CHAPTER 6

CONCLUSION

6.1. Major findings of the study

A. Marketing situation in the area under survey before the advent of farmer markets

The survey was conducted in 23 fruit and vegetable growing areas of five districts of Kerala – Trivandrum, Kottayam, Idukki, Thrissur and Palakkad. Out of the 23 Farmer Markets, 10 were in vegetable growing belts and the rest 13 were areas with a predominance of banana cultivation.

- It was found that 39% of the farmers surveyed were depended on nearby public markets for the marketing of their produce, while 36% depend on farm gate traders for marketing of their produce. A minority of 15% farmers depend on collection agents. Forward trading practices were also prevalent but limited to an extent of 10%.

- While analysing the marketing chain and the role of wholesaler and commission agent, it was found that dependence on commission agent was more in Palakkad, Thrissur and Idukki districts while farmers in Trivandrum and Kottayam depended more on wholesalers.

- The farmers had to truck their produce over an average distance of 27-30 km from the production center to the market to sell off their produce. On an average the farmers had to spend more than 5 hrs in the market in order to sell off their produce. The farmers lost one man-day of work in general for selling their products.

- The expenses incurred by the farmers in marketing their produce were assessed. The various expenses were categorized and the per kg expenditure was found to be 49 paise in the case of banana and for vegetable it was found to be 61 paise.

- The grave problem that 35% of the farmers under survey faced are unstable prices and trader curtails, due to lack of bargaining power. The reason was mainly due to
the fact that the farmers “as individuals” are dealing with an established group of traders in the market. Other marketing problems included high marketing costs incurred (opined by 15% of the farmers surveyed), ignorance on prevailing market data (13%), the time and effort involved (14%) and the lack of adequate product range (8%).

- In the product category, credit period was extended up to one month in case of banana, while credit period was less in vegetables, mostly 2 weeks time. But often non-settlement of credit happens in vegetables. The perishability of vegetables provided ground for traders to raise issues of losses.

**B. Marketing situation in the area under survey after the advent of farmer markets**

The study was able to find out some remarkable changes in the fruit and vegetable sector in the state after the incorporation of marketing activities by the Vegetable and Fruit Promotion Council Keralam. The Council conceptualized and implemented the idea of farmer markets with an objective to enhance and sustain income of the farmers. The farmer markets were operated by the member farmers and facilitated by the Council. The Council provided tangible and intangible supports to these farmer markets apart from managerial support in operations.

The marketing setup after the initiation of farmer markets were studied in detail. Out of the markets surveyed, 47% of these farmer markets traded more than 500 MT of products in a year, and 42% traded 250-500 MT of products. Major findings are

- Farmer markets were situated at a distance of 4-5 km from the production point against the open markets which were situated at an average distance of 27–30 km from the production area. This home turf advantage saves time, labour and other marketing expenses to a large extent. Precisely, farmer markets are situated more or less in the production centers themselves.

- The average marketing expenses incurred in trade drastically reduced from 57 paise per Kilogram in the open market to 12 paise per Kilogram in the farmer markets
leading to 1/5th reduction in marketing expenses mainly due to the reduction in transportation distance from 27-30 km to 4-5 km, and savings from market toll, loading unloading expenses, weight loss, etc. This contributed to entitling the farmer to a better share of the consumer price. The reduction in marketing costs was more predominant in the case of vegetables than banana. This is due to the drastic reduction in handling losses, breakages and loss in weight from 4.2% in the open market to 1.8% in the farmer markets adding to the farmers income.

- 83% of the farmers in the farmer markets, indicated the product availability in area where farmer markets are initiated has increased to round the year against the situation prior to the advent of farmer markets. This is because of the increased responsibility of the member farmers to cater to the demands of the traders associating with the farmer markets and confidence in the marketing system.

- In farmer markets the credit period was to the member farmers were ascertained. 41% of farmer opined that the maximum time taken for getting payment from the is one week. 34% farmers are given advance payment and 25% get it on the spot. Apart from the speedy payment, farmers are also confident that money will not be lost and payment due will be given when approached. This is in contrast to the earlier scenario of farmers selling their products individually in open markets where payments took more than a month and at times left unsettled.

- The trading strategy of the farmer markets is decided by the executive committee of the farmer market, whether it is to be bargain or auction depending on the type of product and quantity dealt against a unilateral pricing policy practiced by the traders prior to the advent of farmer markets. The commission rates are fixed and vary according to the nature of membership in the farmer market.

