing: Co-operatives work as a common platform for members to share their experiences and views on various qualities, productivity, variety, cost and price related matters. Since they do not have much of reading habits, the discussions help them to learn and improve knowledge in their area of activity.

Price Stabilisation: Since the objective of co-operative society is neither hoarding nor speculation, there is lesser scope for big variation in prices. Hence, price will continue to stabilize. This trend forces the private traders to avoid speculation and profiteering.

Implementation of government policies: As per their affords, the governments announce

Welfare measures on different occasions. This may be for procurement of produce and fair price of the produce.

Fixing, creating buffer stocks of food items and the likes. The co-operative society": play a bigger role in the implementation of government policies.

14.2.12 LIMITATIONS OF COOPERATIVE MOVEMENT

1. The basics of cooperative societies are based on assumptions of ideal conditions. However in reality, some societies have become less effective due to casteism, regionalism, biased priorities and corruption.
2. The functioning is not satisfactory due to low working capital and lower turnover. This makes it uneconomical to maintain office and staff.
3. They find it difficult to compete with private traders due to procedural problems in playing the price and discount game.
4. Co-operatives do not sell on credit even for short duration. This sometimes proves disadvantageous.
5. Though facilities, funds and staff are provided for good storage, implementation is lacking in quality.
6. Loan facilities are taken only by a few rich farmers. Poor and small farmers continue to be ignorant of the facilities and their voice is feeble in co-operatives.
7. Traders continue to exploit the market by bulk buying from co-operatives, at lower price and then selling it in the market on high profits.

8. Though membership of co-operative societies is for farmers, many traders have entered it and in some cases are dominating it.
9. The operating cost of co-operative marketing societies has moved from 4% in 1958-59 to 9% in 1981-82 to 12.5% in 1995-96 This increasing trend may make its working difficult in future.
10. The agro-based knowledge, managerial skill and administration of co-operatives is very poor due to wrong selections, biased selections and poor accountability of personnel.

14.2.13 SUGGESTIONS TO IMPROVE CO-OPERATIVE MARKETING

An ideal co-operative marketing society should be helpful and advantageous to both producers and consumers. However, the system is suffering from a number of weaknesses. Some suggestions for improvements are as under:

1. The Taluka level co-operatives are not doing well in tariffs of quantity of sale. They are not able to make most of the farmers as their members and hence unable to collect adequate stock of goods. It is essential to Increase membership by covering all villages and maximum number of farmers.
2. The linkage between taluka level, state level and national level co-operative movement needs to be strengthened. The democratic process of selection of office bearers also should improve.
3. There should not be competition between state level and national level co-operatives. The service to producers and consumers cannot be scarified in the chase for higher profits by more and more business. Hence, natural co-operation between different cooperatives will solve the irritants.
4. The co-operatives should have a long range plan to market agricultural produce. It is desired that 25% of the total production is handled by co-operatives.
5. There should be continuous efforts to enroll new members to make the movement broad based and to induct new office bearers to make it more dynamic.
6. Have suitable contract arrangements with members to bind them. This enables the society to control the community and lead them in prosperity and move on the progressive path.
7. The co-operative activities, progress and status needs to be informed to all members on a regular basis (say once a month) by calling meetings. This will also give an opportunity to get opinions and ideas based on business environment.
8. The management of co-operatives should be given to efficient persons (through election) having experience of farming and business and having adequate influence in the locality to obtain the loyalty of members.

14.3Self-Assessment Questions:

- Q1: What is co-operative marketing?
- Q2: Write down the functions of co-operative marketing?
- Q3: Explain the objectives of co-operative marketing?
- Q4: What are the benefits of co-operative marketing?
- Q5: What are the limitations of co-operative marketing?
- Q6: Write down the suggestions to improve co-operative marketing?

14.4 Summary

Today cooperation has been accepted as an instrument of economic growth and social reforms all over the world. This is not a new concept as far as India is concerned as certain illustrations of cooperatives can be seen in Vedas and Upanishads. In modern India, it got momentum after independence in 1947. cooperative marketing organisation are the associations of producers for the collective marketing of their produce and for securing for the members the advantages that result from large scale business which an individual cultivator cannot secure because of his small marketable surplus. Cooperatives are expected to build up an organised system for underdeveloped agricultural growth in particular and rural development in general. Transfer of technology, fertiliser production and distribution, irrigation, processing of agricultural products, and organised marketing etc. are some of the roles which are played by the cooperative sector very effectively. Base level, district level and state level are the apex cooperative marketing societies as far as structure of marketing societies are concerned. There are two types of members of cooperative marketing societies i.e. ordinary member and nominal members. These societies generate their funds from sources such as loans, share capital, and scheme financing from the banks. Sale of different products/services on commission basis, purchase of members' produce, procurement of crops, and advancements of credit are the primary functions of these societies.

14.5 Glossary:

Cooperative Marketing: It gives an idea of collective efforts to achieve specific objectives to carry out marketing strategy for agricultural products.

Marketing: It is a total system designed to plan, price, promote and distribute want satisfying products and services for target markets.

Cooperative Marketing: It gives an idea of collective efforts to achieve specific objectives to carry out marketing strategy for agricultural products.

Association: A group of people having a common purpose or interest; a society or club. the act of associating or the state of being associated.

Profit sharing: Profit sharing refers to various incentive plans introduced by businesses that provide direct or indirect payments to employees that depend on company's profitability in addition to employees' regular salary and bonuses.

