

# Unleashing Rural Economic Potential by Developing Agricultural Marketing

(Based on first-hand empirical survey in Kathikund block of Dumka district, Jharkhand)

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*(Keywords: Rural, Agricultural Marketing, Agribusiness, Rural entrepreneurship, Linkage between Low-cost producer and high-end consumers, Supply Chain Management)*

## **Background:**

Nearly 70% of India's population live in rural areas and much of the poverty is concentrated there. This observation is so true since times immemorial that it has transformed into a truism; sensitivity to this truth has reached a saturation level. What is more worrying is that the various implementing agencies, including Government departments, financial institutions and the farmers; all seem to have reached a level of "Learned helplessness". This condition was glaring in the rural area of Kathikund, Dumka district which has among the lowest HDI (4.7) in Jharkhand. In spite of being surrounded by a plenty of problems, such rural areas in India possess a lot of potential.

The observations and the proposals made in this report is the result of the first-hand empirical survey in Kathikund block of Dumka district, Jharkhand, incidental to the data collection by the research scholar for his Ph.D. dissertation (ICFAI, Ranchi, Jharkhand). This study postulates a different solution to the problem of low income of the people (BPL – 50%), i.e. creating opportunities for marketing of agricultural products. Inadequacy of agricultural marketing or inadequate thrust on it has been the major cause of economic backwardness of such areas, which otherwise are endowed with abundant natural resources. It views agricultural marketing as the key business growth driver.

## **A brief profile of Kathikund; Geography, Economy and HDI:**

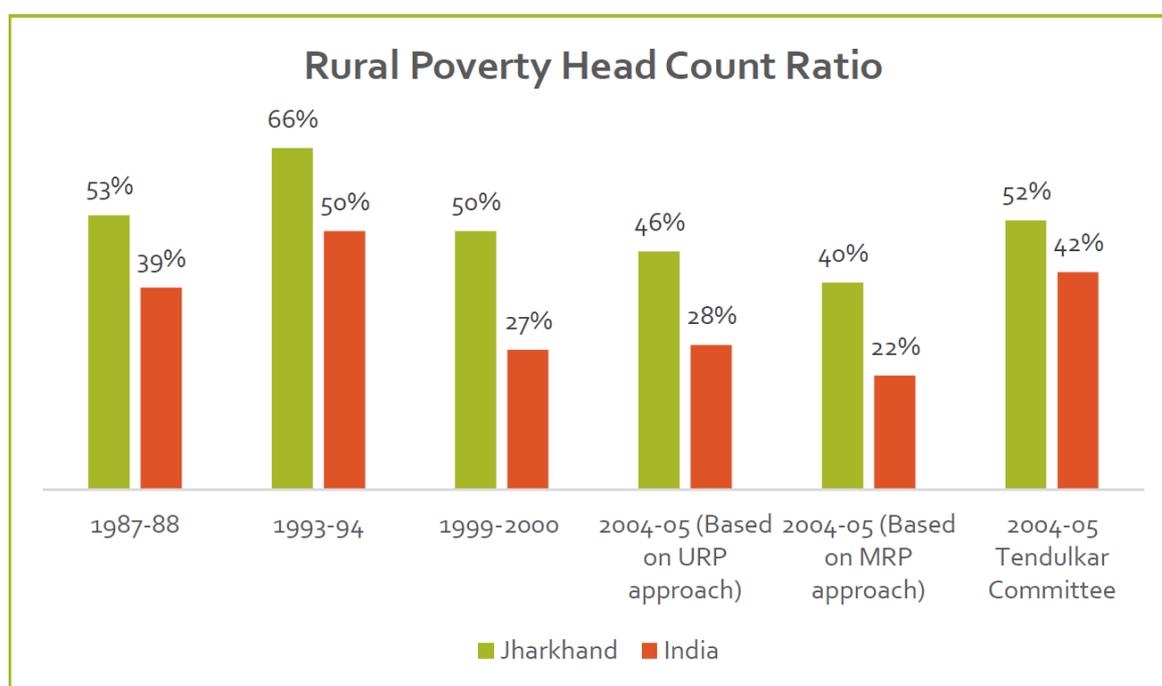
Kathikund is located in the outskirts of the Rajmahal hills, the historical Damin-i-koh. It is 22 KM north of Dumka, the district headquarter. It is 100% rural area with 193 villages. This block has nearly 35% forest cover. Its total population is 71,458. The population comprises mainly of the tribals (63 %), Muslims (14 %) and SC (2.5 %). More than 80% workforce is engaged in primary sector. The economy of the district mainly depends on cultivation or related work. The main source of drinking water of the households in the villages are from uncovered- well (26%) and hand-pump (62%), respectively.

