Chapter VI

A MARKETING ANALYSIS OF THE RYTHU BAZAAR SCHEME
"Societal forces change the effectiveness, growth and legitimacy of market institutions which in turn affect the rules and values of societal actors".¹

The Chambers Dictionary defines the term 'Market' as:

1. "a gathering of people that takes place periodically, where stalls, etc are set up allowing them to buy and sell a variety of goods or a specific type of goods" and also as -

2. "a public place, square, building, etc in which this regularly takes place".²

The word 'Market' has been defined in marketing literature with reference to different connotations. The above definition of the term market opts for a "geographical orientation" towards defining the term market. It has been one of the earliest approaches adopted in marketing literature.

Etymologically, the term 'market' has its origin in the Latin word "marcatus" which means "a place where commercial transactions take place in a given commodity".³

While marketing literature provides different approaches to defining the term market, the approach to be chosen has to help the researcher focus on the specific needs of his study. The geographical definition of marketing has been chosen as a starting point for the present research taking into consideration:

i) the objectives and the scope of the present study,

ii) the nature of the commodities dealt with in the market (Rythu Bazaars),

iii) the nature of needs and wants being sought to be catered to by the selected markets.

Gandhi, J.C.\(^4\) in his work on "Marketing" states that we can identify six specific approaches to a study of the marketing discipline. Such approaches, according to him, include:

a) The Commodity approach.
b) The Institutional approach.
c) The Functional approach.
d) The Managerial approach.
e) The Systems approach, and
f) The Societal approach.

According to him, the Societal approach to Marketing gives importance to:

i. an analysis of the process of decision-making in the markets within the context of environmental factors: social, cultural, political and legal.

ii. the study of the impact (of such decisions) on the well-being of society.

iii. value-judgements on the (functioning of the) system based on accepted value-systems prevailing in society at a point of time.

iv. advocacy of norms or standards for the better functioning of the markets.

The framework for the present study is based on the Societal Approach to a study of the discipline taking the geographical definition of the term market as a starting point.

The Government of Andhra Pradesh introduced the Rythu Bazaars Scheme in the year 1999 to deal with the severe crisis virtually paralysing the marketing system for food products in urban areas, with specific reference to the market for vegetables and fruits.

The persistence of the phenomenon of sky rocketing prices for vegetables over a comparatively long period of time over the entire State coupled with the phenomenon of unremunerative returns for farmers clearly indicated that it was no longer a temporary crisis caused by lags in the process of adjustment between the forces of demand and supply. The persistence of the crisis and the magnitude of the crisis drew the attention of the planners, academicians and opinion leaders who felt that the challenge demanded a comprehensive review and restructuring of the retail marketing system for food products in urban areas. It was felt that the magnitude of the challenge justified Government intervention and action.

The introduction of the Rythu Bazaar Scheme (R.B.S) was seen as the first step in this direction.

THE ENVIRONMENT

A number of factors: economic, demographic, social and cultural contributed to the crisis situation that reached its apex in the year 1999. It was recognition of these factors that motivated a search for a comprehensive solution to the crisis, with the Government playing a major role in the process of restructuring and reform.

Sky Rocketing Prices: Prices of vegetables and fruits reached unprecedented levels. Demand for these products is highly inelastic and this lead to a severe strain on the household budget of all sections of society.

Unremunerative price for the farmers: Farmers were severely deprived of the fruits of remunerative prices for their produce in the market. They were forced to sell their produce to middlemen at throwaway prices.
Dominant trader class: The trader class was cornering the lion’s share of the rupee paid by the customers. They could manipulate the functioning of the marketing system to benefit themselves, both in times of shortages and gluts.

Lack of self-regulation among the trader class: Public opinion was pitted against the exploitative tactics of traders in this sector. Opinion leaders called on traders to regulate their activities and become responsive to public need. However, the trading class refused to respond positively to such pleas made by enlightened individuals and groups intent on avoiding the imminent crisis.

Rapid Urbanisation: The last two decades (1980-2000) witnessed an unprecedented degree of urbanisation in the state of Andhra Pradesh. Migration of landless labourers and small farmers, marginalised by the development process, led to a heavy pressure on urban areas. Urban infrastructure systems designed to satisfy the relatively simpler needs of urban dwellers in an earlier era could not deliver the necessary goods.

Reallocation of agricultural land: Growing size of cities and towns led to the use of agricultural lands adjacent to cities and towns for construction of residential and commercial complexes. This has led to a decline in the inflow of vegetables and fruits to cities from such land.

Recognition of the importance of Marketing: The period saw a slow recognition of the importance of the marketing function by different State Governments. Governments...
recognised the need to ensure that there was an efficient and equitable distribution of essential commodities to ensure the welfare of different sections of society.

**Changing composition of urban population:** There was a considerable increase in the 'middle-income' section of society in urban areas. This has led to changes in the nature of goods and services demanded in urban areas.

**Changing Dietary habits:** Growing income levels in the nation, particularly in urban areas have led to changes in dietary requirements. There was a shift from inferior foods to superior quality foods. Many traditional staple foods were substituted with new alternatives. (for example: the shift in favour of paddy from jowar in Andhra Pradesh). There was an increase in the consumption of foods rich in proteins, sugar and fat.

**Pre-dominance of the unorganised sector:** The unorganised sector, even today, accounts for 90 per cent of all establishments in the food market sector in urban areas. Supermarkets, Speciality food outlets, etc, forming part of the organised retail sector cater to the needs of only 10 per cent of the population in the food market.⁵

**Public Awareness and Public Debate:** Recent years have seen an increased awareness and increased participation of the general public in social processes. An active Press and Electronic media have contributed to increased public debate on problems in society. Suggestions received from different sections of society are being considered by the Government while formulating policies.

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New thinking on Rural-Urban Relations: The recent years have witnessed a fresh thinking on rural-urban relations in the country. There is a willingness to recognise the complementary nature of rural-urban relations. The initiative of the President of the Nation, Mr. Abdul Kalam, PURA (Provision of Urban facilities in Rural Areas) has motivated the exploration of avenues for rural-urban connectivity and co-operation.

Direct Marketing: Direct Marketing of goods found entry into the corporate marketing sector in the 1990s in India. A few corporate houses like ITC (Indian Tobacco Company) attempted to adopt the concept to the marketing of products originating in the rural sector. The Government of India’s Expert Committee, 2001, recommended the promotion of direct marketing in the agricultural marketing sector in the country. The Committee felt that direct marketing of agricultural products would:

a. improve farmers’ incomes,
b. reduce distribution losses,
c. provide incentives for enhanced productivity and quality, and
d. facilitate the introduction of modern technology and modern methods of organisation in the farm sector.6

The R.B Scheme was formulated by the Government of Andhra Pradesh taking into consideration these social, economic and demographic trends requiring a restructuring and reform of retail urban food marketing systems. The Rythu Bazaar Scheme is unique since it was for the first time that the Government of Andhra Pradesh had entered into the retail marketing of food products in urban areas.

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Therefore, there is a need for an analysis of the scheme within the framework of marketing theory. The following is an attempt to study the implementation of the scheme within the framework of marketing theory with specific reference to marketing concepts like Marketing Mix, Marketing Development and Market Control.

I THE PLACE (or The Distribution Function)

Consumption is the ultimate justification for production. It is the distribution function of marketing that ensures that the produce (originating at the point of production) reaches the consumers. In the modern world, production is undertaken for the purpose of sale in the market. An efficient distribution provides benefits to the producers and consumers of the product.

Only a small percentage of vegetables, fruits and processed vegetables are meant for self-consumption. A substantial proportion of the produce is meant for sale to customers. The task of ensuring that small lots of produce originating in a very large number of villages spread over a very large geographical area reach consumers residing in cities and towns is performed by a chain of intermediaries performing an array of services. Over the years, the distribution system primarily operated by marketing intermediaries has come in for severe criticism from different sections of society. This has led to an exploration of opportunities for direct marketing of farm produce in urban areas. Rythu Bazaars are Government sponsored institutions providing the infrastructure and organisational arrangements for direct marketing of farm produce.
A) Location

Rythu Bazaars shall be established in a central part of the town or the city. The site selected for the establishment of the Rythu Bazaar shall be at least 1 acre in terms of area available for marketing operations. Every effort shall be made by the district authorities to locate the market on land owned by the Government. Where necessary, Government Officials are authorised to use a part of the land already used for the purpose of establishing Government Offices in the city. In all such cases, officers of the Government shall take all steps necessary to ensure a clear demarcation of the market area from the area allocated for other establishments of the Government.

