CHAPTER 5

Analysis of Stakeholders’ perspectives on Reforms in Agricultural Marketing.

[Document subtitle]
### INDEX

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Topic</th>
<th>Pg. nos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1.</td>
<td>Introduction</td>
<td>210-212</td>
</tr>
<tr>
<td>5.2.</td>
<td>Vegetable Supply Chain Phases</td>
<td>212-213</td>
</tr>
<tr>
<td>5.2.1.</td>
<td>First phase of the vegetable supply chain</td>
<td>213-214</td>
</tr>
<tr>
<td>5.2.2.</td>
<td>Second phase of the vegetable supply chain</td>
<td>215</td>
</tr>
<tr>
<td>5.2.3.</td>
<td>Third phase of the vegetable supply chain</td>
<td>215-216</td>
</tr>
<tr>
<td>5.2.4.</td>
<td>Fourth phase of the vegetable supply chain</td>
<td>216</td>
</tr>
<tr>
<td>5.3.</td>
<td>Status of APMC markets in Maharashtra</td>
<td>217-220</td>
</tr>
<tr>
<td>5.3.1.</td>
<td>APMC market in Pune district</td>
<td>220-223</td>
</tr>
<tr>
<td>5.3.2.</td>
<td>The impact of reforms on APMCs</td>
<td>223-224</td>
</tr>
<tr>
<td>5.3.3.</td>
<td>Impact of reforms on wholesalers.</td>
<td>224-226</td>
</tr>
<tr>
<td>5.4.</td>
<td>Reforms undertaken by MSAMB</td>
<td>226-228</td>
</tr>
<tr>
<td>5.4.1.</td>
<td>Working of Shetkari Bazaar at Manjri, Pune.</td>
<td>228-230</td>
</tr>
<tr>
<td>5.4.2.</td>
<td>Recent Reforms of MSAMB</td>
<td>230-231</td>
</tr>
<tr>
<td>5.5.</td>
<td>Origin of organised retailing in Maharashtra</td>
<td>232-235</td>
</tr>
<tr>
<td>5.5.1.</td>
<td>Organised retailing of vegetables in Pune.</td>
<td>235-236</td>
</tr>
<tr>
<td>5.5.2.</td>
<td>Responses of Organised Retailers</td>
<td>236-239</td>
</tr>
<tr>
<td>5.5.3.</td>
<td>Stakeholders’ perspectives on issues involved in Agricultural marketing Reforms in Maharashtra</td>
<td>239-240</td>
</tr>
<tr>
<td>5.6.</td>
<td>Viewpoint of stakeholders on the issues involved in reforms of Agricultural Marketing sector</td>
<td>240-255</td>
</tr>
<tr>
<td>5.7.</td>
<td>Observations from a study at Narayangaon Market</td>
<td>255-256</td>
</tr>
<tr>
<td>5.8.</td>
<td>Responses of unorganized local retailers of vegetables</td>
<td>256-259</td>
</tr>
<tr>
<td>5.9.</td>
<td>Some Observations.</td>
<td>259-260</td>
</tr>
<tr>
<td>5.10.</td>
<td>Conclusion.</td>
<td>260-264</td>
</tr>
<tr>
<td></td>
<td>References.</td>
<td>265</td>
</tr>
</tbody>
</table>
5.1. Introduction.
The supply chain in all agricultural products begins with the farmer and ends at the consumer. Marketing is the key process which makes agriculture commercially sustainable for the farmer and supply chain is the crucial factor in making marketing viable. Traditional, long supply chains have resulted in marketing losses to farmers, as intermediaries erode the farmers’ share in the consumer’s rupee. Most marketing reforms are directed at increasing the commercial viability of agriculture, to the benefit of farmers first and other stakeholders like traders, wholesalers, retailers, food processing firms etc. These reforms have changed the vegetable supply chain considerably. The new supply chain in agriculture is shorter and trimmer. With less number of intermediaries in the chain, farmers are now more closely connected to the consumers. Farmers’ risk appetite has increased. Agriculture is now more diversified and market driven than ever before. Reforms are resulting in three fold change in the supply chain: supply chain is becoming shorter; farmers’ are making more informed decisions in production and sales; Agricultural production is more diversified and market driven.

Some experts in this sector believe that the government is still not creating a level playing field between markets outside APMC and the APMC yards. There is no possibility of creating a parallel system and supply chain as long as APMC is heavily regulated. Experience of Kerala, Bihar and Delhi show that implementing reforms alone do not ensure creation of market infrastructure and parallel supply chains. Farmers have gone back to APMC. Thus APMC itself is not the problem. It is the State’s failure to reform APMC and simultaneously create competition by encouraging private investment that is the problem. Private investors will not come forth easily as this is a “low margin, high volume activity”\(^1\). A study by Chengappa and Nagaraj (2005) in Bangalore, suggests that in agricultural products, in situation of a bumper crop the increase in revenue would be less not only due to depression in prices but also due to the low elasticity of demand in the market. The low elasticity of demand in local markets is a general phenomenon in India due to small size of markets, low integration with other markets or isolated markets and market segmentation.

Small size of markets and disintegration in local markets lead to overreaction of supply changes on the revenue through price depression. Given this inverse relation between quantity increases and low increase in revenue due to low elasticity of demand there are moral hazards for

\(^{1}\)How Maharashtra is changing the way farmers sell their produce retrieved from www.ibef.org/news/how Maharashtra is changing the way farmers sell their produce- livemint/October 18, 2016.
producers. There are no incentives for farmers to produce more when the demand curve for vegetables is inelastic.²

As income levels rise, there is a change in the consumption pattern of food by households. A greater proportion of the household budget is allocated to purchase of vegetables relative to cereals and pulses. This indicates higher income elasticity of demand for vegetables. The benefit of this higher income elasticity of demand will accrue to farmers, only when markets expand in size and are integrated across states and the nation. The model APMC Act will help markets expand through private investments in private market yards, information kiosks, contract farming through forward integration with food processing firms etc. The recent announcement of National Agricultural Market e-platform in the Central budget for 2015-16, will ensure that markets integrate with the help of technology leading to uniformity in agricultural markets across the states.

A quick summary of the alternate vegetable supply chains is as follows:

Supply chain II: farmer- wholesaler- retailer- consumer.
Supply chain IV: farmer- vendor- supermarket – consumer
Supply chain VI: farmer- food processing firms- consumers

Traditional supply chain involved farmers, aggregators, commission agents, wholesalers, retailers and finally consumers. The shortest chain involves only farmers and consumers. Many farmers in Pune district have started selling their produce through online portals. Consumers have to place orders online and farmers deliver the produce to their doorstep. This way consumers get a competitive price and fresh produce directly from the farm with very little intermediate handling. Also farmers get the best returns without paying agents. A limitation to

²Chengappa, P.G. and N. Nagaraj (2005), Marketing of Major Fruits and Vegetables in and around Bangalore. Report 2004-05. Department of Agricultural Economics, University of Agricultural Sciences, Bangalore
this method is that it can be operated only on a smaller scale as the farmer will not be able to logistically manage bulk orders from faraway consumers.

Singh (2011), wrote a case study on the impact of organized retailers in fresh fruits and vegetables on the revenue of farmers in Haryana. As per this study, there is very slow crop diversification in vegetable farming in India. There emerges a high risk-high return pattern in vegetable production. High risk is due to the fluctuating prices in local markets and low share of farmers in the consumer's rupee. Farmers may not be risk averse but certainly have a low risk appetite. Therefore they require a credible institutional mechanism to increase their share in the consumer’s rupee\(^3\). Farmers from Indapur, in the Shetkari Bazar of Manjri, Maharashtra also had a similar view. They pointed out that during days of excess supply of vegetables into the market, farmers have to make distress sales of their produce. Prices hit rock bottom, as seen in case of tomatoes recently. These prices do not even cover the production costs of farmers, leave alone the marketing costs. At times, the supply is so excessive that farmers are left with large unsold stocks, which they dispose as waste in the market itself, as the cost of transporting these stocks back to the farm are unviable. To avoid the situation of excessive supply, farmers themselves suggested that there should be crop diversification as per market demand and joint farming of vegetables.

5.2. Vegetable Supply Chain Phases.

Vegetable logistics in Traditional Retail Marketing have four phases producers (farmers) to (commission) agents, agents to wholesalers, wholesalers to traditional retailers and traditional retailers to customers\(^4\) (Rajkumar, Jacob 2010). This traditional supply chain is very long and involves number of intermediaries. These intermediaries have become indispensable to the farmer and this has resulted in an exploitative nexus between politicians, APMC officials, traders, wholesalers and retailers. It is observed that agricultural marketing reforms are resulting in changes within each phase of the supply chain to the benefit of all stakeholders in the chain.

5.2.1. First Phase of the Vegetable Supply Chain.

According to the study by Rajkumar and Jacob on business models in vegetable retailing, in the first phase, vegetables are transported from farmland to agents. Farmers are responsible to

---

\(^3\) Singh 2011  
\(^4\) Rajkumar Jacob 2010
bring the vegetables to agent's premises. Generally large farmers are capable of hiring transportation for themselves as the volume of produce is considerably large to require a truck. Small and marginal farmers have lesser quantities of produce individually. Therefore at most times, they need to hire transport agencies jointly so that transport charges become feasible. These transport charges are deducted by the commission agent while making the bills towards farmers and are paid in cash to the driver of the truck. The agents also hand over the bills along with cash payment to the drivers who then transfer the money to farmers at the village. This entire transaction between the farmer and the commission agent, many times, happens only over the phone. The commission agent receives the produce at his premises from the truck, downloads the produce and weighs it, pays the hamali and weighing charges and then grades the produce for auction. The farmers trust the transport agencies to record the weight of their produce appropriately. The commission agent then auctions the produce of different grades at reasonable rates to wholesalers on the APMC premises. These stalls are leased by the commission agents for 99 years from the APMC. Commission agents are market makers as they auction the produce and ensure trade between farmers and wholesalers. The auction may be either completed in cash payments or credit offered by the commission agent to the wholesalers. Once the auction process is completed, the commission agents move to their offices, above the stalls, to settle the day’s accounts. In case of cash payments the bills are readied after deducting the following charges from the farmers’ receivables: hamali at the rate of Rs.5 per crate of vegetables, tolai- weighing charges at the rate of Rs.2.90 for 100 kgs of produce, transportation charges which vary based on distance from farm to market yard and 6% of the agent’s charges. The rest is given to the truck or tempo drivers who delivered the goods. Payment is generally settled within 24 hours of delivery of produce. In case of credit payments too, the commission agents most times, settles the farmers’ bills on the same day itself while bearing the credit burden himself. This is very important facility offered by the commission agents to both farmers and wholesale traders. The role of commission agents is absolutely crucial to the APMC markets.

Figure 5.1. Vegetable supply chain logistics in Traditional Retail Marketing.
Here are some limitations to this process. Cane baskets and jute or gunny bags are used in handling vegetables. Loading and unloading are carried out manually. Vegetables are not cleaned and washed of dirt and soil. Sorting, grading and packaging of any kind is not being done. No temperature controlled storage or warehousing is used across the TRM route. Information technology and advanced management techniques are not deployed\(^5\). There is a possibility of the commission agent not giving the price paid by the wholesaler to the farmer. He may deduct more than the actual market charges from the sales receipts, before making a payment to the farmer, as the farmer is not present in the market for auctions. In the Vashi and Gultekdi, Pune markets it was revealed that many trucks record lower volumes to avoid charges. This happens with the knowledge of APMC officials and Commission agents. The farmer is at a loss as payment is done on the basis of recorded produce.

5.2.2. Second phase of vegetable supply chain.

Commission agents are responsible for holding auctions of produce. This involves grading the produce and setting a base price. Wholesalers and food processors are the bidders for the produce. The price is generally fixed on the basis of knowledge of market demand and supply

---

of the particular produce. The buyers too are aware of the prices and sale happens when sellers and buyers agree on a specific price and quantity. Once the sale is fixed the agents transfer the produce to wholesalers. The second phase of vegetable movement starts with sales and transfer from agents to wholesalers. Agents handle the transportation from agents to wholesalers. In this second phase of trade produce bought by wholesalers in auctions, is transported to their own premises or sold on the premises of the APMC itself. Food processing firms also act as wholesale buyers from the commission agents at times. They procure produce either from commission agents or from the wholesalers. But generally they prefer to buy the best grade produce. These food processing firms could make the market by setting the price at auctions. The food industry, which is currently valued at US$ 39.71 billion is expected to grow at a Compounded Annual Growth Rate (CAGR) of 11 per cent to US$65.4 billion by 2018. Food and grocery account for around 31 per cent of India’s consumption basket. Consumer demand for processed food is increasing with the rise in incomes and demonstration effect, post liberalization. Therefore these firms are able to buy in bulk and can either make or break markets. A significant role is therefore played by food processing firms.

