

Emerging Management Paradigms



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The Government and Private Sector Initiatives in Agricultural and Rural Marketing in India

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Abstract⁶

This paper tries to investigate the potential of agricultural and rural marketing in India. As nearly 70% population of India resides in villages. It also identifies the private and government initiatives and innovation to overcome the challenges of rural and agricultural marketing in India. It also explains the government contribution and private sector efforts to promote the agricultural and rural marketing in India.

Keywords: Agricultural Marketing, Rural Consumers, Public Distribution System (PDS) etc.

Introduction:

Agricultural marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all the aspects of market structure or system both functional and institutional based on technical and economic consideration and includes pre and post harvest operations that is assembling, grading, storage, transportation and distribution etc.

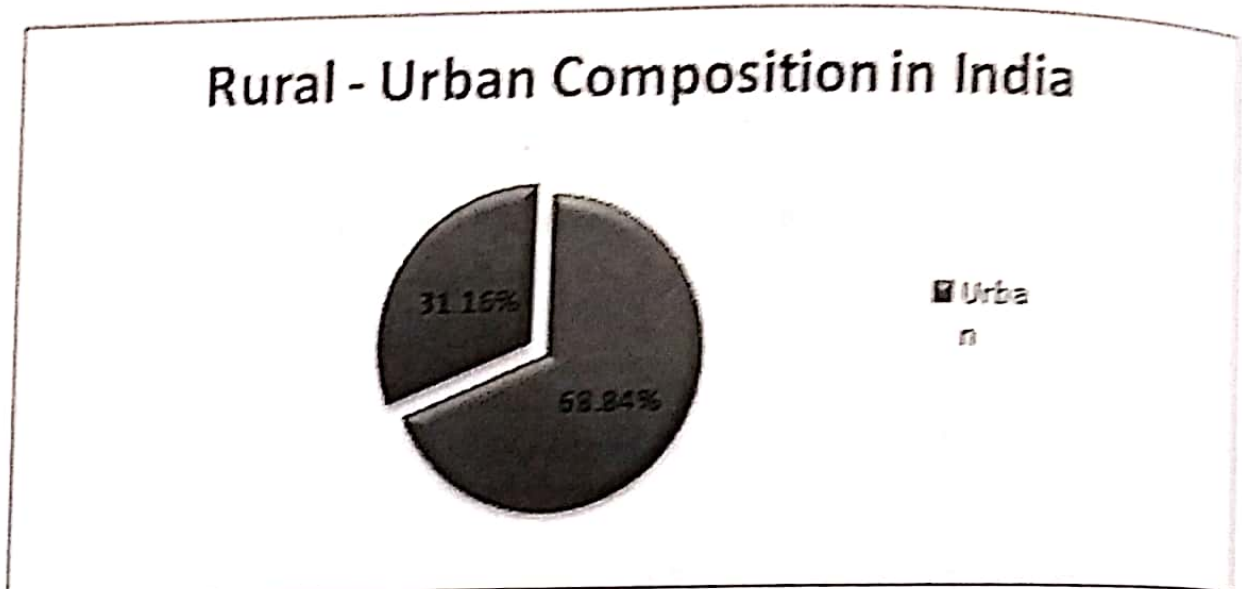
With more than 800 million people living in rural areas. In some 6,80,000 villages and about two third of its workforce was engaged in agriculture and allied activities with a contribution of 32% of GDP. India's economy is predominating rural in character, so the study of rural marketing is important and attention from government is required to shape it in true sense. Still 73% of India's population is living in rural area. Hence rural India is real India.

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Source: India Census 2011

To a great extent the government is fulfilling its duty with above said objectives. The government attempt to increase supplies of food grains and other essential commodities in times of internal shortage through large import.

The government has set up a network of fair price shops numbering around 5lakhs which cover a population of over 600 million and which distribute wheat, rice, sugar, imported edible oils to low income group at relatively low price.

Through increase in domestic supplies, large releases from official stock and widening of the network of public distribution, the government attempts to prevent an undue increase in the prices of essential commodities.

