CHAPTER - I
CHAPTER I
INTRODUCTION

1.1 Introduction

Agriculture plays a vital role in the process of economic development of developing countries including India. Indian economy, like most of the developing countries, is basically agricultural in nature and the very economic structure of India rests upon agriculture. It is the most competitive sector and is considered as the backbone of the Indian economy. In general, the importance of agriculture in the economic development of any country, rich or poor, is borne out by the fact that it is the primary sector of the economy, which provides the basic ingredients, necessary for the existence of human race and also provides most of the raw materials to many industries\(^1\).

The agricultural sector is a major component of our economic environment. As the key sector of the Indian economy, it has been used as an instrument of income and employment generation particularly in the rural areas. It plays a vital role in the economy of the country through its contribution to Gross National Product (GDP), employment, foreign exchange earnings and so on\(^2\). Agriculture is crucial for our national economy. The share of agriculture in our total GDP comes to about one-fifth. It was around 57 per cent in the beginning of 1950, with gradual industrialization; the share of agriculture has declined and reached a level of 17.2 per cent in 2008-09\(^3\).

Agriculture has been a major source of economic activity providing livelihood to large segments of the population of the country. About 58.4 percent of the working population (this was more than 70 per cent during 1950) is engaged in agriculture (Census, 2001). As the economy progresses the dependence on agriculture for livelihood must decline and more and more must get absorbed in secondary and tertiary sectors. Agriculture is the backbone for any country’s economic development. It is a popular

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belief that economic development taken place because of rapid industrialization. But industrial development itself cannot take place without agriculture. Specifically, agriculture contributes to economic development in the following ways:\(^4\):

i) product contribution i.e. making available food and raw materials,

ii) market contribution i.e. providing the market for goods produced by other sectors,

iii) factor contribution i.e. making available labour and capital to the non-agricultural sector and

iv) foreign exchange contribution.

Besides, agriculture provides a large market for non-agricultural goods and services and is also the backbone of industrial development and external sector of the country\(^5\). The structure of modern industrial development can be built only on the solid foundations of a dynamic and viable agriculture.

Agriculture also plays an important role in our international trade. The share of agricultural exports was 18.5 per cent in 1990-91 which rose to 20.3 per cent in 1996-97 and the share has gradually declined showing 9.3 per cent in 2008-09\(^6\). The main agriculture commodities, which are exported, are tea, oil seeds, fruits and vegetables, spices, tobacco, cotton, coffee, cocoa, sugar and sugar products, etc. Fluctuations in agriculture output play a key role in the state of the national economy. Rural consumption of industrial goods is nearly three times that of urban consumption. As a matter of fact, the current spurt in the rural consumption of durable goods has led to a redefinition of consumer demographics itself. Obviously, there is a direct relationship between Agricultural production and income and the demand for Industrial goods. Similarly,


performance in agriculture also influences total demand via government savings and public investments\(^7\). Against this background, an attempt is made in this chapter to describe the significance of agriculture in Indian economy, the role of agriculture marketing in the economic development of the country, the major imperfections encountered in the existing marketing structure, consequently the problems faced by the farmers and consumers, the introduction of Rythu Bazaars in Andhra Pradesh and the significance of the present study, objectives and methodology of the study and chapterization.

1.2 Importance of Agricultural Marketing

Agricultural marketing\(^8\) assumes a vital importance in India where more than 70 percent of the population live in villages and depend on agriculture and allied activities. Marketing is an integral part of the total production process. In fact, production and marketing systems are practically intertwined. Efficient production ensures lower per unit cost of output making it possible for more number of consumers to buy it. On the other hand, integrated, competitive and efficient marketing system turns this possibility into reality benefiting both the producer and consumer\(^9\). In the context of increasing agricultural production to reach the stage of generating surpluses, there is a need to gear up the marketing mechanism to create appropriate conditions under which the farmer could sell his produce. In the absence of such condition, the agricultural production may not respond to meet the continuously increasing demand from the teeming millions. Hence, it is necessary to continuously watch the working of the system so that effective

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\(^8\) Agricultural marketing system has been defined earlier in varied ways. But for the purpose of Report of the Working Group on Agricultural Marketing for the XI Five Year Plan 2007-12, it is defined in broadest terms, as physical and institutional set up to perform all activities involved in the flow of products and services from the point of initial agricultural production until they are in the hands of ultimate consumers. This includes assembling, handling, storage, transport, processing, wholesaling, retailing and export of agricultural commodities as well as accompanying supporting services such as market information, establishment of grades and standards, commodity trade, financing and price risk management and the institutions involved in performing the above functions. For details see, Acharya, S.S. (Chairman), *Report of The Working Group on Agricultural Marketing Infrastructure and Policy Required for Internal and External Trade for the XI Five Year Plan 2007-12*, Agriculture Division, Planning Commission, Government of India, January 2007, pp.16-26).

steps can be taken to check the unwarranted deviations prevailing in the functioning of the system.

