Indian Economy · GS - III

Explain the factors responsible for inefficiency of agri-produce marketing. How e-commerce helps to reduce inefficiency of agri-produce marketing? Explain.

EXAM YEAR	PAPER	SUBJECT
2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Fragmented markets, intermediaries, information asymmetry, inadequate storage, price discovery, e-NAM, digital auctions, wider markets, transparency

Model Answer

Agricultural marketing in India remains inefficient due to fragmented supply chains, inadequate storage and cold-chain infrastructure, information asymmetry, multiple intermediaries, weak aggregation and limited bargaining power of small farmers. Perishability further increases distress sales.

E-commerce can address these constraints through:

1. Wider market access: Digital platforms connect farmers with buyers beyond local mandis.
2. Better price discovery: Online bidding and real-time information reduce information asymmetry.
3. Reduced intermediation: Direct digital transactions can lower transaction costs and excessive intermediary margins.
4. Quality-based trading: Digital platforms can integrate assaying, grading and standardisation.
5. Logistics integration: Online marketplaces can connect farmers with warehousing, transport and payment services.

e-NAM represents this transition by digitally integrating agricultural markets and facilitating transparent price discovery. Digital Agriculture Mission also seeks to connect farmers with buyers through agricultural digital

infrastructure.

However, digital exclusion, inadequate internet connectivity, quality-assaying gaps and small marketable surpluses can restrict participation.

Therefore, e-commerce should complement, rather than replace, physical market infrastructure through FPO aggregation, warehousing, logistics and digital literacy.

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