




Agricultural Marketing and Prices

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- Market – Marcatus - merchandise / trade / place where business is conducted.
 - Any place where persons assemble for the sale or purchase of commodities intended for satisfying human wants.
 - Haats, Painths, Shandles and Bazar


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- Market – refers not to a place but to a commodity or commodities and buyers and sellers are in free interaction with one another.
 - American Marketing Association – A market as the aggregate demand of the potential buyers for a product / service.

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- Market exists when buyers wishing to exchange the money for a good or service are in contact with the sellers who are willing to exchange goods or services for money.
 - Thus a market is defined in terms of existence of fundamental forces of supply and demand and is not necessarily confined to a particular geographical location.

Marketing

- **Marketing** is a widely used term to describe the means of communication between the company and the consumer audience.
- American Marketing Association defined marketing as the performance of business activities that directs the flow of goods and services from producers to users.

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- The techniques used in marketing include choosing target markets through market analysis and market segmentation, as well as understanding methods of influence on the consumer behavior. The marketing planning creates strategies for the company to place advertising to the dedicated consumer.


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- From a societal point of view, marketing provides the link between a society's material requirements and its economic patterns of response. This way marketing satisfies these needs and wants through the development of exchange processes and the building of long-term relationships.

Agricultural Marketing

- Agricultural Marketing is composed of 2 words –
- **1. Agriculture** – Broadest sense means activities aimed at the use of natural resources for human welfare.
- Generally it is used to mean growing and or raising crops and livestock.
- **2. Marketing** is a series of activities involved in moving the goods from the point of production to the point of consumption.

- Agricultural marketing in India compose of 2 subsystems – **Product marketing** and **input (factor) marketing**.
- **Actors** -
- Farmers, traders, wholesalers, retailers, processors, importers, exporters.

Input manufacturers, distributors, importers who make available



Agricultural marketing can be defined as comprising of all activities involved in supply of farm inputs to the farmers and movement of agricultural products from the farmers to the consumers.

Scope and subject matter

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

- Agricultural Marketing – 1 . Output marketing
- 2. Input marketing
- **Output marketing** – with increased surplus of the crops following the technological breakthrough.
- **Input marketing** – negligible because farmers in the past used local seeds and farmyard manure.
- Importance of inputs – improved seeds, fertilizers, insecticides and pesticides, farm machinery, implements has increased over time.

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- Thus the scope of agricultural marketing include both product marketing and input marketing.

Subject matter

- The subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and costs, price spread and market integration, producer's surplus, govt policy and research, training and statistics on agricultural marketing and imports / exports of agricultural commodities.

Need for understanding

- An efficient marketing system minimises costs and benefits all the sections of the society.
- Study – imp – understanding the complexities involved.
- Expectations vary from group to group –
- **Producers** – Producer farmers want – the marketing system to purchase their produce without loss of time and to provide – max share in CR.
- System to supply inputs at lowest possible prices

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- **Consumers** – quantity and quality at lowest possible price.

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- **Marketing Middlemen and Traders-** Interested in marketing system which provide them a steady and increasing income from the purchase and sale of agri commodities.
 - **Achieved-**

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- **Government** – 3 groups are indispensable to society. The govt has to act as a watch-dog to safeguard the interests of all the groups.


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- The overall objective of agri marketing system in a developing country like India should help primary producers and the ultimate consumers on the other.

Components of a Market


- 1. The existence of a good or commodity
- 2. Existence of buyers and sellers
- 3. Business relationship / interaction between buyers and sellers
- 4. Demarcation of area such as place, region, country or the whole world.


Classification of Markets

- 1. Location or place of operation
- 2. Area or coverage
- 3. Time Span
- 4. Volume of transactions
- 5. Nature of transactions
- 6. Number of commodities
- 7. Degree of competition
- 8. Nature of commodities

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- 9. Stage of marketing
 - 10. Extent of public intervention
 - 11. Type of population served
 - 12. Accrual of marketing margins

- **Location or place of operation –**
- **A. Village Market :** located in a small village where major transactions are among the buyers and sellers of a village.
- **B. Primary Markets :** located in towns near the centres of production of agricultural commodities. Transactions usually take place between the farmers and primary traders.

