CHAPTER - III

MARKETING—A CONCEPTUAL FRAMEWORK

- Introduction
- Concept of Market
- Concept of Marketing
- Market Intermediaries and their Functions Delivery Options to Farmer Producers
- Delivery Sources to the Final Consumers Urban Areas (with Concentrated Housing Localities)
- New Liberalized Public Horticultural Marketing Institutions in India During WTO Regime
- Characteristics of Horticultural Produce
- Horticultural Marketing Process
- Functions of Horticultural Marketing
- Organization of Horticultural Markets
- Horticulturists Market Functionaries
- Methods of Sale in Horticultural Crops
- Important Issue in Marketing of Horticultural Crops
- Structure and Channel of Horticultural Marketing
Introduction:

An attempt is made in this chapter to provide a conceptual framework of marketing. Marketing seems to be a simple process to the common man as a consumer but in unfolds confounding complexities once one tries to understand its nature and problems. The resources, the channels, the organization, the services etc. which go behind a rupee worth of food purchased are not easily comprehended. The common man is however, quick to comprehend the end result of marketing in the form of the price level. He has to face in the market, to the common man, marketing means only baying and selling. This is however, neither true nor as simple as that, the concept of marketing has changed radically, as agriculture from ‘Way of live’ has given place to commercial farming.

Marketing in the world of today, where ‘ready to serve’ food has appeared in the market, has become lightly complex, varied and extensive and includes all functions incidental to the movement of the produce from the farm till it reaches the ultimate consumer. Tee marketing activates, in consequence, involve not only the functions so buying and selling and the price determination, but also of transport, grading and risk bearing.

All the efforts put in the varied and complex process to production are undertaken to serve one ultimate purpose, i.e. the satisfaction of human wants. Unless this ultimate objective of all economic activities is
achieved, production will remain meaningless to the community. This objective is achieved by bringing goods from the manufacturers of producers to the consumers and users.

**Concept of Market:**

In common usage when we talk about a market we mean a place where things are bought or sold. Thus we refer to the ‘vegetable market’, ‘the grain market’, ‘the fruit market’, ‘the fish market’ etc. In other words, the term ‘market’ in its common usage is used to refer to the place where actual buying and selling take place and where buyers and seller personally meet to affect these purchases sales.

The word ‘Market’ is a derivative of the Latin word ‘marcatus’ meaning thereby merchandise, were, traffic or a place where business is conducted, Broadly speaking, for a layman and on educated person the idea of a market is not different from that of a businessman.

William J. Stanton has defined a market as A place where buyers and sellers meet and function, goods or services are offered for sale and transfers of little occur”. A market may also be defined as “as aggregate demand by potential buyers of a product or service.¹

According to Carnot, by market is meant not any particular place in which things are bought and sold, but the whole of any region in which
the buyers and sellers are in such free intercourse with one another that the price is the same goods tends to equality easily and quickly.²

In the words of Clerk and Clerk, A market is a centre about which or an area in which the forces leading to exchange of title to a particular product operate and towards which the actual goods tend to travel.³

However according to Mitchell, Market, for most commodities may be thought of not as a geographical meeting place but as getting together of buyers and sellers in person, by mail, telephone, telegraph or any other means of communication.⁴

Backman and Davidson defined it as, A sphere within which price making forces operate and in which exchanges of little tend to be accompanied by the actual movement of the goods affected.⁵

As the number of persons and transactions increases in a society, the number of merchant and market place also increase in advanced societies, markets need not be physical places where buyers and sellers interact with modern communications and transportation, a merchant can advertise a product on late evening television, take orders from hundreds of customers over the phone and mail the goods to the buyers on the following day without having had any physical contact with the buyer’s.⁶
Markets have been classification in various ways on the basis of different approaches.

A. Based on the geographical or territorial area markets are classification as:

1. Local Market
2. Regional Market
3. National Market
4. World or International Market

B. On the basis of the position of sellers:

1. Primary Market
2. Secondary Market
3. Terminal Market

C. On the basis of the volume of business transited:

1. Wholesale Market
2. Retail Market

D. On the basis of the nature of transaction:

1. Spot Market
2. Future Market

**Concept of Marketing:**

Marketing refers to a process of determining and satisfying customers need and wants through exchange process. In effect the marketer anticipates consumers demand in terms of quality, quantity, design, price, distribution, fashion etc. And then manages all marketing tools to ensure delivery to of the right product at the right place in the right time to satisfy the consumer. The success of MacDonald’s and KFC in fact foods, Pepsi and Cola in soft drinks, Philips, Sony and Lucky
Goldstar (LG) in electronics throughout the world is the result of their effective and efficient marketing strategies.\textsuperscript{7}

The concept of marketing has been modified over the time, from production to consumer marketing and for well being of the society; an analytical study of the definitions of marketing from the mid 20\textsuperscript{th} century to date reveals drastic changes in the concept and practices of marketing worldwide. This has been discussed below in five phases.

\textbf{Mid 20th Century–The 1940’s :}

In the late 30’s and early 40’s, the concept and practices of marketing were perceived as shifting of produce from one place to another, as indicated below:

- In the 1946 the American marketing association (AMA) formulated the following definition on the marketing but it was published in 1960. According to this, marketing is the performance of business activities that direct the flow of goods and services from producer to consumer of user.\textsuperscript{8}

- In 1947 Paul Mazur gave a new perspective to marketing by relation it with the person’s status in the society. He defined marketing as delivery of standard of living to society.\textsuperscript{9}
During the 40’s and 50’s decades marketing was usually perceived as a final activity of the organization with the sole objective of transferring the product from one point to another.

