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Global Challenges and Issues in Agricultural Marketing and Their Impact on Growers Performance (A Case Study of Sindh -Pakistan)

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Abstract:

The ultimate goal of this study is achieved successfully through a detailed analysis of important variables of agricultural marketing. The major obstacles have been summed up by examining different marketing channels in Sindh /Pakistan. Study concludes that the poor infrastructure and marketing facilities, mismanagement in development schemes, low farmer literacy, poor healthcare facilities at villages hamper grower's performance, keeping them out of market and reducing the opportunities of capital accumulation.

The policy recommendations / remedies are also provided in details for structural change to achieve the goal of development of out put markets in Sindh / Pakistan with particular references to changing global trends in agriculture marketing. The study recommends facilitating the forward and backward linkages between traditional and modern sectors in the province with storage facilities; agro based industries at farm level and improved export system by maintaining grades and standards for world community with skilled training of farmers.

Keywords: Global trends, Agric-Marketing, Infrastructure, Growth, Development

1. Introduction

The Sindh province of Pakistan is dominant at national level and stands first in overall revenue generation for the country's economy. It stands second in total agricultural production of the country and shares one fourth of total produce Balochstan third and fourth respectively. Agriculture is the most important sector of the provincial economy. Its contribution to Pakistan economy is also impressive and measured with help of available data and finds that the agriculture sector continues to be an essential component of Pakistan's economy. "It currently contributes 21 percent to GDP. Agriculture generates productive employment opportunities for 45 percent of the country's labour force and 60 percent of the rural population depends upon this sector for its livelihood. It has a vital role in ensuring food security, generating overall economic growth, reducing poverty and the transforming towards industrialization." (Economic survey of Pakistan 2011-12pp17)

Its agricultural production can be divided into major crops, minor crops, fruits, vegetables, livestock, fisheries and forest production. Production was quite impressive in early days of Pakistan, even this time it plays a leading role in production of banana, chilies and several other commodities due to its absolute advantages. It has led the country in per acre yield in the past and saved the status quo still in few commodities that shows its potential for further development and become champion in agri-produce in the country, but at present, its share in several commodities has fallen.

The Sindh's share in rice production of Pakistan was 29.86%. In cotton production it is 23.02%, wheat 11.53%, sugar 23.76% of total production of Pakistan in the year 2001-2002. When we analyze principal fruits production we found that 35% in mango production and 75.83% leading share is in banana production. It is the largest share of banana production in Pakistan. Dates production is 45.84% of country. Fisheries are an important sub sector of Sindh agriculture. In land fisheries production is 44.46% and marine fisheries production share is 46.28%. Total share of Sindh in fisheries production is 45.84%. In the live stock sector Sindh's share is 25%. Forest also plays a key role in agriculture as its sub sector and covers 1161,390.93 hectares land area. Source :(Development Statistics of Sindh.2003, page.XXXIX).

The statement of the problem finds that the agriculture in the province is faced with age long multidimensional problems particularly poor infrastructures and ill-conceived agriculture marketing. These problems lead to instability in growth and hamper development process. The grower's community of the region has always apprised the authorities of their problems but in vain. But unfortunately, those at the helm lack will power and expertise in this sector. They never ever put a process in action that may help farmers particularly development of output markets for selling their agricultural production. The low price incentives and poor marketing of

agric- commodities affects export of agricultural commodities at large, big causes to increase in import of food items, and are also a major cause of food inflation which is currently measured nearly at 22%. It is high time the authorities dealt this sector on priority bases; or else we may find it hard to avert the current food crisis and future challenges of globalizations. It is the central question of agriculture sector planning and development to face new global trends in the field of agricultural marketing and changing consumptions patterns domestically that has been tackled and addressed in this study. The paper has great significance due to the following reasons. It fulfills the need of a separate study on agricultural marketing in Sindh from economic and analytical point of view and is net addition in economics literature at national / international level in general and agricultural economics of Sindh regional level in particular. This study also aims at providing an in-depth analysis which may be required by an individual, growers, agri-business / research organizations and policy makers. The study has considerable importance for devising a suitable policy for the agriculture output markets development.

