



Agricultural Marketing in India: Present Setup, Challenges, Public and Private Sector Models

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Agriculture remains a cornerstone of the Indian economy, providing livelihoods to nearly 46% of the population and accounting for around 18% of the nation's GDP as of 2024. Despite its critical role, the agricultural sector faces significant challenges in marketing its produce efficiently. Agricultural marketing encompasses all activities involved in moving farm produce from producers to consumers, including procurement, grading, storing, transporting, and selling. An efficient marketing system ensures fair prices for farmers, reduces post-harvest losses, and meets consumer demands. However, in India, the system is afflicted by structural inefficiencies, inadequate infrastructure, and policy gaps, which hinder farmers' income and agricultural growth.

This article provides an in-depth analysis of agricultural marketing in India, exploring its current state, challenges, gaps, and recent improvements by public and private sector Models, it aims to provide a holistic understanding of the sector and propose actionable recommendations for sustainable development.

Present State of Agricultural Marketing in India: The agricultural marketing system in India combines age-old customs with cutting-edge methods. The primary marketing channels include:

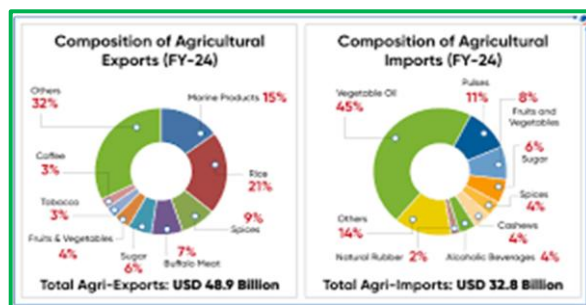
Agricultural Marketing Channels and Farmer Share in Consumer Rupee

Marketing Channel	Farmer's Share (%)	Key Features
Regulated Market (APMC)	20-25	Open auction, multiple licenses
e-NAM	45-50	Online trading, single license
Direct Marketing (FPOs)	50-60	No middlemen, collective bargaining
Village Sales	15-20	Informal, high middlemen influence

- **Rural Sales:** Farmers sell produce directly to local traders or consumers in rural markets.
- **Mandis (Regulated Markets):** Agricultural Produce Market Committees (APMCs) facilitate trade through auctions, providing price signalling and data collection.
- **Cooperative Marketing:** Farmer cooperatives pool their produce to enhance bargaining power and secure more favourable prices.
- **Direct Marketing:** Programs such as *Uzhavar Sandhai* in Tamil Nadu enable farmers to bypass middlemen and sell their produce directly to consumers.
- **Online Platforms:** e-NAM is a national online platform that links APMCs, allowing farmers to sell their produce across the country.

In 2023, India achieved a record-breaking food grain harvest, producing an impressive 315.7 million tonnes. This achievement showcases India's increasing prowess in the agricultural sector. This achievement was matched by a strong rise in farm exports, which surged by nearly 20% to reach USD 50.21 billion in the 2023-24 financial year. The country's agricultural success is gaining international recognition.

The sector has seen technological interventions, such as precision farming, drone technology, and satellite imaging, to enhance productivity and marketing efficiency. Government initiatives like the Pradhan Mantri Fasal Bima Yojana (PMFBY) and Soil Health Card Scheme further support farmers by mitigating risks and improving soil productivity. However, only two-fifths of the total agricultural marketable surplus is traded at APMCs, indicating limited reach. Small and marginal farmers, who constitute 86% of India's farming population, often rely on informal channels, leading to exploitation by middlemen. The introduction of the Agricultural Produce and Livestock Marketing (Promotion & Facilitation) Act, 2017, and e-NAM aims to promote transparency and reduce transaction costs, but adoption remains uneven across states.



Challenges in Agricultural Marketing: The Indian agricultural marketing system faces multifaceted challenges that undermine its efficiency and fairness. Below are the key issues:

1. Inadequate Infrastructure

- **Storage Facilities:** Approximately 1.5% of produce is lost due to improper storage in rural areas, where farmers use unscientific methods like pits and mud vessels. The lack of cold storage and warehousing leads to significant post-harvest losses, especially for perishable goods like fruits and vegetables.