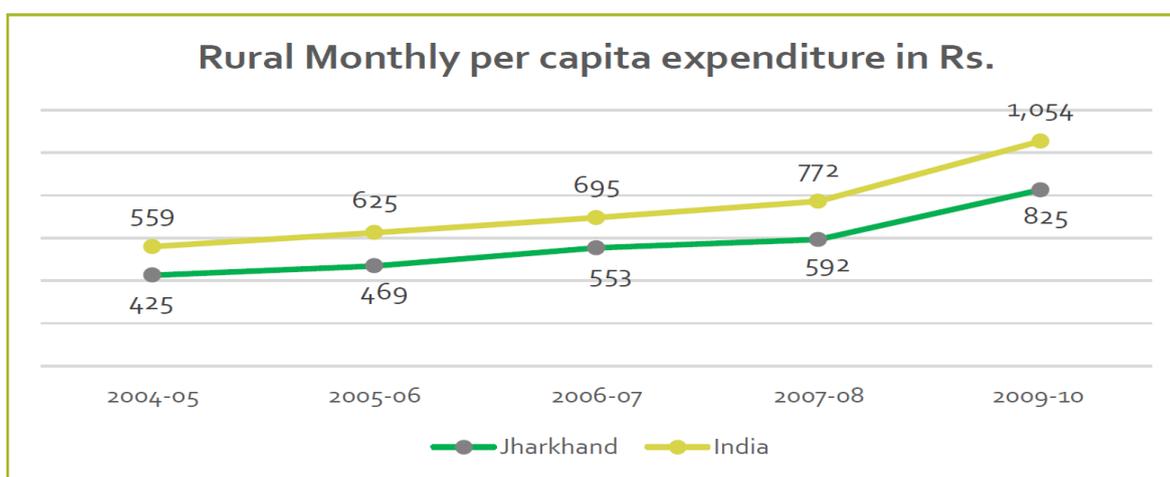
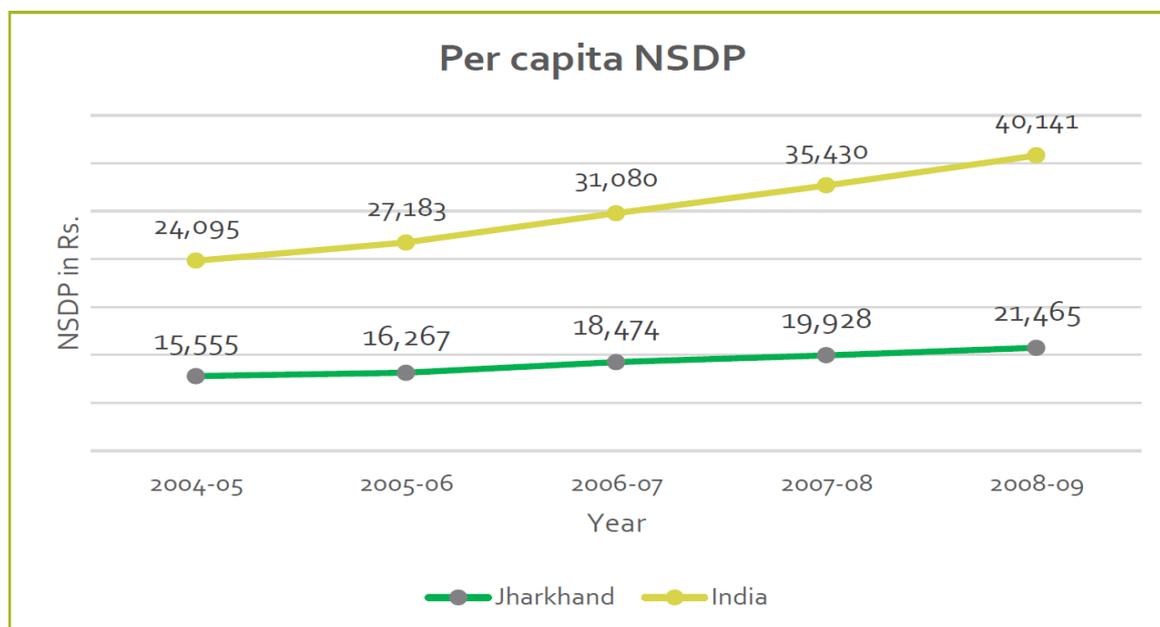
The major crops which people cultivate are rice, maize, arhar, mustard, few cereals and some seasonal vegetables. They support their other expenses by raising cattle, pigs, goats and poultry. Cattles are used for ploughing also. Very few households actually raised cattle for milk. The cultivation of rice, which is the staple food of the people, is entirely dependent on the vagaries of rain. Maize is the second line of defence. Few households cultivated wheat. Some households cultivated potatoes, onions, brinjals,

