Abstract—Agricultural sector development is critical for facing the challenges of poverty, food security and unemployment in the developing countries like India. Along with increase in production and productivity agricultural marketing should be properly addressed in strengthening agricultural sector. Marketing and institutional credit no doubt has a significant role and this role has further increased in the liberalised environment. The present paper focuses new challenges in agricultural marketing in the emerging environment. A micro level survey in the agricultural marketing sector reveals that the urgent need is a move which seems to boost the investment climates in the agricultural marketing which has very significant implications in economic development of agricultural economy of India. Permitting significant investment in agricultural retailing is likely to ensure adequate flow of capital into rural economy in a manner likely to promote the welfare of all sections of society, particularly farmers and consumers. It will bring about improvements in farmer income and agricultural growth and assist in lowering consumer price inflation. Farmers are extremely distressed and needs desperately some scope for marketing their produce with at least a reasonable margin which the Government till date has failed to provide.

Keywords—Foreign investment, Retail business, Supply chain, Agricultural marketing

I. INTRODUCTION

INdian economy has been on a growth trajectory over the last two decades along with fast changing demographics, life style and surge in domestic consumption and consumerism. The retail industry in India, is growing at a great space and is expected to grow many folds in near future [1]-[2] (Omar and Ognyi E,1998; Khatri Kapil,2006).With liberalization in1990s organized retail sector has grown many folds when many Indian players like Shoppers Stop, Pantaloon Retail India Ltd, Spencer Retail ventured into the organized retail market. With change in new economic policy, the government is opening up to the idea of permitting Foreign Direct Investment (FDI) in the Indian retail sector. Agricultural retail market in India is in a very disadvantageous position suffering from lack of avenues to reach out to the vast domestic as well as world market. This has largely been due to the inability of this sector to access latest technology and improve its marketing interface. The objective of the study is to find out new challenges in agricultural retail marketing through an empirical study.

II. DATA SOURCE

The study is based on micro level survey covering 30 villages in three contiguous districts (Burdwan, Birbhum and Bankura) of West Bengal a leading agricultural state of India covering 3005 farmers in 2010-11. Consisting nearly about 3 percent of the country’s cultivable land and about 8% of the country’s population, the state produces more than 8% of the food of the country. Due to severe land reforms the agricultural sector is predominated by small and marginal farmers tilling more than 68% of total operated land and average size of holding is less than one hectare. Paddy is the principal crop involving millions of rural people for their livelihood. Comprising 8% of farmers households the state contributes 7.5% of total food grain production (West Bengal HD Report 2004)

III. PRESENT SCENARIO IN AGRICULTURAL MARKETING

Agricultural marketing is the critical link between agricultural production and farm sector revenue percolating to the farmers. Apart from performing transferring agricultural goods to consumers it transmits the price signals in the marketing chain. Agricultural development not only should address growth of yield rate and production but also address an efficient marketing system. The existing marketing system consists four channels viz., direct marketing from producers to consumers, marketing through public agencies or cooperatives, through private whole-sellers and then retailers and finally to consumers, or from producers to processors and from processors to consumers. Transactions of goods take place in market yards and sub-yards and periodic markets like haats or mandis (Table I).

<table>
<thead>
<tr>
<th>TABLE I</th>
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</thead>
<tbody>
<tr>
<td>Market Structure in West Bengal, India</td>
</tr>
<tr>
<td>Whole-sale Market</td>
</tr>
<tr>
<td>Rural periodic Market</td>
</tr>
<tr>
<td>Regulated Yards</td>
</tr>
<tr>
<td>Regulated sub-yards</td>
</tr>
</tbody>
</table>

Source: Government of India, 2001 (b)

Agricultural markets are highly fragmented and unorganized. Direct link between farmers or producers and consumers is almost absent Due to increased number of intermediaries the
market chain is long [3] (Acharya, 2004). To eliminate intermediaries and encourage direct marketing several farmer’s markets like Apni Mandi (Punjab), Kishan Mandi (Rajasthan), Krishak Bazzar (Orissa), Rythu Bazzar (Andhra Pradesh) have been set up in several sets, but these are not sufficient to meet up the requirement. The marketable surplus has increased manifold (Table2) and farmers are now largely market oriented. The overall marketable surplus to output ratio has increased from 33.1% in 1950-51 to 64.1% in 1999-2000 [3] (Acharya, 2004).

Given the various changes like virtual collapse of rural credit in organized sector, especially for small and marginal farmers, continuous increase of input cost and stagnant crop price, profit potential of agricultural sector has declined substantially. Farmers are still kept on tenterhook, not knowing how to manage their economy, except to play it by years[4] (Gupta, 2005). If production is good then there is glut and prices fall. When there is crop failure farmers hardly get any compensation in terms of higher price. Both demand and supply of agricultural products are inelastic in nature. Profitability in paddy cultivation gradually came down to only 13% in 2007 and has further come down to 10% in 2011 as per the report of the commission for Agricultural Costs and Prices [5] (Choudhury S, 2011).

