
UNIT 4 INTRODUCTION TO AGRICULTURAL MARKETING

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4.0 OBJECTIVES

After studying this unit, you should be able:

- explain the meaning and scope of agricultural Marketing and its role in economic development;
- identify the various functions of agricultural marketing;
- discuss the meaning of marketed and marketable surplus; and
- explain the concept of e-marketing, its importance, and benefits.

4.1 INTRODUCTION

In India, Agriculture was practiced formerly on a subsistence basis; the villages were self-sufficient, people exchanged their goods, and services within the village on a barter basis. With the development of means of transport and storage facilities, agriculture has become commercial in character; the farmer grows those crops that fetch a better price. Marketing of agricultural produce is considered an integral part of agriculture since an agriculturist is encouraged to make more investments and to increase

production. Thus there is an increasing awareness that it is not enough to produce a crop or animal product; it must be marketed as well. The increasing trend of agricultural production has brought, in its wake, new challenges in terms of finding a market for the marketed surplus.

4.2 MEANING AND SCOPE OF AGRICULTURAL MARKETING

The term agricultural marketing is composed of two words-agriculture and marketing. Agriculture, in the broadest sense, means activities aimed at the use of natural resources for human welfare, *i.e.*, it includes all the primary activities of production. But, generally, it is used to mean growing and/or raising crops and livestock. Marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. It includes all activities involved in the creation of time, place, form, and possession utility.

According to Thomsen, the study of agricultural marketing comprises all the operations, and the agencies conducting them, involved in the movement of farm-produced foods, raw materials and their derivatives, such as textiles, from the farms to the final consumers, and the effects of such operations on farmers, middlemen and consumers. This definition does not include the input side of agriculture.

Acharya has described, in a dynamic and growing agricultural sector, the agricultural marketing system ought to be understood and developed as a link between the farm and the non-farm sectors. A dynamic and growing agricultural sector requires fertilizers, pesticides, farm equipment, machinery, diesel, electricity, packing material, and repair services which are produced and supplied by the industry and non-farm enterprises. The expansion in the size of farm output stimulates forward linkages by providing surpluses of food and natural fibers which require transportation, storage, milling or processing, packaging, and retailing to the consumers.

We can, therefore, define agricultural marketing as comprising of all activities involved in the supply of agricultural inputs to the farmers and the movement of agricultural products from the farms (production point) to the consumers/users. Thus, as per this definition, agricultural marketing system includes the assessment of demand for agri-inputs and their supply, post-harvest handling of farm products, the performance of various activities required in transferring farm products from farm gate to processing industries and/or ultimate consumers, assessment of demand for farm products and public policies and programmes relating to the pricing, handling, and purchase and sale of farm inputs and agricultural products.

4.2.1 Scope of Agricultural Marketing

In a broader sense, agricultural marketing is concerned with the marketing of farm products produced by farmers and of farm inputs and services required by them in the production of these farm products. In fact, the subject of agricultural marketing includes both product marketing as well as input marketing.

With the increased marketable surplus of agricultural commodities following the technological breakthrough, the importance of output marketing has gained momentum in the recent past. On the other hand, input marketing is a comparatively new subject. The importance of farm inputs like improved seeds, fertilizers, insecticides and pesticides, farm machinery, implements, etc. in the production of farm products has increased over time. Thus, based on the above discussion it becomes clear that the scope of agricultural marketing must include both product marketing as well as input marketing.

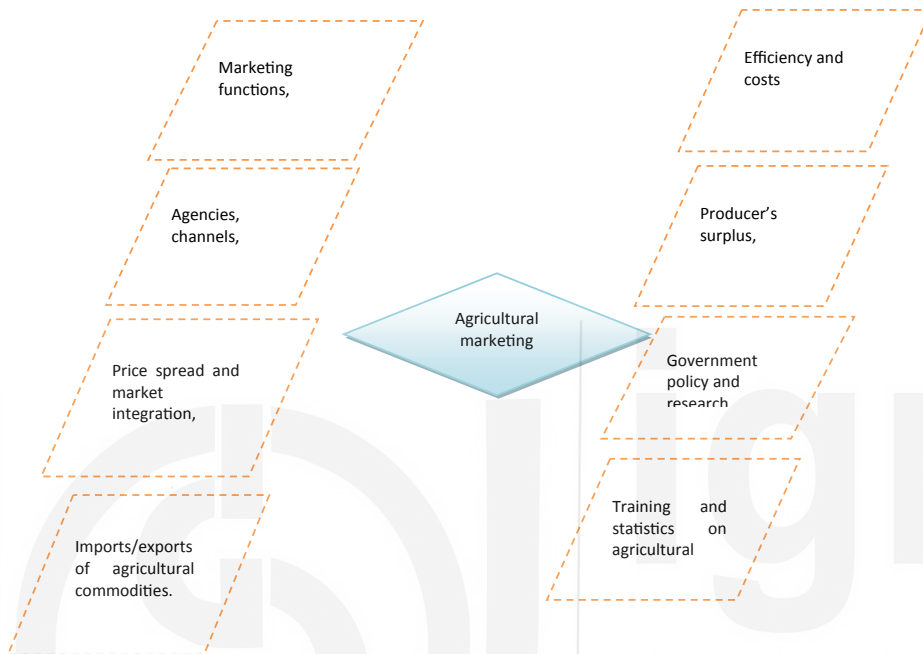


Fig.4.1: Agricultural marketing

The scope of the field of marketing can be examined from five angles *viz.*, producers' interest, consumers' interest, societal interest, traders' interest, and Government role:

Farmers' interest: Farmers have limited resources at their disposal. A healthy marketing system acts as an incentive for the farmers to use the scarce resources judiciously. Thus efficient input marketing and output marketing systems are indispensable to bring the desired level of welfare to the farmers. Farmer in fact may turn out to be a major beneficiary in the market system properly functions.

Consumers' interest: Marketing is a system that facilitates the movement of farm commodities from the place of production to the place of consumption. Thus, it enables the consumer to choose farm commodities of her/his choice to satisfy her/his and family needs. Consumers' welfare is brought about through increased marketing output by following efficient methods of marketing.

Society's interest: Society's interest is the aggregate of an individual's interest. When the consumption requirement of an individual is met by an effective marketing system, society at large gets benefit from this process which in turn leads to an increasing standard of living of the people. In this people's welfare is directly influenced by the efficient marketing system.

Traders' interest: Middlemen are those individuals which specialize in performing various marketing functions and thus facilitate the movement of the products from producers to consumers. Through the process of marketing apart from fulfilling the needs of producers and consumers, they earn their livelihood. They may be merchant middlemen or agent middlemen or facilitative middlemen.

Government's role: Government acts as custodian of the welfare of all the sections of the society i.e. producers, consumers, traders, etc. For this purpose, it has to perform certain functions like procurement of foodgrains for the maintenance of buffer stocks as well to meet the public distribution system, fixation of minimum support prices for various foodgrains, etc. The government also regulates marketing activities through various legislations and marketing policies to safeguard the interest of both producers and consumers.

4.2.2 Evolution of Agricultural Marketing

The agricultural marketing system is understood to comprise of two sub-systems i.e. product and input marketing. Under traditional agriculture, input marketing was not so important as today because farmers used to rely heavily on their own inputs. Only after the evolution of improved farming techniques and use of modern inputs i.e. high yielding variety seeds, hybrid seeds, chemical fertilizers, plant protection measures, machinery, etc., farmers have started entering the market for buying inputs. Now, the farmers depend upon purchased inputs for production. Similarly, under traditional agriculture farmers had very little quantity to sell in the market. Because farmers' priority was to meet their home requirements and other obligations i.e. to pay off rent & debts, etc. Actually, the output market developed only after the farmers were able to produce more food than their requirements. However, the process of producing more than own requirements came about slowly. Now, a large proportion of what the farmers produce is taken to market as they have become market-oriented. This process has resulted in the overall development of the market mechanism and the economy as a whole. The following factors have led to the evolution and growth of agricultural marketing in India.

- (i) Specialization:** The increasing tendency of the farmers towards increasing specialization has increased their efficiency. Specialization leads to increased production, which is the base for the growth of marketing and, in turn, of the entire economy.
- (ii) Urbanization:** It is fact that the urban population is the main buyer of agricultural surpluses. It is also true that the urban population is growing much faster than the rural population (due to rural-urban migration), which has necessitated a faster growth of agricultural marketing activities.
- (iii) Transportation and Communication:** It is a fact that agricultural production is undertaken at every length and breadth of the country. Therefore effective transportation and communication facilities are required for moving the product from production areas to consumption areas. However, due to the lack 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. The improvement in transportation and communication facilities has enabled the movement of products from production areas to consumption areas. This has resulted in increasing the scope of the marketing manifold.

- (iv) **Technological Change in Agriculture:** Technological changes in agriculture, such as the evolution of HYV's seeds/dwarf varieties seeds, intensive use of modern inputs, and cultivation technology in the agricultural sector, have resulted in a substantial increase in farm production. This in turn has caused the marketed surplus of the agricultural produce to increase at a substantial rate resulting in the growth of the marketing system.

Check Your Progress 4.1

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

- 1) What is the meaning of agricultural marketing?

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- 2) Discuss the scope of marketing in terms of farmers' interests.

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- 3) Enlist the factors causing the evolution and growth of agricultural marketing.

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4.3 ROLE OF AGRICULTURAL MARKETING IN ECONOMIC DEVELOPMENT

Agriculture has been the lifeblood of the Indian economy. It is not because its contribution is lower than that of services in the Gross Value Added of the country. It is because many of the services have been emerged due to modern agriculture. The importance of agricultural marketing in economic development can be understood for the following reasons.

(i) **Optimizer of Resources and Output Management**

An efficient agricultural marketing system leads to the optimal use of the available resource. An efficient marketing system can also contribute to an increase in the marketable surplus by reducing the losses arising out of inefficient processing, storage, and transportation. An efficient market can effectively distribute the available inputs, and thereby sustain a faster rate of growth in the agricultural sector which results in overall economic development.