5.2.3. Third Phase of the Supply Chain.

During the third phase, traditional retailers, cart vendors and commercial customers buy vegetables from wholesalers. They have to make their own arrangement for transport from wholesale market to their destinations. The retailers may jointly hire a truck to share the transportation cost. Generally wholesalers would pass on the burden of market charges to the retailer. The retailers are immediate links to consumers. The vast and unfair difference between the final retail price of vegetables and the price received by the farmer is generally attributed to the high mark-up made by the retailer. At this stage, the procurement agencies of supermarket chains or organized retailers are to be mentioned. Organized retailing of vegetables is relatively new in India. It is benefitting consumers who can now buy vegetables in more hygienic and conveniently packaged form. But most of these stores still depend on vendors to procure the produce. Some of these agencies procure the best grade produce from wholesalers/ traders in APMC markets and the rest is left to be sold in the local markets. Further, currently these agencies are procuring a relatively smaller quantity of varied produce for front end consumption only. Another limitation of this format is that the farmers are not

directly involved in sales. Vendors are traders who act as the intermediary between the store and farmers.

5.2.4. Fourth phase of the Supply Chain.
Retailers and consumers are the players in the fourth phase. Domestic customers shop for their vegetables at traditional retail stores that are conveniently located closer to their residence. With changing consumption patterns, households are now consuming vegetables directly as well as in processed form. Per capita consumption of vegetables has increased specially in urban areas. Further household consumption of food at restaurants has also increased considerably with rising incomes and as a result of demonstration effect. Customers for retail purchase of vegetables now include households, supermarkets and eateries. Interestingly another mode of direct retailing being adapted by farmers is the sale of produce in cities by mobile vans. The researcher came across farmers from Lasalgaon in Nasik district of Maharashtra, who have started visiting Mumbai suburbs and directly selling their produce to households in residential areas and eateries. The produce is fresh and sold on three days in the week. A group of consumers on a mobile networking site has also been formed. As reported by the farmer-seller, most days the entire produce is sold on the day of visit itself. The farmers sell the produce at lesser prices than local retailers to attract consumers and ensuring that all produce is sold on the same day. Some days, farmers make a loss and other days they make profits. But they are able to avoid paying market fees. Also they feel satisfaction in reaching out to consumers directly. Further they are able to provide incomes to helpers from their village. Many farmers had started this practice of direct marketing when the market prices had crashed. As markets improved they have gone back to selling in APMC markets.

5.3. The status of APMC markets in Maharashtra.
In the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963, rule 1 to 9 of 67 there are provisions for forming the market committee. Subject to the provisions of sub-section (2), every Market Committee shall consist of the following:

(a) fifteen agriculturists residing in the market area, eleven members (of which, two shall be women, one shall be a person belonging to Other Backward classes and one shall be a person belonging to De-notified Tribes (Vimukta Jatis) or Nomadic Tribes) shall be elected by the
members of the Managing Committees of the Agricultural Credit Societies operated under Co-operative Societies Act, 1960, **four** members shall be elected by members of the village *panchayats* functioning therein; (b) **two members** shall be elected by traders and commission agents, holding licences for not less than two years to operate as such in the market area, **one member** shall be elected by *hamals* and weighmen operating as such in the market area; (c) **one member** shall be the Chairman of the co-operative society doing business of processing or marketing of agricultural produce in the market area [having its registered office situated in the same market area]; (d) **one member** shall be the Chairman of the *Panchayat Samiti* within the jurisdiction of which the market area or major portion thereof is situated or the representative elected by such *Panchayat Samiti*; (e) **One member** shall be the President or *Sarpanch* of the local authority (other than a *Panchayat Samiti*) within the jurisdiction of which the principal market is situated or the representative elected by such local authority; (f) the Deputy Registrar of Co-operative Societies of the district or his representative, who shall have no right to vote; (g) the Secretary of the Market Committee, who shall have no right to vote.

When Market Committee is constituted for first time, all the members thereof and the Chairman and Vice-Chairman shall be nominated by the State Government. [Provided that, the Chairman and Vice-Chairman shall be so nominated from amongst the agriculturist members:] the members of a Market Committee (not being a Committee constituted for the first time) shall hold office for a period of five years, and the members of a Committee constituted for the first time shall hold office for a period of two years. Subject to the provisions of sub-section (2) of section 13, every Market Committee shall be presided over by a Chairman, who shall be elected by the Committee from among its elected Agriculturist members. The Committee shall also elect one of its elected Agriculturist members' to be the Vice-Chairman.\(^7\)

There is adequate representation to farmers in the APMC. Also other groups like women, scheduled castes and notified tribes, too get representation in the APMC. The purpose of the committee is to ensure free and fair trade in market yards. Dispute resolution is also an important function. APMCs were originally meant to protect the interests of the farmers and consumers. However, coteries of traders, politicians, commission agents and other organised groups, who pull strings in APMCs, have long been accused by farmer organisations of rigging prices, using faulty weights, distorting the market and fleecing agriculturists and consumers.

---

\(^7\) *Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 1963* pp16,17.
This leads to a huge difference between wholesale and retail prices. Over the years APMC elections came to be dominated by the political parties which were in power in the areas housing APMCs.

These political representatives form a nexus with the APMC officials, the traders and other market functionaries against the farmer, consumer and the government. There was under-invoicing of produce coming to the market so market charges could be siphoned off. Also the farmers were given wrong or inadequate information on the grade of their produce, the prices in the market and the weight of produce. Further wholesalers would charge retailers excessive amounts in a bid to pass on the burden of market fees to the retailer. These retailers in turn would charge consumers and market prices were inflated. These malpractices led to a loss to farmers and to consumers benefitting only the market intermediaries. For very long this has been the *modus operandi* of APMC markets in Maharashtra, where the Congress- Nationalist Congress Party combine came to dominate practically all the APMCs in the State.

In November 2014, the BJP dominated government of Maharashtra dissolved 170 APMCs whose elected bodies had completed their tenure, but had managed to get extensions from the government, or had their board of directors replaced by a team of administrators, all political appointees. The present Government of Maharashtra has appointed a non-governmental Administration Board of nine persons on 29th December 2015. This was an essentially political move by the ruling BJP party. The APMCs were being dominated by Congress –NCP combine. To break their stronghold on the APMCs across the State, the ruling party decided to establish a governing board with nominated members.

In December 2016, the government of Maharashtra had made a rule that the commission agents working in APMCs should recover their Arhat from traders henceforth and not from farmers. The agents were unhappy with this announcement. They claim to be bound by APMC regulations to make payment to farmers within 24 hours of receiving goods from farmers. This requires agents to take loans on interest from banks to pay farmers. The Maharashtra State Commission Agents Association feels it is ethically and morally wrong to charge commission to traders. While the Shetkari Sanghatna feels that farmers are unnecessarily paying excessive market charges. Further, the commission agents are generally related to traders or are extended families therefore they are trying to protect traders. Independent experts believe that instead of focusing on who pays the commission, government should be directly concerned with making the process of auctions transparent. Farmers should know how prices are fixed, who is buying
the produce and which APMC will offer them the best possible rates. Marketing information infrastructure in APMCs has to be modernized to make auctions a smooth process.

In February 2017, Government of Maharashtra has decided to free the APMC of political interference. On lines of Delhi APMC, it has decided to establish a permanent management board headed by senior bureaucrats to manage the working of the APMC. Chief Secretary of the MSAMB will be the ex-officio chairman of this board. The board will also consist of 5 experts from the field of agricultural marketing as well as members from New Mumbai Municipal Corporation, CIDCO officials and members of marketing and cooperation department.

### Table 5.1- Quantity & value of arrivals in all APMC markets in Maharashtra.

<table>
<thead>
<tr>
<th>Year (lakh MT)</th>
<th>Quantity (lakh MT)</th>
<th>Values (` crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>226.11</td>
<td>37,098.65</td>
</tr>
<tr>
<td>2010-11</td>
<td>227.51</td>
<td>33,122.02</td>
</tr>
<tr>
<td>2011-12</td>
<td>240.94</td>
<td>31,563.41</td>
</tr>
<tr>
<td>2012-13</td>
<td>360.50</td>
<td>38,895.19</td>
</tr>
<tr>
<td>2013-14</td>
<td>242.65</td>
<td>44,977.48</td>
</tr>
<tr>
<td>2014-15</td>
<td>219.58</td>
<td>65,367.63</td>
</tr>
</tbody>
</table>

**Source:** Maharashtra State Agricultural Marketing Board website.

Jaydatta Holkar, elected chairman of Lasalgaon in Nasik says that, Lasalgaon is Asia’s largest wholesale market for onions and has a daily turnover of Rs.15-20 crs.in the normal onion season there is daily offloading of approximately 2 lakh quintals of onions in the market.\(^8\) The volume of arrivals in all markets of Maharashtra is a largely a function of the monsoons and

---

\(^8\) How Maharashtra is changing the way farmers sell their produce retrieved from www.ibef.org/news/how Maharashtra is changing the way farmers sell their produce- livemint/October 18, 2016.
cropping pattern. But it can be safely claimed that some percent of reduced quantum of market arrivals is due to the emerging modes of retailing in the State as well as the farmers’ markets and the changing policy of the government of Maharashtra. Agricultural produce is now diverted to farmers’ cooperatives for direct sales to large cooperative housing societies or eateries. Also to organized retailers who purchase in bulk and finally to household consumers at their doorstep.

5.3.1. APMC in Pune district of Maharashtra.

Pune district has been traditional stronghold of vegetable farmers. To regulate trade in agricultural produce the Agriculture Produce Market Committee was established at Pune on 1st May 1957 and it became operational by 1st April, 1959. On 10th January 2008, this committee was declared as the regional APMC and was called the Pune District APMC. It was further divided into main market and sub market yards on 10th May 2012 and Pune APMC is operating from the main market yard at Gultekdi, Pune 37, in an area of 190 acres under the Maharashtra Agricultural Produce Marketing (Development and Regulation) Act 1963. The main objectives of the APMC are to ensure just and fair trade in agricultural produce, to provide facilities towards such fair trade and to create a system for obtaining the right value of produce for farmers.

This researcher studied the Pune APMC market yard, Hadapsar vegetable market and the Manjri farmers’ vegetables market, as well as the organized retail stores in Pune city. This study is a descriptive and exploratory study. Four committee officials in Pune and two committee officials in Mumbai were interviewed. Five store managers from organised retail, 15 wholesalers from Pune APMC vegetable market, seven farmer-wholesalers from Manjri Shetkari bazar, 20 commission agents in Vashi and Pune, 28 traditional retailers and 291 farmers were interviewed for collecting data. Farmers were selected randomly. But care was taken to interview farmers involved with new modes of marketing. More than three hundred farmers from all areas of Pune district had gathered at Hinjewadi, over two training programmes of the Abhinav Farmers’ Club. They were asked to fill the questionnaire. There was a good mix of women and men farmers. The instruments used were personal interview and questionnaire. The questionnaire consists of open-ended questions and interview was semi-structured. A preliminary analysis of the vegetable supply chain in Pune yields the following information:
Pune APMC was established in the year 1956. Now the APMC has one main market yard and a number of sub markets at Pimpri-Chinchwad, Khadki and Hadapsar. The main market for farmers across all the sub divisions is the APMC market situated at Gultekdi market yard, Bibwewadi, Pune 37. It is managed by the officials appointed by the state government as well as a marketing board which is a body of elected representatives of farmers. Thus ensuring that farmers get due representation in the decision making of the marketing process. Vegetables ranging from the seasonal to traditional to organic to exotic are all sold in this market. This market functions through the commission agents, traders and wholesalers along with some retailers who sell produce in the premises of the market yard itself. On the day that the researcher enquired with the officials, 1937422 kgs of vegetables had arrived in the market and daily turnover is approximately Rs.4.5thousand cr. daily.

There are 914 trading slots in the yard. Of which 770 are held by licensed holders. The APMC is responsible for the provision of electricity, water, security, maintenance and cleanliness of the premises. Functions of the APMC, as stated on the website of Pune APMC are as follows: provide all facilities required for agricultural produce market; to protect the interests of farmers in agricultural produce marketing; sale of agricultural produce to be exposed to an auction mechanism; to measure possible market for agriculture and the sale on the premises; pay the farmers their dues within 24 hours of sale; to solve disputes; to stimulate farmers to increase agricultural produce and brand quality; to give license, renew the license, revoke, etc. and to certify the bills payable to farmers.

The following facilities are made available to the market functionaries: agricultural produce for sale in shops, plots; roads, water, electricity, sewage (Drainage lines), security, traffic management; petrol pump; 40 and 50 Tunney weighing machines; show information from all agriculture market and all market committees in Maharashtra on projection TV; farmers’ accommodation; Grievance Cell; alternative space in case of agricultural produce and Free first aid center on the premises of market.

Special activities of the Committee are: Laboratory testing for adulteration; Soil, water testing laboratory; Farmers to sell agricultural produce directly to the customer in APMC premises; Direct sales to customers in organic agricultural produce by farmers; The major market prices available on the internet; Fruits and vegetables under a single transport section; Free first aid center on the market premises; Agricultural information library; projection TV and Women farmers’ accommodation.
Daily 8-10 truckloads of garbage is transported out of the market yard. Electronic weighing machines have been purchased by the APMC and sold to traders or commission agents at a discount of 50% of the price. No grading and storage facilities are made available by the APMC. Private storage facilities are available to traders outside the premises of the yard. In the opinion of APMC officials, in case of vegetables, as fresh produce arrives in the market daily, there is not much requirement of storage facilities. Cold storage facilities are not available in the market. The traders and commission agents in the market are solely responsible for making the market. Most times farmers do not even visit the market yard to sell the produce or witness the auctions. They send their produce with the transporter to a specific trader/commission agent. The commission agent (CA) then sorts the produce and grades them to give a certain price tag. Then auctions are conducted by the CA amongst a group of wholesalers/traders.

