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Deficiencies in Agricultural Marketing and Input Delivery System: A View from the Field

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Abstract

The deficiencies in the public delivery system in agriculture have been highlighted on the basis of a field survey of nearly 3500 farmers in Uttar Pradesh conducted in 2010. The survey has revealed that farmers face various problems related to agricultural marketing and delivery of inputs. The main problems reported are non-availability or insufficiency and high cost of credit; high cost of irrigation and irregular supply of electricity, and non-availability of fertilisers and good quality seeds when required. High input prices is another area of concern. The problems of transportation of produce to market and lack of storage and processing facilities have also been mentioned as major constraint by a majority of farmers. The paper has suggested that there is a clear need of revamping input and service delivery systems at the grass root level so that the problems faced by the farmers could be effectively addressed.

Key words: Agricultural marketing, inputs delivery, farmers' problems, Uttar Pradesh

JEL classification: Q13, Q12

Introduction

An efficient service delivery system for agricultural inputs is an essential pre-requisite of agricultural development. The central and state governments have been playing an important role in providing inputs and support services to farmers through the state departments of agriculture and other specialized organisations. However, over time, the effectiveness of these institutions has been seriously eroded for a variety of reasons including inadequate staff, lack of funds and absence of motivation among service providers. Moreover, most of the benefits of agricultural support system are cornered by large and medium farmers, and small and marginal farmers remain largely neglected. Thus, there are a number of deficiencies in the public delivery system in the field of agriculture. In this paper, we have discussed the views of farmers about the problems they face in

accessing various inputs and services and selling their output.

Data and Methodology

This paper is based on the findings of a field survey of nearly 3500 farmers in Uttar Pradesh. The study was sponsored by the Planning Department, Government of Uttar Pradesh, with a view to find out income levels and conditions of farmers in the state. The data referred to the agricultural year 2009-10 and the survey was carried out during June to December 2010. A multistage stratified random sample design was followed to identify the sample farmers. The nine agro-climatic zones in the state were taken at the first stage of sampling. From each zone, 5 per cent of the blocks were selected. The selected blocks were distributed over the districts within the zone. At the second stage, two development blocks were selected from every selected district-one from blocks with higher agricultural productivity and the other from blocks with lower agricultural productivity. At the third

stage, two villages from each of the selected blocks were randomly selected. At the final stage, about 15 per cent of the total farm households in the village representing different land-size classes were selected for survey.

Thus, our sample represented 24 districts, 42 blocks, 84 villages and covered 3474 farm households. The total farm households comprised about 60 per cent marginal farmers, 25 per cent small farmers, 11.4 per cent medium farmers and 4.4 per cent large farmers. Data were collected on different aspects of agricultural economy by trained field staff through personal interviews using a detailed questionnaire.

Results and Discussion

Problems of Marketing

It is well-known that agricultural marketing in India is full of deficiencies and farmers are not able to get a fair share in the price paid by the consumers. Our survey revealed that farmers sell more than half of their produce to the traders, 28.3 per cent to the wholesalers, 25.8 per cent to the village traders and only 14 per cent to the government agencies. Nearly same proportion is sold by the farmers at the regulated markets. Only 5.6 per cent of the output is sold to the cooperative societies. Hardly 2.3 per cent output is sold directly to the consumers. The remaining 10 per cent output is sold to other agencies like money lenders, agro-processing units, etc. These figures indicate that agricultural marketing in the state is dominated by traders, and the role of government agencies is quite limited. As a result, farmers do not get a fair value of their produce.

About 58 per cent of total produce is sold by the farmers just after harvesting. One-third farmers reported that they sell their produce within the village and another 21.6 per cent sell their produce within 2 kilometres from their farmgate. About one-fourth farmers reported selling of their produce within 2 to 5 km from their farms. The point of sale was more than 5 km away from the farm in case of about 20 per cent farmers.

Farmers face a lot of problems in selling their output in regulated markets (Table 1). Nearly three-fourths of the farmers surveyed complained of undue deductions. Often, the produce is declared of lower

Table 1. Problems faced in sale of output in regulated market

Type of problem	(per cent)	
	Yes	No
Undue deductions	73.37	26.63
Lack of transport facilities	69.33	30.67
Long distance from market	64.32	35.68
Delayed payment	62.94	37.06
False weighing	50.24	49.76
Small marketing surplus	20.47	79.53
Low price	19.72	80.28

quality and hence lower price is offered. More than two-thirds of the farmers surveyed complained about the long distance to the market and lack of transport facilities. Delayed payment and false weighing were the other common problems faced by the farmers. About 20 per cent farmers opined that they face problems in marketing as they have small surplus to sell.

Farmers were asked to rank the problems they faced in marketing their produce in order of their importance. About one-fifth farmers ranked lack of transport facilities as the major problem in marketing and another 17.2 per cent ranked it as the second most important problem (Table 2). False weighing was mentioned as the most important problem by 19.1 per cent farmers and as second most important problem by 14 per cent farmers. Undue deductions, delayed payments and long distance from market were mentioned as the most important problem by about 16 per cent farmers in each case. Very few farmers mentioned low price as a problem.

