<u>Chapter – 3</u>

Agricultural Marketing and Development

Importance of Agricultural Marketing –

1. *Optimization of Resource use and Output Management* – A n efficient marketing system can also contribute to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation.
2. *Increase in the Farm Income* – An efficient marketing system ensures higher levels of income for the farmers by reducing the number of middlemen or by restricting the cost of marketing services and the malpractices in the marketing of farm products.
3. *Widening of Markets* – An efficient and well knit marketing system widens the market for the product by taking them to remote corners both within and outside the country.
4. *Growth of Agro-based Industries* – An improve and efficient system of agricultural marketing helps in the growth of Agro-based Industries and stimulates the overall development process of the economy.
5. *Adoption and Spread of New Technology* – New technology requires higher investment and farmers would invest only if they are assured of Market clearance of their surplus production at remunerative prices .
6. *Employment Creation* – The marketing system provides employment to millions of persons engaged in various activities such as assembling, packaging, transportation, storage and processing.
7. *Better Living* – Any plan of economic development that aims at diminishing the poverty of the agricultural population, reducing consumer food prices, earning more foreign exchange or eliminating economic waste therefore to pay special attention to the development of an efficient marketing for food and agricultural products.
8. *Contribution to Food and Nutritional security* – The food marketing system can contribute immensely in improving food and nutritional security.

History and Growth of Agricultural Marketing –

Marketing developed only after man was able to produce more food than he needed for himself and only after away for exchange the product of his labour for those of others had been found. About century ago, farmers used to consume most of what they produced but now most of what the farmers produce is exchanged for other things which they require. To reach this stage farmers become production- minded.

The following factors have led to the growth of agriculture marketing in India :

1. *Specialization* – The tendency towards increasing specialization by farmers and regions in certain crops or livestock has resulted in an increase in their efficiency and the breakdown in the self sufficiency of the family unit.
2. *Urbanization* - Urban people are the main buyers of agriculture surpluses. The Urban population of India had increased from 33.5 million in 1931 to 62.4 million in 1951, 285.5 million in 2001 and 377.1 million in 2011. The rate of growth of urban population is much higher than rural population which has further increased the importance of Marketing system for farm products.
3. *Transportation and Communication* – The increase in transportation and communication facilities have widened the market for farm products.
4. *Technological change in Agriculture* – Technological development in agriculture such as the evolution of high yielding varieties of seeds, increased use of modern input and cultivation practices in the agricultural sector have resulted in substantial increase in farm production.

Producer's Surplus of Agricultural Commodities –

The rate at which agricultural production expands determine the pace of agricultural development while the growth in Marketable surplus determine the pace of economic development. The larger the production of a commodity, the greater the surplus of that commodity and vice versa.

The Producer's surplus is the quantity of produce which is , or can be made available by the farmers to the non – farm population. The Producer's surplus is of two types –

1. *Marketable Surplus –*
   The Marketable surplus is that quantity of the produce which can be made available to the non-farm population of the country. The Marketable surplus is the residual left with the producer farmer after meeting his requirements for family consumption, farm needs for seeds and feeds for cattle, payment to labour in kind etc. This may be expressed as :

   Marketable Surplus (MS) = P – C

   Where,

   P = Total Production, and

   C = Total requirements (family consumption, farm needs, payments to labour etc.)
2. *Marketed Surplus* –

Marketed surplus is that quantity of the produce which the producer farmer actually sells in the market is irrespective of his requirements for family consumption, farm needs and other payments. The marketed surplus may be more, less or equal to the marketable surplus.

Relationship between Marketed surplus and Marketable surplus

The Marketed surplus may be more, less or equal to the marketable surplus depending upon the condition of the farmers and type of the crops.

Marketed surplus ><= Marketable surplus

1. The marketed surplus is more than the marketable surplus when the farmer retains a smaller quantity of the crop than his actual requirements for family and farm needs. This situation of selling more than the marketable surplus is termed as distress or forced sell. Lower price me that a larger quantity should be sold to meet some fixed cash requirements as the quantity of distress sale increases with the fall in price of the product.
2. The marketed surplus is less than the marketable surplus when the farmer retains some of the surplus produce. This situation holds to under the following conditions :
    - Large farmers generally cell less than the marketable surplus because of their better retention capacity.
    - Farmers may substitute one crop for another group either for family consumption purpose or for feeding their livestock because of the variation in the prices.
3. The marketed surplus may be equal to the Marketable surplus when the farmers neither retains more nor less than his requirements . This holds true for perishable commodities and for the average farmers.

Factors affecting marketing surplus –

The marketable surplus differs from region to region within the same region and even from crop to crop. Some of the factors affecting marketable surplus on a particular farm-

1. *Size of holding* – There is a positive relationship between the size of holding and marketable surplus.
2. *Production* – The higher the production the larger will be the marketable surplus.
3. *Price of the commodity* – There exist both positive and negative relation between both, depending upon weather one considers short run or long run.

4. *Size of the family* – There is a negative relationship between family size and marketable surplus.
5. *Requirement of seed and feed* – The higher the requirement for seed and feed, the smaller the marketable surplus.
6. *Consumption Habits* – Marketable surplus is inversely related to the consumption habit of people.
7. *Nature of the commodity* – The marketable surplus of non-food crops is generally higher than that of for food crops.