(ii) **Widening of Markets**

An efficient and orderly marketing system helps in the development of demand for agricultural produce and thus widens the market for

the product by taking them to remote corners both within and outside the country. At the same time, it helps a large number of consumers in satisfying their demand for various farm products.

(iii) Growth of Agro-based Industries

An improved and efficient system of agricultural marketing helps in the growth of agro-based industries and stimulates the overall development process of the economy. Many industries like cotton, sugar, edible oils, food processing, and jute depend on agriculture for the supply of raw materials.

(iv) Price Signals

The marketing system through transmitting price signals at different stages of marketing helps, apart from the farmers, market functionaries in planning their buying and selling activities.

(v) Increase in Farm Income

An orderly marketing system enables the farmers to earn higher levels of income by reducing the number of middlemen or by restricting the cost of marketing services and the malpractices in the marketing of farm products. If the producer does not have an easily accessible market where he can buy required inputs and sell her/his surplus produce, he has little incentive to produce more. The need for providing adequate incentives for increased production is, therefore, very important, and this can be made possible only by streamlining the marketing system.

(vi) Employment Creation

The marketing system employs millions of persons engaged in various activities, such as assembling, packaging, transportation, storage, and processing. Also, several others find employment in supplying goods and services required by the marketing system.

(vii) Adoption and Spread of New Technology

The marketing system helps the farmers in the adoption of new scientific and technical knowledge. New technology requires higher investment and farmers would invest only if they are assured of market clearance of their surplus production at remunerative prices.

(viii) Addition to National Income

Marketing activities add value to the product thereby increasing the nation's gross national product and net national product.

(ix) Better Standard of Living

A better marketing system leads to a better standard of living for the farmers. This system provides more disposable income in the hands of the farmers and that income is spent by the farmers to avail and enjoy modern facilities. Therefore, modern farmers can enjoy a better standard of living besides contributing to the growth of the economy.

(x) Creation of Utility

Marketing adds cost to the product, but, at the same time, it adds utilities to the product. The following four types of utilities of the product are created by marketing:

- (a) **Form Utility:** The processing function adds form utility to the product by changing the raw material into a finished form.
- (b) **Place Utility:** The transportation function adds place utility to products by shifting them to a deficit place from the surplus areas.
- (c) **Time Utility:** The storage function adds time utility to the products by making them available at the time when they are needed.
- (d) **Possession Utility:** The marketing function of buying and selling helps in the transfer of ownership from one person to another.

4.4 MARKETING FUNCTIONS

Any single activity performed in carrying a product from the point of its production to the ultimate consumer may be termed as a marketing function. A marketing function may have any one or combination of three dimensions, viz., time, space, and form. The marketing functions are presented as per the following classification:

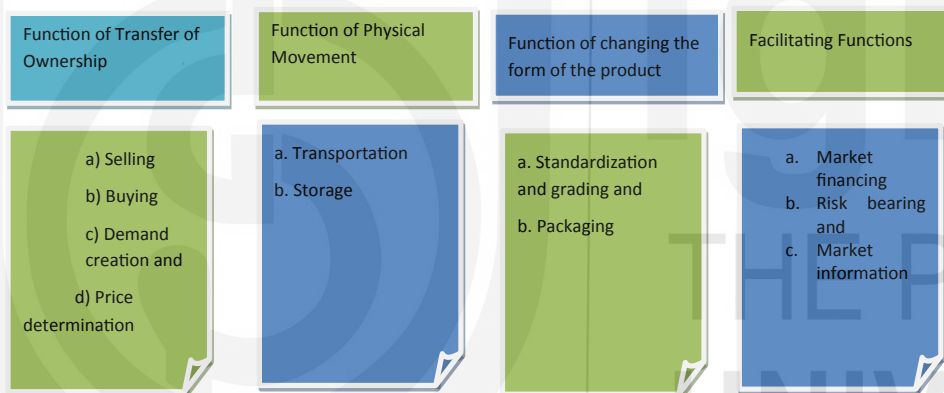


Fig. 4.1: Marketing functions

1) Function of Transfer of Ownership

Selling and buying are the two important functions involved in the transfer of ownership. Selling is the process of finding the buyers and convincing them to buy the product at a price that is satisfactory to both sellers and buyers. Buying includes identifying one's needs, finding the source of supply of the goods, and procuring them at the right price.

- a) **Selling:** The selling function consists of the following sub-functions:
 - i) **Product Planning and Development:** The needs of the consumers should be taken into consideration in selling. We identify that product that is required by the buyer and sell the same.
 - ii) **Contractual Function:** It involves identifying the potential consumers for the product and initiating and maintaining contacts with them for selling the commodity.
 - iii) **Demand Creation:** Once the potential consumers are identified we introduce various sales techniques to stimulate them so that the desired sales target can be achieved.