Agricultural marketing plays an important role in accelerating the pace of economic development in addition to stimulating production and consumption. Its dynamic functions are of primary importance in both agriculture and economic development. As such marketing has been described as the most important multiplier of agricultural development. Marketing is as critical to better performance in agriculture as farming. Market reforms ought to be an integral part of any policy for agricultural development. The National commission on Agriculture, 1976, emphasized that produce must be satisfactorily marketed.

Marketing is a complex subject. It connotes a series of activities involved in moving goods from the point of production to the point of consumption. Therefore, agricultural marketing is the study of all the activities, agencies and policies involved in the procurement of farm inputs by the farmers and the movement of agricultural products from the farms of the consumers. Thus, agricultural marketing system is a link between farm and non-farm sectors. All the groups of persons associated with agricultural marketing are interested in having an efficient marketing system.

An efficient marketing system is an effective agent of change and an important means for raising the income levels of farmers and satisfaction of the consumers. It involves the movement of goods from producers to consumers at the lowest possible cost, consistent with the provision of services desired by the consumers. An efficient marketing system for farm products ensures an increase in the farm production gets translated into an increase in the level of income, thereby stimulating the emergence of additional income. Consumers derive the greatest possible satisfaction when goods are available at the least possible cost. The ideal marketing system should aim at giving remunerative prices of produce to producers, uninterrupted supply of goods to the

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consumers at reasonable prices and accumulation of surplus for further economic development\textsuperscript{13}.

1.3 Role of Agricultural Marketing in Economic Development

The two basic elements of agricultural system are production and marketing. Marketing of agricultural produce is as important as production as it links the producer and consumer. Indeed, more important than production, as benefits of higher production cannot be reaped if efficient marketing of it is not ensured. Therefore, marketing plays an important role not only in stimulating production and consumption but also increases the pace of economic development. According to the National Commission on Agriculture (NCA), 1976, “Agricultural marketing is a process which starts with decision to produce a saleable farm commodity and it involves all aspects of market structure or system, both functional and institutional, based on technical and academic consideration and includes pre and post harvest operation, assembling, grading, storage, transportation and distribution\textsuperscript{14}. The experience of advanced countries also has shown that economic progress and market development are interdependent. In fact their growth is mutual and symbiotic in association\textsuperscript{15}.

The significance of agricultural marketing in economic development is evident from the following facts. Maintaining the pace of increased production through technological developments, assurance of remunerative prices to the farmers for their products to sustain the growth of the non-agricultural sectors, resources have to be extracted from agricultural sectors.

An efficient marketing system leads to the optimization of resource use and output management. A well-designed system of marketing can effectively distribute the available stocks of modern inputs and thereby sustain a faster rate of growth in agricultural production. It ensures higher level of income to the farmers by reducing the number of market middlemen, regulating marketing services, providing better prices for the products by having competitive conditions for marketing, etc. A well-knit marketing

\textsuperscript{13} Ibid., p. 43.

\textsuperscript{14} Prasad, A.S.R., Agricultural Marketing in India, Mittal Publicating House, New Delhi, 1985.

system widens the market for the product by taking them to remote corners both within and outside the country by having better transportation and communication facilities and thus ensures higher income to the producer-farmer of crop products. For growth of agro-based industries, an improved and efficient system of agricultural marketing helps in the growth of agro-based industries, simulates their production and brings overall development of the economy.\textsuperscript{16}

Adoption and spread of new technology among the farmer-producers is possible by existence of better marketing system and farmers get more returns by selling the produce if marketing system is efficient. The additional returns got by the farmers will be invested in agricultural sector and this as such will help spread the new technology among the farmers.

Employment is created in the economy by developing different marketing activities viz. grading, transportation, storage, processing, market modules etc. Marketing activities add value to the products and this in-turn increase GNP and NNP of the country. Better living standards can be provided to the people by the producers by making food available to the consumers at low prices through efficient marketing. Creation of utilities in the products viz. place, time, form and possession enhances the price of the farm products.

All these facts emphasize that agricultural marketing plays an important role in the economic development of the nation. More efficient the marketing system, more would be the economic development of the nation.

\section*{1.4 State of Agricultural Marketing in India}

India is an agricultural country and the economic position of the farmer depends on the money that he can earn by selling his surplus produce. However, trading in agricultural commodities is an example of pure competition. So an individual farmer has to act as a price taker. He has hardly any control over the existing price of a particular crop. This price is basically determined by the impersonal forces of demand and supply. However, the revenues of the farmer can be raised through proper handling and better

distribution of his produce and by reducing the margins acquired by a chain of intermediaries between the producer and the consumer. This necessitates an improvement in the agricultural marketing system. However, the sad truth is that the Indian farmer is handicapped by a number of factors most of which are beyond his control. On most occasions, he has to sell his output at a wrong place, at the wrong time and at unfavorable terms\(^\text{17}\).