The 1960’s and 70’s:

During the 60’s and 70’s marketing had emerged as an important organization function contributing more than only transfer of products from seller to buyer. Marketing during this period has been defined by some of the eminent personalities and groups in the following ways:

- In 1965, marketing staff of the Ohio state University suggested marketing to be defined as the process in a society by which the demand structure for economic goods and services is anticipated or enlarged and is satisfied through the conception, promotion, exchange and physical distribution of goods and services.\(^{10}\)

- In 1971, Stanton amended the American marketing association definition in these words; Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying goods and service to present and potential customers.\(^{11}\)

- Marketing is any of the transactions in which a commodity is transferred from one owner to another owner.\(^{12}\)
- The set of activities by which the demand structure for goods, ideas and services is managed in order to facilitate the exchange process satisfactorily.\textsuperscript{13}

- Enis in 1977 stated that Marketing encompasses exchange activities conducted by individuals and organizations for the purpose of satisfying human wants.\textsuperscript{14}

It can be noted from the above definitions of marketing that during the period of 60’s and 70’s the concept of marketing has been changed considerably and not confined to transfer of product only, Although during 70’s many scholars started to define marketing as a process of anticipating and satisfying customers needs and wants, it is mainly emphasized in the following decades.

**The 80’s, Decade:**

In the 80’s, decade, the concept of marketing seems to be more customers oriented with a broadened scope, as compared to previous decades thoughts. The concept and definitions of marketing during this decade were given as:

- Philip Kotler in 1980 defined marketing as a human activity directed at satisfying needs and wants through exchange process.\textsuperscript{15}
• Marketing is the performance, by a seller, of various interrelated activities intended to bring about the beneficial exchanges involving the seller’s market aftering.\textsuperscript{16}

• A social process which directs an economy’s flow of goods and services from producers to consumers in a way which effectively matches the supply and demand and accomplishes the objectives of the society.\textsuperscript{17}

Besides satisfying the needs and wants of the customers, the decade of 80’s is characterized as the developments of new concepts of marketing objectives which not only considers the satisfaction of individual and organizational customers but also the benefits to the society as a whole. This can be termed as the start of social marketing, which was further emphasized in the 90’s decade.

**The 90’s, Decade :**

The 90’s decade can be characterized as the period of development of modern marketing thoughts. Although the concepts of satisfaction and society well being had already been pointed out by some key personalities in marketing in the preceding decade, it is further emphasized during the 90’s decade in the following manner:

• Marketing is the anticipation, management and satisfaction of demand through the exchange process.\textsuperscript{18}
Marketing is to satisfy the wants of its product-buying customers, meet the societal needs of other affected by the firm’s activities and achieve the company’s performance objectives.\textsuperscript{19}

During the period of 1990’s marketing was focused as one of the most important functions of almost every organization. Furthermore, the significance of marketing should not be restricted to buyer and seller only rather the whole society should be benefited through every activity and function of marketing.

The 21\textsuperscript{st} Century:

The comparative analyses of the definitions, mentioned above, indicate that marketing is not only the flow of goods and services from producer to consumer but it also represents an integrated social and managerial effort to ensure customers satisfaction. An effective planning and implementation of marketing strategies satisfy the customers and consumers on one hand and accomplish organization’s objective on the other consequently the whole society is benefited through marketing efforts.

Today marketing covers all types of organizations (business and non-business) and has enhanced its objective of customer satisfactions to customers and society well being (social marketing). These marketing objectives can best be achieved through an effective and efficient
planning an implementation of marketing mix elements i.e. product, price, promotion and distribution. These concepts are highlighted in the following definitions:

- Marketing is a social process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of values with others. For a managerial definition, marketing has often been described as “the art of selling products,” but people are surprised when they hear that the most important part of marketing is not selling! Selling is only the tip of the marketing iceberg. \(^ {20} \)

- Marketing is a total system of business activities designed to plan, price, promote and distribute want-satisfying products to target market in order to achieve organizational objectives. \(^ {21} \)

- Marketing is the process of planning and executing the conception, distribution promotion and pricing of ideas, goods and services to create exchanges that satisfy individual and organizational objectives. \(^ {22} \)

The scope of marketing is not limited to marketing mix functions only, rather almost all business activities, directly or indirectly, are affected by marketing efforts. All business activates, especially marketing represent endeavors to acquire desired behavior of the customers and
consumers, Latest development in information technology (IT) and other fields have made marketing independent to physical contact, place etc. by conducting transactions like E-commerce.

The present fast changing global marketing situation has now broadened the scope of marketing than ever before. In additional to providing core benefits and satisfaction, the trend of marketing competition in the 21st century will be on augmentation and customer relationship and the marketing environment will be more competitive and challenging. Therefore development of strong relationship with customer and consumers has been one of the main features of present marketing strategy. In this scenario marketing may be defined as “Marketing, in today’s world is not confined to only satisfying the consumers through goods and services but also involving creation of strong relationships with consumers, this enables the marketer to determine their needs before they arise, develop the product prior they want and fulfill their desires at a level above their expectation.

The above definition has broadened the concept and scope of marketing by focusing on long-term objectives of building good relationship with consumers, in addition to satisfaction. Development of good relations leads to better understanding of consumers needs and wants at right time. It is mainly in the agriculture sector that introduction
of new product (an improved variety) requires years to develop and commercialize for instance, production of a new variety of citrus fruit usually requires four to five years to bear fruit (results). If the needs and wants of agricultural products have not been properly evaluated, losses may be unsustainable. An effective interaction of marketer with the channel members and specially the consumer help in achieving the marketing objectives conveniently.

The core concept of all of the above definitions is determining and satisfying the needs of the consumers in the best possible manner. Considering the current developments in the fit field of information technology, increasing level of competition, customer and consumer awareness, the marketing is required to go a step ahead and prove himself not just a party to the transaction rather a partner, taking into account the socio-economic and environmental friendly requirements of his customers in particular and the society in general.
Market Intermediaries and their Functions Delivery Options to Farmer Producers:

- **Direct Selling to Consumers:** Direct selling to consumers is mainly through weekly Bazars. Most of the producers who cultivate small areas under assorted vegetables prefer selling their produce through weekly Bazars. They visit more than one local Bazars a week, depending on harvest. Area limitations is due to many reasons, the more important being water availability, plant protection needs and labour availability. Selling to merchants (At the farm level, at Bazars)

- **Selling to Retailers:** If the volume is high, some producers prefer selling wholesale to local retailers and assemblers in weekly Bazars. Farm level sales to local retailers and merchants are done in some cases.