Post-Harvest Losses by Commodity (2023)

Commodity	Loss (%)	Primary Cause
Cereals	4-6	Improper storage
Fruits	10-15	Lack of cold storage
Vegetables	12-18	Poor transportation
Pulses	6-8	Inadequate warehousing

- **Transportation:** Inadequate rural road connectivity increases transportation costs, which farmers often bear. Irrigation facilities cover only 52% of the cultivated land, adding to the logistical challenges faced by Indian agriculture. **Market Yards:** Many APMC mandis lack modern facilities for grading, weighing, and quality testing, leading to inefficiencies.
 - **Market Information Gap:** Farmers lack timely access to market prices, demand trends, and supply dynamics, forcing them to rely on middlemen. Studies indicate that the lack of proper dissemination of market information is a primary reason for poor marketing outcomes.
 - **Low Literacy Levels:** With literacy rates among farmers lower than the national average, understanding market dynamics and adopting technology is challenging.
- ### 2. Exploitation by Middlemen:
- In conventional markets, intermediaries' control much of the supply chain, often limiting farmers to just 20–25% of the final consumer price, whereas platforms like e-NAM can raise their share to 45–50%. Small-scale farmers, lacking sufficient bargaining strength, are frequently compelled to sell their produce at reduced prices, largely due to indebtedness to local moneylenders.
- ### 3. Lack of Grading and Standardization:
- The prevalent practice of “dara” sales, where produce of varying qualities is sold in a single lot, deprives farmers of better prices for high-quality goods. This hampers efforts to enhance quality and weakens confidence among consumers. Poor standards ultimately erode the faith that buyers place in products.
- ### 4. Policy and Regulatory Challenges
- The APMC system, while providing price stability, have complaints about restrictive regulations and oligopolistic practices by buyers. The repealed Farm Laws of 2020 aimed to liberalize markets but faced resistance due to fears of reduced state support.

- Frequent changes in trade policies, such as import duty adjustments, disrupt the agro-processing sector and farmer incomes.

5. Climate and Productivity Issues

- Climate change, with erratic monsoons and heatwaves, reduces yields by 15- 18% in unirrigated areas, impacting marketable surplus.
- Low productivity due to outdated farming techniques and inadequate access to quality seeds further limits market competitiveness.

Gaps in the Agricultural Marketing System: Despite efforts to modernize, several structural and operational gaps persist:

- **Limited Reach of Regulated Markets:** Only 40% of agricultural produce is traded through APMCs, leaving the majority in informal markets prone to exploitation. Smallholders, especially those producing high-value crops like fruits and vegetables, find regulated markets restrictive.
- **Inefficient Supply Chains:** Fragmented and weak supply chains result in high post-harvest losses (estimated at 10-15% for perishables) and increased costs. The lack of vertical integration between production and marketing limits value addition.
- **Low Adoption of Technology:** Technologies like e-NAM and mobile apps are underutilized due to low digital literacy and poor internet connectivity in rural areas. Only a fraction of farmers uses precision farming or drone technology, despite government subsidies.
- **Financial Constraints:** Access to credit remains a significant barrier, with many farmers relying on high-interest loans from private moneylenders. Subsidies on power and fertilizers dominate government expenditure, crowding out investments in marketing infrastructure.
- **Lack of Diversification:** Indian agriculture is heavily focused on staple crops like rice and wheat, with only 17% of arable land used for horticultural crops. This reduces income opportunities and increases market risk.

Improvements and Reforms: India has undertaken several initiatives to address these challenges and bridge gaps in agricultural marketing:

1. Policy Reforms

- **e-NAM:** Launched in 2016, e-NAM integrates APMC mandis into a unified online platform, enabling transparent auctions and reducing transaction costs.

As of 2023, 19 states/UTs have adopted e-NAM, with single-point market fees and online trading.