tomatoes and beans as rabbi (winter) crops. But all these farming has been done primarily on subsistence basis.

Although every household has adequate cultivable land, it is sad to see large stretch of cultivable lands uncultivated for years. The people cited lack of water or irrigation facilities as the main reason. In the last 50 years the underground water table have gone down too deep to dig an open well. About 40-50 years back water was available at 20-30 feet deep in the open dug well. The depleting forest cover indicated that forestry was not effective. The people had traditional habit of planting trees but unfortunately they also have lost this habit now. Depleting forests have caused the rivers primarily rain-fed. In spite of some big rivers, no water reservoir was visible in the area, even after Dumka district was among the six districts of Jharkhand covered under Rural Water Supply and Sanitation Project (RWSSP).

### Rural Poverty: Jharkhand vs. India





Source: Ministry of Finance, GoI, 2011; MoW&CD, GoI, 2009; NSSO, MoS&PI, GoI, Various years; Oxford Poverty and Human Development Initiative (OPHI), University of Oxford, 2010; Planning Commission (PC), GoI, 2009; PIB, GoI, 2007; UN WFP, 2008

Human Development Index of Dumka district is 4.7 which is among the lowest in Jharkhand. The medical facilities available are minimal.

**A quick run-through the major concepts:** **Agricultural marketing** is inferred to cover the services involved in moving an agricultural product from the farm to the consumer. It is also the planning, organizing, directing and handling of agricultural produce in such a way as to satisfy the farmer, producer and the consumer.

**Rural** area is a geographic area located outside cities and towns, typified by large open areas, low population density, small settlements, agricultural lands, forest or green cover; generally much less civic amenities in comparison to cities, such as, school, hospitals, road, electricity, various goods and services.

**Rural entrepreneurship** means an entrepreneurship whose roots lie in the rural areas but has a lot of potential to drive various endeavours in business, industry, agriculture, etc. and contribute to the economic development of the country.

**Supply chain management (SCM)** is the broad range of activities required to plan, control and execute a product's flow, from acquiring raw materials and production through distribution to the final customer, in the most streamlined and cost-effective way possible.

**Agro-processing industry** refers to the subset of manufacturing that processes raw materials and intermediate products derived from the agricultural sector. Agro-processing industry transforms products originating from agriculture, farm, forestry and fisheries.

#### District Highlights – 2011 Census: Rural Livelihood scenario

Sector	Estimated Number (lakh) and Share of Rural Workers (2010-11)	Share of NSDP	Trend in Share of Rural Employment	Trend in
		(2008-09)		Contribution to NSDP
<b>Agriculture, Allied</b>	45.7 (55%)	10%	Declining- From about 77% in 2001 and about 70% in 2004-05	Declining since 2001-02 (when contribution was about 23%)
<b>Mining, Quarrying</b>	1.3 (2%)	11%	Steady since 2004-05	Steady since 2001-02 (typically ranging between 11-13 percent)
<b>Sub-total: Primary</b>	47.0 (56%)	22%	Declining	Declining since 2001-02 (when contribution was about 35%)
<b>Construction</b>	18.0 (22%)	9%	Rising- From about 10% in 2004-05	Steady since 2001-02 (typically ranging between 7-10 percent)
<b>Manufacturing</b>	6.3 (8%)	27%	Steady since 2004-05	Rising since 2001-02
<b>Sub-total: Secondary</b>	24.3 (29%)	37%	Rising	Rising since 2001-02
<b>Sub-total: Tertiary</b>	12.1 (15%)	41%	Fluctuating- about 10% in 2004-05, about 13% in 2005-06, about 11% in 2007-08	Steady since 2002-03 (typically ranging between 40-41 percent)
<b>Total</b>	83.4 (100%)	100%	-	-

Source: CoI, 2001; CoI, 2011; DES, GoJ, 2011; JSLPS Analysis, 2011; NSSO, MoS&PI, GoI, Various Years