The government also fixes minimum prices for major crops on the recommendation of Agricultural Price Commission (APC).

In order to control on prices and eliminate hoarding and speculative activity in food grains trade, wholesale dealer in food grains were licensed in many states and limits were also fixed beyond which traders and producers could not hold stock without declaration.

The Role of Government in Agricultural and Rural Marketing

In the interest of public welfare, the government intervenes in the marketing system directly or in indirectly. The extent of intervention depends upon the objectives of the government.

The government of India has taken several steps to improve the conditions of agricultural marketing in the following form.

- In order to improve the agricultural marketing certain rules are framed for the regulation and safeguard in the interest of the farmers.
- To promote warehousing in rural areas, the co-operative societies are given necessary financial and technical facilities.

- Co-operative marketing societies have been started to promote the agricultural goods of the farmers. Co-operative manufacturing assures reasonable price so as to remove all the exploitations of the farmers by middlemen.
- Under the five years plan of government rural, transport has been given importance and considerable progress has been made.
- Food grain prices are being stabilized by the government through recommendations of the agricultural price commission.

The above said steps taken by government and discussed in this chapter.

➤ **Concept of Regulated Market:**

A Regulated Market is one which aims at the elimination of the unhealthy market practices, reducing market charges, ensuring fair prices and providing facilities to producer-sellers in the market.

Regulated markets have been established by state government and regulation have been framed for the conduct of their business.

By the end of March 2012, approx 15,000 agricultural markets in the country had been regulated.

The regulated marketing system has also proved a good source of generating income for the marketing boards and for use in rural infrastructure.

➤ **Council of State Agricultural Marketing Boards (COSAMB):**

Council of State Agricultural Marketing Boards (COSAMB) was established in 1988. It is an apex body of the state marketing board which came into existence to co-ordinate the activities of state marketing boards specially those connected with credit mobilization, central assistance for market development and some common problems.

In order to achieve an efficient agricultural marketing system, it organizes seminar, exhibition and workshops to educate various functionaries. It establishes and develops contacts with other organization both in country and abroad for the latest development in the field of agricultural marketing.

➤ **State Trading:**

It is the direct participation by the government (or its agent) in domestic as well as foreign trade.

The main aim of state trading is to facilitate the development of trade with countries where trade is in government hands. State trading may be partial or complete depending upon the extent of intervention desired by the government. It also ensures adequate and regular supplies of essential commodities at reasonable and stable prices to meet the local demand.

To check prices and to eliminate hoarding and speculative activity in food grain trade, wholesale dealer in food grain were licensed in many states and

limits were also fixed beyond which traders and producers could not hold stock without declaration.

➤ **Co-operative Marketing:**

In Indian market, the need of co-operative marketing arises from a variety of factors such as malpractices in the existing agricultural marketing system, excessive middlemen charges and the most important factor is a large number of farmers are indebted to the traders.

Co-operative marketing is the formation of an association by producers for self help in marketing their produce collectively and securing economies emerging from large scale business.

Under the active encouragement and participation of government and Reserve Bank of India (RBI), co-operative marketing has made significant progress in Maharashtra, A.P, U.P, Tamilnadu and Bihar.

The network of co-operative marketing comprises of 12,000 primary marketing societies.

➤ **National Agricultural Co-operative Marketing Federation (NAFED):**

It is the apex co-operative organization at national level. It is established in the year 1958. It has a network with 27 state level marketing federations. It basically deals in procurement, distribution, export and import of selected agricultural commodities. It promotes inter-state and export trade of farm produce. It exports commodities like onion, pulses, and ginger for many countries.

It has a healthy influence on market operation and market prices in favor of producers and consumers both.

➤ **Public Distribution System (PDS):**

The main aim of public distribution system is to provide essential food supplies such as rice, wheat, sugar, kerosene etc. at cheaper rate to the consumers so as to protect from the impact of rising prices of these commodities and maintain supplies to the population.

It covers the whole population as no means of direct targeting are employed on an average one fair.