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- **C. Secondary wholesale markets** : located near district headquarters or important trade centres or near railway junctions.
 - Major transactions is between village traders and wholesalers.
 - The bulk of the arrivals in these markets is from other markets. In these markets large quantities are handled.
 - Commission agents, brokers, weigh men performing different functions in these markets.


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- **(d) Terminal Markets** : where the produce is either finally disposed to the consumers or processors or assembled for export.
 - There markets are located either in metropolitan cities or at sea – ports.
 - Delhi, Mumbai, Chennai, Kolkata and Conchin are terminal markets for many commodities.

- **(e) Modern Terminal Markets** : Dept of Agriculture and Cooperation, Ministry of agriculture, GoI has taken the initiative to promote modern terminal markets for fruits, vegetables and other perishable commodities in important urban centers of the country to provide infrastructure facilities of cold chain, electronic auction etc.
- Corporate, private or cooperative entities can build.
- State / Central govt lend support.

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- **F. Seaboard Markets** : located near the seashore and are meant mainly for the import / export of goods are known as seaboard makets.

- **2. Area or coverage** : On the basis of which buyers and sellers come for transaction.
- **A. Local or village markets** : Buying and selling are confined among buyers and sellers drawn from same village or nearby villages. Village market exist mostly for perishable commodities in small lots, e.g., local milk and vegetable market.

- **B. Regional Market** : in which buyers and sellers are drawn from a larger area than the local markets. Regional markets in India usually exist for foodgrains.
- **C. National Market** : buyers and sellers are spread at national level.
- Earlier national markets existed for durable good such as jute and tea. But with improved transportation most of the agriculture products have taken the form of national markets.


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- **D. International or World Market** : buyers and sellers are drawn from more than one country. These are the biggest markets from the area point of view.
 - These markets exist in the commodities which have world wide demand such as coffee, machinery, gold, silver et.
 - Raw cotton, sugar, rice and wheat.

- **3. Time Span –**
- **A. Short period markets :** Markets which are held for a day or few hours are called short – period markets.
- These markets are dealt with highly perishable such as vegetable, fish, milk etc. Prices are governed by demand rather than supply of commodity.




B. Periodic Markets : These markets are held weekly, biweekly, fortnightly or monthly according to the local traditions.

Major commodities traded in these markets is the farm produce grown in the hinterlands (remote or undeveloped area).




C. Long – period markets : These markets are held for a longer period than the short period markets. In these markets commodities traded are less perishable and can be stored for some time like foodgrains and oilseeds.

- Prices governed by both demand and supply.

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- **D. Secular markets** : These are markets of a permanent nature. Commodities traded are durable and can be stored for many years.
 - E.g., markets for machinery and manufactured goods.

- **4. Volume of transactions –**
- A. Wholesale markets : wholesale market is one in which commodities are bought and sold in large lots or in bulk. Generally located in towns or cities.
- Wholesale markets are important link in the marketing chain. These markets balance the supply and demand and discover prices of commodity and also serve as a link between the production system and consumption system.

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- Wholesale markets for farm products in India can be classified into –
 - Primary – Farmers and Traders
 - Secondary – Primary wholesalers and traders of terminal markets
 - Terminal – Urban and metros or export centres.

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- **B. Retail Markets** : is one in which commodities are bought by and sold to the consumers as per their requirements.
 - Transaction between – Retailers and consumers
 - Retailers purchase from wholesale market and sell in small lots to the consumers in retail markets.