#### Human Development Index (HDI), Jharkhand:

BPL, Kathikund	50%
Literacy, Kathikund	44%
School dropouts, Kathikund	60%
Underweight children, Kathikund	61% (ST-64%)
Anaemic Children, Kathikund	71% (ST-80%)
Malnutrition among children, Dumka	50%
Malnutrition among women, Dumka	4/10
HDI of Dumka district	4.7
Monthly Per Capita Expenditure, Jharkhand, Rural	Rs.920/-

The major HDI indicators (Govt. of Jharkhand report) of the area: as on 2011-12

### The major causes of the backwardness of the area:

During the survey the people named the following factors as their causes of backwardness: (in order of response) i) alcohol abuse, ii) laziness, iii) poverty, iv) lack of water (irrigation), v) Government apathy, vi) selfish political leadership and vii) unsuitable education to basic livelihood (caused large dropouts).

The first three problems could be the effects of the problem rather than the causes of it (a vicious cycle). Lack of irrigation water is the main problem, and could be termed as the mother of all problems. Government apathy and selfish political leadership looked like order of the day. They mentioned them last in a mind-set “what use to mention them!”. I found it amusing when the people in two villages told me that I was the first person to visit them in years who, according to their perception, resembled a Government official. The local MLA lives just one KM away from these village. He too had not visited them. The people have been quite disillusioned with the prevalent education system. But they did not question it openly because almost all the well-to-do people in the area have gone to the similar schools. But their silence and moving eyeballs questioned the efficacy of the prevalent education system for the majority of their children going to school. The children (5-14 years) who attended schools comprised 43% of the total children. But there were large numbers of school dropouts (60%). Besides, the majority of those who completed schooling or graduation remained unemployed and disoriented to do traditional occupations.

Further, the people did not look very committed to livestock rearing. Their main response was that the livestock die of sickness enmasse. Veterinary care apparently looked inadequate in the area. The people also had not acquired the basic skills of treating animals and fowl with common known diseases.

According to Government report the major issues with agriculture were erratic rainfall, inadequate irrigation coverage – 12% (India – 43%), low cropping intensity – 125%, low productivity of the major crops (maize, wheat, rice), sub-optimal input use, limited adoption of modern practices and supply chain constraints. There was also a low productivity in livestock because of unscientific rearing practices, weak veterinary and extension support and weak arrangements for procurement marketing.

The above mentioned problems are genuine problems of the people of the area and they have been bearing it for quite some time now. They should be addressed. But I felt that those problems could be tackled also in a different thrust, i.e. by showing them opportunities within what they can do it within the resources available to them and in their own land. This can be achieved by **developing agricultural marketing** of those agricultural products which the people are already cultivating and can do it within their present resources, namely, **baby corn, chilly, turmeric, mustard oil, goat rearing and pig rearing**. The basic support from the Government departments, NGOs and finance institutions shall however be essential to make the efforts sustainable.

I have picked up these products on the basis of empirical survey, experience and knowledge of the area. The people in Kathikund have been producing all these products since ages as subsistence farming. They have never attempted them to produce them commercially. A commercial cultivation of these products

can create great opportunities for the people to enhance their income. But thus far not much attention has been accorded to developing agricultural marketing of these products in a required scale and strategy.

My experience in the cities and interaction with the people of the villages on a regular basis made me realize that these two worlds are disconnected with respect to demand and potential supply. The people of the village did not know the demands of the people of cities. The people of the cities had demands for things which these people can produce easily and at much low cost, that too without chemical fertilisers. They need to be connected. The low cost producers needed to be connected to high end consumers. In this way there would be a mutual gain. A reasonable remunerative price shall motivate people to produce crops and cash crops on commercial basis. A reasonably developed agricultural market shall be the driving force for Rural Entrepreneurship.

### **Elaborate upon the individual agricultural products models:**

This survey in Kathikund identifies the potential of a few agricultural products, viz., baby corn, chilly, turmeric, mustard, pig rearing and goat rearing. These crops are already locally produced. They do not require much water. The local people possess the required skills. They have been traditionally rearing pigs and goats without much input cost. But inadequate linkage of agricultural products with a suitable market has hindered the people to optimise the natural, material and human resources of the area. For instance baby corn sells Rs.30/- per 100 gram in retail market in a city, but the people of Kathikund are not even aware of that baby corn is a delicacy in the high-end society (market) in the cities. The following efforts or models can enable the people to enhance their annual income by at least Rs.50,000/- at the start-up.