- **Selling to Wholesalers:** In areas where vegetable cultivation is intensive and concentrated, wholesale markets and commission mandies develop. Farmers dispose their produce mostly through auction in such centers. Running accounts are maintained with the commission agents and settlements are done on a continuing basis. Yet formal supply contracts are rare in commonly cultivated vegetables.
➢ **Contract Supply**: These exist mostly with reference to special crops like medicinal plants or when the production is on a large scale. In such cases the counter party is usually a corporate or established processor or exporter. Mostly contracts are informal and production risks are borne by the producers. Marginal market risk protection exists in some cases.

**Delivery Sources to the Final Consumers Urban Areas (with Concentrated Housing Localities)**:

- **Wholesale Cum Retail Markets**: These are daily wholesale markets. While in bigger cities the receipts are from other assembly level whole sale markets in smaller towns the receipts are mainly from village level merchants and farmers. They serve as the feeder markets for other channels of distribution. There are also retail sales to some extent though the prices are not lesser than in farmers markets.

- **Farmers Markets**: With government sponsorship, these markets have gained a significant market share in urban centers in recent years. They can be considered the urban equivalents of weekly Bazars of the rural areas. They do not differ functionally much from Bazars except that they are provided with better infrastructure facilities. These and the wholesale markets offer
choice for the consumers in terms of quality and price with many sellers compared to the retail channels.

- **Special Vegetable and Fruit Retail Stores**: These are concentrated more in cities with higher population and better standards of living. They offer value for money and concentrate on branding and quality. Often, like corporate retails they enter into contracts with potential suppliers; both from big farmer producers and agents from other assembling markets. These are major sources of fruits supply to consumers compared to vegetables.

- **Corporate Retail Stores**: These, like special purpose vegetable and fruit outlets, concentrate on branding and quality and source mainly from contract suppliers. Initially many corporate retails evinced keen interest in specialized dealing of fruits and vegetables. Many of them have diversified into general purpose retailing. They follow a top down approach to market penetration starting from big cities and moving down to tier 2nd and 3rd cities. Of late there is said to be some stagnation in their branch expansions as they find it difficult to match the local shops in lower order cities.

- **General Purpose Retail Stores**: They are ubiquitous and are the most common suppliers of the immediate needs of the consumers.
They offer convenience and nearness. Almost every retail store also offers some vegetables of daily use. Fruit supply though is insignificant compared to vegetables. They are the most common outlets for satisfying daily needs of urgently needed vegetable ingredients. Many of them establish customer relationships in the neighbourhood and sometimes provide vegetables and other items on loans. These stores procure the vegetables from nearby wholesale markets and sell by marking up the prices by 20 to 25 percent. These units have to take the risk of losses in case the vegetables are not disposed off in time and get spoiled. They can be considered the micro market makers for the vegetables.

- **Push Cart Vendors:** Prices of vegetables supplied by these sources are usually costlier than from other sources. But they offer convenience of purchase at the doorstep and are useful to those who cannot travel to other supply sources. These vendors mostly concentrate on one or few vegetables or fruits. They also concentrate on seasonally available vegetables. The rates at which they sell the produce are comparatively higher than those prevailing at retail stores by about 15 to 20 percent. In many cases the traders rent the push carts and get small loans on discount basis.
to procure the produce in the early morning and settle the rents and loans by end of the day.

- **Head Load/Cycle Vendors:** They are similar to push cart vendors, operating with still lesser volumes. The persons involved are usually those who want to make a living out of it. Rates are similar to those of the cycle and push cart vendors.

- **Weekly Bazars:** These are the primary source of delivery of vegetables and fruits to consumers in the rural areas. Unlike in other delivery channels these are loose congregations of buyers and sellers coming together on a particular day of a week at a specific place. Locations are historical, decided mostly on population. Every hamlet has the option of participating in more than one such Bazars around its perimeter and thereby offers scope for choice. Most of the delivery is direct from producer to consumers though the Bazars also serve as assembly lines for wholesale markets. Farmers sell either directly to consumers or to retail merchants who buy in bulk and deliver to consumers.

- **Local General Purpose Retail Stores:** These are similar to their urban counterparts albeit in a smaller scale.

- **Neighbourhood Purchases (Cash/Barter):** This cannot be considered as marketing proper. Yet there are some minor farm
level direct sales to local consumers. Barter exchanges are common among neighbourhood farmer producers and consumers.

**New Liberalized Public Horticultural Marketing Institutions in India During WTO Regime:**

1. **SAFAL Market**: NDDB (National Dairy Development Board) started a fruits and vegetable unit of Safal at Delhi was one of the first fruit and vegetable retail chain. NDDB has set up an alternate system of whole sale markets in Banglore as a pilot project. This market is a move to introduce a transparent and efficient platform for sale and purchase fruits and vegetables by connecting growers through Grower’s associations

2. **Mother Dairy Booths**: Mother dairy, basically handling milk in Delhi, But it was asked to handle retail vegetable marketing. Mother dairy management has opened retail outlets in the city for providing vegetables to the consumers at reasonable prices.

3. **Co-operative Marketing Society**: The need for co-operative marketing arose due to many defects in the private and open marketing system. A co-operative marketing society can eliminate some or all of the intermediaries. This will make commodities cheaper and ensure good quality. Few successful cooperative marketing societies for fruits and vegetables e.g. Maha-grape-co-operative federation marketing, Maharashtra, Co-operative marketing pomegranate, Co-operatives
marketing banana in Jalgaon district, Vegetables co-operatives in Thane District, Milk co-operatives in Maharashtra, HOPCOMS, Bangalore and Gujarat and Co-operative cotton marketing society.

4. **Hadaspar Vegetable Market** : Hadaspar vegetable market is a model market for direct marketing of vegetables in Pune city. This is one of the ideal markets in the country for marketing of vegetables. The market has modern weighing machines.