Until recently, the CA would receive the arhat/commission from the farmer and this was an incentive to try and increase the price of the produce during the auctions. Recently the government of Maharashtra changed the rules and have instructed the commission agents to take their commission from the wholesalers. This means that commission agents are now at the mercy of the wholesalers and have to abide by their dictates of depressing prices. This is particularly true in case of small commission agents dealing in smaller quantum of produce and with small farmers who have no holding capacity. This has resulted in further loss to farmers who simply have to accept the amount given by the commission agent in either situation. There is now a commission agent-wholesaler nexus which yields very low returns to farmers. Further the arhat is passed by the wholesaler to retailer, inflating prices.

5.3.2. The impact of reforms on APMCs.

APMC regulated markets have for long dominated agricultural produce marketing in India. The model APMC ACT was aimed at changing the way trade was transacted in the markets, so that farmers and consumers would benefit most. The Act envisaged a greater role for private market yards, farmers’ cooperatives and farmer producer organizations. Private investment was also expected to increase in creation of market infrastructure. The Maharashtra government also implemented the Model Act in 2006. Further many small reforms were undertaken in Maharashtra in the recent past such as, delisting of fruits and vegetables, administrative changes and change in commission to be paid by farmers.
The APMC has modernized with the reforms introduced in the sector. In Mumbai APMC market yard, 27300 quintals had arrived on the day that I interviewed the officials. We can safely say that 2500 tonnes of vegetables arrive in the market on a daily basis. In case of Pune on the day of interview, 1937422 kgs or 19374.22 quintals of vegetables had arrived. Thus approximately 2000 tonnes of vegetables come into the market daily. The APMC has provided adequate electronic weighing machines to the commission agents at a 50% discount of market rate. A wide variety of traditional, organic and exotic vegetables are now available in the APMCs. Wholesalers, consumers and other bulk buyers such as food processing firms, supermarkets and commercial consumers such as eateries also prefer to buy from wholesalers in the APMC premises.

The APMC is appointed by the MSAMB which comes under the Department of Agriculture of Government of Maharashtra. It maintains the premises of the market yard. Government supplies electricity and water supply. APMC pays for these from the funds it collects as market fee paid by traders and agents. The roads and buildings are constructed by the MSAMB. Technology and mobile phones are enabling informed sales by farmers therefore intermediaries are unable to cheat or intimidate farmers now.

In Pune APMC, farmers are permitted to sell their produce directly to retailers or consumers from the premises of the APMC. This move was taken after the adoption of the Model APMC Act in 2006. The implementation of direct marketing reforms will take some time and the positive outcome will come only after comprehensive measures are taken. Private and foreign investment has not been forthcoming in these markets.

5.3.3. Impact of reforms on wholesalers at APMCs.

In December 2013, the Congress party under Rahul Gandhi announced that States under the party’s rule would delist fruits and vegetables from APMC markets. The measure was aimed at helping farmers’ organizations and companies set up new wholesale markets in the city where farmers could sell their produce directly to bulk buyers. Once the farmers were able to move out of main APMC at Azadpur, the commissions — both official and unofficial — they paid in the cartelised mandi were supposed to fall dramatically. Actual delisting of fruits and vegetables in Delhi was done in September, 2014. Delhi is home to the largest APMC market yard in Asia. The Azadpur mandi is spread across 76 acres. A report in the Financial Express newspaper dated April 27, 2015 states that farmers still continue to send their produce to the
Azadpur mandi as there is lack of alternative markets. “The delisting has had virtually no impact on our market operations as farmers have been bringing in their produce to these mandis for years,” Raj Kumar Bhatia, general secretary, chamber of the Azadpur Fruit and Vegetable Traders Association. The SFAC has set up the first Kisan mandi at Alipur on the border of Haryana, on a mere 1.6 acres of land. It sells about 20-25 tonnes of potatoes to bulk buyers from a temporary storage held near the Azadpur mandi by SFAC. This indicates that traders continue to play an important role in vegetable marketing and the reform will take a long time to yield any significant results.

The decision of delisting fruits and vegetables has been taken by other states too such as Madhya Pradesh and Andhra Pradesh. But with similar results. The government of Maharashtra, in June 2016, announced that fruits and vegetables will be delisted from the amended APMC Act 2006. Another decision taken was that the commission charges of 6% paid by farmers will now be recoverable from the wholesalers by the commission agents. This move was supposed to ensure that farmers were free to sell their produce outside the ambit of APMC without paying excessive charges. Also, the farmers who continued to sell their produce at the APMC would not be burdened with the commission agent’s charges.

As understood from the interviews with the commission agents, this move has not served its purpose as they are now unable to extract higher prices at auctions from the wholesalers who will have to pay the 6% commission charges. Further, the credit facility offered by the commission agent to the farmers and wholesalers is restricted. Both farmers and wholesalers are losing the cushion that was provided by traders in the form of credit. The markets are depressed as volume of trade has fallen. Credit based trading was very useful in continuity of trade and larger volumes were traded. Several states in the past have unsuccessfully tried to eliminate middlemen under different schemes. For example, in 1999, Andhra Pradesh’s rythu bazaar (farmer’s market) was started to provide a platform to farmers to sell their vegetables directly to consumers. The model could not eliminate middlemen. “Even in these bazaars, it is mostly the aggregators or agents who take farmer certificate and sells under their name. The fact is that a group of farmers generally finds somebody from the village and sell it to him and he gets a license to operate in this bazaar. So the deal for farmers even in rythu bazaar is the

---

same,” says G V Ramajaneyulu of Centre for Sustainable Agriculture, a non-profit organization in Andhra Pradesh.\textsuperscript{10} Recently the Maharashtra Government has issued an ordinance by which wholesalers have to pay the 6% arhat to the commission agents. This has depressed markets to some extent. It will also increase the consumers’ prices in retail markets. In the 1960’s traders were asked to relocate to the Vashi market at Navi Mumbai, assuring them that no one will be allowed to sell agricultural produce directly in the Mumbai market. Now the government is delisting fruits and vegetables. This will divide the market into traders within APMC and traders outside APMC. The traders in APMC will have to continue paying market fees and charges while ones outside will be exempt. This is not a level playing field. After the government’s announcement the traders in 302 APMCs had gone on a strike. This had resulted in higher prices of vegetables but loss to farmers as trade was not taking place.

Wholesalers from Pune APMC feel that Government should provide a level playing field to wholesalers. Wholesalers will be affected adversely if market size reduces and farmers sell directly to other agencies outside the market yards. Wholesalers have to provide a wider variety of produce to retailers and have to buy more varieties of produce from traders. Exotic vegetables are expensive and therefore investment required is more. In this case the credit offered by traders is useful. But due to the announcement that arhat is now to be paid by wholesalers, credit offered by traders is disappearing. Commission agents are charging 8% arhat to wholesalers. 6% of arhat, 1% towards market share and 1% towards market levy. This has limited purchases by wholesalers. Markets are depressed.

5.4. Reforms undertaken by Maharashtra State Agricultural Marketing Board.

As pointed out by Ashok Gulati (2004) in his article in Economic and Political Weekly, border reforms have exposed the inefficiency of India’s domestic agricultural markets stemming from heavy regulation, poor technology and substantial underinvestment both public and private. To remove the deficiencies of the main market the MSAMB decided to increase public investment and create a dedicated platform for vegetable sales in Pune region.

The MSAMB took an initiative to permit sale of vegetables in the Hadapsar market where farmers would directly sell to wholesalers and retailers, eliminating the need for commission agents. MSAMB has conveyed its general sanction for Shetkari Bazars under clause 12(1) of Maharashtra APMC Act 1963 subject to cost below Rs.32 lakhs on 15th March 2002. This system worked very well for farmers as they did not have to pay the commission of 6 percent to arhatiyas. Market fees were nominal. Also transport costs were lesser as Hadapsar market was on the outskirts of the city. Gradually as the physical limits of Pune city started expanding, the Hadapsar market too became restrictive to farmers in terms of transport cost, time and space. Therefore the government has now shifted the Farmers’ market to Shevalewadi, Manjri on the Pune-Solapur highway. It is named as Haveli Krushi Utpanna Bazaar Samiti, Manjri. Five acres of land have been reserved for this market yard. It consists of large sheds for each type of produce. Marketing space is demarcated for each kind of produce. For eg: leafy vegetables are allotted one shed, onions and potatoes are allocated another shed, cauliflower, brinjals, cabbage, tomatoes etc are allocated separate space. This is a very convenient location to farmers. The truck and tempo movement is reasonably smooth. It saves time and costs as farmers are able to sell their produce directly to retailers. 400-500 truckloads of vegetables form farmers across areas such as Purandar, Lonekal, Baramati, Indapur and others come to this market. Wholesalers, Retailers and Consumers visit this market to buy directly from the farmers. It is a very vibrant market where large number of transactions take place daily.

In the Gultekdi main market, a farmer would have to spend the night transporting his produce to the market, sale of produce took place till afternoon the following day, and then the farmer would have to travel back to his home. This was very time consuming and would also result in the loss of freshness of vegetables, especially of leafy vegetables, by the time of sale. This lead to poor returns to farmers or low auction yield. Else the farmer would have to discard the produce leading to wastage on a large scale. In the new Shetkari Bazar at Manjri, farmers pluck the vegetables early morning and transport it to the market by afternoon. Trading in this market takes place between 2.30 pm and 6 pm. By night farmers are able to return back home and come in with fresh produce the following day. Most days the entire produce is sold and wastage is limited. Farmers sell their produce out of experience and charge a price they deem feasible. According to the farmers I interviewed, there is a very little difference in the prices in the main market at Gultekdi and the Shetkari bazar at Manjri. As the sale is between farmers and retailers or wholesalers the larger proportion of the sales revenue becomes income earned by the farmer. After the announcement of reforms, wholesalers are preferring to buy produce from farmers
directly at the Manjri and Hadapsar markets. This helps them to circumvent the arhat payable. There is reportedly a 20% decline in the market arrivals of vegetables in Gultekdi Market yard. In the long run the system may gradually change and direct marketing may become a preferred channel of marketing for farmers.

5.4.1. Working of the Shetkari Bazaar.

The initial investment that the farmer has to make is packaging materials and purchase of crates to pack and carry the vegetables produced. Transport charges are to be paid. These are sometimes shared by a group of farmers from a particular village transporting their produce on the same date and at the same time. Market fee and maintenance charges amount to 1.05 percent of sales receipts. Plus Rs.2.90 paise for every 100 kgs for weighing charges, or counting charge of 60 paise per 100 bunches of leafy vegetables. A levy of 35 percent is charged on the weighing or measurement charges (Rs.1.015 per hundred kgs). Load bearing charges or Hamali of Rs.5/- per crate are to be paid. Incidental charges of Rs.5 per 100 kgs or Rs.1.5/- per 100 bunches of leafy vegetables are charged. Therefore if a farmer sells 100 kgs worth of cauliflower at the rate of Rs.20 per kg in the market on a particular day in crates of twenty kgs each, then she would have to pay Rs. 35/- in total market charges. Therefore she would earn Rs.2000 minus Rs.35 which is Rs.1965/- net.

In the main market she would have to pay market charges of Re.1 plus a market levy of Re.1. A commission or arhat of 6% over and above the market charges are also paid by farmers. This would amount to Rs.120 per 100 kgs of cauliflower plus market charges of Rs.35/-. The net receipts would be Rs.1845/-. The numbers taken here are hypothetical. 100 kgs make one quintal and 10 quintals make one tonne. Most times farmers sell a few tonnes of vegetables or other agricultural produce in the market on a daily basis. Therefore this difference in market charges and commission paid in APMC market yard and in the Shetkari Bazar translates to a huge difference in the receipts of farmers. Recently the government announced that the arhat would be paid by wholesalers and not farmers from now on. This has reduced the farmers’ burden considerably.

This simple calculation shows that the farmer saves a huge amount of money if he sells his produce directly to the wholesalers eliminating the commission agents. More can be earned by selling directly to retailers by eliminating wholesalers. Especially if the retailers are supermarkets or commodity brokers. Further the most amount can be earned by eliminating the
retailers too and selling directly to consumers such as households, eateries and food processing firms. In case of households the quantum bought are small, while eateries may buy in larger quantities. But food processing units demand produce in bulk quantities. These bulk orders can be taken by farmers’ cooperatives and ensure supply to these firms.