An efficient marketing system enables producers to get the best possible revenue by reducing gap between the price earned by actual producer and price paid by the ultimate consumer. Direct linkage always gives higher returns to the producer and the consumers are also benefitted as they get the goods at reasonable price far less than the price paid through other channels either through different groups of intermediaries. Farmers are mostly distress sellers. Being unable to store their products they are forced to sell their products at low price to the middlemen after the harvest and cannot even cover the production cost. Due to lack of proper storage facilities, adequate and cheap transport facilities, organized and regulated retail market, correct information about the product price and market conditions, Indian system of agricultural market does not operate efficiently and farmers do not get fair price for their crops.

IV. LIMITATIONS OF THE PRESENT SETUP

A. Infrastructure

There has been a lack of investment in the logistics of the retail chain, leading to an inefficient market mechanism in the economy. Though India is the second largest producer of fruits and vegetables (about 180 million MT/annum), it has a very limited integrated cold-chain infrastructure, with only 5386 stand-alone cold storages having a total capacity of 23.6 million MT where 80% of this is used only for potatoes[6] (West Bengal Human Development Report 2004). The chain is highly fragmented and hence, perishable horticultural commodities find it difficult to link to distant markets, including overseas markets, round the year. Storage infrastructure is necessary for carrying over the agricultural produce from production periods to the rest of the year and to prevent distress sales. Lack of adequate storage facilities cause heavy losses to farmers in terms of wastage as well as selling price. Agricultural goods cannot be preserved for long like industrial goods. Storage for a long time deteriorates quality and also results in loss in quantity. If transport facilities are not adequate to integrate the village market to distant markets producers have to suffer.

B. Dominance of Intermediaries In the value chain

Intermediaries often flout market norms and their pricing lacks transparency. The presence of intermediaries reduces the returns of farmers substantially. Wholesale regulated markets, governed by State APMC Acts, have developed a monopolistic and non-transparent character. Indian farmers realize only 1/3rd of the total price paid by the final consumer, as against 2/3rd by farmers in nations with a higher share of organized retail.

C. Improper Public Distribution System (“PDS”)

Demand and supply of farm products in agricultural sector are inelastic. Government declared public procurement price is very crucial in determining the selling price of agricultural goods. There is a big question mark on the efficacy of the public procurement and PDS set-up. The bill on food subsidies is rising but the minimum support price only covers the explicit production cost and it does not consider the implicit cost properly. Without a certain profit margin the producers are unable to raise investment in agricultural sector. In spite of such heavy subsidies, overall food based inflation has been a matter of great concern.

V. EMPIRICAL FINDINGS

Agricultural retail market in India is in a very disadvantageous position suffering from lack of avenues to reach out to the vast domestic as well as world market. This has largely been due to the inability of this sector to access latest technology and improve its marketing interface. Development of organised retailing market either induced by indigenous capital or by foreign capital is very crucial where small and marginal farmers can supply their product directly to these big retailers (Indian or foreign). Due to lack of adequate infrastructure facilities and lack of proper storage facility farmers are forced to sell their products at very low price which sometimes cannot even cover their cost of production. Overproduction or glut both becomes the cause of farmer’s distress. The survey data presents that 28% of paddy production is sold at zero profit margin and for 45% of paddy production profit margin varies from 5 to 10 percent. Only it is the rest 26% of total production where profit margin is above 10%. But the maximum profit margin is 15%. The main cause is the lack of storage facility, failure of the Government mechanism to reach the farmers with minimum support price and virtual non-existence of organised marketing infrastructure (Table II).
The study reveals that marketing system is not efficient to assure farmer of a fair price for the products and to have better returns. The “farm-to –fork retail’ supply system is almost non-existent in the region surveyed. A huge part of price the consumer pay for paddy per quintal (about 68.5%) goes to the middlemen. Due to lack of proper storage facilities and transport facilities about 64.5% of farmers are distress sellers and fall under malpractices of middle men.

VI. FDI IN AGRICULTURAL RETAIL MARKETING IN INDIA

Over the last two decades, Indian economy has witnessed significant rise of FDI flows as well as remarkable increase in growth rate with favourable consequences on employment, infrastructure development and business climate. Fast Growing Indian economy accompanied by growing domestic consumer markets has raised the growth of retail sector at a faster rate mostly in unorganized sector (Table III).

<table>
<thead>
<tr>
<th>Profit margin</th>
<th>paddy</th>
<th>Wheat</th>
<th>Potato</th>
<th>Oilseeds</th>
<th>Vegetables</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5%</td>
<td>28</td>
<td>14</td>
<td>40</td>
<td>44</td>
<td>82</td>
</tr>
<tr>
<td>5-10%</td>
<td>46</td>
<td>42</td>
<td>52</td>
<td>41</td>
<td>14</td>
</tr>
<tr>
<td>10-15%</td>
<td>26</td>
<td>08</td>
<td>05</td>
<td>33</td>
<td>06</td>
</tr>
</tbody>
</table>

Data source: Author’s field study (2009-10)