5. **Shetkari Bazar** : Shetkari bazaars were established in the Maharashtra state for marketing of fruits and vegetables. It will eliminate middlemen, links producers and consumers directly, reduce price spread and enhance producer shares in consumer rupee. Thus these markets increase the farm income, well being of the farmers and bring stability in prices of horticultural crops.

6. **Krushak Bazaar** : Krushak Bazaar is established in the state of Orissa in 2000-01. The purpose is to empower farmer-producer to compete effectively in the open market to get a remunerative price and ensure products at affordable prices to the consumer.

7. **Raythu Bazaar in Andhra Pradesh** : Raythu Bazaar first started in Andhra Pradesh in the direction of empowering the farmers to participate effectively in the open market to get a remunerative price for their produce. To avoid the exploitation of both the farmers and the consumers
by the middlemen by creating a positive atmosphere of direct interface between them. As of now, there are 96 Raythu Bazaars operating well and spread over different regions and districts of the state.

8. *Apni Mandi*: *Apni Mandi* first started in Punjab in the direction of ensuring direct contact of the producer-farmers and consumers and thereby enhancing the distributional efficiency of the marketing system. This system does away with the middlemen. The price spread is considerable low. These are working satisfactorily in the case of fruits and vegetables. These ‘Apni Mandis’ are similar to the Saturday markets of United Kingdom and United States of America.

9. **Farmers Markets**: Farmers markets initiated in Tamilnadu in Nov 1999 to eliminate middlemen and traders from the marketing of vegetables in the farmers markets and to establish direct contacts between farmers and consumers, by Nov, 2000, 95 such markets had been established in most of the states towns and cities and over 75,500 farmers had been issued cards authorizing them to sell their product in the markets.

10. **Contract Farming/Contract Marketing**: Contract Farming/Contract Marketing essentially is an agreement between farmer-producers and the agribusiness firms to produce certain pre-agreed quantity and quality of the produce a particular price and time. This is an important initiative for
reducing transaction costs by establishing farmer–processor linkages. Successful contract farming includes Organic dyes-Marigold farmers and extraction units in Coimbatore, Pepsi Company and farmers of Punjab and Rajasthan for tomato growing.

11. **Forward and Future Markets:** Forward and Futures markets have been identified as important tools of price stabilization and risk management. Extension of forward and futures markets to all major agro commodities has, therefore, assumed great importance. Commodity futures markets in the country are regulated through Forward Contracts (Regulation) Act, 1952.

12. **Commodity Exchanges:** Commodity exchanges for futures trading narrows the marketing, storage and processing margins, thereby benefiting both growers and consumers. NAFED started National Multi-Commodity Exchange of India Ltd. on 26th November 2002, for cash crops, food grains, plantations, spices, oilseeds, metals and bullion among others. National Commodity and Derivate Exchange of India Ltd. Was established in Dec 2003 at Mumbai with a similar purpose.

13. **E-Trading:** E-Trading based on buying and selling of electronic warehouse receipts and providing the latest price information. The services can be accessed by internet, telephone (by interactive response) from Mandi administration as well.
14. **Food Retail Super Markets**: Food retail markets in India during 1990s and early 2000 opened up the availability of food products dramatically. They key functions are higher standards and lower prices.

**Characteristics of Horticultural Produce**:

Horticultural products have certain characteristics of their own which necessitate a completely different system of marketing for them. Some of the characteristic features of Indian horticultural marketing system are:

(1) **Uncertainty**: There is a high degree of uncertainty in Indian horticultural system because it is largely dependent on the rainfalls. The tropical climate has a great influence on horticulture and, it is very difficult to forecast the volume and quality of output. A cultivator can only plan the production of a certain crop but the final output considerably depends upon weather, disease, pests, flood, storm etc. over which he does not possess any control. On the other hand production in the factories can be controlled, regulated and adjusted according to the existing or anticipated demand.

(2) **Heterogeneity of Produce**: The quality of horticultural products cannot be controlled as it can be done for the other products. This lack of standardization of quality makes the task of gradation and assortment very difficult for the marketers.
(3) **Perishability** : Horticultural commodities are more perishable than industrial goods. Although, some crop such as chili, turmeric, cashew-nut etc. retain their quality for a long time but most of the farm products are perishable and cannot remain long on the way to the final consumer without suffering loss and deterioration in quality. This makes the task of a marketer very difficult because he has to store the product in the best possible conditions and make it available to the consumer at the earliest convenience.

(4) **Seasonality** : Seasonal character of horticulture is also a problem in itself and production cannot be adjusted to the changes in level of demand. We can neither shut-off horticultural production nor mould it at once. Hence, maintaining smooth supply of horticultural products throughout the year; calls for good and large storage space.

(5) **Processing** : Some of the horticultural products like mango, banana, jute, tobacco etc. have to be processed before they are consumed. This requires adequate processing facility.

(6) **Bulkiness** : Horticultural products tend to be bulky and their weight and volume are high when compared with their value. This makes their storage and transportation difficult and costly.
Horticultural Marketing Process:

Horticultural marketing process involves wide variety of functions such as: Assembling, Grading and standardization, Processing and Storage, Transportation, Wholesaling and retailing. The process of horticultural marketing begins with the farmer and end up with the consumer. In between these two extreme ends one can find many intermediaries like transporters, warehouse owners, commission agents, wholesalers and retailers etc. performing their duties to enable the horticultural marketing process to reach its completion.

- **Assembling**: At the start of the process, the assembling of goods is important. Horticulture produce is collected in small lots and then assembled into large ones. This function becomes essential because of small size of farms and small quantity of production.

- **Grading and Standardization**: When goods are assembled, grading and standardization have to be undertaken. Because of the difference in tastes and needs of the buyers, whatever is assembled is to be classified in different lots according to their inherent qualities, such as colour, size, taste and utility. The classification is effected on the basis of certain specific characteristics which are codified into grades and then become standard by which the assembled lots are judged.
• **Processing and Storage**: Some of the horticultural commodities may, then, undergo the processing. For example, tomato into tomato souse, orange, mango and pomegranate into juice, grape into wine. During the processing the goods are transformed so as to increase their shelf life and to make them more acceptable to the consumer than in their original form. The manufactured goods may not, however, be immediately disposed of and may require space for storage. The needs of storage brings into the existence of warehouses and godowns.