**Baby corn:** The gestation period of a mature maize corn is 4 months and baby corn can be harvested one month before. Green maize plants are favourite fodders for animals. The dry maize plants serve as convenient fire woods. Full grown maize with cob sells at Rs.5/- per piece which means Rs.60/- per kg in the local market. Baby corn sells at Rs.30/- per 100 gram in retail markets in cities which means Rs.300/- per kg. It means procurement price from farmers can be settled between Rs.150/- to Rs.200/- per kg. Such wholesale remunerative price can fetch a farmer Rs.20,000/- in 4 months in the present available facilities. Maize can be cultivated twice a year as there are two variants of maize; kharif and rabi.

**Advantage:** It can grow in moderate water. The people have the skill. It is generally damage free in transportation.

**Demand / Market:** City vegetable markets, 5-star hotels in cities and the restaurants.

**Chilly:** Chilly has been cultivated on a regular basis. But very few households cultivate it commercially. Some do it in a small scale with a view to sell in a local retail market. The green chilly sells at Rs.100/- per kg while the mature dry chilly sells at Rs.200/- per kg in the local market.

**Gestation period:** 4 months.

**Advantage:** It can grow in moderate water. The people have the skill. Dry chilly is relatively not perishable within one year. It has many varieties and the local chilly is tasty hot.

**Demand / Market:** It has a potential whole-purchase market in towns and cities especially by spice manufacturing companies.

**Turmeric:** Turmeric is one such product which has multiple uses; spice, medicine and skin (beauty) care supplements. It sells at Rs.200/- per kg in the local market.

**Gestation period:** 6-7 months

**Advantage:** It also grows in moderate water. The people have the skill. Dry turmeric is relatively not perishable.

**Demand / Market:** Regular household uses, skin care industries, medical properties.

**Mustard (oil):** Mustard seed sells at Rs.40/- per kg. The crushed oil sells at Rs.110/- per kg. Mustard chaff also sells at Rs.30/- per kg. This chaff is among the best of fodders to livestock.

**Gestation period:** 4 and ½ months

**Advantage:** It grows in moderate water. The people have the skill. It is also relatively not perishable and can be stored without cold storage.

**Demand / Market:** It has a high demand in the local market as well as in cities because of its regular use as cooking oil in Indian households.

**Pig rearing:** Pigs are among hardiest animals. They do not need much maintenance. It takes a year for a male pig (castrated) to grow to a size weighing 30-35 kg. One male pig sells at around Rs.3500/- (Rs.140/- per kg cut meat in the local market). If reared with commercial intention, every family can easily rear 10 pigs a year.

**Advantage:** Low cost raising. Local pigs eat most waste food and vegetables. Robust to survive in any condition.

**Care:** They need timely vaccination against common disease.

**Demand / Market:** Pig meat is a delicacy among the local tribals. It has high protein. It still has a demand-supply gap in the local market. It is interesting to notice that pig meat gets sold out within 45 minutes in the local weekly hatia (market). With committed commercial pig rearing, the rural areas can cater to the demands of the towns and cities in the due course.

**Goat rearing:** An average full grown khassi (castrated he-goat) weighing 8-10 kg sells at Rs.3500/- (Rs.500/- per kg cut meat in the local market). If reared with commercial intention, every family can easily rear 10 khassisa year. It takes 12-15 months to weigh 8-10 kg.

Advantage: Low cost raising. Goat feed on local grass and leaves rice water, waste food and vegetables. Adapted to local weather.

**Care:** They need timely vaccination against common disease.

**Demand / Market:** Mutton is the premium delicacy across people of all castes and religions. It still has a demand-supply gap in the local market. Mutton is a preferred and prestigious delicacy in marriages, anniversaries, cultural rituals and festivals in this area. One marriage requires minimum of 20 khassi. In wedding season (*Lagan, Christmas or tribal wedding season*), demand for mutton far outweighs supply. With committed commercial goat rearing, the rural areas can cater to the demands of the towns and cities in the due course.

### **Present marketing opportunities:**

The local weekly markets, called *Hatia or Hat* are the only places the villagers sell their agricultural products including livestock. In addition, some traders buy rice, maize, mustard, etc. from the villagers, sometime purchasing from the villagers' doorsteps. No other marketing opportunities were visible in the area for the agricultural products.

