



**GS Paper- 2, Section- II**

# **Agricultural Marketing in India & Bihar**

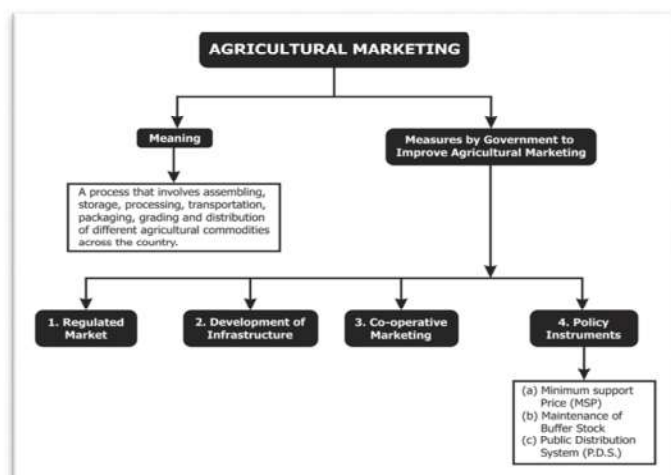
**Class Notes**

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## **Agricultural Marketing in Bihar**



### **Introduction**

The term **agricultural marketing** is composed of two words- agriculture and marketing. Agriculture, generally means growing and/or raising of crops and livestock while marketing encompasses a series of activities involved in moving the goods from the point of production

to point of consumption. Agricultural marketing essentially involves the **buying and selling of agricultural produce**.

**According to the Indian Council of Agricultural Research, Agricultural marketing involves three important functions:**

- I. Assembling or concentration of goods.
- II. Preparation for consumption (processing).
- III. Distribution of agricultural products.

According to the National Commission on Agriculture, Agricultural marketing is a process which starts with a decision to produce a saleable farm commodity, and it involves all aspects of market structure or system, both functional and institutional, based on technical and economic considerations and includes **pre-harvest and post-harvest operations** of –

1. Assembling,
2. Grading,
3. Storage,
4. Transportation, and
5. Distribution.

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

An efficient marketing system is essential to maintain and accelerate the pace of increasing production through technological development, but for success in this programme, the farmers must receive remunerative prices for their produce. Otherwise, they would not be interested in increasing their production.

### **What is Agricultural marketing?**

- Agricultural marketing comprises all operations involved in the **movement of farm produce** from the **producer to the ultimate consumer**.
- It includes the operations such as **collecting, grading, processing, preserving, transportation and financing**.

- The actors in product marketing include farmers, traders, wholesalers, processors, importers, exporters, marketing cooperatives, regulated market committees and retailers.

#### **Outcomes of Agriculture Marketing:**

- Monetizing the Produce
- Demand Signal Platform
- Market growth
- Capital formation and investment in technology

#### **Various marketing methods: -**

##### ***Rural Primary markets:***

- Periodic markets or haats and fairs (melas, jatras) are the **major rural markets** in India.
- Rural Primary Markets include mainly the **periodical markets known as haats, shandies, painths and fairs.**
- The producers sell their produce directly to the **consumers or to small rural retailers.**

The Wholesale/Assembling Markets or the secondary markets numbering 6359 constitute the cardinal link in the market structure of the country

##### ***Cooperative Marketing:***

- The co-operative marketing is an alternative to private dealers with the main objective of securing a large share of profits for the producer.
- The main objective of establishing a co-operative marketing are:
- Encourage the intelligent and orderly marketing of agricultural produce.
- To eliminate speculation and waste.
- To make distribution of agricultural products between producer and consumer as direct as can be efficiently done.
- To stabilize the marketing of agricultural productions.

##### ***Contract Farming:***

- Contract farming can be defined as agricultural production carried out according to an agreement between a **buyer and farmers**, which establishes conditions for the **production and marketing of a farm product or products.**

- Typically, the farmer agrees to provide **agreed quantities of a specific agricultural product**.

