Chapter-IV

RETAIL MARKETING OF AGRICULTURAL PRODUCE IN URBAN AREAS
"Growing urbanisation leads to diversification of food habits... There will be increase in demand for animal products such as milk, cheese, eggs as well as fruits, vegetables and processed foods."

--- M.S. Swaminathan

INTRODUCTION

The word urban means "relating or belonging to, constituting or characteristic of a city or town". It has its origin in the Latin term "urbanus" and the French term "urbain".

Urbanisation is a phenomenon identified with the growth of civilisations all over the world. Towns and cities have been the centres of trade, commerce, industry, administration, culture and civil life all over the world.

Urbanisation, as we understood today, gained impetus after the "Industrial Revolution" and "Commercial Revolution" which can be traced back to the 16th century A.D. "Industrialisation... uniformly occasions a reduction in the proportion of agricultural workers, the creation of a large urban manual working population, an increase over time of the proportion of the population engaged in service occupations, and the creation of hundreds of new occupational specialisations" observes Treiman.

Urbanisation, the process of the rise and growth of towns and cities is today associated with growth, development and industrialisation. It is often seen as an index of the economic development of the nation.

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Jayashri Chowdary⁴ (2002) observes that the following factors are the cause for the close identification of urbanisation with economic development in the modern context:

1. High income countries tend to be more urbanised than low income countries.
2. The percentage of urban population tends to increase more rapidly with economic growth at low level incomes than at high level incomes.

A number of factors have led to increasing urbanisation all over the world. These factors can be classified into two categories; namely ‘pull’ factors and ‘push’ factors.

**The Pull factors**

The following factors motivated the movement of large groups of people from rural areas to urban areas.

**Rapid Industrialisation:** The primary reason for the growth of cities and towns is the establishment of large scale industries requiring a geographical concentration of capital and human labour. It is also observed that progress in technology finds an immediate and profitable application in the industrial sector. This acts as a spur to industrialisation.

**Supporting Activities:** Industrialisation provides an impetus for the growth of a number of subsidiary or auxiliary activities like transportation, warehousing, banking, insurance, construction activities, etc and hence provides avenues for the employment of both capital and man power. This adds strength to the urbanisation process.

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Growth of the Services Sector: It has been observed that as per capita incomes increase, people start or increase the consumption of intangible products called services. The services sector, referred to as the "tertiary sector", today contributes to more than half of all economic activities in the high income countries.

Educational Facilities: Knowledge is a key economic resource in the modern world. Education is the key to gain access into the world of knowledge. The increased entry of a large sector of the population into the portals of higher education and technical education further adds to the process of rapid urbanisation.

Administrative Centralisation: Desai\(^5\) (1982), in his study of the economic development process in India observes that administrative centralisation during the period of British rule has contributed significantly to the growth of a number of provincial towns and district. In any economy where the Government plays an important role, the establishment of administrative facilities at a given place makes the place a favourable destination for the population.

Occupational Prestige: Smelser\(^6\) (1988) in his study of the sociological implications of economic development observes that as countries move on the path of industrialisation, certain occupations and professions gain social prestige. The elite in society tend to move towards such professions which include engineering, management, accounting and salesmanship. Such social trends favour urbanisation.

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Higher Levels of Aspiration: Economic development and modernisation encourage people to aspire for a higher standard of living. In the developing economies, towns and cities are seen as "islands of prosperity and opportunity" and trigger mass migration of population from rural areas to urban areas.

The Push Factors

The following factors have compelled the movement of large number of people from villages to towns especially in India.

Low productivity of labour in agriculture: Productivity and per capita income generation from agricultural operations have been very low in India. This has made agriculture an "unprofitable occupation" for millions of farmers, especially in the category of small and marginal farmers.

A number of factors like failure of monsoons, inadequacy of irrigation facilities, extremely small size of land holdings, fragmentation and sub division of land holdings, degradation and salination of farm lands have reduced productivity of agricultural lands compelling search for alternative sources of employment and livelihood.

Famines: Famines have been a bane to the Indian farmers. Recurring famines over a period of time have compelled farmers to leave their farmlands uncultivated. This virtually compels millions of small farmers and agricultural labourers to migrate to towns and cities.
Death of traditional industries in rural areas: Industrialisation has lead to mass production of commodities on modern lines. A number of products which were being produced in a very large number of small scale and tiny units in rural areas are now being produced in large scale industries. Sophisticated technology and aggressive marketing skills of modern business houses have led to the decline and death of millions of small scale industries located in rural areas, depriving opportunities for gainful employment in rural areas.

All these factors have lead to the phenomenon of rapid urbanisation in India.

Definition of an urban area in India

Definitions of the term “urban area” take into consideration several factors, demographic and economic in nature. The following factors are generally accepted as indices of urbanisation:

a) size of the settlement.

b) density of population in the settlement.

c) occupational pattern expressed in terms of percentage of population involved in occupations other than agriculture and its allied activities.

d) economic, social and cultural diversity of population residing in the settlement.

e) designation of the place as a town/city by a competent administrative authority.

Census of India, 1991

Urban settlements comprise all those areas which have either a municipality, corporation, cantonment or a notified Area Committee.
A place becomes urban when:

I. It has a population of more than 5,000.

II. More than 75 per cent of the working population is engaged in non-agricultural operations.

III. The density of population exceeds 1,000 per square kilometer.

Note: A town with a population of one hundred thousand and above is referred to as a city.7

Urban areas in India are classified into six categories based on the size of their population. Table IV.1 presents the classification criteria adopted in India.8

Table IV.1
TABLE SHOWING CATEGORISATION OF TOWNS AND CITIES IN INDIA

<table>
<thead>
<tr>
<th>Category of towns</th>
<th>Size of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class I</td>
<td>More than 1,00,000</td>
</tr>
<tr>
<td>Class II</td>
<td>More than 50,000-upto 1,00,000</td>
</tr>
<tr>
<td>Class III</td>
<td>More than 20,000-upto 50,000</td>
</tr>
<tr>
<td>Class IV</td>
<td>More than 10,000-upto 20,000</td>
</tr>
<tr>
<td>Class V</td>
<td>More than 5,000-upto 10,000</td>
</tr>
<tr>
<td>Class VI</td>
<td>Less than 5,000</td>
</tr>
</tbody>
</table>

**Urbanisation trends in India**

It is said that "India lives in its villages". Nearly 70 crore Indians live in the 5,50,000 villages spread over a vast land area of 3 lakh square kilometers.