*The site selected for establishing the market must be well-connected with all parts of the city, especially through the public transportation system/organised private city transport system. This alone would attract customers from the middle income and low income sections of society, since they generally do not own means of private transportation. All care should be taken to see that the site is located at a site close to the main residential sections of the city.*

*While selecting the site for the market, every effort should be made to ensure that the Rythu Bazaar is adequately distant/away from the central retail market in the city in order to avoid unhealthy competition.*

*The Rythu Bazaar should be located in a site visible from the main arterial road/roads passing through the city. In addition, there should be a well-laid feeder road connecting the site to the arterial road/roads. The feeder road should provide free and
convenient access to the market. Any obstructions/encroachments on the road ought to be removed with the assistance and permission of Municipal and Police authorities.

*Two-Stage Decision Making Process: In order to ensure that the Bazaar is located at an appropriate place, the Directorate of Marketing has suggested the following process:

Stage I: In Stage-1, the Revenue Department officials are required to identify one/two sites for the location of the market. After giving adequate publicity for the proposals, officers are required to discuss the proposals with influential sections of society and take the final decision on location.

Stage II: The market shall be run for a short period with minimum infrastructure to study the basic desirability of the location. Based on public patronage (the extent of customer arrivals), action shall be initiated for the permanent housing of the market at the site or for a relocation of the Bazaar.

New Rythu Bazaars in a Town/City: The Government intends to ensure the establishment of one Bazaar for every one lakh population. In the initial stage, one Rythu Bazaar shall be established in each urban area. Proposals for the establishment of Bazaars (in addition to the first Bazaar) shall be carefully studied by officials before taking a decision on the establishment of new markets.

B) Structures

Rythu Bazaars shall be initially constructed as semi-permanent structures using corrugated metal sheets for the construction of cubicles. The cubicles shall be allotted as
retail outlets for individual farmers to exhibit their produce. Farmers are instructed to place their produce within the cubicle to ensure that the passage ways located between the cubicles for the movement of customers are kept free from obstruction. The Government shall endeavour to house Rythu Bazaars in permanent structures in the near future. As on date, the Kedareswarapet Bazaar (Vijayawada) is located in a premises with permanent R.C.C. structures.

a) Stalls shall be allotted to farmers strictly on the basis of ‘First-Come - First Served’ basis. Farmers are required to present themselves before the Estate Officer (E.O.) by 6.00 a.m. on every day to procure allotment of a stall.

b) Estate Officers have been instructed to allot stalls on the basis of the lottery system. Farmers are required to pick up a token with the stall number noted on it. The farmer has to occupy the stall with the number on the token picked by him. The farmers cannot insist on the allotment of a specific stall. The decision of the E.O. shall be final in the matter of allotment.

c) Every effort shall be made to ensure that the same farmer does not occupy the same stall on a regular basis.

d) Estate Officers are authorised to earmark specific sectors of the market for different classes of products like leafy vegetables, fruits, processed foods, flowers, etc. Within the sector allotted for a class of vegetables, stall allotment shall be purely on the basis of the lottery system.

e) The structure shall be painted green and the logo of the Bazaar shall be prominently displayed on the structures.

f) Farmers are required to keep the stall open for business throughout the timings of the market (6.00 a.m.– 8.00 p.m.). Farmers intending to suspend
business at a point of time earlier than the official closing time on any day shall obtain permission from the Estate Officer.

g) Additional structures shall also be available for the location of the office of the Bazaar, provision of storage facilities and for security personnel.

C) Provision of facilities

Facilities shall be provided at the Bazaars to ensure that both farmers and customers feel comfortable and marketing is seen as a pleasant experience. The Estate Officer and Revenue Department officials shall liaise with and coordinate the efforts of Government Departments and private contractors to ensure the availability of necessary services. All expenses incurred in this regard shall be met out of the revenues of the Bazaar. Essential services include:

a. provision of Electricity at the Bazaar.
b. provision of safe drinking water for farmers and customers.
c. provision of toilets.
d. garbage disposal systems.
e. canteen.
f. parking facilities for customers’ vehicles.
g. security.
h. regulation of traffic.
i. facilities for internal movement of goods.
j. provision of small change for farmers and customers.
In so far as possible the provision of services shall be by the process of making “contractual arrangements” with private agencies. Officers in charge are required to secure such contractual services at the lowest cost. The whole process of allotment of contracts shall be marked by a high degree of transparency and accountability. Officers are required to explore all opportunities available for generation of revenues through the auction of rights to maintain the canteen and parking space.

D) Ambience

Officials of the Bazaar are required to ensure the maintenance of a pleasant ambience in the Bazaar. All efforts shall be made to ensure cleanliness in the Bazaar. In addition, the opportunities for the creation and maintenance of ‘Greenery Islands’ within the Bazaar shall be explored. Sponsorship of corporate houses shall be sought for meeting the expense of maintaining the green islands in exchange for the provision of advertising space within the Bazaar.

E) The flow of produce

Sources of Inflow of Produce:

The Hinterland: Every Rythu Bazaar shall draw produce from a cluster of villages identified and attached to the specific Rythu Bazaar. The cluster of villages is effectively the hinterland of the Rythu Bazaar. The cluster shall include 25 to 30 villages contiguous to the urban area in which the Bazaar is located. The hinterland should have the potential to attract 250-400 farmer-sellers to the market on a daily basis. Officers of the Rythu Bazaar are required to visit the villages, identify eligible farmers and motivate such farmers to sell their produce at the Rythu Bazaar.
Both individual farmers and Self-Help Groups (SHGs) of farmers are eligible to enlist themselves as farmer-sellers. Identity cards shall be issued in proof of eligibility. Vegetable farmers and fruit growers shall be the primary target groups. Entrepreneurs owning small-scale food-processing units in the cluster of villages shall also be encouraged to sell their produce at the market.

**Produce originating in other areas**

Self-Help Groups shall be encouraged and permitted to operate stalls to sell fruits and vegetables not grown in the hinterland of the specified Rythu bazaar. They are permitted to procure produce either from the wholesale market or directly from farm lands outside the hinterland of the Bazaar. Public sector food produce manufacturing and trading organisations also shall be allowed to operate stalls at the Bazaars.

Estate Officers are allowed to procure indigenously grown vegetables (and fruits) from growers other than identified farmers and sellers in the hinterland under the following circumstances:

I. In pursuance of a clear direction from the Directorate of Marketing given with a view to averting a glut situation arising at the source of supply.

II. With prior approval of the Directorate of Marketing when there is a temporary but acute shortage of such vegetables in the Rythu Bazaar due to low arrivals from the hinterland.

**F) Transportation**

Farmer-sellers operating stalls at the Bazaar have different alternatives available for transportation of goods:
i) Scheme-Specific Public Transport Facilities: The Andhra Pradesh State Road Transport Corporation (A.P.S.R.T.C) has been directed to operate buses from the hinterland directly to the Bazaar for the convenience of farmer-sellers. The superstructure of such vehicles has been designed to provide adequate ventilation and the allotment of space separately for farmers and produce within the bus.