- iv) **The Function of Negotiation:** Some important factors to be considered at the time of selling are quality and quantity of the commodity proposed to be transacted, time of transfer, particulars of packing, mode of payment, *etc.* These should be well negotiated to avert any future conflicts between the buyers and the sellers.
- b) **Buying:** Buying includes identifying one's needs, finding the source of supply of products, and procuring them at the right price. Following are the sub-functions of buying:
 - i) **The Function of Planning the Purchases:** The buyers must plan their needs and undertake the purchases. Also, the buyers should survey their markets to identify the quality and quantity of the goods that are required.
 - ii) **Contractual Function:** It is the identification of the sources of supply to confirm the suppliers of a commodity so that the flow of supplies can be made continuous to the market.
 - iii) **The Function of Negotiation:** The terms and conditions of purchase along with the prices are negotiated with the sellers. Once the negotiations are completed, the goods are transferred to the buyers. The prevailing methods of buying and selling in the markets are as follows:
 - a) **Sale Under Cover of a Cloth:** Under this method of sale, the prices of the products are settled through a transaction, which is done under the cover of a cloth. The transaction under the cover is that a given price is fixed between the buyers and the commission agents of the sellers by pressing the fingers of each other, for which code symbols are arranged.
 - b) **Sale Through Negotiations:** This is a method, which facilitates direct contact between the buyers and sellers.
 - c) **Sales Based on Samples:** In this method, commission agents approach the buyers with the sample of the lots proposed to be disposed of. The commission agents go round the shops of the buyers and produce is offered to that buyer, who offered the highest price per unit of the produce.
 - d) **Morghum Method:** A common method of sale found in villages when the farmers borrow funds from local moneylenders. The transactions are effected based on the oral agreement that is made between the buyers and sellers.
 - e) **Open Auction Sale:** This is the method, which prevails in most of the regulated markets. The prospective buyers examine the lots of the produce kept for sale and offer their bids openly.
 - f) **Closed Tender System:** This is, more or less, the same as that of the open auction system except that the bids

are offered in the form of closed tenders. This method is followed in some regulated markets.

- c) **Demand Creation:** When commodities are basic requirements of the consuming section, the demand is automatically created. The need for demand creation arises for those products with which the consumers are not familiar and they are likely to consume by an act of persuasion highlighting the merits of the products through personal approach of the salesmen, advertisement through various mass media like newspapers, posters, pamphlets, radio, television, *etc.* Besides sellers resort to sales promotion activities like distribution of free samples, price discounts, exhibitions, sales by installments, *etc.*
- d) **Price Determination:** The concepts of price determination and price discovery need to be specified. Prices are determined by the aggregate forces of demand and supply in a market, while prices are discovered at each stage in the marketing channel *i.e.*, market intermediaries discover the prices based on the availability of the commodities and the demand for the commodities from the buyers at each stage.

2) Function of Physical Movement

Transportation and storage facilitate the physical movement of products from the producer to the consumer.

- a) **Transportation:** Transportation creates place utility. The products are moved right from the farmer's fields to the ultimate consumers through transportation. The spatial variations in agricultural production need the movement of the commodities from the places of surplus production to the places of deficit production. The common modes of transportation are bullock carts, tractors, trucks, rail, *etc.*
- b) **Storage:** Agricultural production is seasonal in nature. On the other hand, consumption of the products is regular and continuous. Seasonality and regular & continuous consumption require the need of storing the commodities after harvest to make them available throughout the year. Storage is involved at various stages in marketing. The middlemen in the process of buying and selling activity also store the produce to take advantage of the market situation.

3) Function of Changing the Form of the Product

It facilitates making the products available to the consumers with various specifications in the usable form and also as per the choice of the consumers.

- a) **Standardization and Grading:** Standardization proceeds grading. The characteristics based on which the standards are determined are freshness, ripeness, size, weight, colour, foreign material, moisture content, *etc.* Standardization is defined as "the determination of the basic limits on grades or the establishment of model processes and methods of producing, handling and selling goods and services." Grading means the sorting of produce into different lots having the same characteristics with respect to quality specifications. Grading is of two types. Fixed grading/mandatory grading and permissive/variable grading. In fixed grading, the standards set out are fixed and it is mandatory for the individuals to follow the set standards if

they are going to sell the graded commodities. Permissive grading is subject to variations over time

- b) **Packaging:** To make the products move from farm gate to merchants and finally to different users, some kind of packaging is essential. It facilitates easy handling, reduces spoilage, ensures cleanliness, reduces marketing costs, prolongs storage life, *etc.*

4) **Facilitating Functions**

These include market financing, risk bearing, and market information.