However, the choice of industrialisation as the primary route to economic development and prosperity by the Government of India, after Independence in the year 1947, has lead to a phenomenal growth in the number of towns and cities in India.

Table IV.2 presents the pattern of urbanisation in India over the last hundred years, in terms of the percentage of population living in urban areas.

<table>
<thead>
<tr>
<th>Census year</th>
<th>Population in millions living in urban areas</th>
<th>% of urban population to total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>26</td>
<td>10.8</td>
</tr>
<tr>
<td>1911</td>
<td>26</td>
<td>10.3</td>
</tr>
<tr>
<td>1921</td>
<td>28</td>
<td>11.2</td>
</tr>
<tr>
<td>1931</td>
<td>33</td>
<td>12.0</td>
</tr>
<tr>
<td>1941</td>
<td>44</td>
<td>13.9</td>
</tr>
<tr>
<td>1951</td>
<td>62</td>
<td>17.3</td>
</tr>
<tr>
<td>1961</td>
<td>79</td>
<td>18.0</td>
</tr>
<tr>
<td>1971</td>
<td>109</td>
<td>19.9</td>
</tr>
<tr>
<td>1981</td>
<td>159</td>
<td>23.3</td>
</tr>
<tr>
<td>1991</td>
<td>218</td>
<td>25.7</td>
</tr>
<tr>
<td>2001</td>
<td>285.4</td>
<td>27.78</td>
</tr>
</tbody>
</table>


It is clear from the above statistics that urbanisation has picked up pace during the last four decades. It is estimated that urban population as a percentage of total population will increase to 33.5 per cent by the year 2006 and to 36.6 per cent by the year 2011.

Urbanisation in Andhra Pradesh

Vision-2020, the Government Policy document on economic development envisages that "...by 2020, Andhra Pradesh's population will more than double. The pressure on key cities will intensify.... The challenge for Andhra Pradesh is to ensure that this urban growth is managed in such a way that its cities are clean, comfortable, safe and enjoyable places to live in."9

Table IV.3 presents data pertaining to the trend of urbanisation in Andhra Pradesh (in terms of percentage of population) and allows us to study the nature of urbanisation in the State in comparison with national trends.

An analysis of the above data discloses that in terms of rural-urban distribution of population, the State of Andhra Pradesh reflects the overall pattern found all over the nation. Hence, it can be said that the State reflects the general character of urbanisation in India.

<table>
<thead>
<tr>
<th>Year</th>
<th>Andhra Pradesh</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>9.7</td>
<td>10.8</td>
</tr>
<tr>
<td>1911</td>
<td>10.1</td>
<td>10.3</td>
</tr>
<tr>
<td>1921</td>
<td>10.2</td>
<td>11.2</td>
</tr>
<tr>
<td>1931</td>
<td>11.1</td>
<td>12.0</td>
</tr>
<tr>
<td>1941</td>
<td>13.4</td>
<td>13.9</td>
</tr>
<tr>
<td>1951</td>
<td>17.4</td>
<td>17.3</td>
</tr>
<tr>
<td>1961</td>
<td>17.4</td>
<td>17.3</td>
</tr>
<tr>
<td>1971</td>
<td>19.3</td>
<td>19.9</td>
</tr>
<tr>
<td>1981</td>
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</tr>
<tr>
<td>1991</td>
<td>26.9</td>
<td>25.7</td>
</tr>
<tr>
<td>2001</td>
<td>27.3</td>
<td>27.78</td>
</tr>
</tbody>
</table>

However, agriculture as an economic activity plays a very important role in the economy of the State. 63 per cent of the entire work force in the State is employed in the agriculture sector. This proportion is high compared to the proportion found in the States of Punjab, Tamil Nadu, Gujarat and Maharashtra where the proportion of work force employed in agriculture sector is 39 per cent, 49 per cent, 52 per cent and 56 per cent respectively. Of the 63 per cent dependent on agriculture for livelihood in the State, 23 per cent are farmers and the rest i.e. 40 per cent are wage labourers.10

Thus, the rural sector and agriculture continue to play a very important role in the State. As at the end of the year 2001, the urban population of the State was 20,808,940 residing in 210 towns and cities.11

Urbanisation in the Three Regions

The three regions in the State, selected as the basis for a comparative study of the performance of Rythu Bazaars, exhibit distinct demographic patterns which are the result of a combination of geographical, historical, cultural, social and political factors peculiar to each region under the study.

Table IV.4 depicts the nature of urbanisation patterns found in the three regions, namely Coastal Andhra, Rayalaseema and Telangana.

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TABLE SHOWING EXTENT OF URBANISATION IN THE THREE REGIONS OF ANDHRA PRADESH

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the region</th>
<th>Total population</th>
<th>Urban population</th>
<th>% urban population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coastal Andhra</td>
<td>3,17,05,092</td>
<td>78,20,343</td>
<td>24.66</td>
</tr>
<tr>
<td>2</td>
<td>Rayalaseema</td>
<td>1,35,27,644</td>
<td>31,35,810</td>
<td>23.10</td>
</tr>
<tr>
<td>3</td>
<td>Telangana</td>
<td>3,09,87,271</td>
<td>98,52,697</td>
<td>31.79</td>
</tr>
</tbody>
</table>

Source: Compiled on the basis of Table 1.7 Statistical Abstract: Andhra Pradesh 2004, Directorate of Economics and Statistics, Government of Andhra Pradesh, Hyderabad.

Nature of Rural-Urban Relations

The process of economic development brings about substantial changes in the nature of relationship between rural and urban areas in a country.

Commercialisation of agriculture, the shift to commercial crops, increase in the marketable surplus in farm lands, modernisation of agriculture, the development of transport and communication facilities and the increasing importance of marketing as an economic activity create the need for more regular and intense inter-relations between rural and urban communities in a country. This affects the relative isolation of villages from the main stream economic trends.

The nature of inter-relationship between rural areas and urban areas can be studied with reference to the nature of “flows” between these two spatial identities. Summarising the key concepts of different studies pertaining to the phenomenon of flows
between villages and towns, Jayashri Chaudary\textsuperscript{12} (2002) identifies six kinds of flows or linkages. They are:

1. Physical linkages in the form of rail, road and telephone connections.

2. Commodity linkages or flows which include:
   
   a. flow of goods from rural areas to towns and cities
   b. flow of goods from towns and cities to rural areas.