- The total marketing expenses incurred by fruit and vegetable farmers have been drastically reduced from 16-17% to 6% in terms of transportation, loading/unloading, market toll, weight loss, breakages, handling losses, time spent and market commission after initiation of organized farmer markets.
• Pricing in farmer markets in both auction and bargain is based on the prevailing market prices. The pricing is acceptable to the farmer in 95% of the cases. The farmer is not at the mercy of the trader in price fixing. On a comparison with the pricing by farm gate trader and in open market where trader dominated pricing, the system in farmer market is more farmer oriented and reasonable with both the parties benefiting. 84% of the respondents opined that farmers had more say in negotiation and price fixation.

• An analysis of the organized marketing system for fruits and vegetables in these areas revealed that when VFPCK farmer markets dominated the marketing scenario for locally produced fruits and vegetables (80%), the impact that other organizations is negligible.

• An analysis of the farmer markets capacity building in the area of increasing dominance in price negotiation revealed their awareness of market prices in different districts (29%) was of prime importance followed by markets located in production centers (25%) and their capacity to assemble bulk volumes of diverse products to cater to the needs of the trader.

• An average price hike of 15% coupled with reduction in marketing expenses of 11% leads to a net increase of 26% in farmer income as a result of the advent of the farmer market.

• An analysis of price spread revealed that farmer share of consumer price in banana is 63%, wholesaler bags 16% and the retailer gets 21%. For high value vegetables like bittergourd, cowpea etc farmer realized 60% of the consumer price, wholesaler’s stake is 16% and the retailer retains 24%. For low value products like cucumber, snakegourd etc the farmer realization is 56% and wholesaler retains 16% and retailer share is 28%.

• 30% of the farmer respondents opined that farmer markets increased the confidence of the fruit and vegetable growers in their farming activities, while 24% were of the
responded that the formation of farmer markets made fruit and vegetable farming a respectable profession. 24% opined that the farmer markets helped in attracting more young men to fruit and vegetable cultivation.

- The study reveals that an ideal modus operandi of developing farmer markets should be by defining organizational policy jointly by the facilitating body and farmers and subsequent planning and execution by the farmer organizations. In the case of VFPCK farmer markets, VFPCK, the government body promoting the concept is helping the farmers in drafting policy decisions for the common interest of the farmers in a sustainable manner.

6.2. Policy recommendations

6.2.1. Marketing strategy for perishable agriculture commodities:

- The concept of farming as a business coupled with production centre based marketing tie ups for reduction in marketing time, expenses etc will render sustainable effects in improving the returns on investment to perishable agriculture commodities.
- Fixed marketing timings, days etc will make the marketing system more comfortable and efficient. The time of harvest & sales are to be worked out for the same considering the market factors.
- To realize better returns, agriculture commodities should particularly go for a scientific approach of market oriented production planning. This should be followed by marketing planning and procurement planning on a daily market basis.
- Grading standards should be established for each product and pricing should be adopted in accordance with the different product grades.
- Surplus product management techniques should be adopted and storage facilities, processing etc are to be ensured.
- A competent pricing system should be established with a clear pricing policy and knowledge on market prices and participation of farmers in price decision should be ensured.
- Specialist packing materials should be developed and used to handle bulk and unit packs of product, which will reduce handling losses.
- Optimum level of marketing intermediaries are to be ascertained for the fast movement of product from the producer to the customer and direct linkages are to be established.
- Retail linkages and export linkages will fetch better price to the produce and the possibilities in these sectors should be explored.
- Cash and carry systems are ideal for the marketing of agricultural perishable commodities. In practice, marketing societies find it difficult to cope up with this strategy. So a third party involvement like a bank/approved financial institution may be engaged as the collection agent of money from the traders so as to ensure prompt collection and timely payment of money to the farmers.
- The concept of a performance linked honorarium to the office bearers will not only make the system more efficient but also lead to the sustainability of the setup.
- The concept of a fair price mechanism which ensures a minimum guarantee price to the farmers can be a measure thought of for ensuring a sustained income. A fund can be constituted consisting of the membership fund contribution of the participant members/farmer markets, the subscription fees and a portion of the amount retained by the participants when prices are realized above reasonable levels in farmer markets. Money can be released from this fund, if the prices are slashing down than benchmark prices and money can be pumped in to the fund if farmer realizes above reasonable levels.
- The proximity or access to alternative marketing system will improve the bargaining power of farmers/ farmer entities.
- The impact of linkages with multinational companies or organized retailers in fruit and vegetable retailing may provide immediate benefits to the farmers. But the retailers will be having a long term business orientation of securing a monopolistic market and have no commitment to the farming community. If all alternative marketing mechanisms cease to exist in future, farmer will be at the mercy of the monopolistic trader with no bargaining power for him. The farmer gets no sustainable
benefit from this dependence. Hence alternative marketing mechanisms should be encouraged and farmer marketing entities to be promoted and sustained.