2. Methodology

The qualitative strategy has been employed while sort outing major obstacles in agricultural output markets of Sindh in particular and Pakistan in general by evaluation of most important /dependent market variables. The author is also a progressive farmer of central cropping zone of Sindh so the qualitative section of the study reflects field experiences and real assumptions. In this section of the study; personal observations of the author, outcome of specific and targets groups, strengthen the hypothesis with more emphasis to make the document a fine one and very close to realities.

3. Discussions & Results

Agriculture marketing involves all the services or functions employed in bringing produce from a farm to the final consumer "It can be considered to the performance of all the business activities involved in the flow of goods and services which make the product acceptable to the consumer in form, a time, location and price." [Dr.B.A, Asgher 1999 pp.14] The author has made a detailed analysis of marketing issues by interviewing a number of specific groups of growers, commission agents, and the agriculture marketing officials. The following are main concluding points on the basis of specific group study in the fields.

- Poverty, debt burden, lack of storage facilities compels growers to sell their products with a free land. Poor infrastructure facilities, lack of communication means, scarcity of transportation and poor situation of law and order stand in their way to sell their products directly at urban areas.
- Lack of education, little awareness of market trends and rise and fall in prices reduce/affect their bargaining ability. The utter apathy at public sector institutions and their neglecting this sector and leaving the farming communities at the mercy of local money lenders have severely affected rural economy.
- Due to mismanagement at the government side, the growers are not given the fixed support prices. For instance, the growers of sugarcane were paid Rs. 180 per mound instead of Rs.250 fixed by the Government for the year 2012. Thus the government support price does not benefit the growers of Sindh due to implementation gap created by influential industrials / sugar mill owners and their artificially created imbalances of supply and demand by cartel.
- Input markets just like fertilizers, pesticides, tractors are in the control of private sector and output prices of agricultural productions are also fixed by them at very low prices by the middle man, industrialists and other urban elite with the connivance of bureaucracy / government institutions by fever and fear.
- A general expansion of the agricultural market is needed for additional services from facilitating agencies such as grading, finishing risk bearing crop reports and market news but there is an inverse approach of the government agencies towards improvement in marketing institutions.

The closing down of public sector marketing institutions i.e. the Bureau of Supply and Prices, Rice Export Corporation, Cotton Export Corporation, Sindh Agriculture and Supply Organization (SASO) shows the inefficiency and their less interest in agriculture marketing reforms. This attitude discourages the growers, increases input costs and decreases the rate of return, converting the agriculture sector into a non-profitable sector. It also leaves the growers to their fate. In retaliation, the rural community is converted into the abject destitution, which strengthens feudalism and breeds social unrest and unemployment in tenants and it also affects re-investment and development process of agriculture in the region.

- Sindh growers have a serious and genuine complaint that agricultural production of Sindh reaches forty days before in the country market due to geographical advantages but government takes all favorable steps and announces support price when other provinces Agric- produce reaches the market. So during this gap of forty days, Sindh growers afford heavily losses in marketing of their production. It is one of the important facts discovered in the study
- There is a great difference in the prices of agricultural production sales in the urban markets and actual price paid to farmers. In the case of vegetables and fruits (perishable goods), the retail price in urban centers is 10 times more than what is paid to the poor farmers in the field.
- Mostly farmers in Sindh are tenants and small growers and produce small marketable services so the farmers' share of the final retail price of most agricultural commodities is low because of "excessive" margins observed by a long chain of market intermediaries. The middle man manages to pocket a lion's share in the hand-earned income of tenants.
- On the other hand, due to a long chain of market channels only the middleman and retailers are the real beneficiaries and earn more than growers due to above marketing obstacles. The hapless farmers hardly get Rs.08 per kg for onion at farm level and retailers sell it for Rs.25 per (Kg) to consumers in the urban markets. It is a chain of commodity brokers of village to main

market that weaken farmers' bargaining powers by several kinds of tricks. This price distortion is true for all agricultural produce in which the growers get virtually nothing and consumer is forced to pay high price but the retailer and middle man pocket a lion's share. There fore, farmers are in the grip of absolute poverty, illiteracy with low bargaining power and live in the far-flung areas and completely depend on the agricultural produce to meet the cost of production and their livelihood and urban consumers have also been affected by the menace of creeping food inflation due to different channels of marketing as mentioned in figure 1.