It is felt that agricultural price policy has to play a very important role in the process of planning in predominantly agrarian societies like India. However, the effectiveness of a judicious price policy largely depends on the prevailing marketing system. There is no denying the fact that an efficient marketing system is an essential prerequisite for the proper implementation of a rational price policy in agriculture.

An efficient and well–organized marketing system is a prerequisite for agricultural development. Agricultural development is self-sustaining when additional output can be sold in the market at a remunerative price. In India, agricultural development rests mainly on the private sector, through incentive and assistance to grow more output come from the government. However, the crucial incentive is, of course, profit. Emergence of profit induces farmers to produce more. Further more, the existence of an efficient marketing system induces cultivators to bring their produce in the market for sale. Thus, creation of a marketable surplus greatly depends on the marketing network of agricultural produce\(^\text{18}\).

There are many ways by which, the farmer may dispose of his surplus produce. The first and the most common method is to sell away his surplus produce to the village money lender-cum-trader, who may buy it either on his own or as an agent of a bigger merchant of the neighboring mandi town. It is estimated that in the Punjab, 60 per cent of wheat, 70 per cent of oils and 35 per cent of cotton are sold in the village itself.

The second method adopted by the Indian farmer is to dispose of his produce in the weekly village market, known in Hindustani as a ‘hat’. Besides, fairs are held once in


\(^{18}\) Ibid, p. 361.
a year in important villages or towns in connection with religious festivals. In hats and fairs, the farmers bring their produce as well as livestock and sell them.

The third method of agricultural marketing is through the mandis in small and large towns. The mandi may be located at distance of several miles and, therefore, the farmer has to make special effort to carry his produce to the mandi.

In the mandis, there are brokers or ‘dalals’ who help the farmers to dispose of their produce to the wholesalers known as “arhatiyas”. The wholesalers may dispose of the agricultural produce, which they have purchased from the farmers to retailers or flourmills and processing units. For instance, in the case of cotton, the wholesalers sells to the cotton ginning factories and in the case of food grains like wheat he sells to the flour mills or to the retailer19.

1.4.1 Basic Facilities Needed for Agriculture Marketing

In order to have best advantages in marketing of his agricultural produce the farmer should enjoy certain basic facilities.

1. He should have proper facilities for storing his goods.

2. He should have holding capacity, in the sense, that he should be able to wait for times when he could get better prices for his produce and not dispose of his stocks immediately after the harvest when the prices are very low.

3. He should have adequate and cheap transport facilities, which would enable him to take his surplus produce to the mandi rather than dispose it off in the village itself to the village moneylender-cum-merchant at low prices.

4. He should have clear information regarding the market conditions as well as about the ruling prices; otherwise, he may be cheated. There should be organized and regulated markets where the farmers will not be cheated by the ‘dalals’ and ‘arhatiyas’.

5. The number of intermediaries should be as small as possible so that the middlemen’s profits are reduced. This increases the returns to the farmers20.


1.5 Imperfections in Agricultural Marketing Systems

Because of the transition of the Indian economy during the plan period and the growing connection of Indian farmers with the global market following WTO Agreement, agricultural marketing has assumed a great importance. But the present agricultural marketing system of India seems to be far from perfect and there are many more imperfections which need to be tackled on war footing to relieve the producers. Market imperfections continue to operate in most of the areas where an agricultural breakthrough has not taken place. In the backward areas, the number of regulated markets are limited and further markets continue to be dominated by the trader cum moneylender nexus. In the agriculturally advanced regions, the market infrastructure is fairly developed resulting into efficient marketing. In the agriculturally underdeveloped parts of India, it is highly inadequate and consequently, the marketing system continues to be non-competitive and dominated by monopolistic interests.21

The agricultural farmers, in general, encounter three broad agricultural marketing problems viz. (a) consumers’ demand for farm products, (b) price system and marketing practices, and (c) inadequacies of traditional system in meeting requirements of progressive agriculture. Agricultural marketing system in India has been traditionally suffering from severe constraints like high costs and margins, existence of large number of middlemen, storage and transport bottlenecks and lack of other marketing infrastructures.22 Normally, agricultural produce is sold mostly through traders. In markets, we find a number of instances of false weights and measures, under deductions including those for religious and charitable purpose; large samples were taken by wholesalers and producers bargaining under cover of cloth through brokers, etc. Sometimes traders go to villages and purchases stock from cultivators at unfavourable rates. Apart from this, various methods such as speculation and withholding of stocks are used for creating artificial scarcity and boosting prices at sale. The result is that not only producer is deprived of legitimate return for his produce, consumer also suffers on


account of high price-spread between producer and consumers\textsuperscript{23}. In the beginning, marketing of agricultural produce had never been a problem in the country in view of the fact that our country had subsistence economy in relation to food grains. In the wake of green revolution and developments that have taken place in recent past in field of agricultural technology, production and productivity, all major agricultural crops have grown substantially and marketing of agricultural commodities is a major problem in every where surpluses have been generated\textsuperscript{24}.