### **Efforts made by the Government in Agricultural Marketing:**

Agricultural Marketing Act, 1929 envisaged to establish a **federal** farm board to promote an effective merchandising of agricultural commodities in inter-state and foreign commerce, and to place agriculture on economic parity with other industries. But the devolution of such Institutional arrangements were not evident. Although a number of specific State and National Acts, Policies and Programmes have been in place for some time, these are yet to make any perceptible impact on the condition of the people in Jharkhand. Empowerment of these institutions by devolving finances and executive powers is yet to begin in the right earnest.

**Tasar silk; a reasonable successful venture:** The farming of Tasar silk is being done in the area for quite some time. The people farm silk worms because there are established private wholesale purchasers. The Government also promotes and supports research, farming and marketing. PRADAN, an NGO has promoted and supported many farmers in silk farming. According to PRADAN's report quite a few farmers have been earning Rs.20,000/- on an average annually. The gestation period for producing silk cocoons is 7-8 months. Tasar silk has attracted farmers because the Government and the NGOs have taken care of the market linkage.

**Importance and benefits:** Agricultural marketing plays an **important** role not only in stimulating production and consumption, but in accelerating the pace of economic development. Its dynamic functions are of primary **importance** in promoting economic development.

The prime intention of the survey is to identify the potential of the rural area and propose a practicable solution which shall enable the farmers to produce a marketable surplus (economies of scale). Developing agricultural marketing is essential to unleash the Rural Economic potential. The benefits of bridging the

gap between low-cost producers/farmers and high-end consumers are manifold: it shall promote related activities; agribusiness, agro-based industries, Supply Chain Management (SCM), rural entrepreneurship; boost the motivation of the people, create new opportunities, enhance self-employment, check migration to urban areas, alleviate poverty, and thus usher in a sustainable development. NITI Ayog and Global Tribal Entrepreneurship Summit have reiterated the importance of Agricultural Marketing.

### **Challenges to the idea:**

The major obstacles to this idea / solution are; i) Lack of initial push (teething problem), ii) Lack of basic infrastructure: transportation cost, crop protection and veterinary care, storage facilities, iii) Inadequate market infrastructure, iv) Lack of market information, v) Menace of middlemen vi) Lack of processing units, vii) Unsuitable education system and viii) Impact of modern day aspirations

In the initial years individual initiative could do the agricultural marketing as it is being done in case of silk cocoon. But as the volume of products and number of people involved in production and marketing increase, a cooperative society model shall be appropriate to empower the local people with reasonable independence. I have seen Gokul dairy project, Kolhapur, Banana cooperative societies and Cotton cooperative societies, Jalgaon, Maharashtra working very effectively. Agriculture Products Market Corporation (APMC), Nerul, Maharashtra and model of textile park, Shirpur, Maharashtra can also be practicable models to emulate in Jharkhand.

K. Venkata Reddy also says that Cooperative marketing societies provide several advantages:

- i) Better bargaining power
- ii) Reducing marketing costs
- iii) Elimination of middlemen
- iv) Storage facilities
- v) Prevention of loss in storage
- vi) Grading facilities and
- vii) Fair price to producers and consumers.

**Simplicity** should be envisaged as the essence of this approach, at least in the initial phase, i.e. exploiting existing skills and local resources specific to the geography and environment of the place. In the early phase, market linkage has to be initiated by the private experienced people, cooperative societies or NGOs. The local people shall gradually imbibe marketing skills. However, it is a challenge. It has to be taken up in a co-ordinated manner by the Government officials, NGOs, finance institutions, civil societies, political leadership, traditional leadership and the farmers.

**A success story:** Khelaram Murmu, a tribal farmer of Potka block of East Singhbhum, has made a headway in exports of ladyfingers to Dubai. He uses drip irrigation method. Department of Agriculture, Jharkhand Government and Agriculture and Processed Food Products Exports Development Authority (APEDA) have given him the basic technical and marketing support.

**Inclusive growth with a systematic approach:**

To ensure an inclusive growth, there is an urgent need to address the great Indian paradox: farmers feed us but they are among the poorest section of the society with a host of uncertainties; harvest, price, market. The growth in agriculture should not be measured by agricultural outputs only, but by the increase in farmers' income as well. We have learnt to view a city as a place of opportunities and to view rural areas synonymous with poverty, inconvenience and backwardness. These are the apparent facts but the truth lies in discovering the potential of the rural areas by developing appropriate agricultural marketing and building a judicious rural-urban connect.

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