   Cereals, pulses, oil seeds and oils, poultry and meat products, raw material for agro-industries, fruits and vegetables, flowers, processed foods originating in the small scale and cottage industries sector are the main constituents of commodity flows from rural areas to urban areas in India.

   Fast moving consumer goods (F.M.C.Gs.), consumer durables, processed foods, agricultural inputs and implements, spares and replacements for equipment, medicines and drugs are the main constituents of commodity flows from urban centers to villages.

3. Service flows including provision of health, insurance, electricity, telecommunication and education.

4. Human flows in the form of:
   
   a. Commuters moving between the two spatial regions on a regular or occasional basis.
   b. Migrants, predominantly moving from rural areas to towns and cities.

5. Monetary flows in the form of movement of funds and capital between the two spatial units.

6. Information flows in the form of flows of ideas and technology.

Ideally, the flows of goods, services, funds and information between towns and villages ought to contribute to the welfare and wellbeing of the inhabitations of both these regions.

The Importance of Commodity Flows

The movement of goods between rural and urban areas is perhaps the most important constituent of linkages between rural areas and urban areas.

Agricultural marketing has been primarily concerned with the flow of goods originating in villages to the towns and cities. Agricultural marketing ensures that the farmer gets a fair and just price for his produce while ensuring an assured supply of food products to the millions of consumers residing in urban areas, at a fair and affordable price. Efforts at development of agricultural marketing reflect the recognition of the need for an effective mechanism for the management of flows from rural areas to urban areas.

Rural Marketing

Rural Marketing, gaining importance during recent years, is primarily concerned with the search for marketing avenues for the products and services produced by industries in rural areas.

Till recent years, rural marketing was mainly associated with the marketing of fast moving consumer goods and agricultural inputs and implements in rural markets. The fast growing market for consumer durables in the rural markets has triggered an interest in rural marketing. Recent academic discussions on this sphere of marketing have stressed the need for the evolution of a philosophy of rural marketing which tries to strike
a balance between “the needs of the rural customers and the firm’s need to search for profitable marketing avenues for its products and services”.

Ideological Issues

The Government in India has been a major player in the economic sector during the last five decades (1950’s to 1990’s). It is only during the last fifteen years that the Government has been gradually withdrawing from the economic sector. Hence, the ideology of the Government has a substantial impact on the nature, objectives, direction and the efficiency of the economic system. With reference to rural-urban inter relations, three distinct ideologies have held sway over the policies and programmes of successive Governments.

Rural-dominant ideology: This stream of thought holds the strong belief that India’s future lies in its villages and every effort must be made to achieve prosperity in the rural areas. The interest of agriculture and agriculturists is the area of primary concern. Subsidisation of agricultural inputs, implements, and operations; creation of rural infrastructure and provision of irrigation facilities are the priority areas, attracting large budgetary allocations. Urban planning is seen as an activity corollary to the primary objective of providing impetus to rural development.

Urban dominant ideology: Proponents of this philosophy believe that the foundation for economic development has to be based on a strong manufacturing and services sector. Provision of urban facilities, subsidisation of the efforts of industrialisation, concentration
on rapid-growth sectors like Information Technology (I.T.) and Bio-Technology (B.T.) are seen as thrust areas. Such policy thrusts are accompanied by a gradual withdrawal of the Government from the agricultural sector. Reduction of budgetary allocations to subsidisation of agriculture, reduction in the deployment of Government employees involved in the activities of provision of extension and marketing facilities in rural areas and a larger role for N.G.Os. in rural development efforts are the consequences of such an ideology.

The Syncretic ideology: The third school of thought calls for an integrated approach to the management of rural-urban inter relations. It seeks to build and maintain mutually beneficial interrelations between these two sectors. The belief that there is a conflicting interest between the two sectors is seen as anachronistic. Stress is on identifying the common concerns of these two sectors. The establishment of “healthy and mutually satisfactory rural-urban relations” can be achieved only when the developmental concerns of both the regions are recognised and addressed by the Government.

PURA (Provision of Urban facilities in Rural areas), the dream project of the President of India, focusing on the need for establishing multi-dimensional connectivities between rural and urban areas through the co-operation of the Government, corporate houses and N.G.Os. is an attempt to operationalise this philosophy.\(^{13}\)

Marketing of farm produce in Urban Areas

"The task of feeding the (world's) cities adequately constitutes an increasingly pressing challenge, requiring the coordinated effort of food producers, transport operators, market operators and a myriad of retail sellers".14

The task of providing "Food security" in the form of the availability of adequate quantities of safe food at an affordable price to the burgeoning urban population is becoming a major challenge to Governments all over the world. This challenge is all the more difficult in developing countries like India, characterised by shortage of resources and the absence of well-developed marketing systems.

The marketing system for farm produce in urban areas must address itself to the tasks of:

a) improving the efficiency of existing food supply and distribution systems.

b) creating effective linkages between production centers and consumption centers (towns and cities) through the provision of transportation, warehousing and communication facilities.

c) facilitating access to safe food at an affordable price to all sections of the urban population with a specific concern for the needs of low-income groups of the population.

d) reducing costs involved in transfer of farm produce to the consumers by reducing wastages and losses.

14 James Diouf, 1996, Director, Food and Agricultural Organisation (FAO), UNO, II Habitat Conference, Home Page of the web-site of FAO.
e) ensuring that the producers (farmers) get a fair share of the price paid by the consumers.

**Marketing implications of Rapid Urbanisation.**

Rapid urbanisation, unplanned, in many instances has posed a great challenge to the traditional marketing systems for farm produce in urban areas. The following is a study of important factors which have made the marketing task in urban areas complicated and challenging.

♦ Rapid urbanisation has lead to burgeoning urban population and the sheer quantity of food needed to satisfy the basic needs of urban population itself poses a challenge to the traditional marketing structures designed to suit the requirements of a limited population.

♦ Forced migration from rural areas to urban areas has led to the presence of large sections of population with low level of skills and earning capacity. Providing food security to these sections of urban population poses a great challenge.

♦ Poor condition of arterial and feeder roads connecting cities and villages quite often leads to delays and stoppages in transport of farm produce. This has the effect of disrupting food supplies to urban areas.