TABLE II

AGRICULTURAL MARKETING SCENARIO

<table>
<thead>
<tr>
<th>Source</th>
<th>US</th>
<th>Thailand</th>
<th>China</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organized</td>
<td>85</td>
<td>40</td>
<td>20</td>
<td>03</td>
</tr>
<tr>
<td>Unorganized</td>
<td>15</td>
<td>60</td>
<td>80</td>
<td>97</td>
</tr>
</tbody>
</table>


Organized retail has huge potentiality which is still at a nascent stage, compared to other developing economies. With liberalisation in 1990s organized retail sector has grown many folds when many Indian players like Shoppers Stop, Pantaloon Retail India Ltd, Spencer Retail ventured into the organized retail market. With the opening up of foreign direct investment in single brand retail and cash-and-carry formats Indian retail market gets new momentum. With liberalisation in foreign trade policy in 1991, the Indian Government allowed 100% foreign investment in wholesale cash-and-carry and single branded retailing but prohibited foreign investment in retail. In 1997 restrictions were again imposed on retail sector but in 2006 these restrictions were lifted and opened in single brand retailing and in cash-and-carry formats. Indian retail industry becomes an attractive FDI destination of many global players and cash and carry format becomes the entry route for global retailing giants. Wal-Mart has forged an alliance with Bharti for cash-and-carry business and Bharti is concentrating on front-end retail. Tesco enters In Indian retail market through an alliance with Trent(Tata Group), Many foreign brands enter Indian retail sector either through Joint ventures with leading Indian retailers ( like Louis Vuitton, Marks and Spencer Plc., Armani) or through exclusive franchisees to set up shops in India(lie McDonald’s, KFC, Domino). In agricultural retailing FDI is not permitted in general. FDI has been permitted under automatic route in Floriculture, Horticulture, Development of seeds. Aqua-culture, Cultivation of mushrooms with the objective of promoting improved technology. In Tea plantation FDI up to 100 percent is permitted with prior approval and some restrictions. The share of FDI flows in agricultural sector regarding better seeds and improved technology is very low. With the entry of foreign direct investment, the Indian organized retail market has become more competitive in terms of implementing newer business models on the operational format and pricing and reinventing and improving the supply chain. FDI was generally not allowed in agricultural retail marketing although it has enormous growth potential in India particularly in agricultural marketing considering the limitations of the present setup regarding infrastructure, communication network in rural economy, in-efficient supply chain.

VII. CONCLUSION

Capital investment either by indigenous or foreign capital seems to be a powerful catalyst to spur the investment climate in agricultural marketing due to the current scenario of inefficient supply chain, lack of proper storage facilities and presence of multi-level intermediaries between farmers and direct consumers. Huge investment in marketing infrastructure is required to protect the agricultural sector which is not forthcoming from the Government sector. FDI- driven “modern retailing” being a direct interface between farmers and retailers trigger a series of reactions which in the long run can improve supply chain and transport sector of the rural agronomy of West Bengal and other states in India.

The policy of allowing 100% FDI in agricultural retail can benefit both the farmers and consumers in terms of better price – village markets get linked with distant consumer market domestic and international- Indian farmers can access global best management practices, designs and technological knowhow. By partially opening this sector, the government can reduce the pressure from its trading partners in bilateral and multilateral negotiations and can demonstrate India’s intentions in liberalising this sector in a phased manner. Permitting capital investment in agricultural marketing system is likely to ensure adequate flow of capital into rural economy in a manner likely to promote the welfare of all sections of society, particularly farmers and consumers. It will bring about improvements in farmer income and agricultural growth and assist in lowering consumer price inflation.
Apart from this, by allowing FDI in agricultural marketing, India will significantly flourish in terms of quality standards and consumer expectations, since the inflow of FDI is bound to pull up the quality standards and cost-competitiveness of Indian farmers. It, therefore, seems that FDI in agricultural retailing has the potential of sustaining agricultural growth. In light of the above, it can be safely concluded that allowing healthy FDI in agricultural sector will not only lead to a substantial surge in the country’s GDP and overall economic development, but will *inter alia also* help in integrating the Indian agricultural market with that of the global market in addition to providing higher profit margin to Indian farmers which the unorganized sector has undoubtedly failed to provide.

FDI in agricultural sector must be dealt cautiously as it has direct impact on a large chunk of population. Left alone foreign capital will seek ways through which it can only multiply itself, and unthinking application of capital for profit, given our peculiar socio-economic conditions, may spell doom and deepen the gap between the rich and the poor. Thus the proliferation of foreign capital into agricultural sector needs to be anchored in such a way that it results in a win-win situation for India. This can be done by integrating into the rules and regulations for FDI retailing certain inbuilt safety valves. To ensure that the foreign investors make a genuine contribution to the development of infrastructure and logistics, it can be stipulated that a percentage of FDI should be spent towards building up of back end infrastructure, logistics or agro processing units. Reconstituting the poverty stricken and stagnating rural sphere into a forward moving and prosperous rural sphere can be one of the justifications for introducing FDI in agricultural sector but the government should put in place an exclusive regulatory framework.

**REFERENCES**


