
A critical study on understanding the importance of grading and standardisation of agricultural produce on its marketability and bargaining power of farmers

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Abstract

Rise in the production of various agricultural produce is not sufficient for the economic development process in this country and also of the farmers. It also requires a scientific and systematic marketing system for the purpose of marketing agricultural produce in domestic market as well as in international market. Marketing of agricultural produce means a series of activities involved in the movement of agricultural produces from the point of production to the point of consumption. According to experts, agricultural marketing comprises all operations involved in the movement of farm produce from the farmer to the ultimate consumer. Agricultural marketing essentially includes the operations like collecting, separation, grading, standardising, processing, preserving, transportation and selling.

Since independence in India, agricultural marketing is characterized by pervasive government intervention. This intervention took place for various purposes in various forms. With the passage of time the need for agricultural marketing also changed. In the initial period, marketing for agriculture was required to increase productivity, provide a market for agricultural produce, arrangement for agricultural credit, Etc. But in today's scenario, agricultural marketing is needed to enhance the efficiency of the producers to market their agriculture produce so that they can earn desired market margin, especially due to the deficiency of proper grading facilities and standardised measures for categorisation of agricultural produce at the farmers' level. This essentially leads to weak bargaining power of farmers, lower price for agricultural produce and eventually the lower margins.

Keywords- Grading, standardisation, marketing and standardisation, Agriculture produce

Objectives-

1. To understand the major problems of agricultural marketing
2. To underline the role of government for the development of agricultural marketing in the context of grading and standardisation of agricultural produce
3. To understand the impact of grading and standardising on profitability of farming

Introduction-

Grading and standardization is a marketing function, which facilitates the movement of produce. Without standardization there is confusion and unfairness as well. Standardization is a term used in a broader sense. Grade standards for commodities are laid down first and then the commodities are sorted out according to the accepted standards. The produce is graded according to quality specifications. But if these quality specifications vary from seller to seller, there would be a lot of confusion about its grade. The top grade of one seller may be inferior to the second grade of another. This is when buyers lose confidence in grading. To avoid this eventuality, it is necessary to have fixed grade standards, which are universally accepted and followed by all in the trade.

It is a prerequisite for mass marketing and widening the market for produce. The adoption of standards may be either mandatory or voluntary. Grading refers to the process of assessing the intrinsic value of commodities. Grading ensures that produce of a higher quality defined in terms of freshness, size, colour and other product features brings a premium in the market for the producer. Grading assists the customer in exercising his choice and also provides him with an assurance of quality. Grading and standardisation increase quality-consciousness in commodity markets.

Standardization is determination of the standards to be established for different commodities. The standardization can be 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.

Standards are established on the basis of certain characteristics-such as weight, size, colour, appearance, texture, moisture content, staple length amount of foreign matter, ripeness, sweetness, taste, chemical content, etc. termed grade standards. Thus, standardization means making the quality specifications of the grades uniform among buyers and sellers over space and time.

Grading can be defined as the sorting of the unlike lots of the produce into different lots according to the quality specifications laid down. Each lot has substantially the same characteristics in so far as quality is concerned. It is a method of dividing produce into certain groups or lots in accordance with predetermined standards. Grading follows standardization. It is a sub-function of standardization.

Research Methodology-

In this research that is based on secondary data, the researchers take into account the insights derived from relevant studies undertaken and survey conducted by various researchers and institutions in the subject area. This research is essentially aimed at understanding the importance of grading and standardising on profitability of farming. Researchers have also considered the views/ opinions expressed and experiences shared by the experts in the subject area under consideration.

Literature Review-

The agricultural marketing can be defined as the commercial functions involved in transferring agricultural produce consisting of farm, horticultural and other allied produce from producer (farmer) to consumer. Agricultural marketing also reflect another dimension from supply of produce from rural to rural and rural to urban and from rural to industrial consumers.

According to the research article based on the work of the Task Force on Agricultural Development constituted by the National Institution for Transforming India (NITI) Aayog, Government of India in March 2015, titled Raising Agricultural Productivity and Making Farming Remunerative for farmers, India is focusing on a set of policy issues confronting Indian agriculture. The objective of this study was to come up with recommendations that would give direction for second Green Revolution in India and sustain healthy growth in agriculture. In this case, the five major issues that have been chosen are measures necessary to raise productivity, policies ensuring remunerative prices for farmers, reforms necessary in the area of land leasing and titles, a mechanism to bring quick relief to farmers that are affected by natural disasters, and initiatives necessary to spread Green Revolution to eastern states.