Farmers at the Manjri market admitted that selling to individual household consumers will be very time consuming. They preferred to sell in bulk to retailers as this would save them time and ensure sale of bulk quantities of produce to single retailers within a short time. 90 percent of transactions in the Shetkari bazar are on cash basis. Credit is very rarely used as farmers would find it difficult to trace retailers and other buyers if they do not return to the market. Also many times when supply exceeds demand the market prices crash significantly. Sometimes it is difficult for farmers to even transport back the unsold produce and they have to dispose the produce in the market itself. One way of avoiding the excess supply of produce would be for farmers to diversify the crop and manage the demand-supply gap well. Storage facilities at the farm will facilitate the management of excess supply in the market. This was suggested by a tomato selling farmer from Tekavdi village, taluka Purandar, of Pune district.

An additional benefit to both farmers and the marketing board are the commercial shops operated on this premises. These shops stock packaging materials, seeds, fertilisers, pesticides and other small equipment which are useful to farmers. The board receives rent from the shop owners. This is a source of revenue for the board. The number of farmers visiting the market is 5000 to 6000 daily. The impact of this Shetkari Bazar on main market yard is that 20-30% less produce arrives at the main market. Farmers who reside close to Pune, prefer to sell directly to consumers/retailers in this market rather than APMC.

5.4.2. Recent reforms of MSAMB.
Farmers’ from Khed –Shivapur area in Pune district produce vegetables like brinjal, tomato, chilly, cucumber, spinach, radish, bitter guard, cabbage, cauliflower and green peas. They have formed farmers’ groups for the purpose of direct selling. By 11 am they load freshly picked vegetables onto mini trucks, generally owned by the farmers themselves, to send to Pune city 25 km away. The produce is taken to Shetkari Athavda Bazar off Sinhgad road. The MSAMB has initiated setting up of weekly farmers’ markets for fruits and vegetables in Pune and Pimpri cities. The regulations for establishing weekly bazaars are as per the APMC Act.
1963 clause 5(d), Clause 4(d) of the APMC Act 1967, lists the conditions for application to start weekly bazars. Under the National Agriculture Development plan, scheme for vegetable supply in urban areas, MSAMB is responsible to start weekly bazaars in Mumbai, Pune and Nagpur cities while Aurangabad city is in the purview of the Department of Agriculture. The clause expects the government to set up collection and grading centers, motorized vending carts, climate controlled selling vans and stationary/mobile vegetable vans. Of these the vending carts with electronic weighing machines are the most popular in Pune city. Climate controlled selling vans and mobile centers have not received much response. Also farmers have complained of poor response and wastage of vegetables on these carts.

Therefore the board has set up weekly bazars. The first such bazaar was started at Kothrud in Pune in 2014. These weekly bazaars will be organized on only one day a week and farmers will sell their produce in this market over 3-4 hours on the designated day. The board will provide farmers with space, stalls, chairs, cleaning facility etc. at nominal charges. But these bazaars can be set up only by MSAMB under the APMC Act 1963 clause 39(a) and 39(b). Many such weekly bazars have been set up across other important cities like Nagpur, Thane and Mumbai. On 15th August 2016, the Sant Shiromani Shri Savta Mali Athavda Bazar was set up in Mumbai opposite the Vidhan Bhavan building. On 13th December 2016 the first such weekly bazar was set up at Ramdas Peth in Nagpur. In Thane the market is set up at Gaondevi. Farmers are reportedly also selling milk much cheaper than market rates. 800 litres of milk was sold in the first week.11

Stalls are put up at the weekly bazars by farmers’ groups, farmer producer companies and farmers’ cooperatives. One such group is the Kanifnath Shetkari Bachat Gat. There are 60 such groups, enrolled with Pune based Shri Swami Samarth Shetkari Utpadak Company which has 2200 farmer members. These farmer producer companies were started after the government amended the Companies’ Act in 2004.

MSAMB has set up 31 farmers’ markets across Maharashtra, with 25 of them in Pune itself. Farmers’ cooperatives, SHGs, FPOs and other farmers based groups operate in these markets. Three key differences between APMCs and Shetkari Bazars are that, in APMC: Farmers do not sell directly to consumers; Produce is handled at various levels; Farmers have to pay almost 10-20 percent of value of produce in market charges. Farmers from villages around Pune are

happy with this arrangement as market infrastructure is developed by the government in consultation and conjunction of farmers groups, FPOs and FPCs. There are strong economic and political reasons why Maharashtra has become a template case of this great conflict between monopolistic and severely regulated markets and the new models of market reform.

According to Mr. Harshavardhan Patil former cooperation and marketing minister of Maharashtra, the entire annual turnover of Agricultural markets in Maharashtra is worth more than Rs.1 trillion. APMCs in the State complete transactions worth Rs.55000cr, while transactions worth Rs.30000cr take place in smaller informal markets. Private contracts worth Rs.20000cr are assigned outside these two markets. There are around 40000 arhatiyas in Maharashtra alone\textsuperscript{12}. This statement highlights the scope and extent of agricultural marketing sector in Maharashtra.

5.5. Organized Retailing Formats.

(Rajkumar and Jacob, 2010) have illustrated the working of traditional and modern retail formats thus- Traditional retailers follow “Traditional Retail Model”(TRM) and organised retailers implement two different business models—“Hub and Spoke Model” (HSM) and “Value Chain Model” (VCM). “Reliance Fresh” (Reliance Retail Ltd.) deploys the value chain model and rest of the organised players in the industry use Hub and Spoke model. At present, organised retailers including prominent players like Spencer’s Retail, More (Trinethra Superretail Ltd.) and Food Bazaar (Pantaloons Retail (India) Ltd) etc. are adopting ‘Hub and Spoke’ business model of retail vegetables marketing. Fewer players are involved in this model compare to the traditional retailing model. Farmers, organised retailers, wholesalers and customers form this chain. Buying centres, hub and stores (retail outlets) are operational units of the organised retailers. Small farmers and contract farmers who executed a trade contract with the organised retailers are the primary source of supply of vegetables to the organized retailers. The buying centres make the vegetable purchases directly from the farmers and transport to the hubs. A hub is served by one or more buying centre and a buying centre serves

\textsuperscript{12}How Maharashtra is changing the way farmers sell their produce retrieved from www.ibef.org/news/how Maharashtra is changing the way farmers sell their produce-livemint/October 18,2016.
one or more hubs. Hub infrequently buys small volume of vegetables from the local wholesale market to balance demand supply gap. Hub in turn distributes vegetables to stores attached to it. A store is served by only one hub. Store sells vegetable in retail quantity to the customers\(^{13}\).

**Figure 5.2. Hub and Spoke model of agricultural produce marketing.**

Currently, organised retailer Reliance Fresh (Reliance Retail Ltd) follows a Value Chain business model (VCM). Organised retailers who adopt VCM procure the produces directly, from farmers and sell to customers by avoiding intermediaries. This model is based on its core growth strategy of backward integration and progressing towards building an entire value chain starting from the farmers to the end consumers. In Pune district, Reliance Fresh has six collection centers for perishable cargo. These are called Central Processing Centers. Farmers bring their produce to these centers. The center manager gets these farmers to fill a form and verifies that they are genuinely farmers directly selling produce to Reliance. This produce is stored and processed at these centers. The farmers benefit from this mode as they do not have to process vegetables or pay Arhat and they also save on the transport costs to the market yard. A study by Dastagiri(2009), concludes that, the marketing model adopted by private markets particularly Reliance and Subhiksha is more efficient than government markets like Rythu bazaar.

Very few players are involved in this model compared to the traditional retailing model or organised retailer's hub and spoke model. Farmers, organised retailers, and customers are the players who form this value chain. In this practice, farmers, organised retailer's operational

\(^{13}\)Paulrajan Rajkumar and Fatima Jacob, 2010, *Business Models of Vegetable Retailers In India*. Department of Management Studies, Anna University, Chennai, India. Great Lakes Herald Vol 4, No 1, March 2010 - Page 37.
units, consolidation centres, hub (distribution centres) and retail outlets stores, and customers are players.

**Figure 5.3: Food mileage in different retailing formats. (Source:Great Lakes Herald Vol 4, No 1, March 2010 - Page 38)**

Small farmers, contract farmers and lease farmers are the primary source of supply of vegetables to the organised retailers. Contract farmers and lease farmers are farmers who execute a trade agreement with the organised retailers for sale of vegetables. The above Figure 3 illustrates the VCM business model of vegetable retailing. Vegetables move from farm locations to customers in four phases farmers to consolidation centres, consolidation centers to hub, hub to retail outlets (stores) and stores to customers. Independent farmers supply their produces to the consolidation centers; contract farmers and lease farmer's produces are picked up by consolidation centers. One consolidation center supplies vegetables to multiple hubs, depending upon the product. Hubs get direct delivery from the contract farming locations. The hub takes care of supply of vegetables to retail outlets. It has supply coverage to all stores of a specific geographical area. A hub is served by one or more consolidation centers and a consolidation center serves one or more hubs. A store is served by only one hub. Store sells vegetable in retail quantity to the customers and is the last phase of distribution in VCM business model. The hub disposes off the shelf life-expiring vegetables and do not sell to cart vendors.

Value chain business model differs from hub and spoke business model in dependency on wholesale market and supply link between hubs. The hub in the VCM dispose of the shelf life-expired vegetables, but hubs in HSM sell off to the cart vendors. Stackable plastic crates, pallets and corrugated fiberboard boxes are used in handling vegetables. The loading and unloading are done with semi-automatic platform trolleys and hydraulic stackers. Vegetables are cleaned
and washed at the hub on arrival. Preliminary sorting and grading are done at the consolidation center without packaging. The weight sorting and size sorting is done at the hub itself. Wrapping machine and film packing machines are used at the hubs. Every hub has warehouse and space is available for temperature-controlled storage. Implementation of information technology and advanced management techniques are in progress. Connectivity between stores (retail outlets), hub and back offices is established.\textsuperscript{14}

As per a study by Pattnaik et al\textsuperscript{(2015)}, due to the circumstances prevailing in UP, West Bengal and Odisha, it was mentioned that, Reliance Retail is moving out of stocking vegetables and fruits. Reliance Retail has decided to minimize its exposure in the fruit and vegetable business and position Reliance Fresh as a pure play super market focusing on categories like food, FMCG, home, consumer durables, IT and wellness, with food accounting for the bulk of the business. The company may not stock fruit and vegetables in some states. Though Reliance Fresh is not exiting the fruit and vegetable business altogether, it has decided not to compete with local vendors partly due to political reasons, and partly due to its inability to create a robust supply chain. This may cause backward linkages between retailer and farmers to break. Other retailing chains may also become wary of entering the organised food retailing sector.

5.5.1. Organized retailing of vegetables in Pune district.

Organised retail stores involved in retailing fresh fruits and vegetables in Pune City are Reliance Fresh, Reliance Smart, Hypercity, Star bazar, More stores, Big Bazar, DMart etc. the researcher met the store managers and interviewed them with an open ended questionnaire. Reliance Industries ventured into organised retail through Reliance Retail with its first Reliance Fresh store in Hyderabad in 2006. Today Reliance Retail operates over 500 Reliance Fresh stores across 80 cities and sells over 200 metric tonnes of Fruits and over 300 metric tonnes of Vegetables every day. Continuing Reliance’s tradition of backward integration, Reliance Retail directly partners with a large number of farmers and small vendors in a farm-to-fork model. The linkages with the farm has brought about transformational changes in the quality of life of the farmers as also enhancing the quality of produce, reducing wastage by shortening the time to move fresh produce and reducing intermediaries in the value chain thereby benefiting all. Reliance Fresh Direct offers over 6,000+ products at comfort of consumer’s home, office or

\textsuperscript{14} Business Models of Vegetable Retailers In India, Paulrajgan Rajkumar and Fatima Jacob Department of Management Studies, Anna University, Chennai, India. Great Lakes Herald Vol 4, No 1, March 2010 - Page 37).
on the move. They offer consumers the convenience of shopping everything that they need for their home - be it fresh fruits & vegetables, cereals, packaged food, bakery & dairy, frozen & pet food, household cleaning items to specialized beauty & personal care products from a single virtual store.

Founded in 2006, HyperCity Retail India Ltd. is part of the K. Raheja Corp. Group, which helped create modern retailing in India with the establishment of Shopper's Stop, Inorbit Mall and Crossword chains. HyperCity opened its first store in Malad, Mumbai. Today, a total of 20 stores have been launched, since the company's founding and a presence has been established in cities including Hyderabad, Bangalore, Jaipur, Amritsar, Bhopal, NaviMumbai, Ahmedabad, Vadodara, Pune, Delhi-NCR, Panvel, Thane and Baroda. HyperCITY has ventured into the e-commerce sector since September, 2016. The shopping app promises delivery within 3 hours, the aim being to extend their World Class shopping experience and convenience to mobile and desktop shopping as well. Besides Reliance and Hypercity, there are a number of other players in food retailing in Pune, viz; Star Bazar, Food Bazar, Birla’s More stores, Dmart etc.