Figure 3.2 State-wise progress of Contract Farming

State	Crops under Contract Farming	No. of Companies under CF
Punjab	Malting Barley	1
Haryana	Barley, Basmati, Ordinary Paddy, Potato	4
Chhattisgarh	Bitter Gourd, Bean, Green Chili, Tomato, Lady finger, Bottle gourd, cucumber	2
Gujarat	Cotton	1
M.P	Cotton	1
Maharashtra	Sponge/Ridge gourd, Lady finger, Chili, Tomato, White Onion, Potato, Baby corn, Soybean, Beans, Pomegranate, Sweet corn	5
Karnataka	Organic Cotton	1

**Commodity Market:** Commodity Market is about trading of precious metals, energy, oil, spices & so on.

There are three commodity markets in India:

- I. National Commodity & Derivative Exchange.
- II. Multi Commodity Exchange (largest commodity futures exchange in India).
- III. National Multi Commodity Exchange of India.

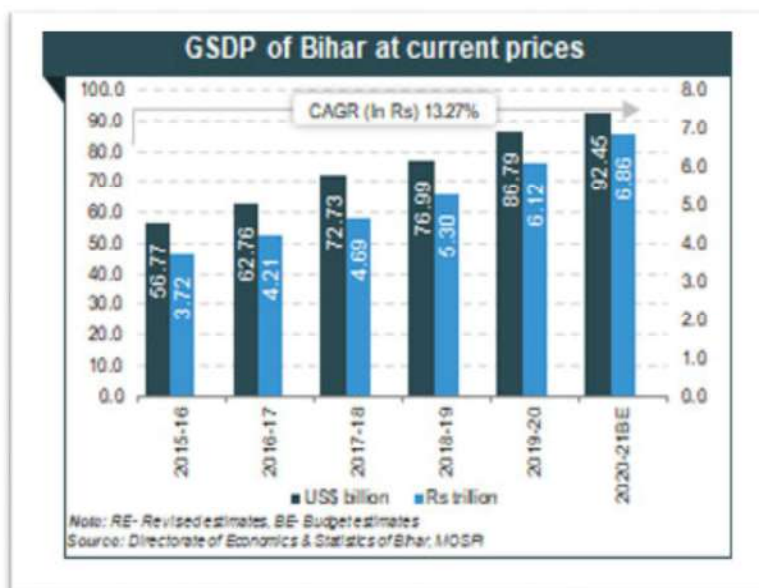
**Future Market:**

- Derivatives are **financial instruments with a price** that is dependent upon or derived from one or more underlying assets.
- In futures contract buyer has the obligation to **purchase a specific asset**, and the seller has to sell and deliver that asset at a **specific future date**.
- **Agri-futures markets** are considered to be one of the ways to **ensure appropriate farm prices**.

### Agriculture in Bihar

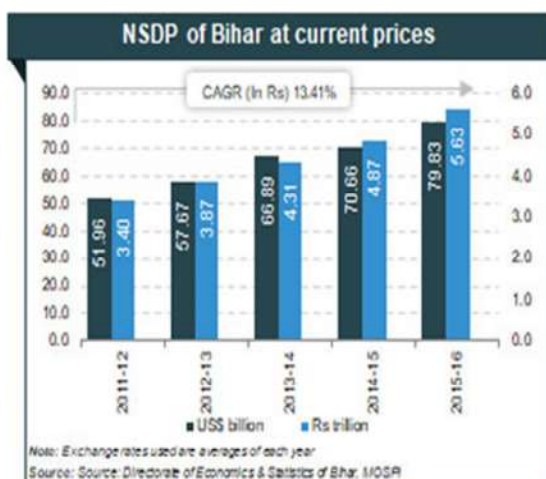
Agriculture is the key to the overall development of the State economy. Agriculture is the backbone of Bihar's economy 77% of workforce and





generating nearly 24.84% of the State Domestic Product. The percentage of population employed in agriculture production system in Bihar is estimated to 77%, which is much higher than the national average. Nearly 24.84% of GDP

of the state (2011-12) has been from agriculture sector (including forestry and fishing). The state has attained self sufficiency in food grains production. Barring maize and pulses productivity of various farm produce in Bihar is much below the national average. Though the area under cultivation is shrinking, there is tremendous scope for income generation, by improving productivity. Adverse climatic condition, like draught and floods, do play a role in decreasing products. But these adverse conditions can be overcome to some extent by irrigation, flood control and drainage schemes. The agriculture production can only be increased to some extent through enhanced cropping intensity, change in cropping pattern, improvement in seeds of high yielding varieties, cultivation practices and with the availability of better post harvest technology etc. State Govt. is trying to re-orient agriculture through diversification policy and other measures. Agriculture is the single largest private sector occupation in Bihar. The goal of the agriculture production system should be to maximize income of land owning and landless rural populace to improve their livelihoods. The vulnerability to income and consumption shocks makes it imperative to develop formal agriculture insurance mechanisms to cope with such risks.