- a) **Market Financing:** Farmers find it difficult to continue the farm business with their owned funds and they need a helping hand from external sources. Apart from production credit, farmers need market finance too before they dispose of the produce at a favourable price. The traders who are found at various stages of marketing too find their owned funds short of the requirement to purchase the stock and carry on other functions like packaging, processing, storage, *etc.* Distress sales are averted if adequate marketing finance is given to the farmers.
- b) **Risk Bearing:** There is always a time lag between the harvesting and final consumption. Risk is imminent under such a situation and this is borne by the producers, traders, and others involved in the marketing process. Following are the kinds of risks associated with the marketing process.
 1. **Physical Risks:** Physical risk is caused during weighing, bagging, transportation, storage, *etc.* Physical risk consists of loss of quantity as well as loss of quality of the product
 2. **Price Risk:** Price fluctuates during the same day, from week to week, from month to month, and from year to year. Price rise can help the farmer and trader and equally, they are at loss, if the price falls.
 3. **Institutional Risk:** Government policies like movement restrictions of food grains, imposition of levies, *etc.* bring losses to the marketers.
- c) **Market Information:** Market information is broadly defined as the communication of reception of knowledge or intelligence. It includes all the facts, estimates, opinions, and other information which affect the marketing of goods and services. This information is of great importance to the farmers, merchants, and Government as well.

Market information constitutes market news and market intelligence. Market news is the present information on prices of the commodities, market arrivals, stock, directions of outflows, *etc.* Market intelligence is the historical record of market situation.

The sources from which one can get the market information are newspapers, Bulletin of Agricultural Prices (weekly), Agricultural Situation in India (monthly), Agricultural Prices in India (annual), *etc.*, and the reports of the Bureau of Economics and Statistics, the Directorate of Marketing and Inspection (DMI), the Directorate of Economics and Statistics, regulated markets, *etc.*

4.5 ACTIVITIES AND OBJECTIVES OF AGRICULTURAL MARKETING SYSTEM

A study of the agricultural marketing system is necessary for an understanding of the complexities involved in providing efficient services in the transfer of farm products and inputs from producers to consumers. An efficient marketing system minimizes costs, and benefits all the sections of society.

The expectations from the system vary from group to group; and, generally, the objectives of various groups conflict. The efficiency and success of the system depend on how best these conflicting objectives are reconciled which are enumerated below:

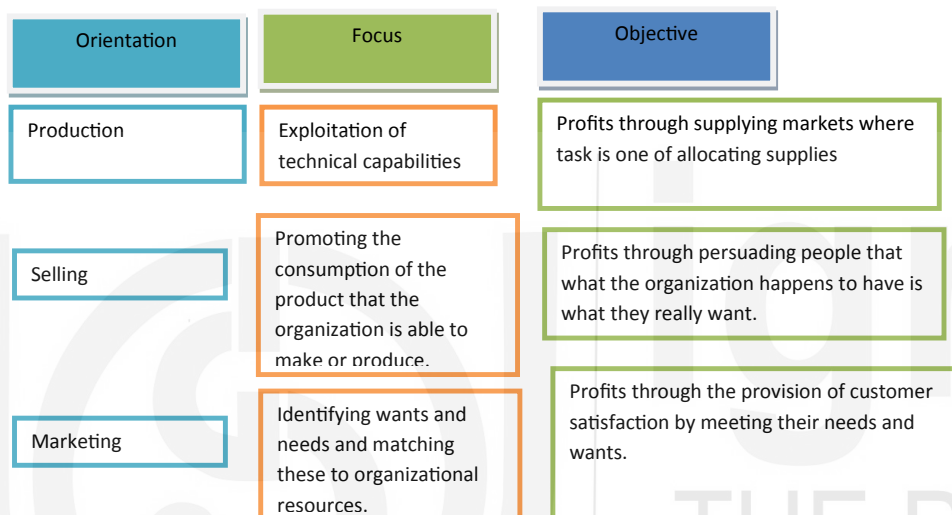


Fig 4.2; Business philosophies

Source: Adopted from FAO: <https://www.fao.org/3/w3240e/w3240e01.htm>

Producers: Producer-farmers want that their produce to be sold in the market without loss of time and at the maximum possible price for their surplus produce. Also, they want the system to supply them with the inputs at the lowest possible price.

Consumers: This objective of marketing conflicts with the objective of marketing for the farmer-producers. The consumers of agricultural products are interested in a marketing system that can provide food and other items in the quantity and of the quality required by them at the lowest possible price.

Market Middlemen and Traders: They are interested in a marketing system that provides them a steady and increasing income from the purchase and sale of agricultural commodities.

Government: The objectives and expectations of all the three groups of society-producers, consumers, and market middlemen conflict with one another. However, all three groups are indispensable to society. The government has to act as a watchdog to safeguard the interests of all the groups associated with marketing. It tries to provide the maximum share to the producer in the consumer's rupee; food and other farm products of the required quality to consumers at the lowest possible price; and enough margins to market middlemen so that they may remain in the trade. Thus,

the government wants that the marketing system should be such as may bring about the overall welfare to all the segments of society.

The objectives of an efficient marketing system are:

1. To enable the primary producers to get the best possible returns,
2. To provide facilities for lifting all produce, the farmers are willing, to sell at an incentive price,
3. To reduce the price difference between the primary producer and ultimate consumer, and
4. To make available all products of farm origin to consumers at a reasonable price without impairing the quality of the produce.

The overall objective of the agricultural marketing system in a developing country like India should be to help the primary producers *viz.*, the farmers in getting remunerative prices for their produce on the one hand and to provide the right type of goods at the right place, in the right quantity and quality at a right time and right prices to the processors and/or ultimate consumers on the other.