5.5.2. Responses of organized retailers on reforms.

Pune city has numerous outlets run by different agri-business firms from the organised retail sector. There is presence of Reliance Fresh and Reliance Smart, Food Bazar, Star Bazar, Hypercity and More. On interviewing the retailers the researcher received the following responses:

The organized retail stores are engaged in selling all kinds of agricultural produce including cereals, pulses, oil, sugar, fresh fruits and vegetables and all processed and packaged foods. In vegetables, these stores display all local produce as well as some imported vegetables. Organic and exotic vegetables are also well displayed as the consumer preference for these vegetables is increasing. Hub and spoke model retailers only allot the space and basic furniture for the display. They allow the vendors to display the produce as he deems fit at prices based on market conditions. Prices are determined jointly by the store and vendor. In case of value chain retailing format, the store manager is responsible for entire process of marketing from display to fixing prices and collating information on fast selling produce. Different retailers follow different procedures for procuring agricultural produce. The hub and spoke model is more popular. Hypercity follows the hub and spoke model. They enter into contracts with vendors for trade in agri produce. They provide and allot a designated space in their stores for display
of vegetables and fruits. They also provide basic infrastructure like furniture/stalls etc. Vendors bring in their produce and display it.

Reliance follows the value chain model: Reliance Fresh has a dedicated agency, Centre for Perishable Cargo (CPC), to procure the produce from farmers or the wholesale market. This agency procures the best possible, A grade produce. Most times the team procures the produce directly from farmers at the CPCs. In case any particular vegetables are not available with farmers near the CPCs the Reliance team approaches wholesalers at the APMC to procure those vegetables. There is backward integration in this format. Although retailers are not yet creating large scale infrastructure like warehouses or big cold storage facilities for fresh vegetables, they do provide basic infrastructure to the vendors and farmers from whom they procure the vegetables. In the value chain model the procuring agency has to arrange for transportation of the produce from the market/farm to the store. They use cold storage equipped vans in case of fresh fruits and vegetables. Sometimes transport facilities may be provided by the store in hub and spoke model. More such infrastructural facilities include furniture/stalls and cold rooms for temporary storage of produce. The cold room facilities ensure a longer shelf life for vegetables. Distress sale of vegetables can be avoided.

Reliance Fresh also offers grading and hygienic packaging of vegetables to facilitate long shelf life. In case they purchase from farmers the supply chain becomes shorter as the number of intermediaries reduces. The supply chain then becomes: farmer-Reliance Fresh-consumers. This ensures that farmers get better returns and consumers too will have to pay less for the vegetables. But Reliance also procures the vegetables from the APMC market. Then the supply chain includes more intermediaries. The only advantage may occur when Reliance procures a substantially large quantity of vegetables and gets a discount on the same. In Pune alone Reliance has 14 stores, both Fresh and Smart, therefore there is bulk buying of vegetables to supply to all these stores. The consumers will benefit by paying less, and in the long run demand for vegetables will increase benefitting farmers as well. In case of Hypercity, officials explain market conditions to the vendors and help them to fix prices. These prices are competitive as they are benchmarked against market prices. Farmers do not yet directly sell their produce in the stores therefore they do not pay any charges to the stores.

In Hypercity, vendors are asked to bring in the produce and display it. The vendors are not expected to pay charges to the store. 90% of sales receipts are given to the vendors and 10% of
the sales receipts are retained by Hypercity. Vendors are generally traders who procure the produce in APMC from wholesalers or from farmers directly. Most vendors still procure vegetables from APMC market yard wholesalers. In this case, benefits to farmers of selling in supermarket chains are uncertain. Benefits to consumers will depend on the discounts received by vendors for bulk purchases from the market wholesalers. Wholesalers may themselves act as vendors. Then there is a shorter supply chain and benefits may accrue to farmers as well as consumers.

According to the store managers, foreign retail firms will not find business in agricultural products feasible and will be unwilling to invest in the food retail sector in India. As an organized retailer the store manager will obviously decry foreign investment which translates into competition for all organized retailers in general. But the government of India is soliciting foreign investment with its announcement to permit FDI in multi brand retail sector. Really large business players like Walmart, Carrefour etc. will soon announce investments in this sector. It will be rational for Indian business firms to enter into partnerships with large foreign players to increase their share in the food retailing sector. This will also lead to improvement in infrastructure like cold storages, warehousing facilities, grading and standardization facilities and modernization through technical upgrading of all other marketing processes. Market information and settlement of payments through technology based systems are imperatives in this sector.

The store managers seemed unwilling to reveal the earnings per kilogram of vegetables sold. Also since the produce in fresh fruits and vegetables varies widely, it is difficult to calculate an average value of produce. In case of Hypercity, the store earns 10% of the total sales receipts of the daily turnover of vegetables. Considering that the stores were selling produce at a discount and that number of consumers was limited, there may not yet be very high returns to the stores from this section. In the long run as more consumers turn to these stores there will be an increase in the returns and profits from sale of fruits and vegetables, to organized stores. In terms of remuneration paid to farmers, Reliance Fresh claims that it buys ‘A’ grade produce at premium prices if necessary. Farmers get the best prices when they sell to Reliance procurement agency. Hypercity claims that its store managers use their experience and expert analysis of market conditions to help fix prices in line with market prices. Therefore vendors get better prices for their products. But whether vendors pass on the benefits of higher remuneration to farmers is uncertain.
As per the store managers, in the last five years there has been a persistent increase in consumers buying vegetables at the stores by approximately 30%. It is expected to increase at a faster pace. As consumers get better quality, hygienically packed and low priced vegetables in a store with all other household and other products under one roof, supermarket shopping is very convenient for them. It is observed that, the opportunity cost of spending time separately on shopping for different household needs, is very high for women, specially working women. Due to this there will definitely be a rise in the consumers of vegetables sold in organized retail stores. There is a notable increase in lower income households buying all their grocery needs from these stores which advertise their low prices, announce discounts on particular days of the week and also give attractive offers on produce.

Another alternative form of marketing emerging very fast in this sector is the **Online Retailing format**. Many firms are solely into the business of online retailing of fresh agricultural produce viz; Big Basket.com, Groffers.com, etc. Big business players are also announcing their own online fresh produce stores.eg; Star Bazar, Reliance Fresh, Hypercity etc. This format helps consumers to get vegetables at their doorstep. This saves time. Further these stores are much cheaper to maintain than brick and mortar supermarkets. Their logistics are limited. Therefore these stores can sell agricultural produce to consumers at reasonable rates. According to the store managers there is also a long term possibility of diminishing intermediaries. This will happen as the volumes of trade become large enough for retailers to buy directly from farmers or commission agents eliminating the wholesaler altogether. The relevance of APMC will also diminish as direct marketing increases in scope and the role of commission agents and traders diminishes completely. Farmers themselves will also prefer to sell to the firms directly superseding the traders and agents in agricultural markets.

5.5.3. **Response of Organised retailers regarding their role.**

Organised food retailing in India still accounts for less than two per cent of the total food market, according to a study by NABARD in 2011. Estimates indicate that the size of this segment is Rs 19,400 crore, as against the total food market of Rs 12,45,000 crore. By 2020, this segment is estimated to grow to Rs 62,000 crore, the study points out. Indeed, direct procurement by retailers in the new format is seen to deliver better deals, both for the farmers and producers, especially due to improvements in supply chain operations.

In a paper presented during a recent Confederation of Indian Industries (CII) seminar, Sunitha Raju from the Indian Institute of Foreign Trade, points out that direct procurement format
resulted in an increase in farmers’ net income by eight per cent, while consumers paid six per cent less and transportation wastage fell by seven per cent. This could further improve if supply chain logistics is strengthened\textsuperscript{15}.

The researcher interviewed some store managers of organised retail businesses like Hypercity, Reliance Fresh, Food Bazar and Star Bazar. Responses of the retailers are recorded below:

1. 66.7\% of organised retailers said that they invest in creating market infrastructure. These stores are setting up facilities like centers for perishable cargo near farms (Reliance), display areas for fruits and vegetables in stores, cold room facilities for better shelf life of produce and cleaning and grading of produce.

2. 100\% of these retailers believe that they invest more in infrastructure than APMCs. The number of retailing firms entering into agri business is increasing and their expansion plans are considerably big. Foreign direct investment approvals in Multi-brand retailing and food retailing will further ensure more investments in agricultural marketing infrastructure and supply chain logistics.

3. 100\% of retailers think that the government policy to allow FDI in food retail is not feasible. They do not want to face competition from foreign firms in retail business.

4. 100\% of the stores believe that they paid better remuneration to farmers than what is yielded by auctions. This is not yet proved.

5.6. **Viewpoint of stakeholders on the issues involved in reforms of Agricultural Marketing sector.**

The study consisted of a survey of stakeholders in agricultural marketing. Interviews were held with the help of semi structured questionnaires of six groups of stakeholders- vegetable farmers, APMC officials, traders/ commission agents, wholesalers, organised retailers and local unorganized retailers in Mumbai and Pune APMC market yards. Responses of the groups were taken on various issues and processes in agricultural marketing sector in general and APMCs in particular. This part of the chapter consists of the consolidated responses of these stakeholders. These responses are compiled as follows:

\textsuperscript{15}Raju S, 2015, CII seminar, retrieved from https://agriandfoodtidbits.wordpress.com/2012/11 accessed on 23rd May 2017
1. Farmer representatives on APMC:

100% of officials said that there are farmer representatives on the APMC. APMC is elected by the farmers’ body across the district. The APMC official informed that the Maharashtra State Agricultural Marketing Board or Sanchalak Mandal oversees the functioning of the market. APMC officials only carry forth the instructions given by this board. Farmers do not constitute a part of the APMC directly. But they do elect the APMC for the market. The APMC is operated as per the directions from this board. So the needs of farmers are heard and they get adequate representation. In view of farmers the representation is not adequate. And traders and officials have formed a nexus to operate the market in the interest of traders rather than farmers.

Government of Maharashtra in November 2014, abolished 170 APMCs whose term had expired and appointed administrators for these APMCs. This was done to restrict any further irregularities in functioning of APMCs. Further the government has announced in February 2017 that it will establish a permanent management board headed by senior bureaucrats to manage the working of the APMC. Chief Secretary of the MSAMB will be the ex-officio chairman of this board. Sanjay Shelke, a farmer from Maan village commented that farmers are represented but by large farmers with political connections. So small farmers still remain underrepresented and are adversely affected by the nexus between traders and politicians.

2. Adequacy of weighing and grading facilities:

The APMC officials vouch for the facilities offered by them. APMC has provided adequate electronic weighing machines to the commission agents at a 50% discount of market rate. These machines are placed in the stalls of the traders. This ensures accurate weighing of produce and farmers rest assured of the actual weight of their produce. Due to electronic machines, returns are fixed transparently. They also specified that the APMC regularly maintains roads and stalls. Also the system for clearing of garbage and waste is well in place. Daily 8-10 truckloads of waste is carried out of the market yard to the dumping grounds. This in itself is a huge task.

According to wholesalers, the facilities are quite adequate. Some improvement in maintenance is required. Ravikumar Kamat, a cauliflower wholesaler said that water tanks need cleaning and roads need maintenance. Sometimes space constraint is there for grading produce. As observed by the researcher while conducting the survey in the market yard, vegetables perish very quickly and there ought to be some cold storage infrastructure at the yard to reduce wastage on a daily basis. Also the place needs more maintenance and planning of space usage for different processes like weighing, grading, accounts settlement and retailing.
Local retailers: Most times the retailers get cleaned and graded produce from the wholesalers. But in case of leafy vegetables there is the additional burden of cleaning the produce. In regular vegetables too, cleaning of produce is left to retailers many times. This adds to the costs for retailers who require help to clean and maintain the produce. Consumers are very discerning about what they buy. Therefore cleaning has to be done continuously. Vishwasrao More, a local retailer at Wanavadi, Pune spoke for many retailers when he said that cleaning and sorting produce adds to selling costs of retailers and hence they have to add these costs to their margin.

3. Government provisions of facilities in APMC:
The APMC is appointed by the MSAMB which comes under the Department of Agriculture of Government of Maharashtra. It maintains the premises of the market yard. Government supplies electricity and water supply. APMC pays for these facilities from the funds it collects as market fee paid by traders and agents. The roads and buildings are constructed and maintained by the MSAMB.

50% of APMC officials observed that government provides some facilities while 50% officials said no facilities are provided by the government. Regarding cold storage and warehouse facilities, APMC officials said that, since this market is specifically for vegetables which are perishable in nature, trade takes place on a daily basis. Fresh produce is brought in daily by the farmers. Demand practically matches supply as the produce is fresh and a wide variety of traditional, organic and exotic vegetables are available, consumers and retailers prefer to come in the market daily and buy the produce. Further bulk buyers such as food processing firms, supermarkets and commercial consumers such as eateries also prefer to buy from wholesalers in the APMC premises. Therefore volume of trade is very large and storage facilities are not required much. Some cold storage facilities are made available to farmers and traders by private agencies outside the premises of the APMC.