Bihar is located in the eastern part of India. The state is surrounded by Nepal in the north, West Bengal in the east, Uttar Pradesh in the west, and Jharkhand in the south. The state enjoys a unique location specific advantage because of its proximity to the vast markets of eastern and northern India, access to ports such as Kolkata and Haldia,

and to raw material sources and mineral reserves from the neighboring states.

The Gross State Domestic Product (GSDP) of Bihar grew at a CAGR of 13.27% between 2015-16 and 2019-20. Bihar has witnessed strong growth in per capita net state domestic product. At current prices, per capita NSDP of the state grew at a CAGR of 13.41% (in Rs.) between 2016 and 2021. Bihar is one of the strongest agricultural states. The percentage of population employed in agricultural production in Bihar is around 80%, which is much higher than the national average. It is the fourth largest producer of vegetables and the eight largest producers of fruits in India. Food processing, dairy, sugar, manufacturing, and healthcare are some of the fast-growing industries in the state. The state has planned initiatives for the development of other sectors such as education and tourism and also provides incentives for information technology and renewable energy. The state has a large base of cost-effective industrial labour, making it an ideal destination for a wide range of industries.

According to the Department for Promotion of Industry and Internal Trade (DPIIT), the cumulative FDI inflows in Bihar were valued at US\$ 50.62 million between October 2019 and March 2021.

Total merchandise export from the state stood at US\$ 1,661.13 million in 2020. In 2020-21 (until January 2021), exports stood at US\$ 1,160.72 million.

### **Recent Developments**

- In January 2021, the road construction department decided to build bypass roads at 120 urban locations across the state, under the Saat Nischay Part-2 programme, with the aim to ease traffic congestion.
- The total length of roads is 708 kilometres, with the cost estimated at Rs. 4,154 crore (US\$ 559.99 million).
- In December 2020, Union Minister for Road Transport and Highways, Mr. Nitin Gadkari, inaugurated the three lane 1.5 km long Koilwar Bridge in Bihar, a major road for transport between Bihar and UP. A sum of Rs. 266 crore (US\$ 35.96 million) has been spent on the bridge.
- In Bihar, road work worth Rs. 30000 crore (US\$ 4.06 billion) is undergoing. For compensation against land acquisitions, a total of Rs. 4600 crore (US\$ 621.81 million) has been announced.
- By 2023, a 7-km four lane Koshi bridge worth Rs. 1478 crore (US\$ 199.79 million) is likely to be constructed.
- On December 17, 2020, SpiceJet announced the launch of 30 new domestic flights, including six new flights from Darbhanga, Bihar, which stated its operations on a phased basis from December 20, 2020.
- In October 2020, Minister for Communications, Electronics & Information Technology, Mr. Ravi Shankar Prasad stated that ~46,000 villages in Bihar will be connected through optical fibre network in next 6-7 months.
- On September 27, 2020, a 660-MW unit of its supercritical thermal power plant in Bihar was synchronised with the grid by NTPC Ltd., which would enable the commercial generation of electricity from it. Five units with a capacity of 660 MW each, spread over 3,200 acres of land at Barh in the Patna district, were set up by NTPC.
- During 2019-20, Patna and Gaya handled 30,959 and 3,606 aircraft movements, respectively. Patna and Gaya handled 45,25,765 and 2,37,452 passengers respectively in same period. Patna airport handled 12,249 MT freight traffic during same period.