4.6 IMPORTANCE OF MARKETING IN AGRICULTURAL DEVELOPMENT & GROWTH

Agricultural marketing was, for many decades, not fully accepted as an essential element in agricultural development in the countries of Asia and Africa. Agricultural marketing occupied a fairly low place in the agricultural development policies of developing countries. The National Commission on Agriculture (1976) and Farmers Commission (2007) had emphasized that it is not enough to produce a crop or an animal product; it must be satisfactorily marketed.

Agricultural marketing plays an important role not only in stimulating production and consumption but in accelerating the pace of economic development. In fact, it has been described as the most important multiplier of agricultural development. The technological breakthrough has led to a substantial increase in production on the farms and a larger marketable and marketed surplus. To maintain this tempo and pace of increased production through technological development, assurance of remunerative prices to the farmer is a prerequisite, and for this purpose, an efficient marketing system is needed. The importance of agricultural marketing in agricultural development and growth can be understood through the following reasons:

(i) Decreasing the channel members

An efficient marketing system ensures increased levels of income for the farmers by reducing the number of middlemen and malpractices in the market. For example, ITC through e-choupals, have removed all the middle man and the benefits are directly going to the farmers. They can get adequate prices for their crops. This again results in an increase in the marketed surplus and income of the farmers which results in more demand for the other products and ultimately leads to the development of agriculture.

(ii) Growth in production

The Indian farmer has been shifting from a traditional farming system to a modern farming system and this has become possible due to an efficient marketing system that is responsible for providing modern equipment to the Indian farmers. The system also guarantees better prices of the produce and thus farmers increase their income. This acts as a multiplier effect in the economy for growth.

(iii) Earning foreign exchange

The country is not only self-sufficient in the field of agri-products but also exports these products. In the year 2000-01, principal agricultural commodity worth Rs. 282657 crore (14.08 % of total national export) were exported which increased to Rs. 274571 crore (11.40 % of total national export) in 2018-19 (Agricultural Statistics at a Glance, 2020)

The other factors such as better standard of living, optimizer of resources and output management, increase in farm income, widening of markets, growth of agro-based Industries, adoption and spread of new technology and employment creation have already been discussed under the role of agricultural marketing in economic development.

Check Your Progress 4.2

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) What is the difference between market news and market intelligence?

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2) Define marketing function?

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3) What do you mean by selling and buying?

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**4.7 MARKETED & MARKETABLE SURPLUS
OF AGRICULTURAL COMMODITIES**

Producer's surplus is the quantity that is actually made available to the non-producing population of the country. From the marketing point of view, this surplus is more important than the total production of commodities. Because the arrangements and the expansion of markets have to be made only for the surplus quantity available with the farmers, and not for the total production.

So, the producer's surplus is the quantity of produce that is, or can be, made available by the farmers to the non-farm population. The producer's surplus is of two types:

4.7.1 Marketable Surplus

The marketable surplus is the quantity of the produce that 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 feed for cattle, payment to labour in kind, payment to the landlord as rent, social and religious payments in kind, the gift to relatives and friends, etc. This may be expressed as follows:

$$MS = P - C$$

Where,

MS = Marketable surplus, P = Total production, and C = Total requirements (family consumption, farm needs, payment to labour, artisans, landlord and payment for social and religious work, etc).

4.7.2 Marketed Surplus

Marketed surplus is the quantity of the produce that the producer-farmer actually sells in the market, irrespective of his requirements for family consumption, farm needs, and other payments.

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 farmer and type of the crop. The relationship between the two terms may be stated as follows:

1. **Marketed Surplus is more than marketable surplus:** when the farmer retains a smaller quantity of the crop than his actual requirements for family and farm needs. This is true under the condition when farmers particularly the small and marginal farmers, are hard-pressed for cash and resort to distress sales to meet their commitments to the money lenders and other sources. The situation of selling more than the marketable surplus is termed as distress or forced sale.
2. **Marketed Surplus is less than marketable surplus:** The marketed surplus is less than the marketable surplus when the farmer retains some of the surpluses produce. Farmers particularly the large farmers generally sell less than the marketable surplus because of their better retention capacity and they anticipate that they would get a higher price in the lean period. However, small and marginal farmers may not be in a position to retain more because of their immediate cash requirements.
3. **Marketed Surplus is equal to marketable surplus:** The marketed surplus may be equal to the marketable surplus when the farmer neither retains more nor less than his requirement. This holds true for perishable commodities.