6.2.2. Organizational policy

- Farmer marketing entities should attach genuine farmers in its operation to avoid political, religious & regional bias. To ensure genuineness, farmer markets should keep a minimum volume of trade in a specified period as one among the criteria for the membership.
- Members may be organized in small groups with group leaders so as to make the system more cohesive and sustainable.
- Governing body of the farmer markets may be nominated with a prefixed tenure from the groups, rather than elected.
- An external agency, Governmental or NGO to facilitate/monitor/support the system with predefined roles and responsibilities is recommended.
- To provide a legal back up to the farmer societies, it is recommended to register the same with Indian Societies/Charitable Societies Act.
- Transparency in management systems to be ensured with efficient budget, audit and controls. Proper review of financial and management activities are to be done by the management committee and the facilitating group.
- Farmer market may function as the single window to its members, supporting product marketing and input marketing for product development.
- Trust on farmer markets will improve production, which will in turn have a direct impact on the income levels of the farmers leading to a social upliftment in the development process.
- It is suggested that the farmer markets should draft an organizational policy jointly by the facilitating body and the needy farmers, which will be an ideal system with measures to make it foolproof and totally representative.
- The organizational policy should focus on a sustainable development of the farming community with a long-term vision.
All the above findings and recommendations are equally applicable, with some qualifiers, for the organization of production and marketing of other perishable commodities in Kerala.

**Conclusion**

The study was intended to reveal the overall situation in the marketing of perishable agricultural commodities with special emphasis on fruits and vegetables and to identify probable options for improving the marketing system.

The study had an objective to trace the evolution of the attempts aimed at organising the primary producers for better price realization in the country. The study concentrated on the efforts made in the fruit and vegetable sector by Maharashtra State Agriculture marketing board, HOPCOMS, Rythu bazaar, VFPCK etc, in the dairy sector by NDDB, GCMMF, MILKFED etc and in marketing of other agricultural products. The models developed by the organizations were studied and the strengths analysed in the chapter on the broad overview of the marketing of perishable agricultural commodities.

The prevailing marketing systems for perishable agricultural commodities were studied. This includes the study on the marketing channels available, constraints encountered by the farmers in perishable marketing and the realization of returns and the expenses incurred by the farmer. The highlights of the study on prevailing marketing systems is detailed in the chapter on the marketing system prior to farmer markets.

The impact of farmer organizations in improving and sustaining the income status of the farmers was studied. The primary study was conducted on VFPCK to assess the impact that it could create in enhancing and sustaining the income of fruit and vegetable farmers. Secondary studies were also conducted on the decentralized vegetable cultivation programme in Kanjikuzhy, the activities of MILMA in the dairy sector of the state and the impact that Matsyaafed could have in the marine sector. The details of the study is elaborated in the chapter on the recent initiatives in perishable agricultural marketing in the state.
Based on the study conducted, an organizational structure has been defined to suit perishable agricultural marketing. Strategies have been derived for improving the rural markets. The details are listed in the chapter on major findings and policy recommendations.

The marketing efficiency of the farmer markets was assessed in terms of reduction in marketing expenses involved in the trade and in terms of overall enhancement of income of the farmer. The results of the same are detailed in the chapter on the marketing set up in the area after the initiation of farmer markets.

The major factors influencing the traders in establishing trade linkages with farmer markets were identified. The social impact that the farmer organizations could make was also studied. The results of the same are detailed in the chapter on the marketing setup in the region after the advent of farmer markets.

The hypothesis on the correlation between price realization and perishable nature of agriculture commodities has been validated by the study. The hypothesis that participatory decision making improves efficiency and transparency of the farmer market was absolutely validated by the study. Traders' hesitancy in associating with farmer market was invalidated and the hypothesis on the success rate of marketing systems for agriculture perishables versus their transparency in the management systems has also been validated.

To conclude, the study on the “Management of Marketing system for perishable agriculture commodities” has tried to put in some sincere efforts to draw conclusions on farmer marketing entities which are to be developed and promoted among farmers in the unorganized sector to function as an alternative marketing mechanism. Such entities will help the farmers to thrive on their own, from the exploitation of intermediaries and monopolization of multinational companies in the agri sector in this era of globalisation.