• **Transportation**: For the final consumption, the products have to be moved from the point of storage to the point where they are in actual demand. This may require their transportation over long distances and across many lands. It may be necessary to store them again for a while on arrival before they could be sold to the wholesalers and through them to the retailers.

• **Wholesaling and Retailing**: The task of making the product available to the consumer for the final consumption is entrusted upon the wholesalers and the retailers. They are the final link in the process of horticultural marketing and they playa vital role in the entire process.
Functions of Horticultural Marketing:

Horticultural marketing functions are many and varied. The part played by each function varies widely as regards to the specific goods and services. It may further be noted that these functions are indispensable regardless of the institution or agency which performs them or the commodity in connection with which they are performed. These functions are closely related to each other and cannot be isolated from one another. Accordingly; the functions of horticultural marketing can be classified into three broad categories: Exchange functions, Physical functions and Facilitative functions.

- **Exchange Functions**: Exchange functions are considered to be the most important of all the functions of horticultural marketing. These mainly include functions related to buying and selling. Buying and selling are complementary to each other and one cannot take place without the other. Buying function is largely one of seeking the sources of supply, assembling of products and activities which are associated with the purchase of product, raw materials/etc. Selling is the process which stimulates demand or desire, finds the buyer, advises the buyer, and negotiates with him to bring about a transfer of title.
**Physical Functions**: These functions relate to the physical handling of horticulture produce either in moving it from one place to another or in storing it over a period of time. Horticulture produce has to be moved from threshing floors to the consuming areas, because it is not consumed at the place of its production. Then, on account of seasonal operations, horticultural production cannot be undertaken at will. This can be done in a particular season only under a particular set of conditions. On the contrary, the demand for horticultural produce exists all the year round. Hence, there must be some system by which the year’s, crop may be used throughout the year. This requires extensive transportation and storage facility. Storing operations may, however, take place anywhere along the channel of distribution from production to consumption and it may be performed by the producer, processor, distributor or even the consumer.

**Facilitative Functions**: As the very name of these functions implies, they involve neither transfer of title to goods nor handling of the product but help in the smooth discharge of the above functions. The function of classification and grading helps in classification and sorting out of commodities according to size, quality colour, weight, etc. This makes the determination of prices
easy and thereby assumes a fair return to the producer, on the one hand, and good quality produce to the consumer, on the other, without any trouble to either. Then, there is always a time lag between the assembling of commodities and their sale in the consuming markets. During this period, somebody’s money remains tied up in the stocks. This creates the problem of finance.

Further, the growing vastness between the place of production and place of consumption has made the function of market information invaluable. This function involves activities of collecting, interpreting and disseminating market news to various agencies including producers residing in the interiors of the country. This helps the government in formulating policies and plans of production and marketing of good. Lastly, no business can be done without undertaking the inherent risk which may be caused either due to a decline in price, bad debts or deterioration of the produce itself by fire, flood etc. These risks have to be borne by someone in the channel. Physical risks may be covered underinsurance while risks stemming from price fluctuations are handled through the hedging operation.
Organization of Horticultural Markets:

In order to know more about horticultural marketing, let us discuss how horticultural marketing activities are organized. This calls for a clear understanding of types, structure and functionaries of horticultural markets.

A. Classification of Markets:

The various bases on which horticultural markets may be classified are:

- **Frequency**: On the basis of the frequency at which the markets are held, they can be classified as daily, weekly, fortnightly, etc.

- **Types of Products Traded**: Different markets deal with different products. While some might deal with all products, a few markets might specialize in some products. On the basis of the type of product traded, they can be named as Grain markets, Cotton markets, Fruit and Vegetable markets, etc. They specialize in one single commodity only; although now-a-days they are dealing with other products also.

- **Types of Transaction**: On the basis of their transactions, the horticultural markets can be classified as spot and forward markets. The spot markets undertake those transactions only in which the exchange is affected at the current prices; while in the
forward markets, the commodities are traded for future delivery. The future markets resemble with the future trading system of stock market.

- **Area Served**: Depending upon the type of area served, the fruit and vegetable markets can be classified as Local, Central, etc. The local markets cater to the needs of only the local population, while the central markets are located in the city center and cater to the needs of the entire city or the region. The latter are much bigger in size and area of operation.

### B. Other Bases of Classification:

It may, however, be noted that there is no rigidity in these classifications and one classification overlaps the other. However, for our discussion, let us classify fruit and vegetables markets into primary, secondary and terminal markets.

- **Primary Markets**: These are periodical markets locally known as ‘Haats’. They are generally held once or twice a week. The days on which these markets meet are fixed so that traders can visit the area. They are generally held in the open and along roadsides in important or centrally situated localities. These markets are situated in the producing areas and commodities produced in the surrounding tracts are mainly sold in them. A part of the produce
is purchased by the small retailers who, further, sell it to the non-farm rural population.

- **Secondary Markets:** These markets, also known as ‘Mandis’, are regular wholesale markets and provide a permanent place for daily transactions. The work starts in them early morning and continues till all transactions are over. These markets are generally situated in the towns, districts, and important trade centers. Usually they are situated near railway stations. Shops or ‘Arhats’ are built in these markets. Postal, Banking and telephone facilities are available at such places.

- **Terminal Markets:** A terminal market is the place where the produce is either finally disposed of to the consumer or to the processor or assembled for exports. Such markets are usually situated in metropolitan cities like Aurangabad, Thane, Pune, Nagpur and Mumbai etc. In these markets, merchants are well organized and use modern marketing methods.

**Horticulturists Market Functionaries:**

Beginning from the horticulturists, down to the final consumer, one can find a long chain of different functionaries. Let us discuss these functionaries under two heads viz. Functionaries at village level, Functionaries at Mandi level
1. Functionaries at Village Level: Some important functionaries operating at village level are Big Cultivators, Village Merchants and Itinerant Traders.