4.7.3 Factors Affecting Marketable Surplus

The marketable surplus differs from region to region and, within the same region, from crop to crop. It also varies from farm to farm. On a particular farm, the quantity of marketable surplus depends on the following factors:

- (i) **Size of Holding:** There is a positive relationship between the size of the holding and the marketable surplus. Generally, the larger the size of the farm, the more will be marketable surplus.
- (ii) **Size of production:** The higher the production on a farm, the larger will be the marketable surplus and vice versa.
- (iii) **Price of the Commodity:** The price of the commodity and the marketable surplus have a positive as well as a negative relationship, depending upon whether one considers the short and long run or the micro and macro levels.
- (iv) **Size of Family:** The larger the number of members in a family, the smaller the surplus on the farm.
- (v) **Requirement of Seed and Feed:** The higher the requirement for these uses, the smaller the marketable surplus of the crop.
- (vi) **Nature of Crops Grown:** It is a well-established fact that marketable surplus in the case of food crops tends to be low while for cash crops it is more. For example, in the case of cotton, jute, and rubber, the quantity retained for family consumption is either negligible or a very small part of the total output. Even among food crops, for such commodities as sugarcane, spices, and oilseeds which require some processing before final consumption, the marketable surplus as a proportion of total output is larger than that for other food crops.
- (vii) **Consumption Habits:** Producer's consumption habits also affect the extent of marketable surplus. In those areas where a commodity is a staple food, the marketed surplus is low.
- (viii) **Hoarding:** The tendency of hoarding depends on the current level of prices and anticipated prices. The traders, peasants, consumers, etc. to earn more profits in the future may do hoarding. Thus, the larger the tendency to hoard lesser will be the volume of marketable surplus and vice-versa.
- (ix) **Subsistence Farming:** In subsistence farming, farming is mainly undertaken to provide for the family. Only the surplus is marketed. The majority of landholdings being small, there is a little surplus left.
- (x) **Cash Requirements:** After harvesting, Indian farmer needs cash to meet certain obligations like land revenue, repayment of the debt, etc. Therefore, the volume of produce, he is ready to sell in the market depends on his cash requirement. If s/he needs more cash, s/he will sell more produce and, thus, there will be more marketable surplus.

Check Your Progress 4.3

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) What is a marketable surplus?

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2) What do you mean by distress sale?

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3) Enlist the factors affecting marketable surplus.

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Activity 4.1:

Visit a farmer in a nearby village. Measure the marketable and marketed surplus of that farmer. Also, calculate marketed and marketable surplus-output ratio.

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4.8 E-MARKETING

The methods of marketing now have changed and improved. E-Marketing is the product of the meeting between modern communications technologies and the age-old marketing principles that humans have always applied. Very simply put, e-Marketing or electronic marketing is the application of marketing principles and techniques using electronic media and more specifically the Internet. There are different interrelated terms like e-Marketing, Internet marketing, and online marketing and these terms can often be considered synonymous. This type of marketing includes both direct response marketing and indirect marketing elements and uses a wide range of technologies that help to bring together businesses and their customers. In this, we can say that e-Marketing encompasses all the activities a business conducts via the world wide web to attract new business, retain current business, and develop its brand identity.



Fig. 4.3: E-marketing

Source: <https://www.mbaskool.com/business-concepts/marketing-and-strategy-terms/1679-e-marketing.html>

4.8.1 Importance

When implemented correctly, the return on investment (ROI) from E-marketing can far exceed that of traditional marketing strategies. It is a means to reach literally millions of people. The nature of the internet has enabled businesses to have a truly global reach. Through internet marketing, now a marketer can reach consumers in a wide range of ways and offer a wide range of products and services to fulfill the needs of the consumers. As the new technologies are becoming available all the time, the scope of e-marketing will further grow. Imagine you're reading your favorite magazine. You see an advertisement for some new product or service may be a new model of a tractor or combine- harvester-cum- thresher offering. With the kind of traditional media, it's not that easy for you, to take the step from hearing about a product to the actual acquisition. Now through e-Marketing, it has become easy to make that step as simple as possible, within a few short clicks you could have booked a test drive or ordered the product. Moreover, this can happen regardless of normal office hours. Effectively, Internet marketing makes business hours 24 hours per day, 7 days per week throughout the whole year. In fact, e-marketing bridges up the gap between providing information and eliciting a consumer reaction, as a result of which the consumer's buying cycle is speeded up.

4.8.2 Benefits of E-Marketing

The benefits of e-marketing are:

- (i) More affordable than traditional one,
- (ii) More business partners can be reached,
- (iii) Caters to a more geographically dispersed customer base,
- (iv) Procurement cost is lower,
- (v) Purchase costs, sales, and marketing costs are lower,
- (vi) Reduction in inventories

Benefits to Consumers

- (i) Increased choice of vendors and products,
- (ii) The convenience of shopping at home or office,
- (iii) Greater information access on-demand, and
- (iv) More competitive prices and increased price comparison capabilities.

Benefits to Business Community

- (i) Exchange of a larger quantity of information,
- (ii) Global visibility,
- (iii) Rapid planning cycles and strategies,
- (iv) Avoids communication gaps,
- (v) Access to new consumer groups,
- (vi) Reach to more persons at a lower cost, and
- (vii) Relationship building is easy.

Check Your Progress 4.4

Note: a) Use the spaces given below for your answers.

b) Check your answer with those given at the end of the unit.

1) What do you understand about e-marketing?

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2) How is e-marketing better than traditional marketing?

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.....

3) What are the benefits of e-marketing to the consumers?