♦ Changes in the traditional family structures have brought in significant changes in consumer decision making and buying behaviours.
The entry of women into the workforce has lead to an increase in the demand for low-priced processed foods. In addition, women wish to spend less time on "search and purchase" process.

Rising incomes have lead to a desire for high-quality nutrient-rich foods and price alone is not the major factor in decision making.

Men in the case of 'Double Income Families' have come to accept the responsibility for purchasing food products. This activity, till recent years, was treated as falling under the exclusive domain of woman's chore.

The growth of cities has lead to their geographical expansion. Marketing for food products involves traveling over long distances either from the work place or place of residence. In addition, traffic and parking regulations coupled with restrictions on the location of business establishments have made marketing a physically tiring job. This has also motivated customers to select and patronise outlets which can cater to their varied requirements for food products like pulses, cereals, fresh vegetables and fruits.

The fast pace of urban life has compelled urban consumers to cut down time on search and purchase behaviour or activity. Bargaining is seen as a waste of time and there is a preference for fixed price outlets.

Cities and towns are cosmopolitan in nature and the population exhibits ethnic, social, cultural and linguistic diversity. Dietary habits and preferences of these groups are different and hence market operators in modern cities and towns find it necessary to stock different varieties of food produce.
Diffusion of technology in the country has led to the mass production of personal refrigerators during the 1980's. The refrigerator, which was seen as an *elite product* till then, became an affordable durable good. Increasing income levels of households in urban areas led to the use of personal refrigerators by virtually every family in the rich and middle classes. The use of refrigerator freed the housewife from the compulsion of purchasing fresh vegetables and fruits everyday. Food requirements for a period of 2-3 days could be stored in the refrigerators. Hence, many families earlier relying on itinerary vendors visiting their house everyday, started visiting central retail outlets lured by the promise of lower prices and the availability of a larger product range from which they could make their choice.

Cereals, pulses, fresh fruits & vegetables and processed foods constitute the main ingredients of dietary intake in India.

Population in cities is spread over three distinct economic classes, namely, the rich class, the middle class and the poor class. The requirements of consumers in these three classes are spread over a whole range on the quality-price continuum. There is a substantial market segment which prefers "high quality-price premium" farm produce and an equally substantial segment which is compelled to choose a "low-quality-low price" option. Situated between these two segments is the middle class which prefers an "assured quality-affordable price" option. Food outlets in urban areas have to cater to the needs of all these segments of the food market.
Over the last two decades, there has been a significant change in the urban landscape. At present, a large sector of the urban population lives in apartments situated in “high-rise residential complexes”. Till very recently, such structures were a rarity in towns. A majority of the residents inhabited ‘Independent Houses’.

a) Itinerary vendors find it difficult to make house-visits to sell their produce at different households. At the same time, customers living in floors other than the ground floor find it difficult to make their purchase from such vendors.

b) Security arrangements in high-rise residential complexes place a prohibition on the entry of such vendors into the complex. This has led to major changes in the physical delivery system.

In view of different factors like both the spouses being employed and difficulties of commuting over long distances, most of the consumers prefer to make their purchases during specific time slots of 2-3 hours in the morning and evening. Traditional market structures were geared up to meet the requirements of customers flowing in small numbers all through out the day.

A combination of the above factors has led to a situation where the traditional arrangements for retail marketing of farm produce in urban areas have become inadequate and incapable of satisfying the needs of the customers, the market operators and the farmers. This has inspired the search for more efficient marketing arrangements.

The following study presents an overview of the “Traditional arrangements for retail marketing of farm produce in urban areas” (Vegetables and Fruits).
OVERVIEW OF TRADITIONAL ARRANGEMENTS

A) Central wholesale vegetable market

The central vegetable market is the main source of supply of vegetables and fruits in every town and city in Andhra Pradesh. The wholesale market is located in a spacious area outside the outer limits of the town, close to the arterial roads. Permanent sheds house the different outlets managed by traders who are members of the wholesale market society.

Inflows into the market arise from three distinct sources:

a) from the peripheral rural areas, [within the district]

b) from farmlands within the State.

c) from farmlands outside the State.

Preferred mode of transportation is trucks. Goods are brought to the wholesale market either by farmers themselves or market operators. Market operators fall under two categories:

a) trader-market operators who buy produce from farmers and deal as owners of the produce at the wholesale market.

b) agent-market operators who represent the interest of the farmers and offer their marketing skills to farmers for a specified commission.

Buyers who patronage the wholesale market include:

(a) retailers.

(b) institutional buyers like hoteliers and hostel managers.

(c) one-time occasion based large volume buyers.
Goods are placed on designated platforms in front of the wholesale outlets. Prospective buyers offer their “bids” in an open auction and the highest bidder gets the produce. Payment is to be made within 24 hours of the auction, with a clause that at least 10-20 per cent of the price is to be paid on the spot. A seller (agent/farmer) is free to withdraw stocks from sale. Farmer/agent sellers not satisfied with the price set in the wholesale market normally move their produce to the nearest alternative market.

Facilities for storage of produce are traditional and minimal. Neither the buyers nor the sellers exhibit a willingness to store the produce for more than 12 hours. Maximum inflows are recorded between 10.00 p.m. to 1.00 a.m. on any given day and outflows reach their peak-level between 3.00 a.m. and 7.00 a.m. on the subsequent day. Market operators rely on private financial institutions for their requirements of funds. The Merchants Association is authorised to collect a market cess of 1-2 per cent from the farmers/agents. In addition to discharging its primary function as an arbitration authority, the Association also:

i) liaisons with Government authorities for the development of trade.

ii) overlooks the maintenance and improvement of physical facilities at the market.

iii) comes to the assistance of individual members in distress.

Impact of recent changes

The State Government and the local urban authorities have compelled the relocation of these markets to places far off from the city/town to avoid entry of trucks and heavy vehicles into the urban areas. In addition, the Government has been insisting
that wholesale transactions should be carried on exclusively in Government market yards established and supervised by the Government. With the arrival of mini-vans and three-wheeler carriers in the transport sector, many farmers and retailers have been attempting to establish direct trade contact avoiding the wholesaler/agent as a market intermediary.15

B) Central retail market

The central retail market (for vegetables and fruits) is generally located in the heart of the “Old city” in all towns and cities. Such markets were established, some 50 or 100 years ago. Such markets are located in premises owned by the local authorities (the Corporation/Municipality) and leased out at nominal rates to registered retailers. The structures are permanent (Pucca) and provide for trade under all-weather conditions. The local authority undertakes to maintain basic sanitation, parking and security arrangements. All such markets are managed by registered societies formed by traders.