Figure 1 Marketing Channels of Agricultural Crops in Sindh

- Lack of storage capacity in Sindh regions greatly slows down buying and procurement activities and consequently the storage problem is shifted to the farmers, where the majority do not have the space to store the produce in homes and is thus left in the field or improperly stored, subjecting the produce to deterioration and thereby causing reduction in the value of the production. The public / private organization responsible for agriculture produces storages and its value additions for local and export needs mess up everything on account of their inefficiency. This inefficiency can be seen in table 1, that in last ten years no increase has been found in available capacity of storages for agric commodities in Sindh /Pakistan.

The data mentioned in table 1 further shows that in year 2001 the total storage capacity of Sindh province was 709 Million tones and in 2010 it remains same as 709, no change /progress has been observed in one decade, the total capacity of all provinces is also mentioned the same in 2010 as measured in 2001. The total capacity of country was 5242 '000' tones in 2001 and not changed till the end of 2010, so it can be easily concluded that its stagnant in last ten years or no change in storage capacity has been made in the province and also in the country.

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sindh	709	709	709	709	709	709	709	709	709	709
Provincial	3780	3780	3780	3780	3780	3780	3780	3780	3780	3780
Federal Government	559	559	559	559	559	559	559	559	559	559
Others	1903	1903	1903	1903	1903	1903	1903	1903	1903	1903
G. Total	5242	5242	5242	5242	5242	5242	5242	5242	5242	5242

Table 1: Government Storage Capacity (In '000' tones)

Source: Pakistan Government of (2010-2011), Agriculture Statistics of Pakistan. Islamabad, Ministry of Food Agriculture and Livestock page 243 (Economic Wing)

4. Conclusion & Policy Recommendations

In the marketing system of agricultural production, market intermediary middle man pockets a lion's share of the hand-earned income of the farmers. Poor means of communication, dismal awareness of market news, debt burden and poverty, reduce growers bargaining ability compelling them to sell their product with a free hand. Corruption and non functional marketing institutions of public sector i.e. Sindh Bureau of Supply and Prices, Rice Export Corporation, Cotton Export Corporation, Trading Corporation of Pakistan leave the hapless growers to their fate. It is a conservative estimate that the loss of growers exceeds over 130 billions a year. In decade of 2000, farmers producing cotton in Sindh had to face a number of problems in selling their product to ginning factories as the ginners brazenly manipulated government announced price/rate. The cotton farmers had to suffer considerable loss because they were compelled to sell their crops at half price on account of low priced raw cotton import as compared to governments announced price. The on-going ten year tussle between sugar can growers and sugar mill owners on support price announced by government has inflicted huge losses on rural economy. It is also significant to note here that lack of storage capacity could greatly slow down buying

and procurement activities and consequently the storage problem is shifted to the farmers, where the majority of farmers do not have the space to store the produce in homes and is thus left in the field or improperly stored, subjecting the produce to deterioration and thereby causing reduction in the value of the production. The aforementioned dismal picture badly affects farmers profit gains, export of agriculture commodities, capital accumulation and re-investment process which is necessary for further agricultural and economic development in the region.

There should be storage facilities for all sorts of food grains, vegetables and fruits at farm level especially in every district head quarter and Taulka / town level in Sindh. The middlemen/agents hegemony needs to be nipped in the bud. They continue to manipulate the market without any regulatory body in place. The government should play its role as a watch dog in the market so that forces of demand and supply can act freely in determination of prices. At policy level, the government has to go further for new marketing policy to streamline the role of middleman and introduce regulations binding margin limits. The government should make strong efforts to encourage direct linkages between farmers, consumers and business centers to increase profit margin for farmers' community through improvement in communication ways.