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4.9 LET US SUM UP

Agricultural marketing can be defined as comprising of all activities involved in the supply of farm inputs to the farmers and the movement of agricultural products from the farms to the consumers. The subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and costs, price spread and market integration, producer's surplus, government policy and research, training, and statistics on agricultural marketing and imports/exports of agricultural commodities. Any single activity performed in carrying a product from the point of its production to the ultimate consumer may be termed as a marketing function. Agricultural marketing plays an important role not only in stimulating production and consumption but in accelerating the pace of economic development. In fact, it has been described as the most important multiplier of agricultural development. The marketable surplus is the quantity of the produce that can be made available to the non-farm population of the country whereas marketed surplus is the quantity of the produce that the producer farmer actually sells in the market, irrespective of his requirements. The marketed surplus may be more, less, or equal to the marketable surplus, depending upon the condition of the farmer and type of the crop. E-Marketing is the product of the meeting between modern communications technologies and the age-old marketing principles that humans have always applied. Internet marketing allows the marketer to reach consumers in a wide range of ways and enables them to offer a wide range of products and services.

4.10 KEYWORDS

Agent middlemen: Those individuals who do not take title to the goods they handle.

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

Agriculture: means growing and/or raising crops and livestock.

Buying: It includes identifying one's needs, finding the source of supply of the goods, and procuring them at the right price.

Channel: The path through which goods and services move from producers to consumers.

E-Marketing: E-marketing or electronic marketing is the application of marketing principles and techniques via electronic media and more specifically the Internet.

Facilitative middlemen: Those individuals who do not buy and sell but assist in the marketing process.

Grading: Grading means the sorting of produce into different lots having the same characteristics with respect to quality specifications.

Market intelligence: The historical record of the market situation.

Market news: It presents information on prices of the commodities, market arrivals, stock, directions of outflows, *etc.*

Marketable Surplus: The quantity of the produce which can be made available to the non-farm population of the country.

Marketed Surplus: The quantity of the produce that the producer farmer actually sells in the market, irrespective of his requirements for family consumption, farm needs, and other payments.

Marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption.

Marketing functions Any single activity performed in carrying a product from the point of its production to the ultimate consumer may be termed as a marketing function.

Merchant middlemen: Those individuals who take title to the goods they handle.

Selling: It is the process of finding the buyers and convincing them to buy the product at a price that is satisfactory to both sellers and buyers.

Standardization: It is defined as the determination of the basic limits on grades or the establishment of model processes and methods of producing, handling, and selling goods and services.

4.11 SUGGESTED READINGS / REFERENCES

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1.12 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress 4.1

- 1) All activities involved in the supply of farm inputs to the farmers and movement of agricultural products from the farms to the consumers.
- 2) A healthy marketing system acts as an incentive for the farmers to use the scarce resources judiciously. Thus efficient input marketing and output marketing systems are indispensable to bring the desired level of welfare to the farmers. Farmer in fact may turn out to be a major beneficiary in the market system properly functions.
- 3) Specialization; Urbanization; Transportation and Communication; and (iv) Technological change in agriculture

Check Your Progress 4.2

- 1) Market news refers to current information about prices of the commodities, market arrivals, stock, directions of outflows, *etc.* Market intelligence is the historical record of the market situation. This relates to such facts as the prices that prevailed in the past and market arrivals over time. These are records of what has happened in the past.
- 2) Any single activity performed in carrying a product from the point of its production to the ultimate consumer may be termed as a marketing function. A marketing function may have any one or combination of three dimensions, viz., time, space, and form.
- 3) Selling is the process of finding the buyers and convincing them to buy the product at a price that is satisfactory to both sellers and buyers. Buying includes identifying one's needs, finding the source of supply of the goods, and procuring them at the right price.

Check Your Progress 4.3

- 1) The marketable surplus is the quantity of the produce that can be made available to the non-farm population of the country after meeting all its requirements.
- 2) The situation of selling more than the marketable surplus is termed as distress or forced sale.
- 3) (i) Size of Holding, (ii) Size of production, (iii) Price of the Commodity, (iv) Size of Family, (v) Requirement of Seed and Feed, (vi) Nature of Crops Grown, (vii) Consumption Habits, (viii) Hoarding and (ix) Cash Requirements

Check Your Progress 4.4

- 1) e-Marketing or electronic marketing is the application of marketing principles and techniques via electronic media and more specifically the Internet. E-Marketing includes both direct response marketing and indirect marketing elements and uses a range of technologies to help connect businesses to their customers.

- 2) It is a means to reach literally millions of people. While traditional media costs limit this kind of reach to huge multinationals. E-Marketing opens up new avenues for smaller businesses, on a much smaller budget, to access potential consumers from all over the world. Internet marketing allows the marketer to reach consumers in a wide range of ways and enables them to offer a wide range of products and services. Effectively, Internet marketing makes business hours 24 hours per day, 7 days per week for every week of the year.
- 3) Increased choice of vendors and products, (ii) Convenience of shopping at home or office, (iii) Greater information access on-demand, and (iv) More competitive prices and increased price comparison capabilities.



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