The main ingredients of the government's food management policies are procurement of food grains, storage and movement of food grains, public distribution and maintenance of buffer stock.

➤ **Food Corporation of India (FCI):**

FCI was set up in 1965 by the government of India with the objectives to undertake the storage, purchase, transport, distribution and sales of food grains. It ensures that the farmers get remunerative prices for their products and consumers also get food grains from the central pool at uniform prices fixed by the

government. The government plays an important role in developing the agricultural marketing system in the country.

The main function of the FCI is to procure the surplus of food grains and other food items from the farmers at the minimum support prices fixed by the government. It makes available the food grains at constant prices through PDS all over the year.

Private Sector Initiatives in Agricultural and Rural Market of India

- **Maruti** has been organizing road shows with film screenings. It is like a travelling cinema that rural India is already quite familiar and fascinated. The only difference being that the film is not set up in a tent, but inside a **TATA** truck fitted a Samsung LCD TV, an air conditioner and reclining seats. The film strikes a chord with the villagers because it tells a simple story of an average villager who buys a Wagon R.
- In the year 2006 in Uttar Pradesh by **Tata Tea** with NGO started A "Gaon Chalo" project and has created employment opportunities to the youth of villages and small towns. It has brought steady income to those who are distributors of Tata Tea. Tata Tea's consolidated market shares from rural areas rose from 18% to 26.6%.
- **Low-Cost Handsets (Nokia's)** as most rural consumers are price-sensitive, Nokia has launched seven handsets in the price range of Rs. 1500 to Rs.5500 targeting rural customers. Further, Nokia is promoting a subscription-based service called "Life Tools" which provides information about agriculture and education that is helpful to rural people. It also provides entertainment services. The "life Tools" service is priced between Rs.30 to Rs. 60 per month, based on the package an individual can use.
- **Dabur-Indian Oil Partnership.** In order to tap India's rural market, **Dabur India Ltd.** has tied up with Indian Oil Corporation (IOC). According to the agreement between the two companies, IOC's retail outlets all over the country will stock and sell Dabur's products consisting of healthcare, oral care, personal wash, skin care and home care products. The Kisan Seva Kendra is a one-stop rural retail outlet of IOC, which offers fuel and non-fuel products like fertilizers, grocery, tools used for cultivation, seeds, personal care products, auto spares, etc. There are 1600 such IOC outlets across India.
- **Airtel's Telecom Revolution in Rural India.** Airtel's rural start up package offers its customers a Motorola handset for just Rs. 1599. Its recharge cards come in a minimum denomination of Rs.10, so that even daily wage earners can afford to use the service, **Airtel** is spreading awareness in villages by its roadside advertisements highlighting its red and white logo. It is also increasing its business network through commission-based retailers, who can be anyone who is selling cigarette,

pan, textiles, etc. The company already has 55000 retailers in Bihar and Jharkhand, and is planning to expand the network by approaching 5000 more cigarette and pan sellers.

- **Mahindra-Leading Brand in Rural India.** After launching its Super Turbo 595 DI Tractor, Mahindra wanted to create awareness about its new technology and high efficiency to farmers and thereby sell the tractor. It identified farmers and organized interactive discussions between the company (Mahindra) and farmers. It gave free test rides and thereby sold the tractor initially to farmers. This marketing activity was carried out in Maharashtra, Haryana and Punjab. After using the tractor for a reasonable time period, the initial buyers were glad to have the product and expressed their positively about the tractor to their friends, relatives and neighbors. This initiative has helped the company to a great extent.

Conclusion:

Rural market constitutes 70% of total Indian population with thin density and inadequate infrastructure with low per household income poses unique challenges to marketers and call for innovative marketing solutions. The private and government sector initiatives in this connection help a lot to fulfill the requirement of rural consumers by offering quality agricultural products and services.

The rural consumers are quite sensitive about their choices in product and services and their mindset is different as compare to urban consumers so product awareness and communication also need to be design and executed as per their perception. The product and services should not be only made available at right time at right place but should be acceptable by rural people.

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