- **APLM Act, 2017:** This model act promotes state-level reforms, such as single trading licenses and e-trading provisions, to enhance market efficiency.
- **Direct Marketing:** Initiatives like Tamil Nadu's Uzhavar Santhai and Farmer Producer Organizations (FPOs) empower farmers to bypass middlemen.

2. Technological Advancements

- **Precision Farming and Drones:** The Namo Drone Didi scheme aims to provide drones to 15,000 women Self-Help Groups (SHGs) by 2025-26, enhancing crop monitoring and marketing efficiency.
- **Mobile Apps and ICT:** Platforms like Kisan Suvidha and AgriMarket provide real-time market prices and weather updates, bridging information gaps.
- **Satellite Imaging:** ISRO's RISAT-1A satellite supports crop assessment, aiding market planning.

3. Infrastructure Investments

- **Cold Storage and Warehousing:** The government is expanding cold storage facilities to reduce post-harvest losses. The Central Warehousing Corporation and State Warehousing Corporations have improved storage capacity.

- **Rural Connectivity:** Under the PMGSY, rural road connectivity is strengthened, making it easier to reach markets.
- 4. Financial Support**
- **PMFBY:** The crop insurance scheme mitigates financial risks from crop failures, enabling farmers to invest in marketing.
- **Credit Facilities:** Cooperative societies and commercial banks are expanding low-interest loans to farmers, reducing dependence on moneylenders.
- 5. Diversification Efforts**
- The push for millets, declared the International Year of Millets in 2023, encourages crop diversification to enhance soil health and farmer incomes.
- High-value crops like fruits and vegetables are being promoted through contract farming and export-oriented policies.

Future Recommendations: To transform agricultural marketing into a robust engine for growth, the following strategies are recommended:

1. **Enhance Infrastructure:** Investing in cold storage, modern market yards, and rural road networks to reduce losses and improve access. Allocating funds to high-yield irrigation projects would be a smart move for the government.
2. **Promote Technology Adoption:** Scaling up training programs under schemes like Pradhan Mantri Kaushal Vikas Yojana (PMKVY) to improve digital literacy among farmers. Expand internet connectivity in rural areas to support e-NAM and mobile apps.
3. **Strengthen FPOs:** Providing financial and technical support to FPOs to enhance collective bargaining and direct marketing.
4. **Encourage Diversification:** Promoting high-value crops and organic farming through subsidies and market linkages. The model that boosted millet production can be extended to other crops.
5. **Reform APMC Regulations:** Simplifying licensing and fee structures to make APMCs more accessible to small farmers.
6. **Improve Credit Access:** Expanding low-interest loans through cooperatives and banks, reducing dependence on moneylenders.
7. **Leverage Public-Private Partnerships:** Encouraging private investment in agro-processing and value chains to enhance market competitiveness.

Public and Private Sector Initiatives and Reforms Needed in Agricultural Marketing in India: Despite these initiatives, structural and operational gaps hinder agricultural marketing efficiency. The following reforms are critical to address challenges like infrastructure deficits, middlemen exploitation, and limited market access:

1. Strengthening Market Infrastructure:

Need: Only 9% of mandis have cold storage, and 25% lack grading facilities. Markets are supposed to be every 80 sq km, but they're currently spread much farther apart.

Reorganization: The plan is to upgrade mandis with cutting-edge infrastructure, including solar-powered cold storage, drying yards, and grading units, to improve efficiency and reduce losses. The Ashok Dalwai Committee has suggested to build 10,000 wholesale and 20,000 retail markets for optimal density over five years.

Action: Allocating funds spreading over five years to upgrade existing 5,000 mandis and build 3,000 new ones.

2. Promoting Private Sector Participation:

Need: APMC laws restrict private markets, limiting competition. Only 8% of fruits and 25% of vegetables pass through APMCs, indicating a shift to informal channels.

Reform: Amending APMC Acts to allow private mandis and unified licensing, as in Karnataka's Rashtriya e-Market Services (ReMS) model. Providing subsidies for private investment in cold chains and warehousing can boost infrastructure and benefit the agricultural sector.

Action: Introducing a national policy framework for barrier-free trade, as proposed in the 2024 draft by the Ministry of Agriculture.