The experience of agricultural development in India has shown that the existing systems of delivery of agricultural inputs and marketing of agricultural output have not been efficient in reaping the benefits of technology. The timely, and quality and cost effective delivery of adequate inputs still remains a dream. Of all the marketing problems, the problem of forced sales at the village level to or through the local traders, commission agents etc., a problem highlighted right from the time of Royal Commission on Agriculture, 1928-- continues to be a major one. Even now, there are plenty of distress sales among farmers as also temporal and spatial price variations in the markets. Producers share in consumers’ rupee has not been satisfactory. The market performance parameters like absolute share of the producer in terms of remunerability, fluctuations in prices across seasons, and spatial price differences and lack of proper market outlets itself, are the issues which have become increasingly crucial in the present context. However, there are structural weaknesses in agricultural markets like unorganized suppliers as against organized buyers, weak holding capacity of farmers, and the perishable nature of the produce. In the environment of liberalization and globalisation, the role of the state in agricultural marketing and input supply is being reduced, and an increasing space is being provided to the private sector to bring about better marketing efficiency in input and output markets. On the other hand, processors and / or marketers face problems in obtaining timely, cost effective, and adequate supply of quality raw


materials. However, even today marketing continues to be a great challenge, an arduous task in giving stress and strain, tension, risk and uncertainty. Large majority of the farmers are reported to be more worried of marketing, especially of remunerative price, rather than production. The seriousness of the marketing problem can be damaged from the fact that farmers do not hesitate to vote against the ruling party in elections, if election time is coincided with favorable market conditions to express their protest to the Government.

1.6 Government Intervention in Agricultural Marketing

An important landmark for improvement of the agricultural marketing system in the Indian economy dates back to the recommendations of the Royal Commission on Agriculture, 1928, which pertained to regulation of marketing practices and establishment of regulated markets. Though, agricultural marketing is a state subject, the Government of India has been playing a far-reaching interventionist role in terms of laying down general policy framework, framing of quality standards and providing technical and financial support to the states for creating infrastructure and administrative setups. The Government interventions in agricultural marketing in India, which have been both direct and indirect, have taken one or more of the following forms:

- Regulation of the practices of buying and selling by establishing regulated markets.
- Promotion and creation of infrastructure and other facilities.
- Administration of prices at different levels of marketing.
- Direct entry of the government or cooperative agencies as buyers or sellers in the market with a view to influencing the demand or supply or prices of the products.
- Regulation of imports and exports of agricultural commodities with a view to influencing the supply and demand and thereby the prices in the domestic market.


The government has undertaken various steps further to improve the conditions of agricultural market.

1. The all India Warehousing Corporation has been setup to construct and manage a whole network of warehouses in all towns and mandis.
2. To promote warehousing in villages, the co-operative societies are given necessary financial and technical facilities.
3. To help improve the financial conditions of the farmers to save them from the clutches of the village moneylenders, the co-operative marketing societies and processing societies have been started to market the agricultural goods of the farmers.
4. Further, co-operative marketing societies would assure reasonable prices and remove all exploitation of the farmers by dalals and arhatiyas.
5. Regulated markets have been started and the interests of the farmers have been well safeguarded in these markets.
6. Food grain prices are being stabilized by the Government through the recommendations of the Agricultural Prices Commission.
7. Finally, the government is in a big way marketing agricultural produce through the Food Corporation of India (FOC), the Cotton Corporation of India (CCI) etc.

Current agricultural marketing system in the country is the outcome of several years of Government interventions. The system has undergone several changes during the last 50 years owing to increase in marketed surplus; increase in urbanization and income levels and consequent changes in the pattern of demand for marketing services; increase in linkages with distant and overseas markets; and changes in the form and degree of government intervention.

Marketing of agricultural produce is beset with manifold problems. The accelerated growth in production consequent to adoption of new strategies for agricultural development has placed added burdens on marketing structure and systems and raised several questions concerning the capacity of the existing structure and systems to meet the growing demands. Reacting positively to the suggestions/recommendations of committees, commissions and experts, the successive governments have undertaken
several measure to improve marketing conditions. These include the development of processing storage, transportation and communication facilities, establishment of agencies like FCI and regulated markets, strengthening of credit and marketing cooperatives, price support in the form of minimum support prices etc.