Inflow of vegetables is either from the farmers having land holdings within 15-20 kilometers radius or from the wholesale market. Retail marketers appoint agents to purchase vegetables and fruits grown outside the State. Households having substantial requirements, small retailers and organisational buyers are the main customers patronising these markets. Customers are assured of the availability of a whole range of both ethnic and non-ethnic vegetables in the market.

In principle, all sales are against cash. However, market operators provide one-day credit to small/medium retailers who are regular customers. Prices are determined

15 Personal Interview with the President, Vijayawada Wholesalers Association on 19th May, 2005.
through the process of bargain between buyers and sellers. Grading is minimal and only two categories of grades, namely, “quality produce” and “low quality produce” are established in the market. Peak sales are recorded early morning during the 6.00 a.m. to 10.00 a.m. slot and late in the evening during the 6.00 p.m. to 9.00 p.m. slot. Storage facilities are minimal and the produce which remains unsold at the end of the day is disposed off at low prices to small retailers or owners of low-price eateries or restaurants. Retail merchants depend upon private financial institutions for their requirement of finances. On an average, the operations of the market attract customers from within a 10 kilometer radius. The Association of Merchants performs the functions of:

a) coordinating the efforts of members for development of the market,
b) liaisoning with Local Authorities and the Government,
c) negotiation and arbitration of disputes, and
d) providing relief to individual members in distress.

Impact of recent changes

In most of the cities and towns, the geographical expansion of the town/city has created a situation where the central retail market is now located in a peripheral region of the town. It is too distant from the new residential localities. Commuting up to the central retail market has become an arduous task for many customers. Congestion of traffic, frequent traffic jams, police restrictions on vehicular movements and parking in the region of the central market area have dampened the interest of the customers patronising these markets.
In addition, the establishment of many authorised/unauthorised "locality specific retail markets" have cut into the traditional customer base of central retail markets.  

C) Locality specific organised retail markets

Locality specific organised markets are located in six to ten localities in the town/city. These areas represent the old/traditional residential localities in the urban area (such areas are called Petas). They are housed in permanent structures built by the urban authorities and leased to registered retailers. Most of these markets were established nearly 50 years ago. Facilities at the market permit the functioning of the market in all-weather conditions.

Goods flow into the market directly from farmers, from the wholesale market and the central retail market. The buyers include individual households, itinerary retailers and owners of small eateries and restaurants. Customers are drawn to the market from within a radius of 2-5 kilometers. Prices are determined by the process of negotiation between the sellers and prospective buyers. Bargains ranging between 10-30 per cent determine the final price. All transactions with individual customers are for cash. Institutional purchasers are extended the facility of one day credit, subject to payment of interest. Produce is sold at a lower price to small retailers in order to help re-sale to households. Only two grades of produce, namely, standard quality and low-quality produce are established. The early morning hours (6.00 a.m. to 10.00 a.m.) and the late hours of the evening (6.00 p.m. to 10.00 p.m.) witness maximum business. However, transactions at a slow pace take place throughout the day. Marketers exhibit willingness

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16 Personal Interview with the President, Vijayawada Central Retail Market Association on 23rd May, 2005.
to spend more “time per transaction” during the ‘non-peak’ hours and price-sensitive buyers choose such hours for their purchase.

Customers can rely on the market for their requirements spread over the entire product range. Storage facilities for the produce are virtually non-existent and stocks lying unsold at the end of the day are sold to customers/restaurant operators at throw-away prices. Market operators rely on private moneylenders and chit fund companies for their requirement of funds.

The Retail Merchants Association performs the following functions:

a) co-ordination of the activities of members to achieve better facilities for the market.

b) liaisoning with the local body authorities for the solution of business problems.

c) settlement of disputes between members, members and suppliers or members and customers through negotiation and arbitration.

d) framing of rules for the provision of facilities like parking, sanitation and maintenance of canteen by independent contractors.\(^{17}\)

**Impact of recent changes**

Over the years, these markets have gained popularity as the central retail market became a distant destination for inhabitants of new residential localities. In addition, itinerary retailers depend more on these markets for their supplies in view of the fact that central retail markets/wholesale markets have become too far off, making it difficult for the itinerary retailers to move goods from such distant locations. However, the

\(^{17}\) Personal Interview with the Secretary, The Raja Gopalachari Municipal Corporation Market Association, Vijayawada on 27th May, 2005.
establishment of *alternative delivery mechanisms* during the recent years has reduced the turnover at these markets.

**D) Locality-specific unorganised retail markets**

The rapid expansion of towns and cities has led to the growth of new residential localities. In most of the cities and towns, the local authorities failed to foresee the rapid growth and hence urban planning agencies failed to make land allocations for the creation of common amenities. No specific allocations of land were made for the creation of organised retail markets. Under such circumstances, a few entrepreneurs intending to exploit the available marketing opportunities started retail sales counters for the sale of fruits, vegetables and pulses. Most of such outlets are located on vacant lands owned by private individuals, such lands not being available for construction activity due to urban land ceiling restrictions. Retail market counters, two or three in number, are housed in semi-permanent structures with a thatch/asbestos roof. Such markets are located on vantage points close to the main roads. Leasehold operators managing the outlets do not have any security of tenure and are required to terminate their operations on demand by the owners of the land. Rents are astronomically high, since plots are lent on commercial basis.

Inflow of fruits and vegetables is generally from the wholesale market or the central retail market. Customers are drawn to the market from the one/two residential localities close to the market and located within a radius of 3-5 kilometers. Prices are determined by the process of bargain and the range of bargain from the stated prices ranges up to 50 per cent. No specific arrangements exist for parking, security or sanitation. Market operations have to be suspended in case of inclement weather.
All transactions are against cash only. Only one grade of vegetables and fruits is maintained and the quality of produce offered for sale depends on the nature of residential localities which patronage the outlet. High quality produce is made available in markets situated near “posh localities” and produce of assured quality is available at outlets located near “middle class localities”.