List of facilities: The APMC as a representative agency of government is committed to providing basic infrastructural facilities on the premises of the APMC yard. Therefore the yards are equipped with pucca roads, electricity, platforms, sheds, water, sanitation facilities and accommodation to farmers. The APMC charges a market fee to the traders and commission agents who operate from the premises of the APMC market yard. This market fee is 1.05% of the sales receipts of the trader. Most agents and traders were satisfied with the facilities offered by the APMC. Maintenance of the facilities is also the responsibility of the APMC.
Regarding the facilities provided by the APMC and the market fees charged to agents, 50% of commission agents were satisfied with the facilities and thought that the charges were justified. While remaining 50% of the respondents were neither satisfied with the facilities nor thought that the charges were justified. Efforts need to be made to increase and modernize the infrastructure in APMCs.

20% of wholesalers only feel that the facilities are adequate and charges are justified. 80% disagree on both these counts. Wholesalers are dissatisfied with the facilities and feel that the facilities are inadequate. Suresh Jadhav a wholesaler said that, “improvement in maintenance of facilities is required. Water tanks need cleaning and roads need maintenance.” Sometimes space constraint is there for grading produce.

As observed by the researcher while conducting the survey in the market yard, vegetables perish very quickly and there ought to be some cold storage infrastructure at the yard to reduce wastage on a daily basis. Also the place need more maintenance and planning of space usage for different processes like weighing, grading, accounts settlement and retailing.

4. Government schemes available for Agricultural Marketing:
The MSAMB has introduced all schemes under the amended Agricultural Marketing (Development and Regulation) Act 2006. As per this Act, the State will give licenses to any farmer or cooperative agency for market development. The list is as follows:

1. Direct Marketing License
2. Private Market Yard License
3. Farmers-Consumer market license
4. Single license for trade in multiple market yards as well as market yards across different districts of Maharashtra state.
5. Special commodity markets may be set up by the APMC for onions, potatoes, oranges, bananas, jiggery, turmeric etc.
6. Contract farming license: the APMC will register the contract between farmers and the firms as well accept grievances if any from the parties involved in the contract. This gives farmers an assurance of resolution in case of disputes and increases their confidence to enter into contract farming arrangements.
7. Food processing cooperative firms will be eligible for capital or loan support from the state government and through national finance institutions. The firm’s contribution will be 4% of project cost, state government’s equity capital will be 36%. Finance on the
guarantee of the state government will be 60% of project cost. The project cost can be a maximum of Rs.5 crs.

8. Minimum support price scheme for grains sold through the APMC.

9. Farmer’s cooperatives selling fresh fruits and vegetables will receive a capital support. The NCDF gives financial assistance up to 90% for precooling and storage facilities since 1991. This project was jointly operated by NCDF and National Plantation Board of India.

Stakeholders like wholesalers, retailers and farmers will benefit from these schemes. The schemes are mostly directed at freeing the markets and reducing the bureaucratic procedures in APMC market yards. The government is also providing capital support and financial assistance for marketing infrastructure and forward integration of agriculture with the food processing industry.

Most wholesalers and traders are aware of the government schemes. They have observed some attempts by farmers to sell produce directly to consumers. Some of the farmer cooperatives even operate in the premises of the APMC. Traders believe that very few farmers will attempt to sell directly as marketing is a time consuming and tedious process. As of now there have been no attempts at setting up private market yards in Pune city. According to traders and officials, hardly 5 percent of farmers have started selling directly. Even the farmers’ markets have received only lukewarm response from farmers. Wholesalers on the other hand, believe that due to markets like Hadapsar and Manjri, where farmers sell directly, the trade at main market yard in Gultekdi has reduced by about 50%.

*Local retailers:* Most local retailers were aware of the athavda bazars where direct marketing takes place. But they were not keen on purchasing from these bazars as the markets were few. There was no assured supply of produce of the varieties that consumers demand. Many retailers were agitated about both the presence of mobile vans and athavda bazars. Krishnarao Sathe a retailer claims that the sellers in both these places are not real farmers. They are retailers who procure the lower grade produce from wholesale markets and sell at low prices under the protection of government schemes. These retailers do not have to pay any market charges or rents etc. Competition then becomes unfair. Regular wholesale traders were preferred by retailers as supply was assured and cleaned, graded produce was available at most times.
5. Market charges and fees/ commissions:

100% of officials feel that charges paid by farmers are not excessive. APMC does not review charges. MSAMB decides and implements policy. Farmers have to pay hamali, tolai and transportation. Till recently the farmer also had to pay ARHAT of 6% to the commission agent. The Commission agent in turn would pay the market fee of 1.05% to the APMC. According to the officials these charges are not excessive. Earlier arhat was paid by the farmer, so the charges seemed excessive. But since the reform in July 2016, charges to farmers are normal. In July 2016, the Government of Maharashtra made a rule that arhat will be collected from the wholesalers by the commission agents. The arhat is now paid by the wholesalers and therefore farmers are relieved of the cost of arhat. The charges deducted from farmers’ bills receivable will now reduce. They will receive better remuneration for their produce. The APMC does not review the charges regularly. The charges are fixed by the MSAMB. The APMC is not authorized to change the market charges. It is only responsible to collect the charges and ensure smooth operations in the APMC premises. It is also responsible to settle any disputes if they arise.

Wholesalers: Amount- Rs.1.05/- for every Rs.100 in sales received. This is the market fee that wholesalers have to pay to the APMC. Recently the Maharashtra Government has issued an ordinance by which wholesalers have to pay the 6% arhat to the commission agents. This has depressed markets to some extent. Giridhar Satam a wholesaler pointed out that they were effectively paying 8% of the value of trade to commission agents in the form of arhat, market fee and levy.

Retailers: the researcher asked retailers if wholesale prices had increased on account of the wholesaler being made responsible to pay arhat, surprisingly the answer to this question was mostly no. It was expected that once the wholesalers were asked to pay arhat to commission agents, they would pass on this additional burden to the retailers who in turn would pass on this burden to consumers. Retail prices would be inflated in that case. But retailers have not found a significant change in prices since the announcement by Maharashtra Government. There could be two reasons for this unexpected situation. One, is that the wholesalers are unwilling to pass the burden to retailers in order to avoid loss of business. Demonetization was also announced consequent to reforms in agricultural marketing. Markets were depressed as cash transactions were severely limited due to demonetization announced by the central government. To avoid further loss of business the wholesalers have continued to bear the commission charges by themselves. Secondly, as pointed by the commission agents
themselves, ever since arhat is to be paid by wholesalers, they have not been able to achieve high prices for the produce through auctions. APMC market rates itself are depressed as it has become a buyers’ market. Price fluctuations are an integral part of daily vegetable trade in the market. Hence it is difficult to gauge the exact impact of the policy. In Pune city the produce from Gultekdi Market yard is transferred to sub markets of Pimpri, Moshi, Uttamnagar and other areas of the city. Retailers procure the produce either from the main market yard or from wholesalers spread across different parts of the city. Recently local retailers have started giving preference to Hadapsar market and Manjri Shetkari Bazar. This is due to the modern facilities of weighing and grading as well as the absence of commissions.

According to Haribhau Mohite a wholesaler, to some extent these charges are justified as the APMC makes available basic infrastructure facilities like water supply and electricity. Besides it also maintains the market yard premises by waste collection on a daily basis. But the arhat charged to wholesalers is leading to depressed business. It will also increase the consumer’s prices in retail markets.

6. **Number of intermediaries in the market:**

100% of APMC officials observed that the number of intermediaries in the market are not excessive. APMC officials observed that intermediaries play a specific role in the market. Traders and commission agents make markets and facilitate trade between farmers and wholesalers. These wholesalers further take the produce to the retailer and finally to the consumer. The entire chain between farmer and retailer, many times operates on the basis of credit. The commission agents offer loans to farmers and also further offer credit to wholesalers. This is a very useful function of the commission agent. And without intermediaries it will be very difficult to create and make markets. Farmers are more educated and aware now. Technology and mobile phones are enabling informed sales by farmers therefore intermediaries are unable to cheat or intimidate farmers now.

Traders and wholesalers, for obvious reasons, do not believe that the number of intermediaries in the market are too many. This is their livelihood. But they do believe that the reason for increase in prices to consumers is the arbitrary pricing of produce by retailers. Also retailers do not fall in the ambit of any regulations, therefore they charge excessive prices to consumers. This reduces the farmers share in the consumer’s rupee.
Those *retailers*, the researcher interviewed, agreed that the organized retail business in vegetables has affected them adversely. They roughly estimate their loss in business by 20%-70% due to these big stores. They believe that organized retailers buy large quantities of produce either from APMC yards, vendors or from farmers directly. Therefore they get discounts from suppliers and pass on this discount to consumers. They stock this produce in specific packages and plastic wrapped state. Therefore, consumers too buy the produce as it is convenient and time saving. These stores can also have their own cold storage facility for vegetables. Local retailers on the other hand have to avail the cold storage facility at an additional cost, that too if available. But retailers are skeptical of the quality of produce offered by these retailers and believe that discerning customers will always buy produce from them. Many of the local retailers have reconciled to the existence of organised big business retailers. But as of now there has been no reduction in the number of local retailers in the market. Although the long term effect will definitely be very adverse. They predict a huge loss of livelihoods not only of shop owners but of the other market functionaries like load bearers, helpers and transporters.

7. **Direct sale by farmers in open markets:**

66.7% of APMC officials feel that farmers should be permitted to sell vegetables outside the APMC premises while 33.3% disagree with this decision. APMC officials do not think that farmers should sell directly outside the market yards. Farmers are unable to conduct marketing activities or devote time to selling vegetables on their own. Therefore they require the expertise of intermediaries like the trader and commission agent or wholesaler to understand the market, fix prices and find buyers for the produce. Holding power of farmers is limited in vegetables as they are highly perishable. This could lead to huge distress sales or wastage for farmers. Intermediaries are thus required. Organised retailers buy very small quantities of vegetables even now. They take only A grade produce from the market. Therefore farmers are left with the lesser qualities of output to be sold in the market itself.

Further in Pune APMC, farmers are permitted to sell their produce directly to retailers or consumers from the premises of the APMC. The researcher bought some raisins (black and brown) from a retailer with a small stall in within the premises of the APMC. The retailer was part of a group of grape growing farmers’ association from Tasgaon taluka of Sangli district. Researcher also bought some kiwi fruit and pomegranate from another retailer. The quality was excellent and rates were reasonable relative to the retailers in Mumbai. The retailer informed
me that the kiwi fruit was sourced from the Vashi APMC. This brings forth the fact that Pune APMC market yard is a well-established premises for sale of agricultural produce. Also products from different districts of Maharashtra state are available to consumers and retailers at one place which is easily accessible.

100% of commission agents thought that farmers should not be permitted to sell outside the APMCs directly as such a move would not generate any real benefits to farmers. This disagreement of agents with the government’s decision to delist fruits and vegetables and permit farmers to sell their produce outside APMC premises without any charges, resulted in a shut-down of the Pune market for almost a week. Traders also do not think that farmers should sell directly outside the market premises as farmers do not have the ability and resources to sell their produce directly outside the market premises. Also the services of agents in grading and selling the produce are crucial for the farmer. Arhatiyas also play the role of market making by providing credit to farmers and sometimes to wholesalers too. This important finance function of the agent cannot be easily replaced as most of the transactions are on the basis of long established trade relations.

80% wholesalers feel that farmers should not be allowed to sell their produce directly outside the APMC premises. Traders also do not think that farmers should sell directly outside the market premises as farmers do not have the ability and resources to sell their produce directly outside the market premises. Further traders disapprove of the government policy of continuing market fees and arhat within APMC premise but allowing free sales outside these premises. This move creates unequal markets.

Wholesalers now prefer to procure the produce from farmers’ market like Hadapsar and Manjri to avoid commissions. Further they have started selling produce to eateries, food processing firms and supermarkets as vendors. This implies that they have benefitted from the entry of these new agencies in the market who buy the produce in bulk and enable faster trading. In fact most organized retailers depend on these wholesalers to procure cleaned and graded produce.

Local Retailers: 44.4 percent retailers were of the opinion that farmers should be permitted to sell their produce directly in the market either to big business retailers or to consumers directly. 55.6% disagreed with this move of the government. They look at this as a policy of the government to appease the farmers. Another reason for their acceptance of this policy was that they felt that farmers could only sell small quantities of produce of limited varieties. Whereas they were able to offer a much larger variety of cleaned produce, just as consumers demanded.
Further in sowing season, farmers would be unable to come to cities to sell produce. These retailers were also stocking produce from far off places like Karnataka, UP (Ferozpur potatoes) and Gujarat (bhindi). This produce would be unavailable with farmers from nearby districts such as Nasik. Supply of this produce was only possible through traders, wholesalers and retailers in the traditional set up. According to the respondents, customer relations and clean produce are the USP of these local retailers. Some respondents felt that farming community will hardly gain much from the new policies. Only small farmers, from nearby districts, with limited produce will be able to sell their produce directly to consumers from mobile vans. Large farmers from distant areas would still have to depend on the APMC traders and commission agents to sell their bulk produce in the market. Farmers who have started direct selling also have to do it in areas away from the market premises. Consumers may not approach them. Further they sell uncleansed produce at marginally different prices from local retailers therefore after a while consumers will prefer to come back to local retailers.