Agriculture being a State subject, the main Act for market regulations, the Agriculture Produce Market Regulation Act (APMC), is to be enacted/amended/implemented by the State Governments. The existing marketing system is serviced by a network of more than 7,500 regulated markets and about 28,000 Rural Primary Markets, 15 per cent of which were also regulated. Initially, the objectives of market regulation were to ensure correct trade practices such as weighment, prompt payment to the farmers for their produce and to avoid their exploitation by middlemen in terms of unauthorized deductions and charges. Ironically, the market originally meant for protecting the farmers’ interests, ended up inhibiting the free-play of market forces, compromising the welfare of the farmers. Under the APMC Act no processor or exporter could buy directly from the farmers, thereby discouraging the private sector from integrating with the farmers or engaging in food processing/agricultural export sectors. Further as the private sector was prevented from setting up agricultural markets, they did not invest in marketing infrastructure27.

Present policy thrusts on encouraging farmers for collective and direct marketing promoting organized trade; creating enabling environment for greater participation by the private sector in marketing system including infrastructure development. The increasing focus on liberalization, privatization and globalization is both a challenge and an opportunity for our farmers. For them to avail this opportunity optimally, it is imperative that relevant internal reforms in the agriculture marketing system are accorded top-most priority. As a major initiative, the Government of India drafted a Model Agricultural Produce Marketing (Regulation & Development) Act, 2003. While all the States/UT’s had agreed to amend their respective APMR Act to bring about the requisite reforms in the line with the Model Act, the APMR Acts of 17 States/UTs have been amended only in a limited manner. Besides, the APMR Act originally has not been adopted / repealed in

7 States/UTs. The States have amended their Acts in respect of Contract Farming, Direct Marketing, and Setting up of private markets. The spirit in which the Model Act was conceived is not being fully embodied in the rules being drafted by different states\textsuperscript{28}.

Agricultural marketing scenario in the country has undergone a sea change over the last five decades especially after the onset of technological revolution in the country. Some of the changes in the production of agricultural commodities and also the changing demand pattern of the consumers have a significant bearing on the agricultural marketing system in general and also on the functioning of the various marketing organization’s viz. regulated markets. The important changes that took place in the production behavior of agricultural commodities have significant impact on agricultural marketing. All the measures introduced by the government improved the marketing system and helped the farmers in getting better prices to some extent. However, under the changing scenario, these measures have not been providing the expected benefits to the society.

There has been a rapid increase in the marketable and marketed surplus of different agricultural commodities. This has been both on account of increase in agricultural production and also due to the increase in the marketed surplus-output ratio of commodities. Production of most agricultural commodities has increased by more than four folds and hence the marketing system has to handle more commodities, which now arrives in the market for disposal.

Overtime, the marketed-surplus-output ratio of agricultural commodities also increased. The marketed-surplus-output ratio as a percentage of gross value of output in 1950-51 was 33.4 per cent as estimated in a study by Dharam Narain. This ratio increased in 1990-91 as estimated by the Task Force on Terms of Trade appointed by the Ministry of Agriculture, Government of India to 64.1 per cent. This ratio has gone up further during the last decade. Hence more market arrivals of different agricultural commodities are there. In other words, owing to a widening of the production base of the agricultural sector, the market orientation of the farm sector has considerably increased. The overall impact of the working of the marketing institutions on agricultural marketing

\textsuperscript{28} Ibid., pp. 11-12.
has decidedly been positive and has helped to increase its competitiveness and efficiency\textsuperscript{29}.

The farmers of the countries becoming members of World Trade Organization are free to market their goods in these countries and hence have increased competition. India is now a member of World Trade Organization (WTO) along with 148 other countries. As such, the role or agricultural marketing in India has widened from the existing i.e. “sell whatever is surplus on the remunerative prices to produce only those commodities which have good demand in domestic as well as in international market and sell them in the form and at a place where prices are high.”

1.7 Introduction of Direct Marketing

In India, as already discussed earlier, efforts have been made in the direction of creating efficient market conditions through establishing regulated markets\textsuperscript{30}. But practically, the regulated markets have not always worked in a satisfactory manner particularly in certain developed regions. One of the main reasons for limited success of market regulations is that it is only confined to marketing and does not help or reduce monopolistic hold on credit, transport and trade, processing and storage. In this context, the Royal Commission on Agriculture, 1928, highlighted that producer must know the art of selling either as an individual or combination of other producers and he should be the mind of buyers. Otherwise, both producer and consumer will loose major share of the produce to the middlemen. Both of them do not obtain a fair share of the value of producer. Concerted efforts, however, have not been made to promote the direct sales by the farmers to consumers or retailers without involving any intermediary in between. In a country like ours there are large numbers of places where such markets could come up in organised sectors with private investment and can be developed in tune with the time for forward and backward linkages. Government has realised the gravity of the situation and the problems of Indian agricultural marketing system and in the Ninth Plan it stressed the


\textsuperscript{30} A market is said to be regulated when the state Government establishes a market under some enactment and frame rules and regulations to conduct business therein. The objective of market regulation is to regulate sale and purchase of agricultural produce, create conditions for fair competition and thus, ensure a square-deal to the producer seller.
need for introducing direct marketing as a measure to solve the problems of producers and consumers. Some of the state governments introduced and encouraged the direct markets run by the farmers, with the help of government departments and consumers. One of such leading examples is Uzhavar Santhai in Tamilnadu.