In order to facilitate identification and easy recognition, such vehicles shall have the logo of the scheme displayed prominently on the super-structure and the vehicles shall be painted in olive-green to distinguish them from other services operated by APSRTC. (APSRTC buses are generally painted in dark-red). The frequency and timing of the trips shall be determined by the Division Manager, APSRTC, in consultation with officers of the Bazaar.

ii) General Public Transport Facilities: Farmers can also come to the Bazaars, along with the produce, using the routine RTC buses plying on the route connecting their farm lands and the city. However, this is possible only during non-peak hours.

iii) Privately owned Two-wheelers: Farmers, especially those producing low-weight vegetables and fruits (leafy vegetables, etc.) commute to the Bazaars on two-wheelers such as cycles, mopeds, scooters and motor cycles.

iv) Three-wheelers: A much favoured mode of transportation used by farmer-sellers is the auto-three-wheeler service operated by private contractors. Pick-up three wheeler autos having separate luggage space with the capacity to carry upto 500 kgs of produce allow the farmer to move produce directly from his farm-holding to the Rythu Bazaar.
Such vehicles, capable of moving with equal ease on mud roads, feeder roads and arterial roads, free the farmer from the need to use multiple modes of transportation. They provide the much needed ‘last-mile connectivity’. The regular movement of goods from the hinterland to the Rythu Bazaars has motivated a number of individuals to operate three-wheeler services on such routes.

G) Storage facilities

Vegetables and fruits, in the unpreserved form, have a very limited shelf-life. Farmer-sellers operating at the Rythu Bazaar normally bring produce to the market daily based on their own estimates of possible off-take of the produce. Many farmers are reluctant to store their produce overnight. Since such vegetables and fruits deteriorate in quality, customers exhibit a reluctance to buy such produce. Hence, the demand for storage facilities at the market is very low.

However, the Directorate of Marketing (A.P.) has directed all Estate Officers to explore the possibilities for establishing Zero-Energy Cool chambers at all Rythu Bazaars. This would help the farmers store produce remaining unsold at the close of business on a given day for sale on the next day.

II. THE PRODUCT

Vegetables, along with cereals and pulses, constitute an integral part of the daily diet intake of the average Indian family. This is all the more true in the case of people who strictly confine themselves to a purely vegetarian diet. A number of processed foods like pickles, jams, concentrates, jellies, squashes, etc., are used along
with the main ingredients of diet. Fruits are used as a supplementary diet, either in the raw form or in the form of derivative products. Rythu Bazaars primarily cater to this need of the general public.

A) The Product Range

i) Vegetables: Vegetables constitute an important part of the daily dietary intake of Indian families. While the primary demand is for vegetables in the raw and fresh form, a number of derivative products using a vegetable base like chutneys and pickles are also popular items of daily diet. Hence, there is an active year round market for vegetables in India.

Vegetables are high in nutrition content. They are also a rich source of vitamins and minerals. They have a very high percentage of fibre content and hence ensure good health. They score high in terms of taste and are reputed to have the quality of increasing appetite and being easily digestable. Consumption of vegetables is supposed to be capable of reducing the incidence of cancer. It is for these reasons that there is a huge demand for vegetables.

The fact that a sizeable proportion of the Indian population is vegetarian by faith and habit adds to the demand for vegetables. While the consumption of vegetables indigenous to the locality or area is substantial, the changing demographic profile of cities and towns, growing health consciousness and changes in tastes and other related factors are causing an increase in the consumption of vegetables imported from other parts of the State and the country. Such vegetables are colloquially referred to as “English Vegetables”.

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India produces a large variety of vegetables in nearly 249 million hectares spread over a variety of geo-climatic regions. The total production of vegetables in India (2001-2002) was 80.26 million tones. It is the second largest producer of vegetables in the world and its production accounts for 9.3 per cent of the world’s production of vegetables. Vegetables indigenous to the State of Andhra Pradesh include brinjals, beans, tomatoes, cauliflower, cabbage, sweet gourd, bitter gourd, sweet tubers, lady’s fingers, plantains, radish, peas, potatoes, onions, garlic and a very large variety of leafy vegetables. Beetroots, carrots, soyabean, capsicum, etc., are important vegetables not grown locally enjoying demand in the State.

ii) Fruits: Fruits are used as a supplementary diet in India. They are mainly consumed in view of their ability to provide food rich in nutrition. Fruits are consumed both in the raw form and in the processed form. Processed foods include juices, jams, jellies and a host of related products. Mangoes, lemons, oranges, papaya, guava, custard apples, grapes, pineapples, etc are fruits indigenous to the State. Apples, berries, pineapples, etc., enjoy good demand in the State and they are imported from other States of the country. 43 million tones of fruits (of nearly 130 varieties) are produced annually in India in an area of 4 million hectares. India contributes to more than 9 per cent of the world’s production of fruits and is the second largest producer of fruits in the world. The last two decades have witnessed a shift in favour of consumption of vegetables and fruits in India, thereby increasing the demand for vegetables and fruits in the market.

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8 Sikhamany and Murti, Needed: Shift in Policies, Ibid., pp. 143-146.
Table VI.1 reflects the growing demand for vegetables and fruits in the nation.

Table VI.1

TABLE SHOWING TRENDS IN CONSUMPTION OF VEGETABLES AND FRUITS IN INDIA

<table>
<thead>
<tr>
<th>Product</th>
<th>1990</th>
<th>2000</th>
<th>% of change (per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vegetables</td>
<td>53.4</td>
<td>65.9</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Fruits</td>
<td>28.2</td>
<td>37.5</td>
<td>+2.9%</td>
</tr>
</tbody>
</table>

Source: FAO, Food Balance Database.

Media reports and Market studies confirm a more or less similar trend in the State of Andhra Pradesh.

iii) Processed Foods: Processing of food leads to value-addition. Processing helps in putting farm products to multiple uses. In addition, it makes consumption more convenient and easy. It adds substantially to the shelf-life of farm products and provides opportunities for consumption of perishable goods round the year. This helps achieve a better balance between the forces of demand and supply and stabilisation of prices.

In the context of Indian marketing, the term “processing” is used to refer to a wide range of activities ranging from a mere cutting of the produce into smaller units to complex operations involving the use of preservatives and additives for colour in a modern factory setting. Two distinct classes of processed foods are available for sale in Rythu Bazaars.

a) Processed Foods – Organised Sector: A wide variety of processed foods manufactured in the organised sector units established in the public sector are available for sale in Rythu Bazaars. Public Sector Units (P.S.U.s.) established by the Government of Andhra Pradesh and other States are permitted to open their stalls in Rythu Bazaars. The product-forms offered by such enterprises include milk products, fruit-based products, processed pulses and cereals, herbal formulations, honey, cosmetics and toiletries, chutneys and pickles.

b) Processed Foods – Unorganised Sector: Processed foods manufactured in small-scale industries located in the hinterland of the Rythu Bazaars are available for sale in the Bazaar. Priority is given to units started by Self-Help Groups (S.HGs.) established by women under different Government schemes floated to encourage self-employment and entrepreneurship (e.g. D.W.C.R.A. – Development of Women and Children in Rural Areas). A wide range of low priced, non-branded processed foods are offered for sale by such units in their stalls. The product forms offered for sale by such units depend on the specific tastes and preferences of customers patronising the market.

iv. Ornamental Plants: There is a good demand for ornamental plants in the larger cities and towns of the State. Stalls are available for allotment to interested entrepreneurs operating nurseries in the identified hinterland. In addition to plants, organic fertilisers and pesticides are sold by such nurseries operating stalls in the Rythu Bazaars.

Extension of Product Line: In view of the very large number of customers belonging to different social, economic and cultural segments patronising the Rythu Bazaars, the
Government has decided to extend the range of permitted product-lines in Rythu Bazaars. The policy of the Government however specifically prohibits the sale of any meats/meat-based product. Within this overall restriction, officers of the various bazaars have been instructed to explore the possibilities for extending the range of products that could be offered for sale at these Bazaars. Proposals received and screened for serious consideration include:

a) Setting up of stalls for the sale of flowers.

b) Setting up of stalls for the sale of produce grown without the use of chemical fertilisers and pesticides (Organic foods).

The Government also has authorised Estate Officers to allot not more than 25 per cent of the stalls to persons other than farmers for sale of goods other than farm produce. Such a step, in the view of the policy-makers, would help the Bazaars serve the customers in a more comprehensive manner. Such stalls are to be made available on a rental basis. This measure would also help Rythu Bazaars augment their income.