The farmers' union can also play an important role to bargain collectively through cooperative form of business. The cooperative marketing policy may also be revised according to the need of the hour. There is a dire need of establishing linkages with factories, processors and retailer chains. Not only would farmers benefit out of it but also factories, processors modern retailers would greatly benefit. Middlemen have been acting as a buyer and seller between the two ends and making more than 60% of the profit. Immediate and strong efforts should also be made to make arrangements so that growers of vegetables and fruits in the far-flung areas can gain direct access to the ultimate buyers.

The establishment of agro-based industries at farm level, adoption of capital modes of agricultural production, awareness about agri-business for development, elimination of social unrest, tribal feuds, and gangs of criminals will create development friendly agri-business culture instead of traditional subsistence farming in rural areas. Better marketing facilities for crops, livestock and fisheries production through large scale investment in the form of communication links, high intensive prices and adoptions of other farmer friendly policies will also lead to boom in the sector. For the better marketing of agricultural commodities and earning of due profit, the market channels should be improved.

The creeping role of middlemen should be removed by reducing the large gape between farmer and consumer. This can be done only through infrastructural development and establishment of green markets in rural areas. It will be beneficial for both the producers and the consumers as well. Due to poor infrastructure, farmers often have difficulty in taking their produce to bigger markets and have to sell their produce at low price in the local markets. With improvements in infrastructure, they can be connected to wider areas which could open up more choices for them to sell wherever they get a better price. They would no longer have to rely on middlemen to get their right share. Markets in the vicinity would also reduce the cost of time and transportation. In this sense, there is an urgent need to establish strong communication links between markets and farmers particularly with urban market of Karachi and rural areas of Sindh. In this way, the growers will get right price and urban consumers will purchase agric- commodities and other food items on cheaper prices with equilibrium in demand and supply. It will also reduce the galloping rate of food inflation in Pakistan and increase purchasing power of consumers.

A public/private joint venture should take the primary responsibility of market information, regulate the quality of products and maintain grades and standards for export according to globe standard. The government should lift the ban on the movement of agricultural products across district and provincial boundaries during peak season and shortage, as this leads depression among growers community. There is an urgent need to expand export of agricultural products through various subsidies and soft terms of tariffs including the required international standards of quality product which can be appreciated across the world. The information of current market prices through media, improvement in weight measurement system, better storage facilities, reorganization of local market committees, much emphasis on cooperative marketing system and institutional improvement at provincial and federal level and reforms in Trading Corporation of Pakistan and Export Promotion Bureau, Bureau of Supply and Prices, agricultural marketing department of government of Sindh and country may go a long way.

At research level, marketing research institutions are generally weak and under funded and lack effective links with market extent and other formal and informal institutions. Many of the research institutions are not capable of conducting applied or adoptive research. This issue may be tackled immediately at national policy level and more funds should be allocated in coming annual budget for reforms through base line survey in the field.

The provincial / federal government may also appoint a task force to study various aspects of the sector separately for grading of product through use of modern technology for efficient marketing strategies. There is a need for an additional study in this regard for food crops, cash crop, horticultural products and dairy products to identify the factors which have hampered its export growth so far and recommend measures to develop this sector properly to harness its tremendous potential.

The study also suggests a new significant fact for policy makers particularly at federal level that due to different geographical conditions and advancement, agricultural production in Sindh reaches the country market about forty days before as compared to other provinces. So price incentive and support policies may be prepared separately on the basis of region supply /demand and should be announced in advance on the basis of ground realities.

According to farmers' perception, this imbroglio since long and each and every season inflicts irreparable losses on Sindh's growers eventually denting their performance, confidence, profitability/earnings and chances of further investment in agricultural business. The policies formulated by provincial / federal governments should be comprehensive in nature and aim at achieving development objectives, as establishment of efficient markets, accelerating small land holders' entry into agriculture markets and improving

livelihood and food security in subsistence agriculture. The most effective policies in this regard need to be formulated for improving the quality of produce, enhancing technical capacity of the rural people, widening scope and outreach of insurance schemes and facilitating access of small farmers to formal credit institutions.

