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Aggregating small farmers through inclusive agricultural marketing for better market access: A theoretical analysis on the state of Orissa

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Abstract

There is considerable potential in aggregating small farmers through inclusive agricultural marketing in Orissa. Development of regulatory supply-chain arrangement in roping small farmers will ensure fair return to producers and boost agriculture to reduce rural poverty, which is considered to be one of the crucial strategic directions for rural development in the State. Agricultural marketing deals with sustainable livelihoods of small farmers and issue of feeding growing population through small farming cultivation. Agricultural Marketing is the prime mover of the growth of the agriculture sector. This paper highlights a theoretical analysis on agricultural marketing access from small farmers point of view in general and problems through which agricultural marketing in Orissa suffers from and how setting up formal agricultural marketing channel will work for small farmers interest.

Keywords: Inclusive agricultural marketing; supply-chain arrangement; small farmers

Introduction

The marketing environment is changing, and new forces, such as integrated food chains, are shaping the way in which food is produced, distributed, and consumed throughout the State. While these changes are providing many opportunities but new challenges are emerging also. There is debate over what role small farmers can play in feeding a fast growing population under severe environmental constraints. But at the same time there is huge expectation and optimism that through market inclusion, small farmers can survive and prosper to meet the challenges of globalization. A major improvement in their standard of living will reduce rural poverty. Establishing relationships with small farmers is a chance to secure supply and develop new markets for different agricultural produce because small farmers contributes major portion to food basket of the State. Role of small farmers cannot be undermined looking to the future, the predicted increase in the urban population, which is expected to be concentrated in small towns. Extended food supply chains in the State that produce food for growing urban populations are likely to involve many intermediaries between growers and consumers which limit the potential for growers to receive higher prices for quality produce or even to understand what sorts of produce the market requires. The lack of price differentials and agreed quality criteria between different players in the market reduces the incentive for small producers to grade the produce or to invest in suitable storage infrastructure and transit packaging. Intervention within these systems tend to focus on improving technical capacity to reduce losses. Connecting small farmers to urban and regional food chains through better infrastructure is needed to reduce post-harvest losses and to provide them with better access to markets, with lower transaction costs and better returns. A more targeted approach has greater chance of success with priority on supply chain arrangement with proper monitoring.

Review of Literature

As agricultural sector is related with food security, so issues related to marketing agricultural produce have maximum impact on the farming community. Existing Agricultural marketing system in Orissa has become a breeding place for speculators and intermediaries, who manipulates market forces in their favor to exploit both primary producers and final consumers. Agricultural market in Orissa fails to fulfill neither sellers expectation to get fair price of their produce nor buyers expectation to purchase the produce at a reasonable price

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because presence of large number of intermediaries takes away much benefits and creates hidden price gap.

For agricultural marketing to benefit small farmers, these critical questions must be addressed:

1. How small farmers are connected to changing markets?
2. How can small farmers get information about market condition?
3. Who will protect small farmers interest in market?

Agriculture is still a small farm story, fifty percent of small farmers in India are cultivating less than two hectares of land (Arya and Asthana, Learning Network) but contributing substantial portion to the total agricultural produce.

A comprehensive report on agricultural marketing in Odisha (previously Orissa) prepared by National Institute of Agricultural Marketing has revealed that how APMR Act are not fully implemented in the State which leads to deterioration of marketing condition. Many marketing yards built by RMCs and Panchayats are ill operated and dysfunctional, farmers are lacking in informations about where these formal markets are located and what are facilities available for them to sell their produce. This clearly shows, it requires a lot of effort on the part of State government to spread marketing awareness among small and marginal farmers.

With more than eighty one percent of Indian Farmers cultivating an area of two hectares or less (India, Directorate of Economics and Statistics 2009, NSSO Report 2006), there is an increasing need for stronger intermediaries that can facilitate information access for diverse small farmers. Substantial improvement in economic condition of these farmers depends on fair return to them from selling of their produce in the market which in turn depends on the success inclusive supply chain arrangement.

A successful example of connecting small farmers to the urban market is Mother Dairy Fruit and Vegetables Limited (MDFVL) operating in Delhi which sells 250 metric tons of fresh vegetables and fruits to about 75000 customers every day. It gathers fruits and vegetables from over 150 producers associations comprising 18000 farmers. In this channel of arrangement farmers are not exploited in hands of intermediaries and hawkers and get price of their produce in every two weeks after selling it to MDFVL. (Joshi, Gulati and Cummings Jr, 2007)

Small farmers need support for intermediation and channelization of their produce through formal supply arrangement (Gaiha and Thapa, 2007; Lipton, 2006; Swinnen, 2006). Government has to recruit trained personnel in the market who will play the role of intermediaries to make the intermediation process more transparent for small farmers rather than informally roaming hawkers and intermediaries, looking to grab the large chunk of price benefit from the farmers by misguiding them.

A study sponsored by IFAD found the growing supermarkets and untapped potentials for small farmers from that (Gaiha and Thapa, 2007). Small farmers needs timely support from the government to tap this opportunity for revival of agricultural growth and to increase their share in total output.