Along with other conclusions, this research also concludes that in the post-reform era, India has relied more heavily on prices to expand agricultural production with technology and other non-price factors taking backseat. This has had the negative side effect of relatively high food inflation and cyclical growth pattern. In the process, the technological factors have been neglected and the imbalance needs to be addressed. (NITI Aayog, Government of India, 2015)

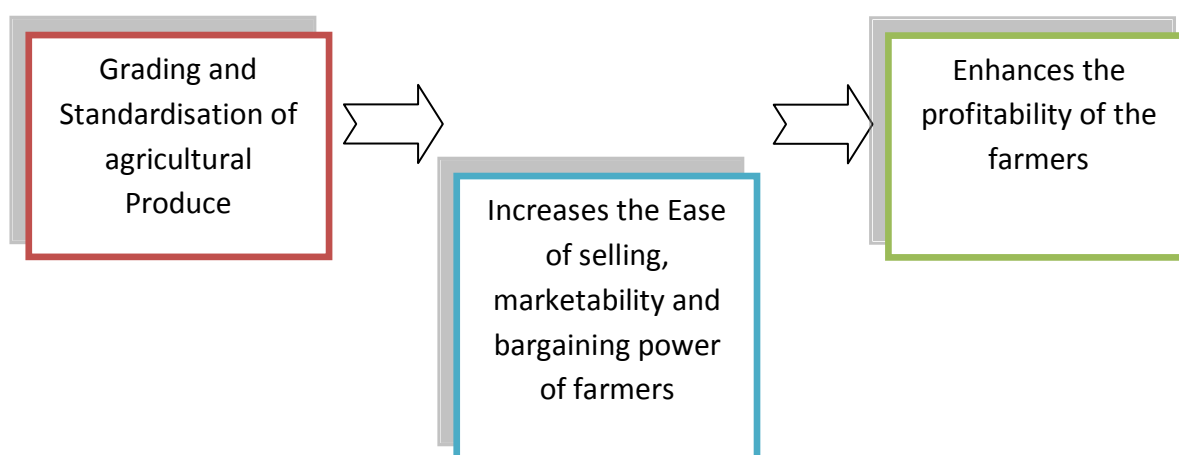


Figure 1- Theoretical Framework

According to a report by FICCI titled, Agriculture Marketing-An Overview and Way Forward, there is strong need to create conducive conditions such as inter-state trading license, grading, standardization, and quality certification for promoting a nation-wide, single agricultural market. The report further argues that the crucial market infrastructure that has been lacking and whose importance is likely to grow exponentially is grading and certification infrastructure. The present day grading or sorting in APMCs is restricted to sieving and fanning to remove foreign material. Most of the processes are manual and unscientific. The private sector should be encouraged to provide these services and farmers may be charged some user fees for certain basic quality tests and certification. Properly graded stock will lead to distant buyers developing trust in the system and enhance inter-state trade of agricultural produce using online platform.

The report argues that even as these changes are taking place, small and marginal farmers face many issues as the lots they sell individually are small. This reduces their bargaining power and they usually have to settle for lower prices. Small lots also lead to uneconomical costs of transportation, scientific quality assessment, and grading. This affects the overall price realization. Awareness about storage, financing against stored goods etc. also needs to be improved. On the other hand, the lack of integrated warehousing and financing services also creates impediments

in effective implementation of any government schemes or private sector initiatives. Informal credit, at high interest rates, keeps the farmer tied to the lender. Thus the farmer is forced to sell to the lender, at the price offered by the latter, irrespective of the prevailing or potential prices.

Appropriate grading, quality assessment and certification will also encourage formal financial institutions to lend against stored goods as they would understand the shelf-life of the commodity. Grading can help in developing customized financing products. Once the farmer sees a benefit in such steps, he is more likely to clean and dry the produce before bringing it to the market. While the private sector will find it attractive to invest in such infrastructure, the government should provide the basic infrastructure such as space in the market yards on which the additional infrastructure can be built. Thus we might need public-private participation in several ways and the policy should be amendable to promote such public-private partnership in many ways.

The authors of the reports also stated that value addition in agricultural commodities helps to raise the price the commodity earns. Even basic value addition such as cleaning and grading of grains, sorting of fruits and vegetables and primary processing activities such as cutting, dicing and packing fruits and vegetables can also help in raising farmers returns. Value addition is an important step that cannot be looked away if the vision of doubling farmers' incomes has to be realized.(FICCI- Agriculture Division, 2017)

