Chapter 4 Rythu Bazaar – The Case Study

CHAPTER FOUR

RYTHU BAZAAR – THE CASE STUDY

Case studies are a valuable way of looking at the world around us and asking how and why questions. (Yin, 1994)

4.1 Introduction to Rythu Bazaars

In the words of Chorney, (2002), “In the Market is life, vitality, health, abundance, grit, prime produce, colour. In Markets lie the thick of things, sociability, the throb of human community. They provide links with the past and all indications suggest that Farmers’ Market networks will create far-reaching and revolutionary changes in the ways we shop and eat – alterations that will affect agriculture’s future.”

Rythu Bazaar, the farmers’ market was a social initiative started by Chandrababu Naidu in 1999, when he was the Chief Minister of the state of Andhra Pradesh. The principal objective of Rythu Bazaar is to help farmers bring and sell their produce without the involvement of any middleman or marketing intermediary. Rythu means Farmer in Telugu (the local language of Andhra Pradesh in India). Bazaar stands for the Persian word bazaar, the etymology of which goes back to the Pahlavi word baha-char, meaning "the place of prices". The process of reaching to the customers is very unique and requires efficient transportation, storage and bulk handling capabilities. The products cultivated on the farmers’ yard have to be economical and farm fresh.

4.1.1 Rythu Bazaars – Genesis

The concept of Rythu Bazaar originated from Kal Ghoj, farmers’ market of Russia. In the late eighties, MS Gill, the then Union Agricultural Secretary, impressed by the concept of Kal Ghoj adopted it in the states of Punjab and Haryana. Thus Apna Mandi was born. Seeing the success of Apna Mandi, the state governments of Andhra Pradesh, Tamilnadu, Maharashtra, and Orissa started Rythu Bazaar,
Uzhavar Sandhais, Shetkari Bazaars, and Krushak Bazaars respectively. The central idea of these farmers’ markets was to eliminate middlemen and provide a platform for the direct interaction between farmers and consumers. The farmers are greatly benefited by this kind of business since they sell directly to the customers and do not pay any commission to the agents. The customers are also happy to get good quality produce at best prices.

### 4.1.2 Relevance of Establishment of Rythu Bazaars in Andhra Pradesh

The state of Andhra Pradesh was formed in the year 1953 separating certain districts from the erstwhile composite Madras state, with State Capital at Kurnool. Later the state of Andhra Pradesh was created with effect from November 01, 1956 merging the Telangana districts situated in the Deccan plateau and delineating Bellary area which eventually merged with Karnataka state. The state comprised of 23 districts - 10 in the coastal part of the state, 4 in Rayalaseema and 9 in Telangana. Andhra Pradesh is the 5th largest state in the Indian Union both in terms of geographical area and population comprising of 23 districts 1,105 revenue mandals, 29,994 villages spreading over 2,76,814 sq.km.

The state has a tropical climate with moderate diffusion to subtropical weather. Humid to semi-humid conditions prevail in the coastal area while arid to semiarid situations pronounce in the interior parts of the state, particularly Rayalaseema and some districts of Telangana. The areas covered by Deccan plateau are characterized by hot summers with relatively pleasant winters. Area under Horticulture crops during 1982 was recorded as 3.7 Lakh Hac, in 2001 13.78 Lakh Hac was recorded with an annual production of 9.5 Lakh M.Ts, in 2002 1.5 Million Hac with an annual production of 10.00 Lakh M.Ts, in 2003-04 Area was recorded as 1.6 Million Hac with an annual production of 11.8 Lakh M.Ts, in 2004-05 the area is about 15.79 Lakh Hectares with production of 128 Lakh M.Ts and in 2006-07 the area is about 17.85 Lakh Hectares with production of 163.6 Lakh M.Ts.

Andhra Pradesh is the second largest producer of fruits, vegetables and flowers in the Country. It is the leader in production of Citrus, Chillies, Turmeric and Oil Palm and also major producer of Cocoa, Cashew, Coriander, Banana, Ginger and
Coconut. Regulated Market Yards for fruits and vegetables are functioning only in few centers in the state. The Marketing system for fruits and vegetables is mostly in the hands of middlemen. Middlemen exist at various levels between the farmer and the consumer and exploit through malpractices in weighing, handling and payments. The farmers' share in the consumers' rupee is estimated to be just 40 paise. In addition the estimated loss in handling of vegetables in the traditional channel of marketing is about 30 to 35 percent.