### **Key Sectors:**

- In May 2021, the Bihar government announced that it aims to complete wheat procurement based on the minimum support price (MSP) by May 31st 2021. The state government aims to procure around 1 lakh metric tonne wheat to start the procurement drive through primary agriculture cooperative societies (PACS) and Vyapar Mandals.
- In March 2021, the Union Minister of state for Ports, Shipping and Waterways, Mr. Mansukh Mandviya announced that a riverine or inland port will be constructed on the banks of Gandak River in Saran district.
- In March 2021, the union aviation ministry announced that the Darbhanga Airport in Bihar is being expanded under the UDAN Regional Connectivity Scheme.
- Under State Budget 2021-22, Rs. 5,803.60 crore (US\$ 797.30 million) has been allocated for overall road construction in rural and urban areas of the state.
- In March 2021, the state government announced that it will provide electricity connection to every agricultural land at a lower rate in the state by the end of March 2022.
- In 2019-20, the total production of horticulture crops in the state was expected to be 20,676.37 thousand metric tonnes and area under production was 1,175.98 thousand hectares. In 2019-20, the total production of vegetables and fruits in the state was estimated at 16,327.53 thousand metric tonnes and 4,256.21 thousand metric tonnes, respectively.
- Sugarcane is grown in approximately 6 percent of the total area under cultivation in Bihar. Sugarcane production in the state for 2018-19 (P) stood at 182.85 lakh MT. During sugar season 2019-20, 11 sugar mills were operating in the state of Bihar. During 2019-20, 220.50 lakh MT sugar is estimated to be produced in Bihar.
- In 2019, foreign and domestic tourist arrival reached 1.093 million and 33.99 million, respectively.

**NOTE- Bihar has recorded over 800 times jump in the agricultural produce exports in the last 15 years, from Rs 3 crore in 2006 to Rs2,617 crore in 2020, state's agriculture secretary N Sarvana Kumar revealed.**



## New Initiatives in Bihar Agriculture

### ***Repeal of APMC Act provides opportunities for:***

- Establishment of Market Yards in private sector.
- Establishment of specialty market.
- Contract farming
- Value addition and Processing

### ***Other initiatives include:***

- National Horticulture Mission for Fruits, Vegetables, Spices, Flowers & Medicinal & Aromatic plants
- Macro Management for cereals
- ISOPOM for pulses, oilseeds & Maize
- Establishment of ATMA in all the districts to
- bring all stakeholders on one platform and to promote PPP.

### ***Bihar's Strength in Agricultural Sector***

- Rice, Wheat and Maize
- Fruits and vegetables
- Litchi
- Dairy products
- Aromatic oils and Herbs
- Sugarcane
- Makhana
- Honey
- Select spices

## Issues of current Agricultural marketing in India and Bihar-

### ***Too many middlemen:***

- Presence of too many middlemen result in **higher cost of marketing of agriculture produce.**
- The customer ends up paying high amount whereas the producer hardly receives adequate remuneration for his efforts.



- As per a study the share of middlemen in case of **rice was 31 per cent**, in case of vegetable was 29.5 per cent and in case of fruits was 46.5 per cent.

***Lack of storage facilities in markets:***

There is **no proper storage or warehousing facilities** for farmers in the villages where they can store their **agriculture produce**. Thus causing farmers to sell their surplus produce at **very low and un-remunerative price**.

***Inadequate Transportation facilities:***

**Poor road transportation facilities** and links in rural areas affect movement of agriculture produce. Indian farmers cannot reach nearby mandis to sell their **produce at a fair price**.

***Lack of Institutional Financing:***

**Inadequate availability of institutional finance**, causes farmers to acquire credit from non-institutional sources such as moneylenders etc. These put unfavorable terms on farmers, causing them to be on a **permanent debt trap**.

***Absence of grading and standardization:***

Lack of knowledge of grading affects Indian farmers to fetch good price Indian farmers.

***Absence of market information:***

There is absence of market intelligence or information system in India. Indian farmers are not aware of the ruling prices of their produce prevailing in big markets.

***Unregulated local markets:***

Prevalence of false weights and measures and lack of grading and standardization of products in village markets in India is affecting fair and transparent business.

***Adulteration of Commercial Crops:***

Adulteration i.e., **mixing of inferior produce** freely with **superior produce is very common**. Barley and other grains are mixed with wheat. Stones and

pebbles are mixed with rice and other grains. Adulteration in **cash crops and food-crops** has assumed **tremendous proportion in India**.

***Other Constraints and challenges-***

- Low productivity, due to low level of technology;
- Poor infrastructure in the rural areas;
- Unstable production and generally with low quality standards for export.
- Problems in the post-harvesting handling, storage, packaging and high transaction costs.
- Lack of market information systems in the rural areas.
- Lack of previous experience in dealing with developed markets and export procedures.
- Limited access to credit for farmers due to high interest rates at commercial banks; and
- No attractive business for commercial banks due to high risk in agriculture

**Efforts of Government**

***Government has taken many steps to improve agriculture marketing:  
Agricultural Produce Market Committee (APMC):***





An **APMC** is a marketing board established by a state government in India to ensure:

- ✓ Farmers are safeguarded from exploitation by large retailers,
- ✓ The farm to retail price spread does not reach excessively high levels.