Fig VI.1 depicts the product-range made available to customers at Rythu Bazaars all over the State.
In terms of the number of stalls allotted, volume and value of sales, vegetables account for 70-75 per cent of the turnover of Rythu Bazaars. Sale of fruits accounts for nearly 10 per cent of the turnover in the larger cities and towns. However, the value of fruits sold in Rythu Bazaars located in small towns is very low. Vendors operating outside the Bazaar cater to the customers' need for fruits. The other product-lines contribute up to 10-15 per cent of the turnover of the Rythu Bazaars.

B) Product Quality

Rythu Bazaars are envisioned as markets providing customers quality-produce at a fair price. Under the scheme, the Estate Officer is required to take all steps necessary to
assure the availability of quality produce at the markets. The Estate Officers have been
instructed to be present at the market premises at the time farmers come along with their
produce, early in the morning. They are required to physically inspect the produce
brought by the farmers to the markets and ensure that they are of an acceptable quality.

Officials of the Bazaars are responsible for ensuring that the farmers use good
quality seeds and other inputs, supplied at subsidised prices. In addition, they should
arrange training programmes on ‘Good-Quality Strategies’ and ensure that all
participating farmer-sellers get acquaintance with such practice. The primary
responsibility for quality assurance lies with the Horticultural Officer (H.O).

Quality, with reference to Vegetables & Fruits, is determined with reference to the
following parameters:

i. freshness of the produce.
ii. brightness of the skin- colour.
iii. absence of discoloration on the skin.
iv. presence of moisture on the skin of the vegetables and fruits.
v. smoothness of the texture of the skin, and
vi. completeness of the fruit or vegetable.

In view of the multiple factors affecting judgement on quality, customers take a
very long time to determine the quality of the produce. In addition, customers insist on
the right to expose the goods to tactile examination and manipulation. To exercise this
right, customers insist on the right to ‘pick and choose’. This is an allowed practice in
retail marketing of fresh vegetables and fruits. Farmers generally are reluctant to allow
customers to pick and choose, since the act of tactile manipulation by customers leaves
signs/marks on the produce reducing merchantability of the produce. This reluctance of
the farmers to allow customers to pick and choose and customers' insistence on the right
to "pick and choose" leads to disputes between farmer-sellers and customers.

After due consideration of all facts, the Director of Marketing has instructed all
farmer-sellers covered under the scheme to allow the customers to "pick and choose":
their purchase lot from stocks offered for sale by farmer-sellers.

C) Grading

Grading refers to the process of "sorting of products into different (market) lots
on the basis of similar quality" states S.S. Chhinna.¹⁰

Grading is very useful in reducing the transaction-time and allows a quick
processing of transactions. It helps customer in choosing a quality of their choice and
also in making an informed decision on the "quality-price trade-off". In addition, by
allowing farmers to sell their produce (of a high quality) at a premium, it provides an
incentive for quality-improvement efforts by farmer-sellers.

Grading in Rythu Bazaars is based on the sole criterion of size. Farmers
themselves grade their produce on the basis of the size of the vegetables/fruits, under the
supervision of the Estate Officer/Horticultural Officer. Where there is a difference of
opinion on the grade to be ascribed to a market lot between farmer-sellers and the market
officials, the decision of the market officials is final and binding upon the farmer-sellers.
In traditional markets, grading is based on two parameters, namely, size and skin texture.

¹⁰ Chinna, S.S., op. cit., p. 74.

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Attempts are being made by officials to make such grading acceptable to farmer-sellers at the Bazaar.

D) Packaging

Packaging is defined by Acharya and Agrawal\textsuperscript{11} as the "putting of goods in the market in a size and pack which are convenient for the buyers". Packing provides a number of benefits both for buyers and sellers involved in the marketing process. It provides for ease in handling the produce. It protects the produce from exposure to weather and helps retain the freshness of the produce. Packing has not played a role of importance in the retail food markets in India. As on date, packing of produce in specific quantity-packs is a phenomenon confined to the "up-end food markets".

However, attempts are being made by the Government to induce farmers to sell their produce in packs of standard weight in Rythu Bazaars. The pilot scheme for introducing the sale of fruits and vegetables in packs of 1 kilogram weight envisages the use of polythene packs by the farmers. Only produce of a high grade will be sold in 1 kilogram packs. Farmer-sellers are authorised to charge a premium of Re.1 – Rs.1.50 ps. per kilogram on the sale of farm produce sold in packs. However, the response to the scheme has been lukewarm from both farmer-sellers and buyers.

E) Unit of Sale & Standardisation of Weights and Measures

The standard unit of weighment adopted at the Rythu Bazaar for the sale of produce by weight is 1 kilogram. Farmer-sellers are at freedom to refuse to sell produce

below 1 kilogram. However, there is no specific restriction on sale of produce less than 1 kilogram. The farmer-seller is free to either accept or reject such proposals from customers.

Over the years, there has been a raging controversy over whether there exists a "Ceiling" on the quantity that can be sold to a single customer by farmer-sellers in the Bazaars. Very often, managers of hostels and restaurants make their purchases at the Rythu Bazaar. Farmer-sellers show an interest in catering to the needs of such large-volume buyers as they are assured of very quick sale of their produce and early cash realisation. This has the effect of depriving small-volume buyers of an opportunity to buy at the Bazaar. It was felt that if farmer-sellers continue to favour dealing with large-volume buyers at the expense of small-volume buyers, Rythu Bazaars would lose the patronage of household buyers and would lead to the essential purpose of the scheme being defeated. Hence, a Circular has been issued fixing the maximum limit on a single transaction that can be processed by a farmer-seller at 3 kilograms. No farmer-seller is authorised to process offers for a sale of more than 3 kilograms on a single transaction or to a single customer. Consumers intending to buy in bulk are instructed to place their orders with the E.O. who after careful scrutiny of the order shall distribute the bulk order among farmer-sellers on an equitable basis. Farmer-sellers are required to use only standard weights and measures approved by the Legal Meterology Department. Such weighing equipment is available for sale to farmer-sellers at subsidised prices by the bazaar officials. To facilitate the adoption of standard equipment, the officials of the
bazaar shall help farmers procure loans from commercial banks for the purchase of weighing equipment.\textsuperscript{12}

In addition, the Directorate of Marketing has recently instructed the Estate Officers of all Rythu Bazaars to initiate action for the setting up of "Dharma Katas" in Rythu Bazaars. This refers to 'standard equipment' maintained at a central location of the bazaar and operated by officers of the Bazaar. Any customer who is not happy with the accuracy of equipment used at a specific stall can use this equipment for confirmation of the true weight. This practice is common in several organised agricultural markets and would go a long way in discouraging malpractices in weighing by farmer-sellers.

\section*{III) THE PRICE}

The price of a commodity is the value of the commodity expressed in terms of a standard unit of currency. The price that a (farmer) producer can get for his produce in the market and the quantum of produce placed for sale on the market determine the income of the farmer and his standard of living. In any economy, the price mechanism plays a significant role in determining the benefits that flow to different sectors of the economy.

Prices help the farmers, in the case of agricultural markets, take decisions on the product-mix to be chosen by them and the allocation of land and resources to different crops. In addition, they guide their decisions on the place of sale, timing of the sale and

the produce form to be chosen by them for disposal in the market. Agricultural prices help consumers in planning their purchases and optimising their welfare.

Acharya and Agrawal\textsuperscript{13} state that agricultural price levels have several functions in the economic systems. Some of the important functions are:

- help achieve a balance between the forces of demand and supply in the market.
- determine the allocation of consumers’ income over a range of products.
- regulate the movement of produce over time and space.
- determine the allocation of resources among different crops in the farm sector.
- regulate the transfer of incomes between the farm sector and non-farm sector in the economy, and
- influence the rate of capital formation and the inducement to invest funds in the farm sector.