In this backdrop, setting up of Rythu Bazaars became necessary in order to save the farmers from the above mentioned exploitation.

4.1.3 Rythu Bazaars – Eliminating Middlemen through Direct Marketing

Direct marketing has been a long felt need of the farmers and consumers as it goes a long way in ensuring higher remuneration to the farmers and meeting the satisfaction level of the consumers through direct sale of the agricultural commodity by the farmers to the consumer at an affordable price. Direct marketing of agricultural produce helps in elimination of middlemen and commission agents who charge high level of commission fee from the farmers coming to the market yards for selling their produce and then artificially inflate the retail prices. The efficacy of direct agricultural marketing infrastructure facility can be increased by providing market users common facilities for proper weighing, cleaning, grading, and packaging of agricultural produce being brought to the market yard by the farmers for sale. In order to give a big boost to the development of direct agricultural marketing infrastructural facilities in the country, the Government of India, Ministry of Agriculture has announced the “Scheme for Development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization.” The scheme is reform linked, i.e., desires the state to amend their state specific APMC acts for enabling development of direct agricultural marketing infrastructural facilities, contract farming and participation of private and cooperative sector in creation of market yards. Under the scheme credit linked back
ended subsidy to the tune of 25% of the total project cost is available. In order to create awareness about development of agriculture marketing infrastructure among bankers, financial institutions, potential entrepreneurs in private and cooperative sectors, farmers groups, government functionaries etc. a model bankable project for Rythu Bazaar has been developed.

Rythu Bazaars, as has been mentioned earlier, were introduced to eliminate the middlemen and arrange facilities for the farmers to sell their produce directly to the consumers at reasonable rates fixed every day. On account of the scheme both the farmers and consumers are benefitted. Regulated market yards for fruits and vegetables are functioning only at a few centres. The marketing system for fruits and vegetables is now in the hands of middlemen. Middlemen exist at various levels between the farmers and the consumers and exploit through malpractice in weighing, handling and payments. Large numbers of small farmers are unable to effectively bargain for better price in the wholesale market. Inefficiencies in the wholesale markets results in a long chain of intermediaries, multiple handling, loss of quality and increase the gap between the producer and the consumer prices. Large number of small retailers, each handling small quantities, create high overheads leading to high margin on produces. It is therefore pertinent to have a marketing strategy where both growers and consumers are benefitted, and Rythu Bazaar does exactly that. Rythu Bazaars operate outside the purview of the Agriculture Market Committees and are managed by Estate Officers under the control of Revenue Department of the Andhra Pradesh State Government.

4.1.4 Objectives of Rythu Bazaars

The Rythu Bazaar concept caught on well and the demand for such markets in Hyderabad increased. Presently there are about 9 Rythu Bazaars in Hyderabad and Ranga Reddy Districts. Typically, a Rythu Bazaar covers 10 to 15 villages and at least 250 farmers including 10 groups (self-help groups) are selected by a team
consisting of Mandal Revenue Officers, Horticulture Officers and Agriculture Officers in the villages to operate in the Bazaars.

Rythu Bazaars started with the following objectives:

1. To provide direct interface between farmers and consumers and eliminating intermediaries
2. To ensure that farmers get remunerative prices for vegetables and agro based products like eggs and mushrooms that they grow and that consumers get them fresh and cheap
3. To make sale proceeds available to farmers without any deductions and curbing malpractices in weighing
4. To act as a hub for different activities related to farming, farm families etc.
5. To help stabilize prices in other related markets
6. To provide an understanding of consumer needs to the farmers and help merge the production system to the consumer requirements
7. To help the local administrations streamline all operations relating to marketing, at one place.

4.2 Integrated Supply Chain at Rythu Bazaars

4.2.1 Supply Chain at Rythu Bazaars – A simple Model

A simplified example of a supply chain for Rythu Bazaars is shown in figure 4.1(a). The figure shows the interactions between farmers and consumers through Rythu Bazaars. Please note that since Rythu Bazaars only act as facilitator, therefore it is shown differently from farmers and consumers with dotted lines.