(a) Big Cultivators: Big cultivators with large holdings and substantial marketable surplus constitute the first type of market functionaries operating at village level. They also own tractor, carts and other means of transportation. Massive volume of marketable surplus at their disposal is the result of both their own large-scale cultivation as also of the seasonal purchases conducted at the village level. In fact, they create buffer stock by purchasing grain in the season and selling it afterwards in nearby ‘Mandis’. Small cultivators sell their surplus grain either to them or through them.

(b) Village Merchants: They are known by different names in different parts of India such as ‘Beopari’, ‘Baniya’, ‘Sahukar’, ‘Paikars’, ‘Farias’, etc. They constitute one of the most important assembling agencies at village level. Although, they operate in some cases with their own capital but in rest or the cases they are financed by ‘Arhatias’ or ‘Arhatdars’ or large wholesale traders in assembling and distributing centers. Village Merchants’ job is to collect the marketable surplus from villages and village markets and carry it to the wholesale Mandis or nearest towns. It
is in this manner and through these agencies that the marketable surplus is brought to the secondary and terminal market.

(C) **Itinerant Traders**: They are petty merchants who move between villages and purchase the produce for cultivator. They either own some animal such as pony or possess carts to transport the produce to the nearby market. They offer a lower price than that ruling in the nearby market as they take into consideration all factors such as transportation, market charges and their profit margin. They generally pay the cultivators in 3-4 days after the produce has been disposed of in the market and payment has been received from ‘Arhatia’.

(2) **Functionaries at Mandis Level**: Important functionaries at Mandi level are Arhatias, Brokers and Co-operative Marketing Societies.

a) **Arhatias**: The most important functionary to be found in bid Mandis is ‘Arhatias’ who include both buyers on commission and outright buyers. Broadly speaking, the Arhatias can be grouped under two heads, viz., Kuchha Arhatias and Pucca Arhatias.

i) **Kuchha Arhatias**: They are small commission agents. Their sphere of activity is purely local and they act mainly as middlemen or an intermediary between the primary producer or seller and the buyer in the large wholesale market. Such a person seldom buys on his own account. His main business is to establish contact between producer-seller and the
buyer in the assembling market. He also advances money to the cultivators and village banias on the condition that the produce will be disposed of through him alone and hence, changes a very nominal rate of interest on the money advanced.

ii) **Pucca Arhatias**: They are generally big firms of some substance and they mostly deal in grains, oil-seeds, and other horticultural products either as agents or act on their own account. They also help in assembling of the farm products by financing the operations of the ‘Kuchha-Arhatias’ and small traders.

b) **Dalal (Brokers)**: Their main function is to bring buyers and sellers together. They differ from the Arhatias in the sense that they have no fixed business of their own. They charge commission from the buyers and the sellers.

c) **Co-operative Marketing Societies**: These have been established under the integrated Rural Credit and Marketing Scheme initiated under the Second Five-year Plan. The main function of these societies is to sell the produce of their members. They also undertake outright purchases, provide storage facilities for storage and grading, and thus save cultivators from exploitation by traders, and help the farmers in securing a fair price for their produce.
Methods of Sale in Horticultural Crops:

The methods of sale or fixation of rate prevalent in horticultural markets may be as follows:

(1) **Under Cover (Haththa) Method**: In this method, the buyer or his broker and commission agents join hands under the cover of cloth usually a towel or a dhoti or front portion of kurta or shirt. The price is settled by pressing the fingers. The negotiations go on in this secret manner till they are called off due to failure in arriving at an agreed price, or a price is settled. The commission agent then informs the seller and asks for his consent to sell. He is, however, not told anything about the price offered by other buyers. The under cover method of sale is advocated to be advantageous by the middlemen group. This method has ample scope for malpractices against the interests of sellers because of secret negotiations. Now-a-days, traders are shifting from this method to private negotiations.

(2) **Auction Method**: Under this method, the prospective buyers gather around separate heaps of grains and announce their bids loudly. When the bids have reached the highest, the auctioneer who is generally a commission agent, in consultation with the seller, sells the produce to the highest bidder. The auction system is definitely better than the undercover system as this increases competition among the buyers and
the rates are very likely to rise if there is fairly strong demand for the product. Moreover the chances of malpractice are also minimal.

(3) **Private Negotiations** : This is the most common method of sale. Under this method, individual buyers or their brokers visit the shops of commission agents, inspect the quality of grains and offer rates as they think appropriate. Both the parties then negotiate on the rates and if both agree on rates, the deal is struck.

**Important Issue in Marketing of Horticultural Crops :**

- **The Present Marketing System** of horticultural produce in the country, particularly for fruits and vegetables, lacks system approach. Producers have often failed to realize expenses incurred for their transportation to markets, let alone the cost of production and capital investment, during the period of glut. Fruit and vegetable growers receive only a small part of price paid by the consumers as lion’s share is being taken by chain of middlemen. The high profit margin of intermediaries is quite disproportionate to their services.

- **There are 3 Types of Markets**, which play a prominent role in organized marketing of fruits, vegetables and flowers these include Farmers’ markets/village haats, Assembly markets, terminal markets and regulated markets.
➢ **Market Orientation:** There is a necessity to integrate farm production with national and international markets to enable farmers to undertake market driven production plan and adoption of modern marketing practices. If horticultural markets are to be developed in private and cooperative sectors, and to be provided a level competitive environment vis-à-vis regulated markets, the existing framework of State AMPC Acts will have to undergo a change although some of the states have already changed the act.

➢ **Alternative Marketing Mechanism:** The state has to facilitate varying models of ownership of markets to accelerate investment in the area and enable private investment in owning; establishing and operating markets, working of existing government regulated markets also need to be professionalized by promoting public private partnership in their management. Appropriate legal framework is also required to promote direct marketing and contract farming arrangements as alternative marketing mechanism.

➢ **Constraints:** There are several constraints in marketing. Though horticultural production is largely free from controls, the same is not true of marketing and processing horticultural commodities. The State Governments alone are empowered to initiate the
process of setting up of markets for horticultural commodities in notified areas. Processing industries cannot buy directly from farmers, except through notified markets.

