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Q13

What are the main bottlenecks in upstream and downstream process of marketing of agricultural products in India ?

UPSC Civil Services Mains 2022 · GS III · 15 marks · Indian Economy

Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Core demand of the question

- Identify the main bottlenecks in upstream marketing of agricultural products in India
- Identify the main bottlenecks in downstream marketing

Revision summary

Upstream marketing bottlenecks are small lots, **APMC**/agent opacity, weak grading, trader-tied credit, and thin MSP outside wheat and paddy.

e-NAM without assaying does not give real price discovery.

Downstream bottlenecks are cold-chain gaps, low processing, many margin layers, weak traceability for export, and logistics for perishables.

GST eased some inter-State tax friction; physical cold movement remains the constraint.

FPOs, warehouse receipts, SAMPADA parks and **FSSAI** compliance connect the two ends; one portal cannot.

Introduction

Agricultural marketing is the journey from the farm gate to the plate. **Upstream is what the farmer faces before and at first sale: inputs, aggregation, mandi rules, and price discovery. Downstream is what happens after that first sale: storage, processing, retail and export. India has both a mandi-and-APMC problem and a cold-chain-and-brand problem.** They are not the same bottleneck.

Body

Upstream bottlenecks (farm to first buyer)

- **Small marketable surplus:** tiny holdings mean the farmer cannot fill a truck; the village aggregator sets the effective price.
- **APMC / mandi frictions:** in many States the first sale is still tied to a notified market, with **licensed commission agents**, weightment opacity, and delayed payment.
- **Poor price discovery:** even where **e-NAM** exists, lots are not graded, so the screen price is not a real bid for that farmer's bag.
- **Information and bargaining:** limited knowledge of distant prices; weak **Farmer Producer Organisations** in many crops, so the trader's working capital wins.
- **Quality at gate:** mixed lots, high moisture, no **assaying**; processors will not bid, so only the local trader will.

- **Transport from village to mandi:** bad roads, no small trucks, and **loading losses**. Gati Shakti helps corridors more than the last two kilometres.
- **Credit tied to the buyer:** input-trader linkage forces sale to the same man, which is a marketing constraint disguised as finance.
- **MSP procurement** is real for wheat and paddy in surplus belts and thin for most horticulture; upstream horticulture still meets a glut with no buyer.

Downstream bottlenecks (first buyer to consumer/export)

- **Storage and wastage:** inadequate scientific godowns and **cold chain** for fruit, vegetables, milk and fish; seasonal gluts rot before they become stock.
- **Processing gap:** a low organised processing share means downstream demand does not pull a steady farm price (see food-processing policy: SAMPADA, **FSSAI**).
- **Fragmented wholesale-retail:** many layers of arhatiya, wholesale and kirana; each layer takes a margin and **does not pass quality signals** back to the farm.
- **Standards and traceability:** export rejection on residue and packaging; domestic organised retail needs barcodes and **FSSAI** compliance that small packers lack.
- **Logistics cost and time:** inter-State barriers have eased with GST, but perishable reefer movement, last-mile urban wholesale, and port dwell still add cost.
- **Consumer-end concentration:** a few large buyers can squeeze processors, who then squeeze farmers-downstream market power.
- **Risk and futures:** thin, poorly understood derivative markets; farmers rarely hedge; downstream firms also face **price spikes** without storage.

What links the two

- Without **grading at the farm**, downstream brands cannot contract. Without **downstream plants**, upstream reform only changes who exploits the farmer.
- **e-NAM, warehouse receipts, FPOs, and mega food parks** are useful only as a **chain**, not as isolated portals.

Flow diagram

Farmer -> Upstream mandi e-NAM FPO
 Upstream mandi e-NAM FPO -> First buyer
 First buyer -> Downstream cold chain processing retail
 Downstream cold chain processing retail -> Consumer export
 Upstream mandi e-NAM FPO -> Small lots opacity credit tie
 Downstream cold chain processing retail -> Wastage standards logistics

Conclusion

Upstream, the farmer is stuck with small lots, mandi opacity, and a trader-creditor. Downstream, produce dies in heat, is barely processed, and meets export standards late. Fixing one end without the other only relocates the margin. Grading, FPOs, cold chain and processing have to move together.

Facts & figures

APMC

Agricultural Produce Market Committee: State-notified first-sale markets that still structure much farm-gate trade.

e-NAM

National Agriculture Market: electronic trading portal across mandis; effectiveness depends on grading and lot quality.

FPO

Farmer Producer Organisation: aggregation vehicle so small holders can bargain and meet processor lot size.

PM Kisan SAMPADA

Food park and cold-chain scheme aimed at the downstream processing bottleneck.

FSSAI

Safety and labelling authority; downstream retail and export cannot scale without compliance.

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