Figure 4.1(a): Supply Chain at Rythu Bazaars – A Simple Model
4.2.2 Members of Rythu Bazaars and their roles

Another supply chain model is shown in figure 4.1 (b) which exhibits the participants. A more detailed context analysis model is shown in figure 4.1 (c). In reality, as we can see from figure 4.1 (c) supply chains are much more complex than the one shown in figure 4.1 (a) or 4.1 (b) since they may have more supply chain participants. Figure 4.1 (b) however provides enough to understand supply chain as an extended enterprise that crosses the boundaries of individual firms to span the related activities of all the companies involved in the total supply chain. This extended enterprise should attempt to execute or implement a coordinated, two-way flow of goods/services, information, and financials (in this case cash). These flows are very important to the success of the supply chain.

Figure 4.1(b): Integrated Supply Chain in Rythu Bazaars

The product flow from farmers to consumers is an important element in the supply chain process. The expectation of consumers is to receive timely, fresh, hygienic, good quality vegetables. For this to happen, transportation is the key. Unlike in the case of manufacturing where reverse logistics is assuming great importance, in Rythu Bazaars there is no possibility of reverse logistics. This is because once vegetables are sold by the farmers they are not returned by the consumers. In the case of Rythu Bazaars, certain factors are of prime importance. They are the location of the bazaars, layout of the bazaars, transportation facilities, and storage...
facilities. Information flow is also very important since it gives the farmers an idea about the consumption patterns of the consumers and hence plans his products accordingly. Information in this context relates to the knowledge of demand or sales data, which becomes vital for the farmers to bring their produce to the market every day. Unlike in traditional manufacturing where an uncertain pattern of demand may create the bullwhip effect, farmers operating from the Rythu Bazaars are not affected by it. This is primarily on account of the Bazaar being modeled in a manner that daily stocks are replenished. However, the information available to the farmers on a daily basis about the rates and quantity of each of the vegetables available provides farmers with sales information on an almost real-time basis. This removes uncertainty that is usually associated with marketing of agri-products. In other words availability of point-of-sale data helps eliminate the need for maintaining inventories. Financial flow, which relates to cash, is completely one-dimensional in Rythu Bazaars. The immediate cash received by farmers has been a major boon for the farmers operating in these Rythu Bazaars.

As can be seen from the figure, there exists Estate Officers with whom there is a continuous two-way dialogue with the farmers. The various players in the supply chain are described below.

**Consumers** who demand the products.

**Farmers** who are primarily engaged in the distribution and sale of vegetables to consumers. Unlike a retailer in a typical supply chain that includes departmental stores, specialty stores, retail chains, super markets, discount stores, outlets, farmers operating from the Rythu Bazaars require a stall in the Bazaar, and some storage space for keeping their vegetables that went unsold during a day’s transaction without the hassle of carrying it back home. A similar example to these farmers would be that of retailers who sell their own private labels. Such retailers go beyond their traditional role as distributors and become directly involved in the design and sourcing of their products and selling them to the ultimate consumers through a retail outlet.

**Administrators of Rythu Bazaar** called Estate Officers are responsible for all the administrative activities of the market. Infrastructures at the Rythu
Bazaars play an important role in the success of the markets, because it is perceived that good infrastructures will help attract more consumers. The Estate Officers play a very important role in ensuring that good facilities are provided to both farmers and consumers at Rythu Bazaars and hence there is a two way connect between these two very important stakeholders. These facilities include stall space, power supply, drinking water facility, restroom facilities, storage facility for produce, seed supply at subsidized rates, advisory services provided for all operational requirements of the farmers, supervisory services provided for checking prices, supervisory services provided for curbing malpractices in weighing, supervisory services provided to avoid entry of middlemen, system of price fixation, and providing technical know-how by the Rythu Bazaar appointed experts.