Peak time sales are recorded between 6.00 a.m.–10.00 a.m. in the morning and between 6 p.m.–10.00 p.m. in the evening. There are no facilities for storage of produce overnight and any produce remaining unsold at the end of the day is sold at bargain prices to operators of eateries and low-price restaurants. Market operators are compelled to depend on private sources of finance for their capital requirement.

**Impact of recent changes**

A series of recent trends have endangered the existence of this class of retail operators. Relaxations in ‘Urban Land Ceilings Act’ have thrown open these plots for construction activity leading to the eviction of market operators. The widening of arterial roads within the cities and towns has led to the acquisition of such vacant plots by local bodies. Strict traffic regulations and parking specifications have made visits to such outlets difficult and inconvenient for customers. All these factors have jeopardised the future of this class of operators.

**E) Street-end vendors**

Thousands of retail market outlets function all over towns and cities in Andhra Pradesh at street ends. They are located at vantage points on the main roads of the town.
and the feeder roads connecting residential localities to the arterial roads. Such retail operators place their produce for sale:

a) On Stationary Push-Carts.

b) On the Pavements.

Activities of such retail operators are restricted to a few hours early in the morning and late in the evenings. The places/locations chosen for the positioning of the produce is generally allocated for movement of traffic and hence not available to the retailers during the working hours of the day. In addition, operations of such nature are in violation of rules and regulations. Their operations are frequently suspended/paralysed by local bodies as their activities are seen as an encroachment of Government land. There is no certainty of operations as operators depend on the mercy of the police and municipal authorities for continuation of their operations.

Street end operators stock only one or two varieties of produce. They depend exclusively on the impulsive buying behaviour of the buyers or on the need for making last minute supplemental purchases by customers in a hurry. Customers, relying primarily on other classes of retailers, make small volume purchases of essential food ingredients. Prices are determined by the process of negotiation between the buyers and sellers and bargaining is very aggressive, with the accepted range of bargaining falling in the range of 50 to 75 per cent of the stated price. There is no assurance of quality of produce. Most retail operators in this class obtain their produce from the wholesale markets or the central retail market where they procure produce classed as “second grade”.
Impact of recent changes

Urban restrictions on traffic and parking have virtually sounded the death knell for these traders in the central areas of towns and cities. Today, their operations are restricted to the peripheral areas of towns and cities. Their operations are restricted to two or three hours early in the morning. However, they continue to be an important retail channel for the sale of farm fresh produce in small towns.

F) Itinerary hawkers

Over the years, itinerary hawkers were the main source of supply of farm fresh vegetables and fruits in the towns and cities of Andhra Pradesh. Such hawkers fall under two categories. They are:

a) Push Cart hawkers and

b) Hawkers carrying head-loads.

They buy their produce, generally, from operators in the central retail stores in small quantities. They make an attempt to carry a substantial range of fruits or vegetables. They operate in a specific residential area and visit every household announcing their arrivals. Push carts are mostly operated by men whereas women carry head-loads.

Individual households purchasing their daily requirements of fruits and vegetables are their main customers. Such hawkers, over the years, gain the confidence and loyalty of customers. A number of housewives allow these hawkers to determine their choice of fresh vegetables and fruits.
In addition to mere supply of produce, they also act as sources of information for all related purchases. Women hawkers use the public transport system for commuting from the central retail market to the residential localities and walk from one residential complex to another making their trade cry. They buy their requirements virtually from the same large retailer every day and generally depend on a line of credit offered by the operator for their financial requirements. Settlement of amounts is made once a week and interest is charged on a daily basis on the outstanding balance due from the itinerary hawkers. Their operations extend from 6.00 a.m. to 12 a.m. every day.

Their operations are suspended whenever there is inclement weather affecting movement within the town/city. In addition, they are subject to great hardship when public transport operators refuse to provide conveyance to them, citing rules and regulations. Quite a number of women hawkers also rely on private transport operators plying commercial three-wheeler motorised vehicles on specified routes in peripheral areas of the town/city. Hawkers under this category provide credit facility to buyers to gain loyalty and monopolise access. They rely on the higher price-margin to cover the cost of finance.

Price determination is by a process of aggressive bargaining between these hawkers and housewives, familiar and comfortable with the nuances of bargaining. Men in the households express a reluctance to deal with these hawkers as these hawkers quote astronomically high prices foreseeing aggressive bargaining by the customers. Any produce which appears to be in surplus and incapable of being sold at normal prices is offered at a throw-away price to the house-hold customers at the end of day’s tour-cycle.
Women hawkers falling under this category normally make use of the different schemes operated by the Government for encouraging entrepreneurship among urban women belonging to the financially and socially weaker sections.

In view of the fact that retail hawking is an activity confined to a few hours every day, most of the hawkers view it as a ‘part-time’ business and find employment during the rest of the day as domestic helpers or assist operators in the wholesale market as manual workers, drawing wages on a daily basis.

Impact of recent changes

Recent changes in the urban landscape and urban life styles have lead to the near extinction of this line of trade, at least in the large towns and cities. While itinerary hawkers still find adequate business opportunities in the small towns of Andhra Pradesh, they are faced with dwindling opportunities in large towns and cities.

Commuting over long distances in large and sprawling residential areas has become a very arduous task. In addition, residential localities are located very far-off from the central retail market. Restrictions imposed by public transport organisations on the carrying of luggage by commuters’ compel reliance on private transport operators. Fares charged by such operators, knowing the fact that “itinerary hawkers” have no other alternative mode of transport, are prohibitively high and make the trade unprofitable.

The popularity of high-rise apartments has led to a situation where paying individual house-visits is neither possible, nor easy. Access to individual apartments is restricted on grounds of security.
Women entering the workforce has led to a situation where they do not have the time early in the morning to make their purchase of daily requirements. Employed women find it difficult to spare time for the purchase process. In addition, women employees tend to make their purchases while returning home from their work-place from retail outlets enroute.

In addition men in Double-Income Group (D.I.G.) families have come to accept the responsibility for what were earlier seen as domestic chores to be attended to by women only. Purchase of food products by men is no longer viewed as a demeaning activity. Higher incomes of such families have permitted them to allocate a higher proportion of their budgets to dietary requirements and to depend on reputed establishments which charge a higher price but provide assurance of quality and convenience.