The Direct marketing presupposes the sale of agricultural produce by farmers directly to consumers without any mediation. It enables farmers to meet the specific demands of wholesalers or traders from the farmers inventory of graded and certified produce on one hand and of consumers based on consumers preference on the other hand helps the farmers to dynamically take advantage of favorable prices reduce marketing cost and thus their net margins. This encourages farmers to undertake cleaning, sorting, grading and quality marking at the farm gate. This will obviate the need to haul the produce to the regulated markets which are not necessarily equipped with all required services and facilities affecting the marketing efficiency adversely. It is reported that the consumers’ prices declined by the 20 to 30 per cent and producers received the prices rose by 10 to 20 per cent in South Korea as a consequence of expansion of direct marketing of Agricultural Products. In our country, this model has been experimented in Punjab and Haryana (Apni Mandis), Andhra Pradesh (Rythu Bazaar), Tamil Nadu (Uzhavar Santhai) and Orissa (Krushak Bazaar) and so on. All the provisions exist in various States’ Market Regulation Act for direct marketing.

1.8 Rythu Bazaars in Andhra Pradesh

The present exercise is an attempt to study the functioning of Rythu Bazaars established in the State of Andhra Pradesh. It is common knowledge that there is a huge gap between the price a consumer pays and the producer receives. This is particularly true in the case of the commodities where the supply chain is too long or the middlemen have dominating position. It is found that the difference between one end and the other is some times in the order of hundreds of rupees if not thousands. Commodities like vegetables, where producers are illiterate farmers and the middlemen are market smart traders and the shelf life of the product is not very long, are prone to have huge differences, leaving both producers and end users at a loss. In order to help both farmers and consumers and to ensure the producers get good remunerative price for their produce
and the end-users get quality products at reasonable prices, the government of Andhra Pradesh had evolved a direct marketing initiative called Rythu bazaars.

The Government’s attempt to bridge the gap between farmers and consumers by setting up Rythu Bazaars to help both sections bargain for a fair price has caught the attention of people at both ends and it became popular at once. The concept of Rythu bazaars was introduced by the marketing wing of the state Agricultural department in 1999 to effectively link farmers and consumers, thereby eliminating middlemen.

Rythu bazaars were established on January 26th, 1999, for direct interface between farmers and consumers by eliminating middlemen with a view to ensure remunerative prices and prompt realization of sale proceeds to farmers without any deductions and provide fresh vegetables to consumers at reasonable rates. Rythu bazaars have been established all over the State covering all major towns and cities.

The concept of a Rythu Bazaar, of course, is not altogether new and there have been weekly fairs (Santhalu, as they are known as in Telugu, or Shandis) in rural as well as semi-urban areas of the state from ages and all sorts of things are sold there once or twice a week. But the urbanites, especially the middle class, are not in the habit of frequently visiting the Santhalu.

The “Apni Mandis” of Punjab where farmers used to sell their produce on their own to the consumers directly as farmers are getting benefited by avoiding middlemen is the basis for starting Rythu Bazaar in Andhra Pradesh.

Even as Andhra Pradesh is one of the pioneering States in introducing Rythu bazaar scheme, similar ideas are being implemented by several other states, following the recommendations of the government of India’s Expert committee in 2001. The committee suggested promotion of direct marketing as one of the alternative marketing structures that sustains incentives for quality and enhanced productivity, reduction in distribution losses, improving farmers’ incomes with improved technology support and methods. The market will operate outside the preview of the Agricultural Produce Marketing Act and will be owned by professional agencies in private sector, wholesalers, trade association and other inventors. The government’s role is that of a facilitator rather than that of having control over the manager of the markets.
1.9 Significance and the Need for the Present Study

Agriculture still remains the central activity of majority of Indian people. The emphasis on agricultural development in the planning process thus is prominent even in present era of liberalization. However, changed agricultural scenario demands that Indian farmers harness the full production and distributional advantages and potential through specialized farming and efficient marketing. As a matter of fact, marketing of agricultural commodities is the single decisive factor for rapid growth in agricultural production. Absence of appropriate marketing facilities or inefficient marketing system not only hinders the flow of goods and services but also provides disincentives to producers. Consequently, agricultural growth declines resulting fall in production and rise in prices. The higher prices will hit the consumer’s satisfaction. In short run, it may also happen that because of seasonal character and non-movement of the perishable commodities price in local market will fall sharply. It will discourage the agricultural production. The aggregate effect of this would decline the agricultural growth rate causing the inflation rate to go up. The consequence would not restrict only to this, but it may worsen the balance of trade because of excessive import. All these interalia effects will decrease the overall rate of economic growth of the country. This situation necessitates the government to intervene and create different local structures for marketing of agricultural produce for benefiting both farmers and consumers. The recently established ‘Rythu Bazaars” in Andhra Pradesh are one of such types. The perusal of the structure, conduct and performance of the marketing system of Rythu Bazaars in marketing of various agricultural commodities and their impact on producers and consumers is very much needed for achieving intended goals and objectives. The present study is taken up towards this end.