4.2.3 Current Supply Chain of Rythu Bazaars

Figure 4.1 (c) depicts the detailed context analysis model that describes the current supply chain of Rythu Bazaars. In the model there is a link shown between the farmers and the consumers through Estate Officers (shown in dotted lines since they only act as facilitators in the entire process of the business). The supports extended by Rythu Bazaar officials is given in the top which includes framing of policy for setting up of these market yards, to identification and infrastructure development of these market yards to identification and authorization of the farmers who will operate from these bazaars to providing the farmers transportation facilities to bring their produce to the markets to maintaining of the Rythu Bazaar Information System (RBIS). All these act as the initiation of the farmers to operate from these bazaars. On receiving these support, only authorized farmers then can enter the Rythu Bazaars, take part in a collaborative price fixation mechanism through their representatives, are allotted stalls, given weighing scales so that they can conduct their business as per the policy guidelines. The Estate Officers also are required to look after the daily administration, security, and maintain proper records. These records are then fed into RBIS. However, during the course of this study certain inefficiencies were observed in the current model, and this research will attempt to propose a supply chain model that will address the existing inefficiencies in the system.
4.3 Rythu Bazaars – A Different Model from Other Farmers’ Markets

Farmer-to-consumer direct marketing is a way by which farmers sell their products directly to consumers (Henderson and Linstrom, 1982). There are several outlets...
through which farmers sell their products directly to consumers. The most familiar types of outlets are pick-your-own (PYO) farms, roadside stands, farmers' markets and direct farm markets. PYO operations are farms where retail customers harvest their own agricultural products. Roadside stands are mostly temporary structures erected by the farmer to sell his or her produce. Farmers' markets, on the other hand, are places where farmers bring their produce to be sold, while direct farm markets are structures located at the farm used to sell their own produce. Items frequently sold through direct marketing outlets are fruits, vegetables, flowers, nursery products, eggs, and dairy products (Nayga et al. 1994). Farmers' markets are a common phenomenon in many countries. A regular site and schedule is usually set for a particular farmers’ market. The market sponsors frequently include a business group (such as a Chamber of Commerce), consumer groups, county extension, and/or producers. (Onianwa et al. 2005)

Farmers’ markets are a win-win proposition for both farmers and consumers. While for farmers this kind of direct marketing acts as an alternative market outlet to increase their income, while consumers see it as a means of gaining access to fresher, higher-quality foods at lower costs (Nayga et al. 1994). In the same study conducted by Govindswamy and Nayga to study the characteristics of direct marketing customers it was found that 92% of respondents expected better quality produce at direct markets than at supermarkets, 50% of respondents anticipate more variety of produce at direct market facilities than at supermarkets, and 74% of respondents anticipated lower prices at direct markets. This gives conclusive evidence of the usefulness of this model.

Rythu Bazaars, however operate on a slightly different model. These Bazaars are located in government plots convenient to farmers as well as consumers. Built in a 1 acre (minimum) vacant land, the infrastructure provided by the government include sheds, arrangements of supply of drinking water, toilets with sanitation facility, parking for vehicles, arrangements for removal of garbage and cleaning of
market by local body, facility for storage of unsold produce, provisions of weighing scales for all farmers, telephone, fax etc. Thus the state government of Andhra Pradesh meets all the capital expenditure which varies according to the land prices prevailing in an area. At present, market yards are mostly set up by the State Governments. For setting up of agricultural markets, funds are sourced from National Bank for Agriculture and Rural Development (NABARD) through Rural Infrastructure Fund (RIDF) and National Cooperative Development Corporation (NCDC). However, infrastructure available to farmers for selling their produce still remains inadequate. Rythu Bazaar is an initiative to create infrastructure facilities to enable farmers to sell their products directly to retail consumers thereby ensuring that farmers realize better prices and consumers receive fresh vegetable, fruits, etc. at reasonable prices and thus address constraints in agri-marketing infrastructure. The goal is for each Bazaar to generate its own income in order to cover upkeep expenses and, in the long run, for them to become cooperative societies managed directly by the farmers.

Another difference being that unlike the farmers' markets in the US or the European countries, which operate once a week or on festivals, Rythu Bazaars operate on all days of the week. In fact the research has found that there is a demand from a large section of the farmers for increasing the operating hours of the Bazaars.