The availability of personal-refrigerators at an affordable price during the recent years has given rise to a situation where a majority of urban households possess a refrigerator. This frees the housewife from the necessity of making daily purchases of fresh vegetables and fruits. Household buyers have become accustomed to making large volume purchases of farm fresh food products at centralised retail outlets, since they can store such produce in refrigerators.

G) The Provision stores

In the Indian context, at least 10 per cent of households are exclusively vegetarian. The vegetarian component of diet is substantial even in the case of the other 90 per cent of Indian families.
In addition to vegetables and fruits, which have to be purchased on a daily basis or at least twice a week (in general); cereals, pulses and indigenous processed foods (vegetarian in nature) form an important part of the dietary intake of Indians. Cereals, pulses and indigenous processed foods of a large variety are purchased once a fortnight/once a month from the large number of provision stores found in several localities of Indian towns and cities.

Traditionally, these establishments are run by sole-traders on a very small scale. Such establishments are run in one/two room structures (either owned or leased) with the front room being the place for the conduct of transactions and the second room being used as a godown. Operators procure their wares from the central wholesale market, located in what is generally referred to as the “Old Town” in all towns of Andhra Pradesh.

Provision stores rely on low price-margins to attract customers to their shop. This is made possible by making every effort to reduce overheads in the business. Operators rely on their family members to undertake business activities like procurement, manning of the shop, maintenance of cash and delivery of goods sold to household customers. They make all efforts to gain and maintain the confidence of their regular customers. In many cases, the residence of the operator is annexed to the retail shop, permitting the operator to be available to meet the needs of the customers even at odd-hours of the day. Such operators today are facing severe competition from modern super markets and retail chain stores which are cutting into the traditional “customer base” of these establishments.
Thus, it is evident that farm produce originating in farm holds located in villages goes through a long chain of intermediaries before it reaches the final consumer in urban areas.

“When one looks at food, one seldom realises the journey that the food has made from farm to home . . . how it gets handled at different stages and how it also gets value added” remarks V. Prakash.\(^\text{18}\)

Fig. IV.1 depicts the movement of farm produce from the farm-holds to the final consumer in urban areas through a chain of intermediary market operators including the more recently introduced systems of delivery.

**AN APPRAISAL OF THE SYSTEM**

The traditional retail marketing systems for farm produce in urban areas was designed and managed to suit the requirements of small towns. Over the recent years, there has been an unprecedented and unforeseen growth of urban population. Local bodies have not been adequately equipped to provide for a planned growth. Haphazard and unregulated growth in urban agglomerations has lead to unmanageable pressure on the marketing systems. The earlier practices of:

a) specific allocations of land for the establishment of organised markets in designated residential localities,

b) construction of marketing complexes by the local authorities and subsequent lease of shopping space to the members of Marketing associations,

c) registration of Marketing associations and the provision of civil amenities on a “common payment” basis to operators owing allegiance to a registered association

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Figure IV.1 A Diagrammatic Overview of Traditional Arrangements for the Marketing of Fruits, Vegetables and Processed Foods (along with the more recent institutions) in Urban areas of Andhra Pradesh

**Legend**
- Produce originating at the farm lands.
- Produce originating from agents.
- Produce originating from Central wholesale market.
- Produce originating from Central retail market.
- Produce originating from Locality specific organised retail markets.
- Produce originating from Supermarkets.
- Produce originating from Penultimate retail structures.
- Produce originating from provision stores.
d) creation of mechanisms providing for interaction between officials of the local authorities, traders, and the general public; were neglected leading to a failure in providing the necessary infrastructure and support to marketing activities.

This has created a situation where a few traders who had entered the system when Government assistance and support was forthcoming could establish their hold and dominate the entire retail marketing system in urban areas.

The marketing system has failed to ensure technical efficiency, pricing efficiency and distributive efficiency leading to grievances being expressed by virtually all the participants in the marketing system.

GRIEVANCES OF THE FARMERS

Farmers are robbed off the benefits of their hard work and effort. Only 25–30 per cent of the consumer rupee reaches the farmers, the rest i.e., up to 75 per cent of the same being shared by a multitude of middlemen and intermediaries. Farmers are compelled to part with a share of their earnings in the name of weighing charges, handling charges, processing charges, market development cess and other similar unauthorised deductions. Collaborative action of well-entrenched traders, well aware of the total reliance of the farmer on their services and patronage, can compel the farmer to sell his produce at very low prices. Weighing and grading practices are administered by trader-associations and operate in favour of the trader community. The non-availability of efficient and flexible transport systems, storage facilities (either at the farm level or at the destination markets) and facilities for over-night stay at the destinations at affordable tariffs compel farmers to
dispose off their produce at non-remunerative prices. The marketing information system 
maintained by the trader-associations is designed to serve the needs of the traders. 
Information, scanty as it is, provides farmers with no clues as to the right choice of 
marketing channel.

Reluctance of the organised finance sector participants to lend funds to farmers on 
the basis of their produce compels farmer reliance on trader-finances leading to a 
situation where the farmer has no choice except to sell his produce to traders financing 
him, fore-closing the opportunity of seeking an “alternative buyer” in the market. Failure 
of farmer co-operatives has created a situation where all farmers’ attempts at market 
development are virtual “non-starters”. A few enterprising farmers who try to market 
their produce directly in urban areas are handicapped by the non-availability of shopping 
places, their own lack of marketing skills, lack of familiarity with urban rules and 
regulations, sabotage efforts by established traders and the apathy of administrators.

GRIEVANCES OF THE CUSTOMERS

Customers are aggrieved by the astronomical prices that they have to pay while 
they are well aware of the fact that farmers are getting a very low price for the same 
produce. Quality of produce available is unreliable with the best produce always being 
moved away to premium markets by local traders. Customers cannot rely on retailers to 
supply the whole range of vegetables and fruits and are compelled to choose from the 
available product range. The physical environment of markets is generally daunting with 
a lack of sanitation and hygienic facilities, over crowding of establishments and an 
absence of fresh air and ventilation.
Weighing systems are unscientific and primitive and there is no assurance of fairness. Grading is arbitrary and the procedure operates in favour of the traders. In the case of unorganised markets in sub-urban/peripheral areas of the town/city, customers have to face the risk of the market operations being suspended due to inclement weather. Commuting to the centrally located organised retail market is arduous and costly. Traffic and parking regulations curtail free access to vehicular traffic. Risks of parking vehicles in unauthorised parking slots are very high, discouraging customers from paying a visit to these markets. Given the nature of market operations, customers are forced to make visits to retail outlets located in different areas separated by long distances to procure the whole range of dietary requirements.