Investment in education and the rural infrastructure, such as roads, markets, electricity and irrigation and others is a prerequisite for bringing agricultural produce into the market. If provincial / federal policy makers fail to respond, agricultural sector of the region and its rural areas will suffer more and could not be able to sustain in upcoming global scenario.

The above said recommendations have valuable significance to boost the provincial economy and have the potential to reduce menace of poverty and improve income distribution. These all will also create a high sustainable rate of growth in the provincial gross domestic product (PGDP) in short run and GDP of the country in long run. The policy making in developing countries including Sindh/Pakistan have long concentrated on industry because this was thought to be modern and future-oriented while agriculture was considered old, traditional and non-dynamic. This view is out-dated now due to global environmental changes, food requirements of rapidly increasing world population and their changing consumption patterns. In addition to the global trends that have an impact at the national level, there are also other important domestic changes namely domestic population growth, speedy urbanization, changing nature of labour resources, changed local consumption habits and competition for local natural resources within the regions. The future of Sindh / Pakistan economic development is closely linked with agriculture sector and dynamic global markets requirements.

As far supply side issues particularly for export in wider context of globalization and its impact on agric-export, the processing and distribution of products is often non-existent or unhygienic rendering it less attractive for the importers and local urban consumers. Proper attention needs to be paid in this respect to face the upcoming competitions at world level. The rural traders should devise innovative, practical and sustainable methods in agric – marketing practice. Access to markets often influences the decision of farmers regarding the commodity produce that can easily be sold. The quality check will be an important tool after WTO implications. Lack of quality check is the most neglected aspect of the whole system due to 65% of illiteracy, unawareness / ignorance of growers. There is no testing tool at any stage along the marketing chain with public sector organization. This may only be possible through joint public / private participation.

It is very important to train and update the growers in terms of benefits of maintaining standard and grading of agricultural commodities to face the globalization challenge in this regard. Effective training programmes are responsive to demands and the characteristics of local environments. It is, therefore, important to institutionalize farmer community training in a manner whereby limited financial, human and physical resources are harnessed to respond directly to solving identified priority constraints in marketing at local and international level. In the competitive world, the Government should not control the input and output markets but regulate them properly with utmost care. In this regard the monopoly of agents should be checked in markets for grains, fruits and vegetables, and live animals and abattoirs, besides ensuring they do not try to cap the price of any agricultural product. This will help reduce the number of intermediaries and their margins, the resultant gain will be shared between farmers and consumers.

The eminent economists and development scholars discussed the best standard quality produce of farming sector, an excellent technical standard and better environmental conditions will be three pillars of future global economic trends in agriculture sector. A major trend in global agricultural markets is the growing importance of quality standards by international grading of the products. This trend has been adopted by consumers who belong to developed countries and same will also spread to developing countries domestic markets due to public awareness through electronic media and changing habits of consumers especially in urban areas where educated population will avoid consuming unhygienic food products even their own country produce.

In the sense mentioned above, the study emphasizes on better marketing institutions and also recommends the emerging need of agribusiness for development to replace the traditional agriculture approach to fulfill the need of standard quality produce with few environment hazards with low cost through competition. It has been concluded with great concern of globalizations impacts that surplus manual labour with low wages and the presence of large scale natural resources could not be sustained and does not offer any long-term competitive advantages in global scenario particularly after World Trade Organization (WTO) implications.

The investment in knowledge based agriculture, technological change, education and vocational training and advancement in research will also impact positively to set excellent technical standard for tough competition ahead and to meet several other challenges of globalization.

A separate research is needed to investigate into the new technological developments in farm machinery use with particular reference of Chinese technological developments in farm machinery which is easy in access due to smaller in size and cheaper in terms of cost and to suggest the proposed optimal level of mechanization on regular basis. An additional study is also proposed with reference to agri-business for development with specific emphasis on marketing institution reforms at public private joint venture.

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