Objectives

This paper highlights that how roping of small farmers through improved supply chain strategy can address problems of small farmers and ensure practices of inclusive agricultural marketing. One of the major reason of increasing small farmers' distress is associated with flaws in agricultural marketing system in India. Small farmers faces multitude of risks starting from seeding and then harvesting their produce till selling it in market. Improvement in their economic condition largely depends upon their earnings from produces, but due to defective marketing practices and lack of proper regulation, small farmers fails to fetch good return of their produce. So, aggregating small farmers through a formal channel of agricultural marketing will protect their interest and ensure them rewarding price.

Operational holdings of agricultural land prepared by Orissa Economic Survey reveals that 56.43 percentage are marginal farmers and 27.39 percentage are small farmers, so, it clearly shows the acceleration of agricultural growth and revival of rural economy vests on small and marginal farmers shoulders. Taking this into consideration, agricultural marketing in Orissa needs urgent attention because until and unless small and marginal farmers able to fetch good return of their produce they will not be in farming as it is related to improvement in their economic condition.

Methodology

For fulfilling the objectives of the study, the secondary information from various reports has been used on following aspects:

1. Connectivity of small farmers to changing markets.
2. Availability of marketing information for small farmers.
3. Implementation and regulation of APMR act in the State.

In developing this analysis, the details of markets and APMR Act are gathered from reports of Orissa State Agricultural Policy 2013, report of Directorate of Agricultural Marketing and Orissa State Agricultural Marketing Board and from the report prepared by National Institute of Agricultural Marketing on Orissa.

Results and Findings

Agricultural marketing includes all aspects of market structure, both functional and institutional. So, facilities and infrastructure for agricultural marketing in the State have to be considerably improved and strengthened for enabling small farmers to channelize their produce through the formal arrangement at remunerative prices which will reduce the price spread between the primary producer and the ultimate consumer and reduce the role of intermediaries. APMR Act is not properly implemented in the state, as a result intermediaries are taking advantage of it and the act fails to remove malpractices prevailing in markets.

Challenges in Agricultural Marketing

Increasing cost of accessing the existing agricultural marketing infrastructure/facilities which includes assembling, grading, storage, transport and distribution facilities of produces makes it difficult for small farmers to sell their produce. They are unable to reach the distant

markets and fail to channelize their produce into any form of formal and regulated market.

Removal of intermediaries from the agricultural market has been quite difficult because small farmers who are in distant places from the market/urban area find the informal arrangement more convenient due to lack of regulated market with poorly regulatory framework. They forced to sell their produce at throw away prices and even sometimes they give it to intermediaries and wait to get their produce price till the sold out of crops in market. With exorbitant storage cost from private cold store owners, lack of proper transport facilities and no option to get price sensitive information prevails in the market, small farmers becomes prey in hands of intermediaries.

The infrastructure available at the RMC market areas are not fully and regularly used by buyers and sellers. The infrastructure situation is worse in case of markets under Gram Panchayats, municipal and other local body markets, and private markets. Majority of the haats do not even possess basic infrastructure required for trading of agricultural commodities.

The present marketing structure for agricultural commodities in the State consists of nearly 65 Regulated Market Committees(RMCs) in the state at present, there are 428 market yards in the State, which include 53 Principal Market Yards, the rest being sub-market yards. Besides, there are 567 temporary market yards for Paddy Procurement. Out of 314 Blocks, 111 Blocks do not have any regulated market. Now efforts from State are being made to build up markets in uncovered areas. The RMCs are making efforts to upgrade the facilities in the existing market yards and the Gram Panchayat markets under their control and efforts are also being made to establish new market yards and haats (village periodic markets) to cover large areas.

But these periodic markets are witnessed with large number of intermediaries like hawkers and representatives of big traders, who make themselves available at the farmer's door step to buy his produces. The small farmers find themselves in a compulsion to sell it to hawkers because the regulated markets are distantly placed with less coverage and shortage of funds to carry their produce to storage and then to market, by doing so small farmers fail to fetch a fair deal. It clearly shows the flaws in the existing marketing structure because of poor holding capacity and trading malpractices. Regulated Market Committees (RMCs) are set up to facilitate marketing of surplus from farmers. But in Orissa the average percentage of surplus marketed through RMCs stands at only 20% and rest of the marketable surplus is routed through other informal channels.

The study further revealed that, accessibility of markets is an important factor influencing farmer to take their produce to the market. These results suggest that improvements in market facilities and in better road connectivity (including a decrease in distance to markets) will induce farmers to sell more in the market instead of farm-gate. Moreover, a mechanism of operationalising marketing of horticulture produce through RMC markets should be in place. Farmers who have land and household in close proximity to urban areas and cities are less interested or prefer any formal arrangement of Supply-Chain to access the market because

they can bring their produce to nearby cities and fetch good price. For them informality (absence of any formal arrangement) gives more flexibility and better return.

But farmers in distant places from urban areas need to be part of co-operative marketing societies to channelize their produce to urban market. Farmer's economic condition will not change unless they get better price of their produce and this is only possible through innovative and transparent supply chain arrangement as a part of formal marketing set up.