Inefficiencies in the wholesale markets result in a long chain of intermediaries, multiple handling, loss of quality and increase the gap between the producer and consumer prices. Large number of small retailers, each handling small quantities, create high overheads leading to high margin on produces. Rythu Bazaars aims at benefitting farmers by providing them direct access to markets. Inadequate marketing support is one of the major handicaps faced by the farming sector. The movement of produce from the farms to the ultimate retail outlets faces a number of constraints and farmers are at the mercy of the middlemen and commission agents. In the absence of adequate facilities for storage and preservation, farmers are forced
to make distress sales. A consolidated table is given below to understand the major differences between farmers markets in the west and Rythu Bazaars.

Table 4.1: Rythu Bazaars – A Different Model from Other Farmers’ Markets

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Research Study</th>
<th>Parameter</th>
<th>Farmers’ Markets in the West</th>
<th>Rythu Bazaar</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Feagan et al. 2009</td>
<td>Time of establishment</td>
<td>Has been in existence since the last two centuries. For example - Brantford Farmers’ Market, Ontario, Canada established in 1848</td>
<td>Is a relatively recent phenomenon with the Rythu Bazaars being set up in 1999</td>
</tr>
<tr>
<td>2</td>
<td>Feagan et al. 2009</td>
<td>Product Range</td>
<td>Besides a range of fresh produce and fruits, also sells a variety of baked goods, meat, prepared foods, plants and some local artisanal products.</td>
<td>Sells vegetables, fruits, cereals and pulses, and dairy products.</td>
</tr>
<tr>
<td>3</td>
<td>Kezis et al., 1995; Onianwa et al. 2005</td>
<td>Support</td>
<td>Not supported by the government in terms of infrastructural support, like the Farmers’ Market at University of Maine started as an assembly of 5 farmers who sold their products on Saturday mornings in the university parking lot adjacent to the campus. Usually a regular site and schedule is set for a particular farmers’ market with business group such as a Chamber of Commerce, consumer groups, county extension, and/or producers being the market sponsors</td>
<td>Infrastructure completely developed by the government with funds being sourced from NABARD and NCDC.</td>
</tr>
<tr>
<td>4</td>
<td>Kezis et al., 1995; Henneberry et al., 2004; Feagan et al., 2009</td>
<td>Operating days in a week</td>
<td>Does not necessarily operate on all days of the week. For example the farmers markets at Maine and at Oklahoma operate only on Saturdays while the Brantford market operates on all days of week.</td>
<td>Operates on all days of the week.</td>
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<tr>
<td></td>
<td>Authors, Year</td>
<td>Topic</td>
<td>Description</td>
<td>Notes</td>
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<tr>
<td>5</td>
<td>Kezis et al., 1995</td>
<td>Price fixation</td>
<td>No standardized method</td>
<td>Standardized method.</td>
</tr>
<tr>
<td>6</td>
<td>Henneberry et al., 2004</td>
<td>Market administrator's commitment</td>
<td>Not fully dedicated to the farmers markets. For example in Oklahoma among the farmers’ market managers, 50 percent allocated only a quarter their time for managing/coordinating the farmers’ market.</td>
<td>Full time dedicated market managers called Estate Officers provided to each Rythu Bazaar.</td>
</tr>
<tr>
<td>7</td>
<td>Henneberry et al., 2004</td>
<td>Administration</td>
<td>Little administrative support from the government. For example in the Oklahoma farmers market about 34 percent of the market managers are volunteers, 11 percent are employed by the farmers’ market organization, 11 percent are employed by the city and 11 percent are employed by the county.</td>
<td>Complete administrative support provided by the government with the Estate Officers playing a major role in the successful running of these bazaars.</td>
</tr>
<tr>
<td>8</td>
<td>Otto et al., 2005</td>
<td>Record Keeping</td>
<td>Farmers’ Market Directory is generally compiled by local government agencies. For example, the Iowa farmers’ market directory is compiled by the Iowa Department of Agriculture and Land Stewardship (IDALS).</td>
<td>Not only the directory of Rythu Bazaars is maintained by the state government, but all associated records are kept and properly maintained by the Estate Officers of Rythu Bazaars appointed by the state government.</td>
</tr>
</tbody>
</table>

### 4.4 Rythu Bazaars – The Business Entity

In this section we look at the coverage and the day to day functioning of Rythu Bazaars highlighting the assistance that farmers receive from these markets to run their business. The second part talks about the revenue and margins for farmers,
while the third part focuses on the number of Rythu Bazaars and also the number of farmers that operate from these markets.