8. Delisting of fruits and vegetables from the ambit of APMC:

66.7% of APMC officials believe that delisting of fruits and vegetables was the right decision while 33.3% believe that it was unnecessary. APMC officials thought that delisting of fruits and vegetables from the ambit of APMC was not required for the same reason that farmers will not be able to entirely replace commission agents and traders. They will continue to depend on these intermediaries as they have done for decades. Large farmers with greater volumes of produce will need the services of intermediaries to find buyers for their produce simply because the volumes are huge and wholesalers will be available only in the market yard. Small farmers, on the other hand will need the intermediaries as they are unable to spend time searching for the wholesalers or other buyers. Farmers may save on charges such as hamali, tolai and transport costs once they start direct sales of their produce to retailers or food processors. But they will be no security to farmers or assurance of sale on daily basis as it happens in the APMC yards. Farmers are represented in the APMC system. In private yards, set up by big business retailers or traders, there is possibility of them not being represented in the management of the yard leading them to be cheated.

According to the officials, there has been hardly any impact of the decision to delist fruits and vegetables on the Market in general or on the intermediaries. They said that transport issues are arising. Farmers are unable to transport their produce outside the market premises. The
onion and potato market is affected to some extent but the vegetables market in general continues to receive 500-550 trucks of vegetables daily. Market functionaries like the hamals, graders and the transporters will be affected to some extent as the quantum of produce coming to the market yard gradually reduces. But as of now there was not much difference in the volume of trade in APMC on account of the reforms announced by the government.  

50% of the commission agents were not in favour of delisting of fruits and vegetables from the ambit of APMC Act. They believe that farmers and market functionaries will be at a loss. Volumes of trade in the APMC are large and organized retail will not be able to replace the market intermediaries completely. Farmers are unable to sell produce on their own. Vegetables are by and large produced by small farmers who have no access to manpower to manage both production and selling. According to them trade has reduced almost 30-40% due to delisting. Farmers’ source and access to markets will diminish. Market information will not be available to farmers nor wholesalers. Farmers will be spread far and wide and accessing them will be difficult. Loss of livelihoods for market intermediaries will disrupt their lives. Further, large farmers will continue to use the services of large and well established traders or commission agents. The small agents will lose business considerably. These agents are in debt and it will be a huge setback to the agents. Markets will reduce in size and market functionaries like the hamals and graders will lose livelihoods. 60% of wholesalers felt that fruits and vegetables should not be delisted from ambit of APMC Act. Traders also do not agree with delisting of fruits and vegetables from the ambit of APMC. They believe that farmers and market functionaries will be at a loss. Wholesalers will be affected adversely if market size reduces and farmers sell directly to other agencies outside the market yards.  

Local Retailers: Most of the respondents agreed that competition in the market has increased drastically. The local retailers are now competing with four other groups of sellers viz; farmers’ cooperatives, organised retailers, online grocery stores and vendors. This has definitely reduced business. But there is no consensus on the actual reduction in business. The range is 10 percent to 70 percent reduction in customers. Price fluctuations are more volatile since new competitors have entered the market. Price wars are started by the street vendors and carried forward by organised retailers and online stores who purchase in bulk and sell at low prices. Local retailers are unable to withstand this competition as charges paid by them limit their capacity to offer competitive prices.
Some retailers believe that the market has not been affected much. There is only 10 percent reduction in their customers as they offer better quality and cleaned produce. Besides these retailers are hopeful that the reduction is only temporary as once sowing season starts farmers will be unable to market their produce on their own. Yet the long term impact of government announced reforms are going to be drastic. Livelihood of retailers is at stake and some may even have to close down their business in case direct marketing becomes an established mode of agricultural marketing.

9. Model APMC Act:

100% of APMC officials agree with the provisions of the Model APMC Act. APMC officials said that provisions of the model APMC act are very important. But the implementation of direct marketing reforms will take some time. Especially in fruits and vegetables which are perishable in nature. Setting up of cold storages etc. are in the pipeline but will take a long time to reach the optimum capacity of storage. Traders think that the Model APMC Act has made some impact on the agricultural sector.

10. Relevance of APMC post the Model APMC act:

100% of APMC officials believe that APMC must continue to exist. APMC officials believe that even now APMC is very relevant to agricultural marketing sector. As per their estimate, 95% of trade in vegetables is conducted through the APMC. There is open auction of produce in the market yard and farmers as well as wholesalers have faith in the system. Even big business retailers and food processing firms prefer to buy their requirements from the commission agents or wholesalers in APMC yards. The system is deep rooted now and will be very difficult to remove. All new forms of marketing will survive only if parallel changes are made in the regulated markets too. Also the officials observe that, in the weekly bazaars majority of the sellers are retailers and not farmers. According to the officials real farmers have faced issues such as cheating and theft of produce by the wholesalers and buyers in the market. Farmers are inexperienced and sometimes illiterate. Therefore they may be cheated in terms of the payments or produce by retailers and other buyers. Therefore they are wary of selling the produce in the market directly.

80% of wholesalers feel that the relevance of APMC has not diminished since reforms. Traders too think that relevance of APMC has not changed much. The impact of reforms is in a very early stage as of now. 95% of the farmers are still dependent completely on markets for sale of produce. Organized retailers and processing firms are also accessing the markets for their
produce rather than approaching farmers directly. Therefore the relevance of APMC has not diminished yet. In the long run the system may gradually change and direct marketing may become a preferred channel of marketing for farmers.

11. Changes required in APMC:
Although the role of APMC has not diminished even after reforms, regulated markets in general require some changes. APMC officials feel that following are the required changes: Computerization of processes. Computerization has begun but there needs to be computerization of the entire marketing process right from farmers to agents to committee. This will ensure transparency and fair returns to farmers and even the market functionaries. Reforms by government need to speed up and increase in scale for any definite improvement in the APMC system. Cold storage facilities will require some large scale investment and this facility is useful but the marketing costs for farmers will increase. Market prices will have to be increased. Further as fresh vegetable produce comes to the market on a daily basis the demand for stored vegetables will diminish. The quantity of supply in the market will also increase causing prices to fall in the market.

Traders will prefer that the APMC is maintained well and the facilities offered are improved.

12. FDI in Agricultural marketing:
The committee officials did not have much to comment on this aspect of the markets and government policy.

In view of the store managers of organized retail stores, foreign retail firms will not find business in agricultural products feasible and will be unwilling to invest in the food retail sector in India. As an organized retailer the store manager will obviously decry foreign investment which translates into competition for all organized retailers in general. But the government of India is soliciting foreign investment with its announcement to permit FDI in multi brand retail sector. Really large business players like Walmart, Carrefour etc. will soon announce investments in this sector. It will be rational for Indian business firms to enter into partnerships with large foreign players to increase their share in the food retailing sector. This will also lead to improvement in infrastructure like cold storages, warehousing facilities, grading and standardization facilities and modernization through technical upgrading of all other marketing processes. Market information and settlement of payments through technology based systems are imperatives in this sector.
13. Changing cropping pattern and market arrivals:

Commission agents: 75% of the respondents believe that the cropping pattern has changed since the adoption of the Model APMC Act in 2006. The market sees a larger variety of vegetables as well as exotic vegetables occupying space in the stalls and competing with traditional vegetables. 75% of respondents also observe that the cropping pattern and market arrivals are more demand driven than before. Market information is flowing through the supply chain backwards leading to these changes. The cropping pattern has definitely changed in the vegetables section of the market post the Model APMC Act. Farmers are now aware of the changing needs of consumers and they are diversifying into the production of exotic vegetables and organic farming. This awareness comes to farmers from the information provided by wholesalers and commission agents. Therefore farmers will continue to access markets and need the intermediaries. The markets have seen an increase in the eateries and supermarket buyers in the recent past. The globalized food patterns of consumers are reflected in the buying decisions of these eateries and supermarket procuring centers besides the households too. Therefore cropping pattern is now driven by market demand. Changes in technology and commercial seeds’ availability have also influenced the cropping patterns in Pune district.

Wholesalers: 100% of respondents observed that there has been a change in the cropping pattern of vegetables. 100% of respondents felt that cropping pattern is more market demand driven now. All respondents also agreed that there is continuous and adequate supply of exotic and new varieties of vegetables. This implies that farmers are willing to experiment and produce these alternate crops. The reason could be that these vegetables require lesser production time and better remuneration is offered both at wholesale and retail markets for these varieties of vegetables. Another advantage is the risk diversification in producing both traditional and exotic crops. In Pune district, the educated farmer has also started using greenhouse technology to grow newer varieties of vegetables under controlled conditions to suit market demand. This has led to market driven agriculture and indicates adaptation to change by farmers in Maharashtra.

Local retailers: 100% of respondents agreed that there has been a change in demand pattern significantly. 100% of respondents agreed that there has been a change in supply pattern corresponding to demand. Local retailers agree that demand pattern for vegetables is changing significantly in favour of newer varieties of vegetables such as gherkins, coloured capsicum, oregano, celery, broccoli etc. the underlying reason being changing food consumption pattern
in urban areas. Every retailer now stocks a few new varieties of vegetables. There is an increase of 5%-15% in demand for exotic vegetables annually. This is a rough estimate.

5.7. Observations from a study at Narayangaon Market:

A study was conducted in Narayangaon, Pune district to gauge the readiness of stakeholders to enter into direct marketing. The researcher interviewed some organised retailers like Tata-Tesco (Star Bazaar), Big Bazaar, HyperCity, Reliance Retail and D-Mart, commission agents, wholesalers and some export firms like Kay Bee Exports and Jain International foods (trader). Responses regarding direct marketing are as follows: organised retailers were of the opinion that farmers in Narayangaon are already savvy in direct marketing. Star bazar procures 70% of its produce from farmers directly. They also intended to start a Joint Business Plan with farmers to improve loyalty. Big bazar also has a procurement center at Narayangaon and they procure directly from farmers. Some low volume produce like leafy vegetables is secured from APMC markets. Hypercity procures all its produce from the APMC or vendors, not directly from farmers. Reliance procures in bulk and move the produce in big volumes across the country – e.g., they procure Potato from U.P, Onion from Nasik, and Tomato from Narayangaon belt and move it across their different distribution centers. Since Reliance deals in larger volumes of produce, deals with farmers happen only when they make economic sense. If APMC markets offer the same produce at lower prices, then Reliance buys from these APMCs. D-Mart stores procures their produce mainly from APMCs but also some proportion from farmers. They observed that, farmers selling via commission agents get cheated – most of the commission agents have weighing scale which show lesser weight so, when their scales show 20 kgs, the actual weight is, say 23 kgs. They pay for 20 and sell 23 kgs. Then they also lie to farmers about the price they sell at since all the transactions are done on hand written books which farmers often don’t even check in detail.

Commission Agents responded as below: 50% of the produce sold is procured from farmers and the rest 50% from traders across India e.g., Delhi, Surat. 70% of products are sold to local vegetable vendors, 20% to hotels, and 10% to traders across India. ‘I also sell sometimes to Reliance Retail (e.g., Parwal). Major costs are Rs 12/quintal for loading and unloading, packaging of Rs 0.5 per kg (10 kg per 20 kg bag). There is also a levy of 0.25% and tax of 1% to the APMC. 25% of my sales are on credit, rest on cash’ said one of the traders.
Export firms: Major exports from India include Tomato, Okra, Chilies, Bottle gourd, Bitter Gourd and fruits e.g., Mango, Pomegranate etc. Many exporters are already buying directly from farmers to cut the middlemen. And in cases where there are middlemen, they are adding value to the product, e.g., packaging, sorting and grading etc. Back-end supply chain is the most critical element in vegetables supply and exports. In India, the pre-cooling of vegetables doesn’t happen because most of the vegetables are transported and sold in ambient temperature – this reduces the shelf life of vegetables to 3-4 days. Compared to Europe where the required shelf life of vegetables is 45 days and for Dubai it is 10-15 days. There is no agency setting the standards in India and there is lack of education in B2B sector – hence there is no incentive to improve this infrastructure. Setting-up of a pre-cooling supply chain for exports is capital intensive. It requires approximately Rs.50lkh to Rs1cr. There is substantial export potential hence organised retailers should invest in this infrastructure. Farmers’ and their associations should supply farm products to exporters.

5.8. Responses of unorganized local retailers of vegetables.

An important and very dominant link in the supply chain of vegetables is the local retailer. This group of retailers are dominant in the Indian markets for decades now. They convey market demand conditions to wholesalers through their purchases. They are also the immediate link with the consumer and determine retail prices which indicate the level of inflation through consumer price index. These retailers are responsible for the last leg of the vegetable supply chain and for reaching vegetables to households. Majority of households still depend on these local retailers for their daily requirements of vegetables.