Suggestions to improve Agricultural Marketing

As Panchayatiraj Institutions are in place so elected members of those local bodies will be signatories with small farmers remaining as members in any formal arrangement of aggregating small farmers and it must be under the purview and regulation of government official who are in marketing board for better agricultural marketing practices. Panchayatiraj institutions plays key role in developing rural areas, so in constitution of any small farmers co-operatives and their functioning these institutions can play very constructive and informative role. Government must take initiatives to appoint some well trained personnel with proper communication technology for providing all sorts of marketing information to farmers through these Panchayatiraj institutions and maintaining transparency in functioning of farmers marketing co-operatives.

Formal and decentralized regulated market at local level with spread of minimum marketing literacy among small farmers will produce the best desirable result in the interest of small farmers who are distantly placed from urban market. It requires infusion of trust, transparency, good practices and accountability in function of formal marketing arrangement. Agricultural marketing regulatory board must prevent malpractices and reduce the presence of intermediaries in the market.

As a measure to check exploitation of small farmers Government has taken initiative to intervene in the market through various government and co-operative agencies to procure small farmers produce at a supportive price every year. The agencies like Directorate of Agricultural Marketing, Odisha State Agricultural Marketing Board (OSAMB), Regulated Market Committees (RMCs), Food Corporation of India (FCI), National Agriculture Co-operative Marketing Federation Ltd. (NAFED) through a network of co-operatives and other agencies procure small farmers produces. But coverage of these agencies are mostly confined to areas which are well connected with better road, storage facilities and regulated market. Small farmers who are in remote and cut-off areas, are deprived from availing this facilities.

A strong and decentralized network of procuring cooperatives with broader coverage and maximum local participation in spreading marketing awareness among small farmers, will ensure justice to both producers and consumers. The objective of reorienting the agricultural marketing system is to give small farmers the benefits of good marketing facility without subjecting them to the harassment of marketing transactions. Roping in small farmers through co-operative marketing societies will not only increase the

supply of agricultural commodities to market but also fetch them good returns.

Better incentives and return will improve their economic condition as a result of that they can adopt better technology and improve their land quality. As a result small agricultural farmers will produce different crops and vegetables then there is less chance that their land will remain idle after one crop in a year. Supply Chain arrangement—It requires an institutional setup and a proper channel and transparencies in its functioning. Better and improved arrangement creates economies of scale both producers and consumers, who have suffered a lot in the hands of intermediaries.

A small farmer cannot store his produce in a warehouse or cold storage because of high storing charge but some small farmers who are part of co-operative marketing societies can gather their produce and store them in a cold storage. In this type of arrangement the marketing risk and per head cost burden reduced to a large extent.

Reduction of dependence on Government's price support in market will save much required revenue and instead the same amount of money can be spent by government for improving storage, transport facilities and building market yards.

Accessing formal market through marketing cooperatives will give small farmers an inducement to produce more. Delhi Milk Scheme and Gujarat Milk co-operative societies are the few successful examples where the small milk producers are getting benefit. There is an urgent need for policymakers to find ways of keeping speculators out of agricultural commodity market. Because the farmers are sandwiched between rising input prices and presence of intermediaries/middle man in the market.

Provision of user friendly, low cost and affordable technology for small farmers to give them marketing and farming related information will be better option where they can access price sensitive and weather information. So better formal marketing arrangement can reduce time, cost, marketing related risk and price volatility in open market to a great extent. Improved functioning of farmers cooperatives by aggregating small farmers will corner and squeeze the role of intermediaries and create better allocative and distributive environment.

Conclusion

Regulatory marketing arrangement at local level whose main function will be gathering small farmers produce at village level and channelizing them to urban market for selling. In such type of arrangement small village farmers who are unable to access urban market can send their produce and fetch good return. The main task at national level is to enable small farmers to regain long term access to urban and semi urban markets. Policies should promote a decentralized rural infrastructure to foster local marketing and ensure that rural and urban markets are sufficiently connected so that villages become the main suppliers of food for towns and cities. Most importantly small farmers should be supported in achieving a desirable and inclusive result through associative forms of economic activity, such as cooperative forms of production, storing and marketing.

Investing in formal channel of co-operatives is a particularly promising option for promoting inclusiveness. Aggregating

small holders can reduce the transaction costs of doing business. Establishing a community of practice to regularly share learning could help accelerate change. Forming downstream linkages between co-operatives and urban market in an effective manner to reduce risk and secure return. Inclusiveness principles must be incorporated into the core functioning of marketing societies should not be limited to few states. Farmers training and field schools for sustainable farming practices needs to be supported and the capacities of local NGOs also needs to be scaled up. This will catalyze further activities in the farming communities and generate local ownership in the process. But most importantly communication strategies that provide better information to the farming community could promote a shift in production pattern towards more sustainability.

Finally it is important to note that not all these strategies will be appropriate or effective in all situations. Nor do they, in themselves, guarantee an inclusive outcome. Other conditions need to be in place to ensure inclusiveness. Clearly, multi-stakeholder (co-operatives) partnerships can deliver significant added value to inclusive marketing, but such partnerships also bring additional challenges.

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