- **Processed Foods** derived from horticultural commodities suffer from multiple taxes at various stages starting from harvesting till the sale of final processed products. There are stringent controls on the storage and movement of several horticultural commodities. In the present situation it is important to make the present marketing system more effective and efficient by removing unnecessary restrictions and by establishing a sound framework to reduce uncertainty of the markets. The State Agricultural Produce Marketing Regulations Act (APMC Act) and the Essential Commodities Act (EC Act) are important legislation that has to be amended in various states to remove restrictive provisions coming in the way of an efficient and competitive marketing system.

- **The Scientific Storage** capacity is only 30 percent of the required capacity. Cold storage facility is available for only 10 percent of fruits and vegetables. Transportation and handling facilities for perishable commodities are inadequate and poor. The processing capacity is also inadequate and mostly inefficient. Physical infrastructure in market yards is inadequate. Most of the rural
primary markets have no infrastructure. Due to lack of proper handling (cleaning, sorting, grading and packaging) facilities at the village level with about 30 percent of fruits and vegetables and 10 percent of spices are lost before reaching the market.

➢ **Direct Marketing** by farmers is being encouraged as an innovative channel. Some examples of these channels are Apni Mandi, Hadaspar Mandi, Raythu Bazars; and Uzhavar Sandies. These channels are mostly adopted in sales transactions of fruits, vegetables and flowers, which are highly perishable. In this channel, the produce moves quickly from farmers to consumer due to lack of middlemen. If farmers directly sell their produce to the consumers, it will not only save losses but may also increase farmers’ share in the price paid by the consumer.

➢ **Grading:** There is a huge infrastructural gap in the existing marketing system of the country, which needs to be addressed through requisite measures during the XI plan period. Grading at primary market level is grossly inadequate. There are only 1968 grading units at the primary level, which include 587 units with cooperatives and 298 units with others. At the level of regulated markets, there are only 1093 grading units in a total of 7557 market yards/sub-yards. Only around seven percent of the total
quantity sold by farmers is graded before sale. During 2011-12, 6.62 million ones of horticultural produce and 26.1 crore pieces valued at Rs 6224 crores were graded at primary market level.

**Forward and Future Marketing:** In the light of the perceived advantages from forward and future markets in terms of price discovery and risk management, as market based instruments, such markets have been identified as important tools of price stabilization. Extension of forward and future markets to all major agro commodities has, therefore, assumed great importance. Only if the markets are allowed to function under proper regulatory environment, the horticultural economy – one of the largest in the world – can fully exploit the benefits of markets in the state, country and abroad.

**Levies:** The present system of levy of fee at multiple points for the same commodity at different stages of transaction needs to be replaced by single point levy of market fee in the entire process of marketing in the State. Further, collection of market fee should be more in the nature of service charge based on the quality of services provided. The levy of fee can be at different slabs in consonance with the type of scale of services/facilities provided to all market users.
➢ **Marketing Strategy:** To facilitate both the Government as well as the private sector in planning development of an appropriate marketing strategy in horticulture sector, it would be necessary to create at national level an Atlas of horticultural Markets which would provide information in respect of each commodity, major areas of production, movement and storage and of market and consuming centers.

➢ **Training and Extension System** in horticulture marketing will have to sensitize and orient the beneficiaries to respond to these challenges. Knowledge has to be imparted at the grassroots level in areas such as market driven production program, post harvest management of horticultural crops, availability of marketing finance, information on facilities for quality assurance and standards, grading, packaging, storage, transportation, contract farming, direct marketing, alternative markets including Forward and Futures markets, commodity exchanges, online market information system etc.

➢ **Contract Farming** is becoming an increasingly important aspect of agribusiness, whether the products are purchased by multinationals, smaller companies, Government agencies, Farmer Cooperatives or individual entrepreneurs. Contract Farming
concept, has, however, gained importance in recent times in the wake of the economic liberalization process. The main feature of Contract Farming is that grow select crops under a buy back agreement with an agency engaged in trading or processing. There are many success stories on Contract Farming such as potato, tomato and Chili in Punjab, Oil Palm in Andhra Pradesh, and seed production contracts for hybrids seed companies in Karnataka and Punjab, which have helped growers in realization of better returns for their produce.

➢ The Government may work out a farmer centric ‘Code of Conduct’ for contract farming arrangements, which should form the basis of all contract farming agreements and also encourage development of farmer’s groups/organizations to negotiate with the purchasers and take care of the interests of the small farmers. Till such time a cautious approach is needed towards contract farming in India.

➢ The Amendment to the APMC Act should be vigorously pursued and assistance under plan schemes for horticulture marketing should only be extended to States, which have carried out the amendments in the APMC Act in letter and spirit. All
restrictions on storage and movement of all horticultural produce under the Essential Commodities Act should be removed.

➢ **The Warehouse Receipt System** should be introduced, The Forward Contracts (Regulation Act) should be expeditiously amended. There should be rational riders on physical delivery in future markets. At present, futures are allowed for six months. These should be extended at least to 12 months so that full crop marketing year and its seasonality are covered.

➢ **Market Fee** needs to be converted into service charge and should be levied on produce which is brought to the market yard.

➢ **Licensing System**: Private sector entrepreneurs are compelled to get multiple licenses in each marketing zones. Hence, single licensing system should be introduced for setting up of Private Markets and large number of Procurement Centers within one State. The companies should preferably have an end use for the produce under Contract Farming – either for processing, retailing or for export. Incentives should be given to the sponsoring companies for disseminating technical knowledge or introduction of new technology. Contract Farming tenures should be permitted for a relatively long period of 3-5 years or more.
➢ **XI Plan Programmes:** It is estimated that the basic amenities can be provided in market/village haats markets at an average cost of Rs.9000 per haat. Government needs to take up this scheme urgently for providing basic amenities in these haat’s with a 100 percent grant.

➢ **Wholesale Markets:** Although Rs.150 crores has been kept for setting up of wholesale markets under the NHM, it has not made any significant headway as yet. The scheme needs to be amended and privatization of wholesale markets and participatory management models need to be encouraged.