1.10 Objectives of the Study

The principal objective of the study is to evaluate the progress and performance of Rythu Bazaars in the north coastal districts of Andhra Pradesh. More specifically the objectives of the study are:

1. To present an overview of vegetable marketing in India and discuss various practices adapted in different states.
2. To study the progress and performance of Rythu bazaars in Andhra Pradesh in general and identify various problems faced by them.

3. To examine the profiles of different Rythu bazaars selected for the study and analyze the marketing practices followed by them with regard to buying and selling operations.

4. To study the socio economic structure of farmers marketing vegetables at Rythu bazaars and discuss their perceptions and problems.

5. To identify the consumer behaviour patterns and their impact on the vegetable marketing process and also identify their problems.

6. To suggest suitable measures towards further improvement in marketing procedures in Rythu bazaars.

1.11 Research Methodology

1.11.1 Choice of Subject under Study

Being a person from traditional agricultural family with much village background, the researcher has selected this “Rythu Bazaar” as a subject of study with utmost interest in this study which is dearer to him. He has been associated with Rythu bazaar activity since its inception and visited several Rythu bazaars in the state to get acquaintance with the subject. In fact, he acted as a resource person in the training of Estate Officers in the year 2000 in the Visakhapatnam Model Rythu Bazaar on the request of Authorities. With this background in view, the researcher has chosen this research topic on Rythu Bazaars and designed the research in such a way to ascertain their progress and performance and elicit the views of the farmers and consumers on them and to identify their problems.

The data for the study is collected both from primary as well as secondary sources. The secondary data is collected from the district and state government reports on Rythu bazaars, marketing bulletins, Rythu bazaar manual, office records of the Estate Officers in various Rythu bazaars, annual reports of various organizations and agencies, reports of various committees and commissions, Journals and various other magazines related to Agriculture marketing. Besides, secondary data is also obtained from English and Telugu daily news papers, magazines, statements of concerned Ministers and reports of CEO of Rythu bazaars from time to time. In addition to these, secondary data is also collected from published and unpublished records, reports, research studies and papers of
various institutions and individual researchers and from the website of Rythu bazaars, special journals like Annadata, Economic and Political Weekly, Indian Journal of Agricultural Marketing, Indian Journal of agricultural Economics, Agricultural Situation in India, Agricultural Marketing and some conference special issues. The researcher also visited Dr. V.S. Krishna Memorial Library, Andhra University, Libraries of Department of Commerce and Management Studies and Department of Economics, Andhra University and libraries of GITAM University, School of Distance Education, Andhra University and so on for review of literature and other references.

1.1.1.2 Selection of Sample for Collection of Primary Data

As it is evident from the objectives, the study is mostly based on the collection of primary data. For the purpose of the study, North Coastal Andhra region is selected as it is one of the important regions in Coastal Andhra Pradesh. The North Coastal Andhra region is composed of three districts namely, Visakhapatnam, Vizianagaram and Srikakulam. These three districts are selected in order to gather information on the profiles, progress and performance of Rythu bazaars. These are purposefully chosen in this region mainly because the origin and growth of Rythu bazaars coincided with the beginning of the establishment of Rythu bazaars in the state and there is still lot of demand for the establishment of new Rythu bazaars in these areas. To study the rationality behind the growth and to make comparison of Rythu bazaars in different districts the present study is undertaken by the researcher. For undertaking an in-depth study of farmers and consumers all the 20 Rythu bazaars in these three districts are covered including the model Visakha Rythu bazaar’ in Visakhapatnam District.

Since the universe of the study comprising three districts is large and the study is intended to be carried out at a micro level, it is neither possible nor feasible to study the entire universe for conducting an empirical study. The researcher, therefore, is confined to a sample study. The three districts of Visakhapatnam, Vizianagaram and Srikakulam of North Coastal Andhra Pradesh consist of 13, 11 and 8 Mandals, respectively. The farmers belong to different villages of all these mandals are coming to Rythu bazaars regularly.