A) Determinants of Price: Jain, S.C.\textsuperscript{14} states, \textit{“Problems of price determination in agriculture can be analysed by applying the basic tools of demand and supply because agriculture approximates the perfect competition model”}. The general price level of vegetables and fruits (like other farm products) is determined by the forces of demand and supply operating in the market. Their prices fluctuate in the market depending on the overall trends in the forces of demand and supply. Changes in prices automatically regulate the movement of demand and supply and bring about an equilibrium of the forces of demand and supply. A number of trends,

\textsuperscript{13} Acharya and Agrawal, \textit{op. cit.}, p. 6.
affecting both demand and supply, have led to an increase in the general price level of vegetables, fruits and processed foods in the Indian market during the recent years.

Demand – Related Trends

- The general increase in the population has added to the overall demand for food products.

- The migration of population from rural areas to urban areas in large numbers has added substantially to the demand for farm produce in urban areas.

- The extension of the market for vegetables and fruits grown in a specific area over a larger geographical area due to the efforts of farmers and marketers has led to an increase in the overall demand for vegetables and fruits. This process has been assisted by advances in transportation, packaging and warehousing technologies.

- Processing of farm produce has facilitated the extension of demand for vegetables and fruits beyond the production season and has added to the aggregate demand for such products.

  In addition, the creation of new product forms has attracted new segments of the market widening the market-base for fruits and vegetables.

- Development of overseas markets has further increased the demand for vegetables and fruits.

- Increasing income levels in the economy over the years have led to a burgeoning middle class. It is an established fact that as income-levels increase, customers switch over to high-protein foods like vegetables and fruits.

- During the past few decades, there have been substantial changes in the life-styles of the urban population of India. There has been a growing health-consciousness among the rich and middle class. This has lead to:
i. a larger use of vegetables and fruits in the daily dietary intake.

ii. a number of citizens choosing to take "raw fruits and vegetables" as an alternative diet.

iii. an increase in the consumption of vegetables and fruits of exotic variety.

All these factors have led to a general increase in the demand for vegetables and fruits in urban markets.

Supply–Related Trends

While there has been an overall increase in the acreage allotted for the cultivation of fruits and vegetables, gross production and productivity in this sector of agriculture, the increase in supply has been less than the increase in demand. In addition, there are frequent shortages in view of crop failures.

The following factors lead to a lower level of arrivals in the market during a particular year or season:

a) low rainfall in the production season or untimely showers leading to destruction of produce.

b) the diversion of land formerly used for cultivation of vegetables and fruits to other activities like construction of urban housing, etc.

c) farmers growing vegetables and fruits shifting to the cultivation of "kharif" crops.

d) transport-related bottlenecks obstructing the smooth movement of farm produce from farm lands to urban markets, such as traffic jams, etc.

A combination of these factors has led to high prices for fruits and vegetables in India during recent years.
B) Farmers' share of the consumer rupee

Higher prices, in general, ought to lead to higher returns for farmers motivating them to invest further funds in agriculture. However, in the Indian agricultural marketing sector, it is generally observed that the farmers' share of the consumer rupee is as low as 35 per cent and farmers have not benefited from rising prices in the food market sector.

Market Margin, the portion of the price paid by the customers that goes to the market intermediaries, is very high in the farm produce market. A long chain of marketing intermediaries handling the farm produce during the transit from the farm-holds to the retail markets take a very large share of the consumer rupee. Hence, the farmer ends up getting only a small proportion of the final price.

The market margin goes towards covering the cost of utilities or functions performed by the marketers and providing profits to the marketers. In a market situation, where farmers are very passive and do not undertake any marketing activities, the marketers are in a position to dictate terms and corner a lion's share of the "consumer-rupee".

Marketing intermediaries in agriculture sector (in India) justify the higher margins on the basis of high marketing costs. Marketing Costs refer to all expenses incurred by marketing agencies involved in the transmission of goods from farm lands to the ultimate consumers. Collection of very small marketing lots spread over a large geographical area, high transportation costs, physical losses in transit, relatively high costs of storage, higher risk in the trade and high interest rates on funds borrowed by marketing agencies.
are cited as important reasons contributing to higher marketing costs, compelling traders to extract a larger proportion of the final price.

Notwithstanding all the above facts, the primary reason for higher margins in the trade is the long chain of intermediaries in farm produce marketing. The inability and/or reluctance of farmers to take up marketing related activities has lead to a situation where the intermediaries are in a position to dominate the marketing system and manipulate its functioning for their exclusive benefit, depriving the farmers of their due share of the benefits of the marketing process.

The Rythu Bazaar Scheme provides an opportunity for farmers:

a) to sell their produce directly to the customers (avoiding the long chain of middlemen) and retain a larger share of the ultimate price paid by the customer, and
b) to actively involve themselves and participate in the process of marketing their produce.

C) Price Determination Process

a) The prices of vegetables and fruits sold at the Rythu Bazaar shall be determined by a Committee consisting of the E.O and farmer-representatives.
b) The final price for each variety of vegetables and fruits shall be determined after establishing a ‘price-range’ for each variety in accordance with guidelines issued by the Directorate.
c) The guidelines stipulate that the final price fixed in the Bazaar shall be higher than the price prevailing in the wholesale market so as to make prices remunerative for farmer-sellers and lower than the price prevailing in the central retail markets so that the bazaar can attract consumers. It is stipulated
that, in general, the final price fixed shall be 25 per cent more than the wholesale price and at least 25 per cent less than the retail market price.

d) The Directorate shall attempt to provide every E.O. with information regarding wholesale prices prevailing in markets all over the state by 6.00 a.m. in the morning. However, the E.Os. are required to keep themselves informed of the wholesale and retail prices prevailing in the urban centre.

e) E.Os are authorised to fix different prices for different grades of the same produce in consultation with the Committee.

f) On completion of the price-determination process, the E.O. shall ensure that the prices are prominently displayed at every stall and in a central location of the bazaar and also ensure that there is a strict compliance by all farmer-sellers to the determined prices.

The process of price-determination at Rythu Bazaars resembles the Price-Discovery process discussed by Kohls and Uhl in their text book on agricultural marketing. Price discovery, according to them is, "the process by which buyers and sellers arrive at a specific price for a given lot of produce in a given location".15

In the case of the Rythu Bazaar scheme, the buyers do not participate in the process. The Estate Officer, representing the Government represents the interests of consumers and the general public.

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D) Prices in operation

The following issues have been raised and discussed with reference to the operation of the pricing system in Rythu Bazaars over the last six years.

i. Farmers often express the grievance that Estate Officers do not run the Committee in a democratic manner. Farmers allege that E.Os dominate the decision-making process, exploiting the inability of farmers to articulate their views and opinions.

ii. Farmers opine that the prices fixed at the Bazaar are very low compared to prices prevailing in the various retail marketing channels in the city/town. This situation arises because of the fact that E.Os use the price prevailing at the central retail markets as the ‘reference price’ for retail prices. Farmers express the view that E.Os. should establish the reference price taking the retail prices prevailing in the retail marketing channels other than the central retail market. It is their opinion that a slightly higher price would increase their incomes without in any way discouraging consumer patronage of these markets.

iii. Bargaining over prices is an established practice in Indian markets. The process of bargaining is an integral part of the marketing process in Indian markets. This is all the more so in retail food marketing where women customers are the main participants. Women in India have a reputation for their very aggressive bargaining behaviour in retail food markets.

Such practices are rooted in the cultural life of communities and are taken for granted by members of society. It is now an established fact that, in spite of strict
insistence on adherence to fixed prices, customers do get away with bargaining at Rythu Bazaars. Farmers, intent on striking a deal, do entertain bargaining in Rythu Bazaars. Farmer-sellers also succumb to high-pressure bargaining since they apprehend that other sellers may undercut prices and snatch away business. Bargaining has not been eliminated in Rythu Bazaars. However aggressive bargaining has been replaced by low-key bargaining in Rythu Bazaars.

iv. Under cutting of prices is against the rules and regulations at Rythu Bazaars. However, reports confirm the existence of undercutting of prices at Rythu Bazaars. Farmers undercut the prices under the following circumstances.

* Farmers resort to undercutting of prices to off-load their remaining stocks during the late hours of the day to avoid the need for stocking the goods overnight for sale on the next day.