A quick and short interview with few of these retailers in residential localities in Pune and Mumbai revealed the following: these vendors’ stock very small quantities of fresh produce on the carts that they hold. They claim that their produce is almost always fresh and of good quality. These vendors buy their produce from the wholesale markets in Pune and Mumbai. They are able to select the quality and quantity of vegetables that they require on a daily basis. Farmers send their produce to commission agents or traders in Gultekdi APMC or Vashi APMC market. Wholesalers buy from traders at these APMCs and these wholesalers sell their produce to retailers at various wholesale markets after sorting and grading the produce. The retailers then sell the vegetables to consumers. The number of times that the vegetables are handled increases leading to wastage and loss of produce.
Secondly retailers have to rent out selling space from other retailers and grocers. This rental outgo also increases the retail price in the market. Municipality taxes, service charges for water and electricity, transportation and retail mark-up are all responsible for the inflated prices in these markets. Demand fluctuations affect the returns to retailers directly. The sale of vegetables by big business retail stores has to some extent affected local retailers. The number of customers has fallen as well as the quantity purchased has fallen. Some regular customers still continue purchasing from these local retailers but there is a 5% reduction in footfalls at these stores. Some of the retailers are confident that business will continue on account of the good quality and sorted and graded produce that they offer. In their opinion, organized retailers do not grade and clean the produce well therefore local retailers are preferred.

Recently farmers from Nasik have started bringing in tempo-loads of vegetables to be sold in residential areas of Mumbai. This has also affected the sale of local retailers. But the impact is still very limited. These mobile vans come thrice a week. Therefore consumers have to approach the local retailers for vegetables on other days of the week. Added to these, there is the inauguration of athavada shetkari bazars by the present government at various places in Mumbai city. Farmers and consumers now have a variety of alternative marketing modes to rely on. It can be observed that the livelihood of local retailers is definitely under duress, from the onslaught of these alternative arrangements of vegetable marketing.

Besides the above responses to common aspects affecting all stakeholders, local retailers responded to other queries related to big business organised retail and price discovery. Organised retail has considerably affected the business of local unorganized retailers. Majority of local retailers whom the researcher interviewed, agreed that the organized retail business in vegetables has affected them adversely. They roughly estimate their loss in business by 20%-70% due to these big stores. They believe that organised retailers buy large quantities of produce either from APMC yards, vendors or from farmers directly. Therefore they get discounts from suppliers and pass on this discount to consumers. They stock this produce in specific packages and plastic wrapped state. Therefore consumers also buy the produce as it is convenient and time saving. These stores can also have their own cold storage facility for vegetables. Local retailers on the other hand have to avail the cold storage facility at an additional cost, that too if available. But retailers are skeptical of the quality of produce offered by these retailers and believe that discerning customers will always buy produce from them. Many of the local retailers have reconciled to the existence of organised big business retailers. But as of now there has been no reduction in the number of local retailers in the market.
Although the long term effect will definitely be very adverse. They predict a huge loss of livelihoods not only of shop owners but of the other market functionaries like load bearers, helpers and transporters.

Price discovery: According to retailers the range for mark up in prices was very significant from 2%-50%. Generally retailers have to pay weighing charges, load bearing charges at wholesale markets, transportation from wholesale markets to local areas, helper charges for cleaning of produce, packing bags, rent for stalls, electricity and other miscellaneous charges. These costs add significantly to the final retail price that consumers have to pay in the market. Retailers claim that they suffer from price fluctuations leading to loss on account of many reasons. Firstly vegetables are perishable therefore they need to be disposed on a daily basis. Seasonal nature of vegetables causes price fluctuations. Competition forces retailers to offer at market determined prices. For leafy green vegetables even cold storage facilities are useless and they have to be sold at distress prices many times. During summer prices tend to rise as vegetable supply reduces and retailers can gain higher margins. Margins for different vegetables too are different.

But they did not agree that they were solely responsible for price hikes. They alleged that commission agents and wholesalers were the culprits in increasing margins in prices. Wholesalers agreed that they keep a margin of 10-30% over and above the 8% they pay to commission agents. The aggregators who procure the produce from farmers too must be maintaining a reasonable margin. All of this has led to practically 100% difference between wholesale prices and retail prices. Farmers do not even get 15% of the price paid by the final consumer. As per the retailers farmers from Nasik should sell at reasonable rates directly to wholesalers. Retailers can then buy from wholesalers at lower prices and pass the benefits to consumers. In fact they say that many days there are no earnings at all as vegetables have to be disposed. Local retailers cannot increase prices due to competition in the market. Retail prices may seem very high but wastage involved is very high. Multiple level of handling also causes loss of weight in vegetables. All these factors lead to very low net returns in vegetable sales to retailers.

5.9. Some Observations.

The retailer-consumer link is the last link in the vegetable supply chain. It is here that final price discovery takes place. But there is a long chain of intermediaries before agricultural produce reaches retail markets. Margins are added at each stage of the supply chain. Farmers
to aggregators, aggregators to traders, traders to commission agents, agents to wholesalers, wholesalers to retailers and finally to the consumer. Retailers are in agreement that government should limit the role of commission agents. They feel that farmers should sell at reasonable rates to wholesalers who in turn will sell to retailers and the benefit of lower prices can be passed on to consumers. The percentage of mark-up depends on a number of factors. Demand-supply of produce is the most important factor. Next factor is the bargaining capacity of commission agents who are market makers. Wholesalers and retailers determine their mark up by the costs involved in procuring produce, and costs of marketing the produce. They are also constrained by the market conditions and perishability of produce. The numerous taxes and commissions add significantly to the market price of vegetable produce. Mandi tax, octroi duty, value added tax, sales tax and inter-state movement taxes along with Arhat/commission, all add to the final price in the market at various stages. Farmers are losers in the bargain because they receive a very small proportion of the consumer rupee. And consumers too are losers as they have to shell out a large sum for the vegetables they consume. The intermediaries may seem to be taking away a large proportion of the consumer rupee. But the reality is that market regulation and restriction are limiting price discovery. Excessive taxes are also depressing market transactions.

The role of intermediaries in making the market cannot be ignored. Large farmers continue to depend on traders and commission agents to auction their produce. Wholesalers also depend on commission agents to give them produce on credit if required. Retailers in turn depend on wholesalers to supply them cleaned and graded produce. Finally consumers depend on retailers to provide them with cleaned produce of different varieties, at competitive prices and at accessible locations. Government of Maharashtra reforms aim at minimizing the role of intermediaries and liberalizing agricultural markets to allow farmers to circumvent markets and reach consumers directly. These reforms are part of the larger scheme of integrating national agricultural markets with application of information technology. But the success of reforms is contingent on the availability of information to farmers, better rural connectivity, repealing of restrictive laws, removing political support to big and influential intermediaries, liberalizing exchange of produce through modes such as internet, contract farming, supermarket procurement etc.

5.10. Conclusion.
Agricultural Marketing has been transforming in Maharashtra at a good pace relative to other States in India. The 305 APMCs and 603 sub-markets have an annual turnover of Rs 37,094 crore with Navi Mumbai APMC accounting for a major chunk. Sources however, say the actual off-the-book turnover would be huge. There are reports of siphoning off funds, under reporting of marketed produce and other irregularities in APMC. Then Agriculture Marketing minister of Maharashtra, Shri. Chandrakantdada Patil, dissolved 170 APMC boards. He has promised to look into the irregularities committed and bring the guilty to book. Despite APMC Act being amended in 2006 to allow direct and private marketing, contract farming, public-private partnership (PPP) and single licence for the entire state, these reforms have been slow-starters. Maharashtra has just around 47 operational direct marketing licences with a turnover of around Rs 900 crore last year, and 20 private APMCs with a Rs. 2,055.27 crore turnover\textsuperscript{16}.

It is observed from the survey of APMC markets that facilities in the market yards are still very limited and commission agents are still following traditional, established and non-transparent methods of marketing produce like under the cloth system. They are the market makers and farmers are largely at their mercy. Price discovery is as yet a function of the commission agents’ calculation of demand and supply in the markets. Wholesalers create demand and traders supply the produce. Farmers are relatively unattached to the entire market process of exchange. In Shetkari Bazars it is observed that farmers have taken control of the marketing process. They are transporting their own produce, calculating market demand and supply volumes, determining prices and selling to retailers and consumers directly and organized retailers.

But even here, the limitation arises that farmers on the outskirts of the city, those within the district but nearer to the bazar are able to come to the markets daily with fresh produce. Farmers from faraway areas or outside states will not be able to approach this Shetkari Bazar on a daily basis. Educated farmers are willing to take the risk of direct marketing of produce on their own but uneducated farmers have lower risk appetite. Large farmers with bulk produce are unable to sell on a daily basis and prefer to transport their produce to the APMC market yards for quick sales.

On the other hand, in the organized retailers’ survey it is observed that, store managers are riding on the convenience factor in sale of vegetables and fruits. They believe that consumers

\textsuperscript{16}170 APMCs dissolved; Maharashtra government to probe irregularities:DHAVAL KULKARNI | Sat, 8 Nov 2014-06:10am , DNA.
will come to purchase FMCG products at their store mainly and will buy vegetables as a supplementary purchase. This kind of purchase is more likely to be periodic in nature and for frequent purchase of fresh fruits and vegetables, consumers will continue to approach local retailers. There is also the factor of ability to relate to the individual local retailer and to bargain for best prices from these retailers.

Therefore the number of households purchasing from organized retailers is increasing, but at a slow pace. There have been numerous instances of fresh produce stores being shut down due to lack of business. Also in case of Reliance Fresh which started as a solely fresh produce store, it has now been converted to departmental store with both FMCG and non FMCG products in Pune City.

All stakeholders in the agricultural marketing sector are well aware of the ongoing reforms in this sector. There is some impact of the reforms on all stakeholders. The expected positive outcomes are still not seen, as the reforms are not comprehensive and need continuous efforts on the part of the policy making government as well as the implementing agencies like APMC. The stakeholders like traders and wholesalers are unhappy with some of the measures as they feel deprived of their rights and are unduly burdened. Role of APMC is still perceived as indispensable and private market yards are still few and far between. Organized retailers cannot completely replace traders and commission agents or wholesalers. Contract farming has yet to take off on a large scale. Although new marketing modes are emerging 95 percent of trade is still taking place at APMCs.

Shetkari bazars are an innovative scheme but they can be accessed by farmers near the bazars only. The farmers who produce bulk quantities and have farms in distant areas or even outside states are unable to come daily to Shetkari Bazars. These bazars do not have storage facilities. Further these facilities are not even a priority of the APMCs. Small farmers are still in need of traders’ services to make markets and offer them the best prices through open auctions. The retailers are willing to buy at the shetkari bazar and this is encouraging more farmers to sell at shetkari bazars, paying lesser charges than the main APMC. But since the government has mandated that traders’ commission will now be paid by wholesalers and not farmers the charges to be paid by farmers in the main market have also reduced. The wholesalers though feel burdened by this decision.
Traders on the other hand believe that this system only desists them from pushing for higher process at auctions and has depressed markets. The government should therefore take into consideration the overall impact of its reforms before implementing these reforms. Taking into consideration the viewpoint of all these stakeholders, agricultural marketing reforms seem to have started gradually materializing into positive outcomes for few stakeholders like farmers, retailers and consumers. But traders, wholesalers and other market functionaries are facing adverse consequences to their livelihoods. Although specific effects are not yet measurable as the pace of reforms is very slow. And measures are only now gaining momentum. Some stakeholders are unable to ride on the reform wagon. For e.g. large farmers who still rely on commission agents to sell their produce, those farmers who reside very far away from main market yards, organised retailers who are facing shut down of stores due to lack of footfalls, consumers who are unaware of the changing formats of food retail or unable to access the modern modes of marketing. Limitations of existing market systems need to be understood and reform in the established system may help to change the agricultural marketing sector faster. It may be unnecessary to completely dismantle the APMC system of marketing as majority of trade in vegetables is still taking place through APMC market yards. As stated by ITCs Sivkumar, APMCs should continue to exist and become competitors to the emerging modes of marketing.

The overall outlook for Agriculture in India seems rather bleak given that there are pressure both from within and outside on this sector. There is lack of uniformity in legal reforms for agriculture across the country, socialist policies still persist in this sector limiting technological growth and capital formation through private sector and foreign investment and even within WTO rules, Indian subsidies to its farmers are inadequate to even cover production costs. On the international front American Nationalist policies and Brexit threaten to have an adverse impact on the fledgling fruits and vegetables sector of Indian agriculture. Currency and exchange rate fluctuations will adversely impact the trade in fruits and vegetables, which was just finding its space in European markets through Britain.

The state of Indian agriculture in general and agricultural marketing in particular is distressing. No wonder farmers are committing suicides and feel helpless enough to sell their lands to builders and developers. Government reforms ought to be coordinated and holistic. Legal, social, economic, cultural and political factors should be taken into account prior to
implementation of reforms. Agricultural marketing reforms in Maharashtra are being made in the right spirit, it is the implementation that is time consuming. Also stakeholders in the sector are wary of accepting reforms and plunging in with investment fearing the fluctuating nature of government policy as well as volatile markets at district, state, national and international levels. Stable and assured reforms is the only way forward.

References.


4. Kulkarni, D. 170 APMCs dissolved; Maharashtra government to probe irregularities: | Sat, 8 Nov 2014-06:10am , DNA)

5. M. Prem *A Study On Problems Of Marketing Vegetables In Farmers Market*, IJRDM: Volume 6 • Number 1 • January-June 2012


11. Information on APMC retrieved from http://www.puneapmc.org/about_olakh.html accessed on 20th May 2017


-----------------------------