Over the years, the purchase of fruits, vegetables, pulses and processed foods was viewed as the exclusive responsibility of women in India. Women are familiar and feel at ease with a number of marketing practices in retail food markets like aggressive bargaining over price, choosing produce of a high quality from open lots, spending a lot of time on oral enquiry of options available with reference to the price-quality trade-off, etc. Men, opting to take up the marketing chore, feel uncomfortable and perplexed when faced with such situations. It is also true that women in the work force, faced with the pressures of work and family management, are reluctant to spend time on marketing transactions. This new class of customers prefers fair and fixed prices, display of prices, grading of produce and quick processing of transactions. This class of customers finds that in the traditional markets they end-up getting the worst deal due to lack of bargaining skills on their part.

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GRIEVANCES OF SMALL TRADERS

Small operators find themselves at a disadvantage compared to the large well-entrenched retail operators who have the unfair advantage of having been the recipients of Government assistance and subsidies in an era when retail marketing arrangements in urban areas were viewed as a priority area by local bodies. The large operators have been using the advantages of an early entry to obstruct the entry of new entrepreneurs into the trade. Insecurity with reference to continuity of trade due to various reasons like lack of premises, changes in urban laws, traffic regulation and parking, etc, discourage the small retail operators from making attempts to develop their trade.

Lack of access to finance at a reasonable rate of interest (from the organised sector) is a major problem faced by small operators. The very high rates of interest charged by unscrupulous money-lenders cut into their profit margins and make trade unremunerative and unattractive. Many operators continue in the trade because of their relatively low levels of skills and lack of alternative employment opportunities.

Recent Initiatives

Modern food markets

A few modern food markets have been established in the cities of Andhra Pradesh. Food markets are located in the more “up-end localities” of the city. They are concentrated in what is referred to as “New area” of the city. They are housed in spacious, well-designed and furnished shops. Every effort is made by the establishment owners to make marketing a pleasant experience.
Farm produce (vegetables, fruits and cereals) is processed, cleaned and made available in hygienic packs of a specific weight/count. Prices are displayed on the pack and are fixed. Products are prominently displayed on racks situated in rooms with adequate ventilation and illumination. Only produce of a very high quality (locally referred to as ‘premium produce’) is offered for sale. All transactions are against cash or its equivalent. Price is relatively high compared to the prevailing price in the traditional markets. These shops are patronised by customers drawn from the ‘high-income group’ and such customers are willing to pay a premium for the benefits of assured price and convenience in shopping offered in these outlets. Produce is procured directly from farmers in case of ethnic varieties grown in farm lands peripheral to the urban area. These outlets concentrate on the supply of vegetables and fruits grown in other States of the country and they procure them from wholesale markets located in State capitals.

Food Produce Departments of Super Markets

A number of super-markets catering to the needs of the rich and upper middle class sections of society have added food products to their existing product lines to cater to the requirements of “up-end market consumers” dietary requirements. This arrangement caters to the “One stop for all shopping requirements” appeal which has become an effective ‘unique selling proposition’ (U.S.P.) for modern super-markets located in cities and towns. The marketing strategy followed is similar to the strategy adopted by exclusive up-end food markets.
Direct Marketing by Farmers

A few enterprising farmers, spurred by success stories of farmers involved in direct marketing, (reported in popular magazines, newspapers and agriculture magazines) have taken-up direct marketing of farm fresh produce. The following are some of the more popular modes of operation.

Stationary retail counters on highways: Farmers bring their produce (vegetables and fruits) and stock them in temporary thatched structures on vacant lands close to highways at vantage points at the entrance of the town or city. Produce is moved from the farms to such vantage points using three-wheeler motorised rickshaws. Urban customers commuting back to the city (after visits to adjacent towns and villages) find shopping at such points convenient and economical. Prices quoted are far below the prevailing market rates in urban outlets. Both the farmer and the customer benefit from such an arrangement. This is a profitable alternative for farmers having farmlands in areas close to a town or city. Many farmers utilising this channel of direct marketing sell a portion of their produce through the usual channel of sale to merchants at the farmland so that they have an assured minimum income. The rest of the produce is sold through the alternative channel.

Stationary truck based counters

Farmers, acting individually or collectively, hire a truck on to which vegetables and fruits are loaded and taken to the nearest town or city. The trucks are parked at important junctions on the thoroughfares in the city. Banners proclaiming the produce offered for sale and the prices are prominently displayed to attract the notice of
commuters and pedestrians. Produce is offered at very competitive price to attract the price-sensitive segment of the market. Their primary U.S.P. is freshness of the produce offered at a low price. Some entrepreneurs also provide for illumination during late evenings drawing power from the vehicle engine system.

Such counters are made available on specific days in a week, such as weekends: Customers who buy regularly from such counters schedule their purchases to suit the itinerary of such operators who operate in different localities on different days. However, the fact that operation of such vehicle-based counters is violative of urban traffic norms is a major handicap faced by farmers. Often, they are compelled to suspend their operations and pay fines for violation of rules. Restrictions on movement of heavy vehicles within urban limits virtually make all such operations illegal and hence the farmers have to take a number of risks in carrying on such trade. In addition, inclement weather conditions also lead to suspension of their trade.

**Mobile truck based operations**

Farmers also ply produce-laden trucks through residential localities parking their vehicles for a very short time at street-ends in residential localities. Farmer-sellers announce their arrival and the availability of produce for sale using a public address system.

Adequate time is given for customers residing in the street to arrive at the vehicle and make their purchases. Such operations are confined to residential areas where customers belonging to the middle-class and lower-middle class reside. Such residential areas are far off from the city limits. Lack of access to public transport system makes
visits to the established markets prohibitively expensive for customers living in such areas. Hence, many customers in such residential localities rely on farmers paying visits to those localities to supply their requirements. Farmers using this channel for approaching customers face the same difficulty as farmers using stationary motor vehicles for affecting sales.

Other delivery systems of recent origin like private Rythu Bazaars, local body-sponsored Rythu Bazaars are all modeled on the Rythu Bazaars established by the Government of Andhra Pradesh in the year 1999 under the Rythu Bazaar Scheme.