* Farmer-sellers intending to leave the bazaar early to attend to work at the farm or to attend to personal work try to off-load their stocks by undercutting prices to attract customers.

v. Inter-Stall-Sales i.e., sale of produce by one farmer-seller to other farmer-sellers are also transacted at prices below the fixed price. While such transactions are not allowed under the rules of the market, farmer-sellers who wish to close their stalls before closing time sell their produce to other farmer-sellers. Price is determined on the basis of negotiation between the farmer-sellers.

vi. Produce is sold at prices far below the prescribed price by farmers opting for distress sale. Farmers resort to distress sale under the following circumstances:
*when arrivals of a particular variety of vegetables are very high.

*when their sales during the early part of the market hours are very low due to reduced flow of customers to the market. Inclement weather conditions, disruption of transport arrangements and similar other circumstances drastically reduce customer patronage of retail markets.

*when the quality of produce brought by farmer-sellers or an individual farmer-seller is well below the accepted standards of quality. Fear of rejection of his/their market lot motivates sale at very low prices by farmer-sellers keen on attracting the price-sensitive segment of buyers.

vii. Produce is sold at lower prices to bulk buyers who purchase farm produce at the Bazaar for commercial use. Such buyers include:

i. small retailers.

ii. restaurant-owners.

iii. processed-food unit owners, and

iv. hotel managers.

While such sales by individual farmer-sellers are not permitted under the rules, farmer-sellers do try to attract such customers since they are assured of sales and are freed from the risk of their produce remaining unsold at the end of the day.

viii. Jain S.C. concludes from his comprehensive study of agricultural marketing practices in India that wherever farmers are provided access to a market where they can find customers on a regular basis they exhibit a willingness to sell their produce at relatively low prices. He states that such markets are attractive to the farmer-sellers since they provide stable incomes and also help in production planning. In view of the fact that Rythu Bazaars provide such an opportunity for farmer-sellers,
there is an opportunity for studying the behaviour of farmers with reference to their
high margin-assured income trade off preferences.\textsuperscript{16}

\section*{IV. PROMOTION}

\textbf{Publicity and Public Relations:} Promotion efforts for the Rythu Bazaar scheme are primarily in the form of "image-building" for Rythu Bazaars established all over the State. The fundamental aim of all such Government efforts is to gain public confidence and acceptance for the scheme. The following steps have been taken by the Government to ensure that Rythu Bazaars gain public acceptance and appreciation.

\textbf{State Government Brochures:} The State Government, in the early phase of the scheme, published and released several brochures explaining the objectives of the scheme and the procedures and practices adopted at Rythu Bazaars to ensure that the general public has access to high quality farm produce at a fair price at the Rythu Bazaar. In addition, the State Government has included the Rythu Bazaar scheme in the list of welfare and developmental measures adopted by the Government. This step has lent a high degree of visibility and publicity for the scheme.

\textbf{Visits by V.I.Ps.:} The State Government has directed all Government officials, Members of Parliament and Legislatures to include a visit to Rythu Bazaars located in their areas in their official itineraries. Such visits receive public and media attention. Important functionaries visiting Rythu Bazaars have been requested to study the system and offer their valuable suggestions for better functioning of the markets.

\textsuperscript{16} Jain, S.C., \textit{op. cit.}, p. 151.
**Issue of Low Cost Pamphlets:** Estate Officers have been instructed to issue large number of low cost pamphlets listing out the benefits of purchasing produce at Rythu Bazaars and ensure that they are circulated to a wide and large audience in the cities/towns where the Rythu Bazaars are located.

**Countering negative publicity:** Ever since the inception of the scheme, vested interests have been trying to sabotage the scheme. Such individuals/groups try to achieve their aim primarily by spreading rumours about the low quality of produce, non-availability of produce, etc, at Rythu Bazaars in order to wean away customers from the Rythu Bazaars. In view of the fact that such efforts are localised and have to be countered very fast, the Government has directed Estate Officers to quash such rumours by explaining facts using pamphlets, brochures and handouts in large number. In addition, they have been asked to use the Government radio and television channels to disseminate facts to the general public.

**The Press and Electronic Media:** District officials and officials concerned with the administration of the Rythu Bazaars have been directed to liaise with private press and television agencies to gain favourable coverage for Rythu Bazaars.

i. Most of the vernacular dailies publish tables showing comparative prices for vegetables and fruits at the local Rythu Bazaars and the central retail market on a daily basis. Customers use this information while taking purchase decisions. This creates a high level of public awareness and acceptance for the scheme.
ii. Most of the vernacular dailies publish periodical appraisals of the functioning of individual Rythu Bazaars. Such reports summarise public grievances with the system and the steps taken by the Government to redress consumer grievances.

iii. Vernacular dailies and television channels provide extensive coverage for the visits of Ministers, Government officials, etc, to individual Rythu Bazaars. They ensure that the opinions and views expressed by such important persons get wide publicity.

**Arranging Public Visits:** Estate Officers have been directed to invite N.G.Os., social service organisations, cultural organisations, consumer groups and professional associations to visit the Rythu Bazaars, review their performance and suggest measures for improved functioning. Estate Officers are directed to use such occasions to build a favourable image for the scheme among these socially influential groups.

**Conduct of High Profile Events:** Estate Officers have been instructed to conduct high profile events at regular intervals at the Rythu Bazaars. Such events include conduct of Consumer Satisfaction Weeks, Farmer Welfare Weeks and similar other events. Conduct of such events generates heightened public interest and attracts extensive media coverage for the scheme.

V) THE PEOPLE (Participants)

"All institutional arrangements, designed though they are to facilitate attainment of certain goals, are finally mediated through action of individuals" state Pai, Pannicker
and Ksturasagar\textsuperscript{17} (1979), underlining the importance of commitment and motivation of participants in the successful functioning of any welfare scheme.

Marketing can be viewed as the creation, maintenance and development of networks of mutually satisfactory relations among the participants in the process. The efficiency of the market system depends essentially on:

a) the willingness and ability of all participants to play an active role in the process.

b) the extent of satisfaction derived from the process by participants in the marketing process.

c) the efficiency with which the exchange process operates, and

d) the flexibility of the system which enables the system to adapt to changing situations, needs and expectations.

The following is a study of the main participants in the marketing process established under the Rythu Bazaar Scheme.

A) The Farmer-Sellers: Farmers in India are classified into four categories:

a. The marginal farmers : Owning less than 2.5 acres.

b. The small farmers : Owning more than 2.5 acres but less than 5 acres.

c. The medium farmers : Owning more than 5 acres but less than 10 acres, and

d. The large farmers : Owning more than 10 acres.

\textsuperscript{17} Pai, Pannicker and Kshirasagar, 1979, "Job Attitudes of Development Bureaucracy", \textit{Management in Government} (Selected Readings), Publications Division, Government of India, New Delhi, p. 43.
80 per cent of farmers in India fall under the category of small and marginal farmers and they own 30 per cent of land and contribute to 26 per cent of the total agricultural production. Most of the farmer-sellers utilising the infrastructures created under the scheme are small and marginal farmers.

Farmers in India can be broadly classified into two categories:

a) farmers who participate in the marketing process with different degrees of involvement, and

b) farmers who rely on others to undertake the marketing function.

Many of the small and marginal farmers fall under the secondary category. Even where such farmers undertake activities related to marketing, such activities are very limited. It can be stated that such farmers do not really play a significant role in the marketing of their produce.

Low level of marketing involvement is primarily due to:

i. inability to take up marketing activities.

ii. unwillingness to take up marketing activities.

Many factors contribute to the inability/unwillingness of farmers to take up marketing of their produce. Such factors include:

a) very small market lots making marketing effort uneconomic.

b) very low holding capacity compelling immediate sale of produce.

c) contractual arrangements (based on loans taken)compelling farmers to sell produce to specific individuals in the village.

d) lack of access to storage facilities compelling early disposal of produce.