***National Agricultural Cooperative Marketing Federation of India Ltd (NAFED):***

- ✓ NAFED is an apex organization of marketing cooperatives for agricultural produce in India
- ✓ NAFED is the nodal agency to implement price stabilization measures under "Operation Greens" which aims to double the farmers' income by 2022.

***AGARMARKNET***

- ✓ The AGMARKNET is a **G2C e-governance portal**.
- ✓ It caters to the needs of various stakeholders such as farmers, industry, policy makers and academic institutions by providing agricultural marketing related information from a single window.

***Kisan Rail:***

- ✓ Kisan Rails are multi commodity trains consisting of refrigerated coaches to swiftly transport perishable agriculture products from supply centers to demand centers.







### The other four Government Measures to Improve Agriculture Marketing

- The initial step was to regulate the market and plan a clean, transparent and simple marketing strategy. This regulation helped both the farmers and the consumer. But it still needs to realize the full potential of rural markets.
- The second measure was the procurement process like transportation facilities, warehouse, cold storage, godowns, and the processing unit. However, the current infrastructure is inadequate to adhere to the growing demand and therefore needs to be improved.
- The third aspect is to decide on the fair price for the product. In the past, it has been a set back due to the unequal coverage of farmer members and the absence of a suitable link between marketing, processing cooperatives, and inefficient financial management. Example of a successful cooperative is the Gujarat milk cooperative which transformed the social and economic landscape of Gujarat.
- The last one is policies such as.
  - ✓ Guarantee of Minimum Support Prices (MSP) for agricultural products

- ✓ Storage of surplus stocks of wheat and rice by Food Corporation of India (FCI)
- ✓ Distribution of food staples and sugar through PDS

All these measures were penned down to guard the income of the farmers and procuring agriculture products in the subsidized rate to the underprivileged. However, in spite of government interference in agriculture marketing, private traders still dominate the agricultural markets.

### **Schemes:**

#### **Pradhan Mantri Annadata Aay Sanrakshana Abhiyan (PMAASHA):**

PM-AASHA was launched to ensure adequate prices to farm produce. It was launched in **2018**. It had 3 components

- I. Price Support Scheme (PSS)
- II. Price Deficiency Payment Scheme (PDPS)
- III. Private Procurement & Stockist Scheme (PDPS).

#### **Pradhan Mantri Fasal Bima Yojana (PMFBY):**

PMFBY was introduced to **provide better insurance** coverage for agricultural crops.

#### **E-NAM:**

National Agriculture Market (eNAM) is **pan-India electronic trading portal** linking **existing APMC mandis** to create a unified national market for agricultural commodities.

#### **Storage:**

Government has taken numerous steps to construct warehouses across countries. It has also involved Co-operative Societies in doing so.

#### **Commodity Boards:**

Commodity Boards were setup to operate for **rubber, coffee, tea, tobacco, spices, coconut, oilseed and vegetable oils, horticulture etc.** The **National Dairy Development Board** is also engaged in the marketing of agricultural commodities.

### **Government's role: Policy environment**

- Change in mindset From Regulator to Facilitator

- Engage in Partnerships for Skills development & complementation Legal Framework
- Move to a single window dispensation in spirit & practice
- New legislations be made facilitative rather than regulatory
- Effective IP protection and enforcement across the board
- Multiplicity between centre and states in regulation is discouraging.

### Suggestions

- ✓ Steps need to be taken to **eliminate middlemen** are required.
- ✓ Provide **easy finance facility for farmers** to deal with the problem of moneylenders.
- ✓ Build **adequate warehousing and storage facilities**.
- ✓ Legislative actions to **regulate markets and remove the influence of middlemen** on farmers.
- ✓ Take steps to improve transportation connectivity such as roads, railways, waterways etc.
- ✓ Steps to **pass pricing information about agriculture commodities** on a daily basis through a wide range of information dissemination sources.
- ✓ Carrying out **Land Reforms** to plug in loopholes in existing land legislations.

### Conclusion:

All produce - every grain; every ounce; every drop - from agriculture sector must find gainful end-use. Demand-driven production of agricultural produce, rather than production-propelled marketing, is the need of the day now.

India is one of the largest markets for agricultural produce and markets need to function as a unified platform to make all consumers accessible to all the farmers in the country.

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