Access to Extension Services

With a view to assess the role of the government extension system, the farmers were asked about the frequency of visit of the extension workers. Only 15 per cent farmers reported that the Block Development Officer (BDO) visits them, while 27 per cent revealed that Agriculture Development Officer (ADO) has visited them (Table 3). Visits by the officers of the agriculture department were reported by 37 per cent farmers. Visits by the employees of the agricultural university were reported by only 2.5 per cent farmers. The majority of farmers said that the frequency of visits

Table 2. Ranking of problems of marketing by their importance

(per cent)

Type of problem	Ranking of problems		
	Most important	Second most	Third most
Lack of transport facilities	19.57	17.18	13.93
False weighing	19.11	14.02	8.12
Undue deductions	16.98	11.14	11.05
Delayed payment	16.55	15.37	5.33
Long distance from market	16.38	16.75	12.23
Small marketing surplus	5.35	6.42	3.11
Low price	4.20	4.00	2.65

Table 3. Details of visits of government officers for extension services

(per cent)

Extension agency	Visits by government officers		Frequency of visits in a year		
	Yes	No	Less than 2	2 to 4	More than 4
B.D.O.	15.1	84.8	73.7	11.5	14.8
A.D.O.	27.0	72.9	58.3	29.2	12.5
Agriculture officers	37.4	62.5	53.4	26.7	19.9
Employees of agricultural university	2.5	97.4	94.6	2.4	3.0
Employees of farmer service centre	19.6	80.3	70.9	22.6	6.5
Employees of other public institutions	5.3	94.7	89.5	6.6	3.9

was less than 2 times in a year. The frequency of visits was relatively higher by the ADOs and officers of the agriculture department. Thus, it appears that the public extension agencies are not performing their task adequately and their contact with the farmers is limited. A large number of farmers reported that they have never come in contact with the employees of the public extension agencies.

Problems in Procuring Agricultural Inputs

The problems faced by the farmers in procuring various types of agricultural inputs are listed in Table 4. The main problems reported in the case of credit is non-availability or insufficiency of credit and high cost. The most important problem related to irrigation reported by the farmers is its high cost. About one-sixth farmers also complained about lack or insufficiency of irrigation water. Insufficiency and non-availability were mentioned as the most important problems related to electricity supply. Problems in the

supply of fertilisers were mentioned by the maximum number of farmers. The most important problem with respect to fertilisers was their high price, followed by lack of availability and insufficiency of supply. Poor quality and adulteration of fertiliser were also reported by many farmers. High cost and poor quality were again mentioned as the main problems associated with manure and pesticides. The major problem reported with respect to agricultural equipments was their high cost.

Problems Related to Irrigation

Details about the problems related to different sources of irrigation are shown in Table 5. The problems of erratic electric supply and high cost were mentioned as important constraints affecting tubewell irrigation. High cost emerged as the most important problem with respect to irrigation by pump sets. The main problems related to canal water were non-availability on time and insufficient availability.

Table 4. Problems faced in purchasing agricultural inputs and equipment

(per cent)

Type of problem	Non-availability	Insufficient supply	Highcost	Poor quality	Adulteration
Credit	12.99	13.27	15.49	0.06	0.00
Irrigation	17.39	17.22	53.70	0.35	0.14
Electricity supply	17.45	32.02	12.81	0.43	0.20
Fertilizer	28.10	26.86	63.98	18.49	18.40
Manure	16.21	19.09	71.61	21.85	8.55
Pesticides	8.00	7.86	77.40	29.37	9.56
Agricultural equipments	4.84	6.10	39.97	2.74	1.35

Table 5. Irrigation related problems

(per cent)

Source of irrigation	Non-availability on time	High maintenance cost	High cost	Insufficient electric supply	Insufficient availability of water
Canal	12.29	-	-	-	6.39
Tube-well	16.53	13.01	22.80	37.55	11.34
Pumping set	14.25	32.39	49.09	2.36	17.42
Pond/Well	0.78	0.29	0.63	0.17	2.59

Access to Credit

Access to credit is another important problem faced by the farmers. The main complaints about credit from commercial banks in order of importance were the lengthy process, non-cooperative attitude of the bank officials and high rate of interest (Table 6). Inadequate amount and non-availability of loan in time were also mentioned as the problems in availing loans from commercial banks. The complaints were relatively less

with respect to credit obtained from cooperative societies, money lenders and other private sources.