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e) an inability to comprehend marketing processes, lack of access to reliable marketing information and a sense of helplessness in dealing with concerted activities of professional marketers and traders.

f) low levels of communication and social skills leading to a reluctance to deal with people other than those belonging to their own social class or village.

Various marketing channel alternatives available to the farmers combine two factors in varying degrees:

a) the possibility of gaining a larger share of the consumer rupee, and

b) the degree of farmer involvement in the marketing process.

“Longer the channel of marketing, lesser are the chances of the farmer gaining a high share of consumer rupee and lesser is the need for farmer involvement in the process”.

Over the years, Indian farmers, especially the small and marginal farmers have chosen the alternative requiring lower involvement in the marketing process.

Rythu Bazaars provide farmers with an opportunity for:

a) circumventing the long chain of middlemen.

b) taking up responsibility for performance of nearly all of the marketing tasks.

c) dealing with customers directly, and

d) retaining a larger share of the consumer rupee.

**Liberal definition of the term Farmer:** In order to allow a large section of farmers to benefit from the scheme, the Government has provided for a very liberal definition of the term “eligible farmers” under the scheme.
Owner farmers, Self-Help Groups (S.H.Gs.) of farmers and lessee farmers are eligible to register themselves as farmer-sellers under the scheme. In addition, the scheme allows either the farmer himself / any of the family members (identified and included in the category in the Identity card) to man the sales counters.

Where a SHG of farmers registers itself as a farmer-seller, any of the members of the SHG can man the counter. This provision is meant to facilitate farmers to attend to farm operations in addition to undertaking marketing responsibilities. Trading at Rythu Bazaars has provided these farmers with an opportunity to actively participate in the marketing of their produce and establish direct contact with ultimate consumers. In addition to exposure to marketing practices, many of the farmers have also received training in the areas of marketing and farm management practices. Through membership in committees involved in the day to day management of markets, they have received an opportunity to learn management processes. It is expected that this experience would help farmers take up responsibility for self-management of the Rythu Bazaars in the near future paving way for the withdrawal of the Government from involvement in the day to day management of these markets.

B) Processed Food Sellers: Indian families use a variety of processed foods as part of their daily diet. Such frequently used processed foods include pickles, chutneys, dried vegetables and fruits, jellies and juices. The necessary processing was undertaken by housewives themselves till recently. However, during the recent years, such processed foods are being purchased from the market. One of the major sources of supply of such low-cost foods are the innumerable processing units functioning in the small and micro
industry sector. Such units are run by small entrepreneurs, mostly women, in the unorganised sector.

Governments, recognising the positive role of this sector in promoting entrepreneurship and women empowerment, have been encouraging Self-Help Groups of women, especially in the rural areas, to establish such enterprises. Registered S.H.Gs. of women entrepreneurs are eligible for liberal loans, financial subsidies and other forms of aid and assistance.

Recognising the importance of marketing skills in successful management of such industries, the Government has taken the assistance of corporate houses like I.T.C, Hindustan Lever, etc, in imparting marketing training to small entrepreneurs. Small entrepreneurs trading at the Rythu Bazaar are involved in the manufacturing and marketing of “low-priced processed foods requiring low-technology and labour-intensive manufacturing processes”

C) **Officers and Administrators:** “There will be a full-time Estate Officer (E.O.) to be appointed for each Rythu Bazaar who will be responsible for proper running of the Bazaar”.¹⁹

D) **The Estate Officer:** The E.O. of the Rythu Bazaar is responsible for the efficient running and improvement of the functioning of the Bazaar. He is a paid employee of the

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Government, appointed on a contractual basis. He is required to take all steps necessary for the smooth functioning of the Bazaar:

i. by forming Committees of farmers for decision-making and implementation on matters connected with the administration of the scheme.

ii. by obtaining services necessary for the Bazaar by liaising with administrators of Government managed public utility organisations.

iii. by appointing private contractors for supply of services not available through public sector organisations.

He shall report to the Joint Collector of the district and shall be answerable to the Joint Collector for the discharge of any duties entrusted to him by the Joint Collector.

ii) The Horticulture Officer (H.O.): The H.O. shall advise the Estate Officer in all technical matters i.e., matters connected with agriculture production, agricultural extension and training. The Horticulture officer is responsible for providing such advice and assistance to four/five estate officers and hence he cannot attend to the routine management of a specific Rythu Bazaar. He is primarily responsible for:

i. identification of the cluster of villages to be treated as the hinterland of a Rythu Bazaar.

ii. identification of farmers eligible for participation in the scheme, motivating them and facilitating their regular participation in the Bazaar.

iii. assuring that the farmers have access to high quality inputs and information needed for achieving higher levels of productivity.

iv. designing and running training programmes for enhancing the skills and talents of farmers.
iii) **The Joint Collector:** The Joint Collector (J.C.), the Revenue Division Officer and their staff in the Revenue Department (in addition to the discharge of their administrative functions) shall supervise the functioning of the Rythu Bazaars in the district.

D) **The Customers:** It is estimated that urban households in India spent 42 per cent of their monthly per capita income (M.P.C.I.) for the purchase of grocery items in the year 2004. Of the budget allotted for groceries, 47 per cent was allotted for the purchase of fresh foods in the year 2004. Thus, we may conclude that urban households spent nearly 20 per cent (19.74%) of their incomes for the purchase of fresh foods like fruits and vegetables. In Andhra Pradesh, it is estimated that the market for fresh foods consists of 41,73,639 households residing in the towns and cities of the State. They represent 24.76 per cent of all households residing in the State.20

The retail urban food market has to satisfy the dietary needs of this very large market. The following trends have been observed and commented upon by recent studies of urban markets:

- A growing middle class along with an increase in the general income levels in urban areas has led to a spurt in the demand for fresh foods.

- Consumer education and growing health consciousness among the population have contributed to growing demand for fresh foods.

- Urban life-styles have brought significant changes in consumer behavior during the recent years. Some of the important changes are:

  a) Men taking an active role in the purchase of groceries which was earlier viewed exclusively as a "women's chore".

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b) Preference for outlets where prices are fixed and bargaining has no role to play in the price-determination process.

c) A reluctance to spend time on the purchase process in view of pressure on time in urban lifestyles.

d) A marked preference for “one-stop shopping” which would reduce the need for commuting from one market to another.

e) A willingness to pay a premium for convenience in shopping and assurance of quality.

These trends in urban markets have lead to a situation where it is possible to identify specific and distinct market segments in the “fresh food market”. Such segments include:

- the premium food market catering to the needs of the quality conscious rich classes willing to pay a higher price for assurance of quality, convenience in purchase and reduced marketing effort.

- the middle-range food markets catering to the needs of the middle-class and lower-income classes who insist on a very careful assessment of the trade-off between price differentials to be paid and additional benefits provided by the retailer.

- the low-range food markets catering exclusively to the needs of the low income groups of urban society.

A number of new marketing channel options, including the Rythu Bazaars, have come into existence in the “middle-range food market segment” catering primarily to the needs of the lower-rich class and middle income class of urban society.
MARKET DEVELOPMENT EFFORTS

Rythu Bazaars Scheme was introduced by the Government with an intention to bring in reforms in the marketing arrangements for fresh foods in urban areas. Hence, the scheme envisages a series of initiatives aimed at bringing desirable changes in the marketing system for fresh foods.

Assuring farmer participation: The success of the scheme depends on active participation by farmers in the markets. With this objective in view, Horticultural Officers have been instructed to visit villages in the hinterland and meet farmers and motivate them to participate in the scheme. H.Os. have also been instructed to play an active role in the formation of farmer Self-Help Groups. In addition, they are required to assist farmers to take up the cultivation of new varieties of vegetable in the “off-season” to facilitate year round participation of farmers in the scheme. H.Os. shall liaise with village level officials and other Government officials to provide all assistance to farmers intent on participating in the Rythu Bazaar Scheme.