According to Alex Danau, Julie Flament and Daniel Van Der Steen the prices paid to the farmers are obviously a crucial element of their return on investment (RoI). Various methods for computing the prices can be used: The prices may be set (often linked to a grading scheme), flexible (according to a formula linked to market trends), cash (or 'spot') prices (based directly on the market), consignment prices (prices calculated once the commodities have been marketed and sold), or fractionated (the agreed basic price is paid upon delivery and the final price is calculated after the commodity is sold and depends on the market price). A price that has been set in advance transfers the producer's marketing risk to the buyer and thus gives the farmers a certain amount of security, whereas a variable price maintains the risk and uncertainty for the farmers. However, whether the prices are set or variable, the prices' levels are decisive for the farmers and depend on their abilities to bargain, which ultimately influence by the way farmers grade and standardise their produce. The authors opined that the farmers' organisations should take on a variety of functions in addition to their primary function of marketing their members' produce, for example, sorting, grading, storing, and packaging the products.(Danau, Flament, & Van Der Steen, 2011)

A. Vadivelu and B.R. Kiran (2013) stated that in order to avoid isolation of small-scale farmers from the benefits of agricultural produce they need to be integrated, educated and informed out the knowledge of grading and standardising. The researchers also opined that farmers should be educated with the impact of factors like demand fluctuations and supply on their profitability and how grading and standardising is key to success. Marketing of agriculture produce can be made effective if it is looked from the collective and integrative efforts from various quarters by addressing to farmers, middlemen, researchers and administrators. The researchers further stated that it is high time for bringing out significant strategies in agricultural marketing with innovative and creative approaches to increase the marketability of the farm produce.

Ying LIU in the research based on Standard of Agricultural Products' Online Sales in Hubei Province, which was based on International Beneficial Experience found that, from the development of the construction standard among representative countries and international organizations; online sales of agricultural products is necessary and imminent. The researcher

argued that Special standards organizations should be set up, and related infrastructures needs to be improved.

The researcher further argued that, from the development of the construction standard among representative countries and international organizations, online sales of agricultural products is necessary and imminent. Special standards organizations should be set up, and related infrastructures should be improved; Combined with the actual situation, based on the national standards and international standards, it should be formulate online sales standards of agricultural products, which accompany with regional characteristics.(LIU, 2017)

G.Rajendran and P.Karthikesan in their research titled Agricultural Marketing In India-An Overview argued that Indian industries should show greater enthusiasm in the businesses of agriculture and be more active to market the country's farm produce. Here the separation, grading and standardisation would play a major role. The researchers further added that, there are multiple technology choices and paths for achieving these objectives. Those resources need to be exploited. (Rajendran & Karthikesan, 2014)

Dr. G. Karthikeyan in the research titled Problems in the Marketing of Agricultural Goods opined that the government should take necessary steps to increase storage and warehousing facilities to remove the defects in agricultural marketing. Farmers Association should take necessary steps for fixation of standards and grades of commodities. The researcher further argued that holding of auction sales by Agricultural departments to ensure increased price to the cultivators and the farmers should form an association themselves with government and NGOs to get fair information about the market situation. (Karthikeyan, 2016)

Hypothesis-

This is a secondary research essentially based on the literature of review, so hypothesis has not been formulated.

Findings of the study-

It has been found that traders frequently downgrade the produce of the farmers. Small farmers are in the habit of selling their whole “marketing lot”. No distinction is made between bad and good produce. Absence of scientific grading robs the farmer of due benefits and it acts as a disincentive for quality-improvement efforts.

The grading and standardisation helps the farmers to increase the demand for their produce. Customers do not bother to enquire about the goods graded, as they are very easy to be sold. Therefore, marketing of graded goods becomes easy.

This certainty provides farmers a reasonable price for their produce and provides standard goods of uniform quality to customers at reasonable prices. It helps the farmers as well as the buyers. This practice is also helpful for ensuring the future contracts for the farmers, which gives a sustainable demand for their produce. Supply contracts may be entered into future for graded products as the identification of graded products become easy and different types of products are divided into different groups. As grading and standardisation increases bargaining power of farmers, it also makes price more reasonable to grades and there would be difference in price as per quality.

The farmers can avail loans based on stored produce as per the grade and easier to understand quality available for each grade in case of bulk sale. Based on grades, quality and quantity, it is easy to estimate value for loans against stock. Price comparison by consumers is easy to due to

grade identity. The buyer expects least or no risk in his purchases. Grading also helps to create perfect competition in the market as it will set a good standard of equivalent grades and materials competition. Overall marketing cost can be reduced as repeat evaluation, spot separation (grading) and doubts in the mind on consumers are avoided.

Conclusion and Recommendation –

The Central and State governments need to create an enabling policy environment for technology developers to invest in research and innovation. Their intellectual property and interests have to be protected in the areas like grading and standardising. Technology is only an enabler. It should empower the farmer and not enslave him. Farming is a production activity. The farmer will have his own reasons for using, or not using technology. Governments have to build capacity among farmers to progressively adopt and absorb modern science and technology tools.

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