Bargaining: It is a type of negotiation in which the buyer and seller of a good or service debate the price and exact nature of a transaction.

14.6 Answer to Self-Check Questions:

Q1: Refer to 14.2.1

Q2: Refer to 14.2.3

Q3: Refer to 14.2.10

Q4: Refer to 14.2.7

Q5: Refer to 14.2.6

Q6: Refer to 14.2.13

14.7 Terminal Questions

1. What do you mean by co-operative marketing? Explain the structure of co-operative marketing.
2. What are the limitations of co-operative marketing? Mention some suggestions to improve co-operative marketing.

14.8 SUGGESTED READINGS

1. Morleg J.R. Agricultural Products and their Marketing.
2. Taylor H.C. : Agricultural Economies.

ASSIGNMENTS

Attempt 75% Assignments

- Q.1 What are the different characteristics of an ideal rural marketing system?
- Q.2 What are the different factors affecting rural marketing segmentation?
- Q.3 What is fertilizer marketing mix?
- Q.4 What are the different modes used in Media for rural communication?
- Q.5 What are the different Marketing Agencies?
- Q.6 What is public Distribution system?
- Q.7 Explain in detail sales promotion for packed goods?
- Q.8 Explain methods of paddy processing?

M. B. A. Examination

Marketing Research

Paper-MM-04

Time : Three Hours

Maximum Marks :60(Regular)

100 (ICDEOL)

The candidates shall limit their answer precisely within the answer-book (40 pages) issued to them and no supplementary/continuation sheet will be issued.

Note : Attempt any five questions in all, selecting one question from each unit... All questions carry equal marks.

Unit-1

1. Write note on the changing marketing environment in India since last one decade and its impact on rural Marketing. (12)
2. Explain various socio-cultural and economic factors affecting rural marketing in India. (12)

Unit -II

3. Explain with examples the marketing of consumer durables and non-durables goods in rural Markets. (12)
4. Discuss the issue involved in the planning and development of the rural marketing Media for agricultural inputs with (Special references to fertilizer and seeds. (12)

Unit-III

5. Define agricultural Marketing. Discuss its functions, scope and objectives. (12)
6. What is processing in agricultural activity? Do we need it? Explain methods of paddy processing. (12)

Unit-IV

7. Highlight the role of central and state Government institutions and organisations in agricultural marketing. Also discuss the function NABARP. (12)
8. Explain why there is difference in sale price of farmers and buying price, of consumer. Evaluate Methods to overcome this problem. (12)

Unit-V

9. Write short npte on the following
 - a) Problems of Communication in rural Marketing
 - b) Discuss the issue of seasonal demand constraints in rural Marketing. (12)
10. What are the main characteristics of co-operative Marketing? Discuss its advantage and limitations. (12)

M. B. A. Examination

Marketing Research

Paper –MM-04

Time : Three Hours

Maximum Marks :60 (Regular)

100(ICDEOL)

The candidates shall limit their answer precisely within the answer-book (40 pages) issued to them and no supplementary /continuation sheet will be issued.

Note : Attempt any five questions in all, selecting one question from each unit. All questions carry equal marks.

Unit- I

1. Discuss the nature, characteristics and the potential of rural markets in India. Explain how socio--culture and economic factors affect rural marketing. (12)
2. Explain issues related to the rural Market-Environment. What are the objectives of rural Marketing? (12)

Unit-II

3. Explain with examples the Marketing of FMCG goods in rural India.
4. Discuss the issue involved in the planning and development of the rural, marketing Media for agricultural inputs with special references to fertilizer and seeds. (12)

Unit-III

5. Why has the agriculture marketing system become complex and expensive with time? (12)
6. How do improve transportation, communication and storage facilities influence agricultural Marketing? (12)

Unit-IV

7. Explain price concept and its importance in rural marketing. What are the various price determination methods? (12)
8. Explain different types of Warehouses and their functions. (12)

Unit-V

9. What are the unique features of Commodity Markets in India? Discuss in detail with suitable examples. (12)
10. “The problems of rural marketing are Multi-faceted, Multi-dimensional and long standing”. Discuss. (12)

M. B, A, Examination

Rural Marketing

Paper - MM - 04

Time : Three Hours

Maximum Marks : 60

(Regular) (ICDEOL)100

The candidates shall limit their answer precisely within the. answer-book (40 pages) issued-to them and no supplementary/continuation sheet will .be issued.

Note : Attempt any five questions in all, selecting one question from each unit. All questions carry equal marks.

Unit -I

1. Explain about classification and components of rural market? (12)
2. Discuss socio-cultural, economic and other environmental factors affecting rural marketing? (12)

Unit -II

3. Give different consumer non-durables and durables and explain how you can help increase their sales in rural segment. (12)
4. Discuss Various issues involved in product planning media planning and planning of distribution channels and organizing personal selling in rural Markets in India. (12)

Unit-III

5. Explain the following rural problems with examples: (12)
 - a) problems of Agricultural Marketing
 - b) Problems of Rural Marketing
 - c) Problems of changing rural perception.
6. Discuss various functions of agricultural Marketing in India. How agricultural Marketing is organized? (12)

Unit-IV

7. What methods can be used for price determination for agricultural products? Discuss with suitable examples. (12)
8. Discuss in detail the role of central and state government Institutions and organizations in agricultural marketing. Explain with suitable examples. (12)

Unit-V

9. What are the characteristics of agricultural goods? What are the special Problems Marketing them? (12)
10. Discuss the Natura, scope and role of co-operative marketing in India. (12)