Quality improvement efforts: The success of direct marketing by farmers would depend to a very large extent on the ability of farmers in the cluster villages to supply vegetables and fruits of a consistent quality. Estate Officers are required to take all steps necessary to ensure that farmers do not sell low-quality produce at the bazaar. In addition, E.Os. shall insist on grading practices to ensure that farmers become quality-conscious. Officials of the scheme should ensure that farmers have access to good quality seeds at subsidised prices. In particular, Horticulture officers shall encourage the use of bio-
fertilisers. The E.O. and H.O. shall design and implement a training schedule on quality-improvement practices for farmers.

**Encouraging Consumer-Orientation among Farmers:** The reluctance of farmers to participate in marketing processes has been one of the main reasons for domination of the market by traders. Farmer-sellers participating in the scheme shall be provided training in marketing skills. The Government has roped in the services of leading corporate houses for this purpose. Marketing experts shall train farmers in the areas of customer relations, demand forecasting, packing and packaging, etc. Periodically, the officials shall conduct "Customer-Care Weeks" and reward farmers who have gained consumer appreciation.

**Increasing the coverage of the Scheme:** The Directorate of Marketing has been making all efforts to extend the scope and coverage of direct-marketing efforts by farmers. Mobile Rythu Bazaars (M.R.Bs.) have been introduced to ensure that customers living in suburbs of the city also can benefit from direct marketing.

**On-line marketing,** the process by which customers can place orders over the phone and collect produce at their door-steps, upon payment of a price-premium, has been introduced in a few cities on a pilot basis. In addition, the Executive Officers have been instructed to explore the possibility for entering into agreements with welfare hostels, hospitals and similar establishments for daily supply of their requirements directly from the Rythu Bazaar. The Government has recently permitted Estate Officers to allot not more than 25 per cent of stalls to persons other than farmers to ensure that
customers can purchase grocery items other than fruits and vegetables also from the Rythu Bazaar.

**Dissemination of Marketing Information:** Farmers in India do not have access to reliable marketing information. Low levels of education, low social status, lack of access to information sources and non-participation in marketing process have lead to a situation where farmers rely on traders and middle men for market information. Traders have a vested interest in ensuring that farmers do not have access to reliable marketing information. The Directorate of Marketing, Government of Andhra Pradesh, has established a network of communication systems using the Internet to ensure that farmers have access, through the Rythu Bazaar office to:

- information on prices of different vegetables in different markets on a daily basis.
- information on prices of vegetables and fruits in the wholesale market and the central retail markets.
- information on fluctuation in prices indicating the lowest market price and the highest market price on a daily basis.
- information on trends in prices of different vegetables and fruits calculated on a monthly basis and season-basis.

Rythu Bazaar officials shall provide information on daily prices to the Press and Electronic media every day. The vernacular Press has been very active in disseminating information regarding prices of vegetables and fruits at the Rythu Bazaar.

- Many of the vernacular newspapers publish a daily column on prices of important vegetables prevailing at the Rythu Bazaars.
- Some of the newspapers provide their subscribers with comparative prices of vegetables in Rythu Bazaar and the central retail market.
Customers buying fruits and vegetables at markets other than the Rythu Bazaar also follow the prices at Rythu Bazaars since many newly established retail marketing channels sell their produce at “prices prevailing at the Rythu Bazaars”.

It can be said that the establishment of Rythu Bazaars has had a very positive impact on the dissemination of marketing information in the retail food markets.

Ensuring Public Participation: Public participation and patronage is seen as essential for the success of the Rythu Bazaar scheme. A number of initiatives have been launched by the Directorate of Marketing to ensure that the scheme gains public attention and participation.

- Estate Officers have been instructed to involve citizens in the management of the scheme by nominating them as members of Committees like Arbitration Committee, Grievance Redressal Committee, etc.

- E.Os. have been instructed to maintain a “Suggestion Box” in the bazaar and give publicity to the fact so that customers and general public could offer their suggestions for a more efficient management of the scheme.

- E.Os. have been instructed to invite members of social and cultural groups and N.G.Os to visit the bazaars, interact with farmers and customers and express their views and suggestions.

Farmer Empowerment: The Government of Andhra Pradesh intends to convert all Rythu Bazaars into farmer-managed “Mutually Aided Co-operative Societies” (M.A.C.Ss) in the long run. This requires a willingness on the part of farmer-sellers (participating in the scheme) to take over functions presently being performed by the
Estate Officer and Horticultural Officer. Farmer education, training and empowerment are essential inputs in equipping farmers with skills and attitudes required for taking up the task of managing Rythu Bazaars themselves.

A series of initiatives like the conduct of training programmes, awareness camps and workshops have been launched by the Government for the benefit of farmer-participants in the scheme. The primary objectives of such initiatives include:

a) transfer of skills pertaining to clear formulation of objectives, effective decision-making and effective use of information and communication.

b) acquainting farmer-sellers with tools of financial management and marketing management.

MARKETING CONTROL

The Directorate of Marketing, Government of Andhra Pradesh, is the controlling authority for the entire Rythu Bazaar Scheme. The Directorate of Marketing issues policy guidelines, circulars and orders from time to time to determine the objectives of the scheme, the scope of operations, the procedures to be followed at the Rythu Bazaars and the powers and duties of functionaries connected with the Scheme.

a) Comprehensive Monitoring System: A comprehensive monitoring system has been designed to ensure that the Directorate of Marketing has information on all important areas of performance affecting the achievement of the objectives of the scheme. The System provides for:

a) review of the physical arrivals of stocks of vegetables and fruits at every Rythu Bazaar on a daily basis.
b) review of the number of farmer-sellers attending every Rythu Bazaar on a daily basis.

c) review of prices prevailing in the Rythu Bazaars for different varieties of fruits and vegetables on a daily basis.

The Price-Information system shall also provide:

i. data on the lowest price and highest price for different varieties of vegetables over a period of time in different Rythu Bazaars.

ii. data on prices of important varieties of vegetables and fruits prevailing at Rythu Bazaars vis-à-vis prices prevailing at the central retail market in the town/city where the Rythu Bazaar is located.

b) Periodical Rating: There shall be a periodical rating of all Rythu Bazaars based on appraisal of performance with reference to parameters like attendance of farmers, physical arrivals of stocks and prices prevailing at the bazaar.

c) Identification of the Best Rythu Bazaar and the worst Rythu Bazaar in each region with a scheme of incentives for good performance.

d) Periodical review of infrastructure available at the bazaar, the extent of utilisation of infrastructure and the need for additional equipment at the Bazaars.

e) Year-end appraisal of:

i. Income and Expenditure of the Rythu Bazaar with a review of steps taken to ensure that the Bazaar achieves financial self-efficiency.
ii. Capital Expenditure at the Rythu Bazaar with a review of the effectiveness in utilisation of available equipment at the Bazaar.

f) Year-end comprehensive review of the performance of all Rythu Bazaars in the State.

The Vigilance Department, Government of Andhra Pradesh, has been entrusted with the responsibility of conducting physical inspections of Rythu Bazaars all over the State on a regular basis.

Surprise-Checks of individual bazaars are conducted by Vigilance Officers with an intention to:

a) study the performance of the specific Rythu Bazaar.
b) ensure that the information being supplied by the Estate Officer is reliable.
c) assess the level of satisfaction felt by consumers in the town/city.
d) appraise the performance of the Estate Officer and his staff.
e) offer suggestions for the better functioning of the Rythu Bazaar, and
f) ensure that only genuine farmers are allowed to operate at the bazaar.

The Vigilance Department forwards a Report on the visit to the Directorate of Marketing for necessary executive action.

At the district level, the Joint Collector and the team of Revenue Division Officers (R.D.O.s) are responsible for ensuring that the Bazaars in the district function in accordance with the directives issued by the Directorate of Marketing. The R.D.O.s are specifically responsible for ensuring that only genuine farmers find entry into the Bazaars. They are required to take all steps necessary to ensure that middlemen/traders do not gain entry into the scheme. Teams of Revenue officials are directed to visit the Bazaars and investigate all cases of impersonation. The Estate Officer at the individual
Bazaar level is ultimately responsible for the effective administration of the Rythu Bazaar in accordance with rules, regulations and directions issued by the Government of Andhra Pradesh, represented by the Directorate of Marketing.