4.4.1 Functioning of Rythu Bazaars

Typically, a Rythu Bazaar covers 10 to 15 villages and at least 250 farmers including 10 groups (self-help groups) are selected by a team consisting of Mandal Revenue Officers, Horticulture Officers and Agriculture Officers in the villages to operate in the Bazaars. Joint Collectors of the concerned districts ensure that adequate transport facilities are arranged for transport of goods to Rythu Bazaars in consultation with State Road Transport Corporation. In addition online information of prices and commodities movements is provided on the internet.

Exhibit 4.1: Farmers’ Charter
Since a large majority of the farmers are not well educated (11.6 percent of the farmers are illiterate, 3.7 percent have studied maximum up to fifth standard, and 81.8 percent have education between sixth and tenth standards), they are made aware of all the facilities provided in the Bazaar in a very transparent manner. The Farmers Charter is displayed in a prominent place so that all farmers are completely aware of the same. (See Exhibit 4.1) The supervisors employed in the market ensure that price fixation happens properly. Prices are fixed by a committee of representatives from the farmers' side and two supervisors through a clear laid down procedure. Each Rythu Bazaar receives a fax from 4 wholesale market everyday by 0700 hours. The Price fixation Committee comprising of six farmers, one representing his mandal and two supervisors then fix the rate. (See Exhibit 4.2) To maintain transparency, these are then put up on display boards. (See Exhibit 4.3) This procedure normally gets completed by 0830 – 0930 hours. Prices are fixed such that there is a difference of about 20 - 25% on the higher side as opposed to that of the wholesale market. It has been observed that the prices are about 15 - 20% less than that in the retail stores.

Also the supervisors keep a track of the quantity of produce that comes into the Bazaars each day which helps them keep track of diverting some of these produce to be sold at some select localities through mobile vans. These are known as Mobile Rythu Bazaars. The number of farmers attending each day and the number of customers that visit the Bazaars are also recorded. (See Exhibit 4.4). It has been observed that on weekdays on an average 300 to 400 farmers operate in a Rythu Bazaar while the number of customers visiting the Bazaars ranges from 16000 to 2000. These numbers go up significantly during the weekends and holidays to 600 to 700 for farmers and 25000 to 30000 for customers.
Exhibit 4.2: Price and Price Fixation Committee

| Item | Description | Price
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<tr>
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<td>Price 2</td>
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<td>Item 3</td>
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<td>Price 3</td>
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<td>Item 10</td>
<td>Description 10</td>
<td>Price 10</td>
</tr>
</tbody>
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Exhibit 4.3: Price Display Boards at Prominent Places

[Image of price display board]
4.4.2 Revenue and Margins for Farmers

As mentioned above, the prices of the produce sold in the Rythu Bazaars are fixed at 20 – 25% above the wholesale market rates. In the wholesale market farmers have to pay an additional 10% to purchase the produce. This margin is not required in Rythu Bazaars since they bring their own produce to the markets. On top of that they get the additional 20 -25% which makes their effective margins to 40-50% more than the other farmers. This is quite evident from the responses of the respondents. In all 96.8 percent of the farmer respondents said that their monthly earnings have increased since they have started operating in Rythu Bazaars and the average increase in the monthly earnings of the farmers since operating in Rythu Bazaars ranges between Rs. 300 to Rs. 5000.
4.4.3 Outreach and Potential of Rythu Bazaars

There are about 100 Rythu Bazaars that are in existence benefiting 4500 farmers and large number of consumers. India is estimated to have over five lacs villages and almost sixty percent of the population is employed in the farm sector. However, agriculture contributes to only 25% of the national income. Lack of marketing information and inadequate access to markets as well as supply chain inefficiencies inherent in the farm sector contribute to low realizations and incomes to the farmers. Rythu Bazaars can play a key role in addressing some of these problems, and there is a clear need to facilitate similar marketing infrastructure throughout the country.