- **5. Nature of transactions** : Basing on the types of transactions in which people are engaged are of two types –
- **A. Spot or Cash markets** – goods are exchanged for money immediately after the sale.
- **B. Forward markets** – A market in which the purchase and sale of a commodity takes place at time t but the exchange of the commodity takes place on some specified date in future i.e., time $t+1$.

- **6. Number of commodities** : A market may be classified on the basis of the number of commodities in which transactions are completed.
- **A. General markets** : all types of commodities such as foodgrains, oilseeds, fibre crops, gur, etc. are bought and sold is known as GM. These markets deal in a large number of commodities.
- **B. Specialised markets** : transactions take place only in one or two commodities is known as specialized market.
- For eg., separate markets exist for every group of commodities. Foodgrain markets, Vegetable, wool and cotton markets.


● 7. Degree of competition


- **A. Perfect Markets** : Is one in which –
- i. there are large number of buyers and sellers
- ii. All the buyers and sellers in the market have perfect knowledge of demand, supply and prices.
- iii. Prices at any one time are uniform over a geographical area, plus or minus the cost of getting supplies from surplus to deficit areas,
- iv. Prices of different forms of a product are uniform, plus or minus the cost of converting the product from one form to another.
- V . Prices are uniform at any one place over periods of time.
- Vi. Free entry and exit

- A: Perfect competition is a concept that describes a market structure controlled entirely by market forces. In a perfectly competitive market, all firms sell identical products and services, firms cannot control prevailing market prices, market share per firm is small, firms and customers have perfect knowledge about the industry, and no barriers to entry or exit exist. If any of these conditions are not met, a market is not perfectly competitive




- **B. Imperfect Markets** : where conditions of perfect markets are lacking are imperfect markets.
- **1. Monopoly Market** : Is a market situation in which there is only one seller. Seller exercises control over the quantity or the price of the market. Price of a commodity in this market is generally higher than in other markets.
- **Monophony Market** : where only one buyer of a product.
- Eg. Sugarcane farmers of a particular area of a sugar factory.

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- ii. **Duopoly Market** : is one which has only two sellers of a commodity. 2 sellers may mutually agree to charge a common price which is higher.
 - **Duopsony** : is a situation where there are only two buyers of a commodity.


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

- **iv. Monopolistic Competitive Market** : when a large number of sellers deal in heterogeneous and differentiated form of a commodity.
- Different prices prevail for the same basic product. The difference is made by different trade marks on the product.
- E.g., they have to choose between various makes of insecticides, pump sets, fertilizers and equipment.


- **8. Nature of commodities** : On the basis of the type of goods dealt in, market may classified –
- **A. Commodity Markets** : A market which deals in goods and raw materials, such as wheat, barley, cotton, fertilizer, seed etc., are termed as commodity markets.
- **B. Capital Markets** : in which shares, bonds and securities are bought and sold are called capital markets.
- E.g., money markets and share markets.

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- **9. Stage of marketing :**
 - **A. Producing Markets :** These markets assemble the commodity for further distribution to the markets are termed as producing markets.
 - **B. Consuming Markets :** Markets which collect the product for final disposal to the consuming population are called consumer markets.

- **10. Extent of public intervention :**
- **A. Regulated markets :** in which business is done in accordance with the rules and regulations framed by the statutory market organisation representing different sections involved in markets.
- Marketing costs are standardised and marketing practices are regulated.

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- **B. Unregulated or Informally Regulated Markets :**
These are the markets in which business is conducted without any set rules and regulations. Traders frame the rules for the conduct and run the market.

- **11. Basis of Type of Population Served :**
- **A. Urban Markets :** A market which serves mainly the population residing in urban areas is called an urban market.
- **B. Rural Market :** refers to the demand originating from the rural population.
- Poor marketing facilities. (Godowns, cleaning, price information etc.)

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- **12. Accrual of marketing margins** : Markets can be classified on the basis of as to who are the market functionaries and to whom the marketing margins accrue.
 - Farmers markets
 - Cooperative markets and
 - General markets.