In all Rythu bazaars of the above three districts, approximately 1000 farmers are attending to Rythu bazaars in all seasons per day. Among them, 20 per cent of farmers i.e. 200 are selected for data collection. By applying stratified random sampling
technique, two farmers in each village in small villages and five farmers from each of relatively large villages are selected who are coming to Rythu bazaars by covering all the mandals recognized by the Revenue Authority for this purpose. The information is collected by canvassing schedules for all the sample farmers. For this purpose, farmers are categorized as marginal, small and large framers. Every care has been taken to collect the heterogeneous data from different groups of farmers, castes and from all the selected villages. Altogether 200 sample farmer respondents are selected for the survey covering all the Rythu Bazaars in each district. A well designed and structured questionnaire has been prepared and canvassed among the farmers after duly pre-tested and stabilized. A pilot study was conducted to test the suitability of the schedules prior to administering them to the total sample farmers. Certain defects that came to light during the pilot study and some of the suggestions offered by the respondents were incorporated into the final schedule at the end of the pilot study. The primary data was collected during the last quarter of the year 2011 comprising of October, November and December months. The data has been analysed based on the responses to the questionnaire.

The schedule of famers contain information on main items such as family details, age, sex, caste, literacy level, asset structure, income and expenditure, nature of house, status of ration cards etc. Specific information on other aspects like income variation before and after going to Rythu bazaars, irrigation facilities, sources of investment and their satisfaction in the Rythu bazaar activities and their other perceptions in this regard are also gathered. The consumers are also probed with various aspects through separate schedule. The related information gathered here are socio-economic background of respondents, their income level, number of times visiting Rythu bazaars in a week, varieties purchased in the Rythu bazaars, opinion on the prices charged in the Rythu bazaars, problems experience and other related details.

Similar exercise was done in case of consumers also for the purpose of this study. On an average, 25000 consumers are visiting Rythu bazaars in all seasons per day. For the purpose of the study, a total of 250 respondents were selected on simple random sampling basis, which comes to one per cent of the total consumers visiting Rythu bazaars on daily basis. Every care has been taken to collect the heterogeneous data from different categories of consumers including, male, female, age groups and different
income groups. Here also the simple technique of arithmetic mean was used in all cases where data were presented in tabular form for the purpose of comparison and interpretation.

In addition to the information collected with the help of schedules, direct interaction was held with various related officials in different occasions. The researcher attended to the field visits in the villages to interact and secure more reliable information for some of the questions. With the prior appointment of district joint collectors who are directly concerned to the Rythu bazaar activities in these three districts and also some important officials, opinions and suggestions are collected and their views are incorporated in the final draft of the Thesis.

The information so collected through schedules was tabulated and final tables were drawn for the analysis. The simple technique of arithmetic mean was used in all cases where data were presented in Tabular form for the purpose of comparison. Data was tabulated and entered into excel spreadsheet package. Both SAS and SPSS computer packages were used to analyse the data. Statistical techniques such as Frequency distribution, Chi-square tests, Annova tables and percentages were used. A level of significance of 0.1 was used to determine whether the relationships among vegetables were significant.

1.12 Scope of the Study

The scope of the present study is limited to three districts, viz. Visakhapatnam, Vizianagaram, and Srikakulam in the North Coastal Andhra Pradesh. This study considers the opinions of farmers, customers and Estate Officers of the Rythu Bazaars besides other data collected from the same. The market condition observed in all the places seems to be the same, i.e. the nature of the customers, farmers and prices for the products. Therefore, the study becomes universal in all over the state and the conclusions drawn from the study may be applicable as a whole where similar conditions prevail.

1.13 Limitations of the Study

Although, the present dissertation work has been completed successfully, a few limitations can be observed in the study.
1. Due to time restriction the data is confined to limited areas of Rythu Bazaars in three districts, viz. Visakhapatnam, Vizianagaram, and Srikakulam in the North Coastal Andhra Pradesh.

2. Responses are collected through the Random basis.

3. Since the sample size is small, there may be possibility for giving biased answers. This may restrict the researcher to generalize the findings to the entire population.

4. Because of fast changing market environment, the analysis may not hold good for a long time.

1.13 Presentation of the Study

The present study is composed of nine Chapters. The first chapter introduces the subject on agricultural marketing including the significance of agricultural marketing and its role in the economic development of the country and shows the imperfections in agricultural marketing and government interventions in this regard. It also discusses the significance and need for the study, objectives and methodology of the study and chapterization. The second Chapter presents the review of literature relating to the study. The third Chapter focusses attention on the practices of vegetable marketing in India and Andhra Pradesh and the constraints encountered therein. The profile of Rythu Bazaars and their progress and performance in the state of Andhra Pradesh in general is provided in the fourth Chapter. It includes the brief history of Rythu Bazaars and their objectives and vision. The fifth chapter contains information on the profiles of sample Rythu bazaars selected for the study. The information relating to the socio-economic characteristics of sample farmers is presented in Chapter six. The results of empirical analysis pertaining to the perceptions and problems of farmers which are based on the survey are the subject matter of chapter seven. The behavioural patterns of consumers and the constraints encountered by the consumers at Rythu bazaars are furnished in the eighth chapter. The summary of the findings of the study along with conclusions and suggestions relating to the study are given in the last Chapter. The Bibliography is tagged on at the end of the study.