➢ **Primary Processing Centers:** Considering the number of villages in the country in the form of clusters, 50,000 primary processing centers can be proposed to be created after actual assessment depending on the production potential of the area. Each center is estimated to cost Rs.15 lakhs. Cold storages with facility of built in pre-cooling, high humidity and controlled atmosphere for storage of produce for a longer period are essential for effective marketing of the perishable horticultural produce. Integrated pack houses catering to farms in respect of regions around 5,000-10,000 hectare for washing, sorting, grading, packing, cold storing etc
should be established. For direct marketing through kiosks in the market yards need to be established across the country.

- **Communication Networks in Markets**: Efficient communication is the key to marketing. Therefore there is an urgent need to establish a strong network of communication in the rural and urban markets for effective information flow. Similarly there is a need to improve rural connectivity with modern roads and links.

- **Apni Mandis** in different states need to be established at least in every district. Flower markets need immediate improvements to protect the losses in handling and transportation. At least one modern state-of–art flower market is required to be developed near each major metropolitan cities.

- **Proper Market** infrastructure for medicinal and aromatic plants is required in the states of Maharashtra, Kerala, Chattishgarh, MP, Uttarakhand and North Eastern States. About 500 such markets are required to be developed in these states.

- It would be desirable to promote organized retail chains for fruits and vegetables in urban centers through promotion of entrepreneurship amongst the educated unemployed youth in urban areas to cater to the urban consumers’ daily need necessities in better organized hygienic and efficient manner. Such organized
retail chains should be equipped with cool chambers and other facilities to maintain the freshness of the products as well as to minimize deterioration.

➢ There is need to create massive infrastructure in the form of specialized cold storages for different commodities, integrated pack houses and Electronic trading. Priority needs to be given for rural periodic market, cold storages, reefer vans/containers, cleaning, grading and packaging facilities, terminal markets centers for perishable cargo (CPC) and market information system.

Structure and Channel of Horticulture Marketing:

Marketing of horticultural produce in Maharashtra comprises of organized marketing structure and unorganized marketing structure. In organized structure, the role of co-operatives is significant. The other vertical and horizontal institutional system network in the state is quite helpful and graceful to the co-operative enterprises. Marketing Boards, now-a-days are predominantly doing better for marketing the horticultural produce.

The role of A.P.M.C. in some districts is significant and dealing separately from horticultural produce by developing a separate horticultural produce marketing (yards) campuses. Similarly, there is a chain of traders and unorganized agencies dealing in marketing activities.
of the horticultural produce at different places. Group marketing, now-a-days is becoming more popular, affordable and feasible to the growers. Following chart-1 exhibits the one way round (up to terminal markets) marketing channels i.e. from producer to bulk purchasers in organized and unorganized marketing agencies and organizations like APMC. This is called as a terminal market. The other way round marketing begins from wholesalers-retailers to consumers.

In this respect, the whole marketing of horticultural produce is in the hands of unorganized agencies and individual trading companies. Growers have their choice select a particular marketing channel However, their choice basically depend on their marketing capabilities, skills, knowledge, risk and uncertainty bearing capacities and gravity of the need of the money by disposing the produce so as to carry out their immediate family needs. Most of the horticultural produce is channelized through one way round up to the terminal market i.e. up to the APMCs.

There is crave to have a proper co-ordination between the co-operative enterprises and the organized institutions (Government or Semi-Government agencies) in various activities relating to marketing of horticulture produce in Maharashtra, the major factors of demand and supply in marketing system do play a very vital role. There is a need to bring perfection in the market through institutional efforts. State policy
should try to ensure better terms of trade and remunerative prices to the farmers and the consumers.

The farmers sell their produce a market of their own choice. Generally, they take their produce to the nearby regulated markets they cannot sell their bulk produce directly to the consumer or unregistered buyer in APMCs; they have to all a registered commission agents, who ensure at the sale of the produce. Market committee supervises over the overall trading practices. The sales are affected by open auctions. The bill payments after sale are supposed to be made within 24 hour. The weighing arguments are also made though licensed weigh men. The market committee provides necessary infrastructural facilities for smooth operations of marketing of the horticultural produce. Some APMCs have developed abstract market campuses for vegetables, fruits and food grains etc. 30
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<th>Organized</th>
<th>Un-organized</th>
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<td><strong>(Sale in the authorized markets)</strong></td>
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<td><strong>A) Channel-I</strong></td>
<td><strong>A) Channel-I</strong></td>
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<td>Producer-Co-operatives Commission Agents in APMCs (i.e. Terminal Market)</td>
<td>Producer-Chain of Middleman for domestic export market village sale</td>
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<td><strong>B) Channel-II</strong></td>
<td><strong>B) Channel-II</strong></td>
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<td>Producer-APMC(through commission agent)</td>
<td>Garden auction purchasing by the wholesales (advance sale)</td>
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<td><strong>C) Channel-III</strong></td>
<td><strong>C) Channel-III</strong></td>
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<td>Producers-Direct marketing at local markets-buyers</td>
<td>Producers-Group marketing (Village sale or advance sale) Commission agents at APMC</td>
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<td><strong>D) Channel-IV</strong></td>
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<td>Producer-Institutional or organized agencies (domestic or export organization purchasing the horticulture process through regional collection centers)</td>
<td>Producer-Chain of middleman-Exporters</td>
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<td><strong>E) Channel-V</strong></td>
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<td>Producer-Growers associations Commission agents in APMC</td>
<td>Producer-Direct exports</td>
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<td><strong>F) Channel-VI</strong></td>
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<td>Producers groups-Commission agents in the APMC</td>
<td>Producer-Processing traders-cum-processors.</td>
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<td><strong>G) Channel-VII</strong></td>
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<td>Producers-processing co-operative industrial processing</td>
<td>Producer-Processing traders-cum-processors</td>
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<td><strong>F) Channel-VIII</strong></td>
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<td>Producer-cum-processor himself</td>
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