Problems Faced after Harvesting

A large number of farmers also mentioned problems related to marketing and storage (Table 7). The problem of transportation of produce to market was mentioned by three-fourths of the farmers. More than half of the respondents complained about storage

Table 6. Problems in availing loan

(per cent)

Credit agency	Inadequate loan amount	Non-availability on time	High rate of interest	Demand of collateral	Long process	Non-cooperation of officials
Commercial bank	13.59	14.08	20.07	6.13	29.89	22.89
Cooperative bank	2.88	3.40	3.51	1.21	8.78	4.43
Money lender	0.29	0.12	4.84	3.08	0.03	0.37
Landlord	0.03	0.14	2.68	3.54	0.00	0.66
Trader	0.09	0.14	0.43	0.32	0.03	0.66
Input supplier	0.40	0.32	0.29	0.09	0.06	0.58
Relatives/friends	0.60	1.12	0.06	0.12	0.06	1.84
Others	0.03	0.03	0.26	0.06	0.20	0.14

Table 7. Problems faced after harvesting

Type of problem	(per cent)	
	Yes	No
Transportation	73.86	26.14
Storage	53.12	46.88
Marketing	19.23	80.77
No value addition	12.78	87.22
Processing	11.00	89.00
Low quality	6.13	93.87

problem. Marketing was mentioned as a problem by about one-fifth farmers. Low value addition and lack of processing facilities were also mentioned by a number of farmers.

Suggestions Made by Farmers

Farmers were also asked to give suggestions for addressing the problems they face. Table 8 summarises the main suggestions offered by the farmers. The most acutely felt problem faced by the farmers was timely supply of fertilisers and sufficient availability of good quality seeds. Over 70 per cent farmers interviewed said that arrangement for timely supply of fertilisers and good quality seeds should be made by the government. Irrigation is another important area of concern for farmers. About 41 per cent farmers wanted that more public tubewells should be installed. About one-fourth farmers wanted regular electric supply.

Table 8. Suggestions made by farmers

Suggestion	Percent of farmers
Govt. should provide fertilizer on time	72.6
Govt. should provide good quality seeds	70.6
More public tube-wells should be installed	41.4
Ensure regular supply of electricity	25.8
Information about new agricultural techniques should be provided	23.3
Open soil testing centre at block level	22.4
Open government purchase centre in village	18.3
Canal water should be released in time	15.5
Govt. should provide pesticides at low cost	15.5
Kisan Credit Card should be provided to all farmers	7.7
Loans should be provided at low rate of interest	7.7
Govt. should take up free boring	3.9

Some 15 per cent farmers suggested that canal water should be released in time and about 4 per cent wanted free boring.

The farmers were conscious about the developments in agriculture and about 23 per cent farmers wanted that adequate arrangement should be made for providing information about new agricultural techniques and 22 per cent farmers demanded that soil testing centres should be opened at the block level. For smooth marketing of their produce, opening of government purchase centres at the village level was demanded by 18.3 per cent farmers. About 15.5 per cent farmers favoured supply of pesticides at lower prices. A wider coverage of Kisan Credit Cards and loans at low rate of interest were the other demands of the farmers.

Conclusion and Policy Implications

The survey has revealed that the farmers are facing serious problems that are related to agricultural marketing and supply of inputs and services. The main problems reported in the case of credit are non-availability or insufficiency of credit amount and high interest cost. The most important problems related to irrigation reported by farmers are the high cost and irregular supply of electricity. The farmers also face problems in obtaining fertilisers and good quality seeds at the time of sowing. High cost of input prices is another area of concern for the farmers. The problem

of transportation of produce to market and lack of storage and processing facilities have also been mentioned as major problems by a large number of farmers.

The study has indicated that various public support systems for agriculture are not functioning properly and their benefits are not effectively reaching the majority of farmers. There is a clear need of revamping these programmes and the delivery systems at the grass root level so that the problems faced by the farmers are effectively dealt with. It is not merely a matter of allocating more funds and appointing staff. The whole approach to the delivery system has to change focussing on the end-user that is the farmer. It requires attitudinal changes in the officers and staff of the concerned departments and organisations as well as procedural changes to minimize paper work and time lag. Adequate advance planning is required to ensure that the critical inputs like fertilisers, good quality seed and credit are made available in time and in adequate quantity. Improvement in the power supply system to rural areas is of critical importance for improving the irrigation system. Separate feeder lines for rural areas need to be provided.

The agricultural input and credit delivery system should be re-oriented so as to serve the requirements of the small and marginal farmers. Specific targets may be fixed for this category of farmers in various government programmes and distribution of inputs and subsidies. One may think of reviving the small and marginal farmers agency to serve this section of farmers. Farmers should be encouraged to form cooperatives like farmers help groups to reap benefits of the economies of scale and to deal on better terms in the input and output market.

Finally, the public sector is probably not in a position to deliver all the services to the farmers on its own. The involvement of private sector should be encouraged and public-private partnerships may be forged to deliver the agricultural extension and input services to the farmers. 'Rural Business Hubs' may be setup under PPP mode within 5 to 10 kilometres of villages where marketing facilities for sale of output and purchase of inputs may be made available. There are many success stories in different parts of the country; these should be spread to more areas for agricultural development in the country.