3. Enhance Digital Adoption:

Need: Low digital literacy (25% among farmers) and poor rural internet (30% 4G coverage) limit e-NAM and ICT benefits.

Reform: Scaling up training under Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and expand 5G connectivity in rural areas. Integrate e-NAM with mobile apps for seamless access.

Action: Training 10 million farmers in digital tools by 2030 and ensure 80% rural 5G coverage.

4. Reduce Middlemen Influence:

Need: Middlemen reduce farmers' share to 20-25% in traditional channels.

Reform: Promoting direct marketing through FPOs and local markets like Gramin Agricultural Markets. Contract farming laws can provide a safeguard for farmers, promoting equitable deals and reducing disputes.

Action: Expanding FPOs to 50,000 by 2030 and enforce transparent pricing in mandis.

5. Reform MSP and Procurement:

Need: The MSP's reach is limited, benefiting just 6% of farmers, and its procurement is largely confined to rice and wheat in select states, leaving many farmers without support.

Reform: Extending MSP to all 23 crops with a legal guarantee and diversify procurement to include pulses and oilseeds. Consider expanding the Price Deficiency Payment Scheme (PM-AASHA) to cover more crops and benefit a larger number of farmers.

Action: Establishing procurement centres in 80% of districts by 2028.

6. Encourage Crop Diversification:

Need: Over-reliance on rice and wheat (51% of net sown area) limits income and market resilience.

Reform: Promoting high-value crops like millets, fruits, and vegetables through subsidies and market linkages. Leverage public procurement (e.g., mid-day meals) for millets.

Action: To promote economic growth and development, a significant investment of ₹50,000 crore has been earmarked for diversification schemes, aiming to achieve this goal by 2030.

7. Streamline Policy Implementation:

Need: Uneven state adoption of reforms due to agriculture being a state subject slows progress.

Reform: Fostering cooperative federalism through inter-state councils and incentivize states with high reform scores (e.g., Karnataka, Gujarat).

Action: Creating a national agricultural marketing board to coordinate reforms and monitor progress.

8. Enhance Credit Access:

Need: 40% of farmers rely on high-interest loans from moneylenders, forcing distress sales.

Reform: Expanding low-interest loans through Primary Agricultural Credit Societies (PACS) and banks. Introduce warehouse receipt financing for post-harvest storage.

Key Initiatives and Their Impact (2023)

Initiative	Type	Coverage	Impact
e-NAM	Public	1,000+ mandis, 19 states/UTs	₹2.5 lakh crore traded, 45-50% farmer share
FPOs	Public	10,000 FPOs	50-60% farmer share in direct sales
Agriculture Infrastructure Fund	Public	₹1 lakh crore allocated	10% increase in storage capacity
ITC e-Choupal	Private	4 million farmers	Reduced intermediaries, 50% farmer share
Ninjacart	Private	100,000 farmers, 10 states	50-55% farmer share, 5% loss reduction

Conclusion

Agricultural marketing in India is at a crossroads, with significant potential to drive economic growth and improve farmer livelihoods. While challenges like inadequate infrastructure, information gaps, and middlemen exploitation persist, recent reforms like e-NAM, FPOs, and technological advancements offer hope. The statistical insights underscore the urgency of addressing post-harvest losses and enhancing market access. By implementing targeted recommendations, India can transform its agricultural marketing system into a dynamic, inclusive, and sustainable framework, ensuring fair returns for farmers and food security for the nation.

Public initiatives like e-NAM, FPOs, and infrastructure funds, combined with private efforts in contract farming, e-commerce, and technology, have transformed agricultural marketing in India. However, challenges like inadequate infrastructure, middlemen dominance, and uneven policy adoption persist. Reforms focusing on infrastructure upgrades, private sector integration, digital adoption, and MSP expansion are essential to create a competitive, transparent, and remunerative marketing system. Collaborative efforts between government, private players, and farmers, underpinned by cooperative federalism, will ensure sustainable growth and empower India's 86% small and marginal farmers to thrive in a globalized market.

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