

## MODERN MARKETING METHODS - A NEW PERSPECTIVE FOR AGRIBUSINESS

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### Introduction

Many growers do not plan their cropping as per the market demand and are inclined to start production without giving a thought to the business of marketing. Efficient marketing of agricultural produce is inevitable for a successful agricultural enterprise. Market demand driven production planning ranks higher in importance than production itself. To achieve sustainability in incomes, especially for small and marginal farmers, it is indeed appropriate time to chalk-out effective marketing strategy by forming into groups. This kind of arrangement will also help in diversifying crop production and also it would enable to adopt new technology. Existing marketing channels suffer from various bottle-necks and characterized by long value chain, multiple food laws, government control, negligible infrastructure, etc. Especially the small producers are facing problems due to low marketable surplus and they are highly unorganized. Most of the other sectors are passing through a change, hence, it is very much required to find out modern marketing methods to make agri-business viable proposition.

### Alternatives available

Formal research on alternative marketing mechanisms has been scattered and hard to access by producers. It is mostly experiential and unrecognized by the agricultural establishment and official information channels. Small farmers and grassroots farm groups are the most likely to develop and use innovative marketing methods. The assumption that farmers must either "get big or get out" is being challenged, however, by the emergence of alternatives of modern marketing methods, it is possible for innovative farmers to make a comfortable and successful living from agriculture.

### Need for Alternatives

Agriculture sector needs well functioning markets to drive growth, employment and economic prosperity in rural areas of the country. In order to provide dynamism and efficiency into the marketing system, role of Governments worldwide in managing markets is on decline. It is not easy to bring major changes in the traditional marketing system. The only way to modernize marketing is to promote alternative marketing system that may operate either parallel or in tandem to present marketing system. This process would help promote modern trade practices, which in turn will pave way for transparency and efficiency in marketing.

The various forms of alternate marketing methods are

- (a) Direct marketing,
- (b) Marketing through farmers interest group,
- (c) Co-operative Marketing,
- (d) Forward and futures market,
- (e) e-commerce,
- (f) Setting up mega markets,

The emphasis in this paper is given to first three forms of marketing methods mentioned above.

### Direct Marketing - Farmer's Markets

Direct marketing by farmers is being encouraged as an innovative channel. Some examples of these channels are Apni Mandi, Shetkari Bazar, Rythu Bazars, and Uzhavar Sandies. These channels are mostly adopted in sales transactions of agricultural commodities like fruits, vegetables and flowers which are highly perishable in nature. In this channel, the produce move quickly from farmers to consumers due to lack of middlemen. If farmers

directly sell their produce to the consumers, it not only saves losses but also increases farmers' share in the price paid by the consumer.

Farmers' markets were introduced with a view 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 the consumers are benefited.

### **Apni Mandies in Punjab and Haryana**

Punjab's and Haryana's *Apni Mandi* (Our Market), established in the mid-1990s, were the first ones directly linking vegetable producers and consumers. Farmer-producers bring the produce for sale directly to the buyers or consumers. The Agricultural Produce Market Committee of the area where Apni mandi is located provides all necessary facilities like space, water, shed, counters and weighing balances

### **Rythu Bazars in Andhra Pradesh**

The Rythu bazars were initiated by the Government of Andhra Pradesh on January 26, 1999 with a view to provide benefit to farmers as well as consumers. The number of Rythu Bazars have increased from 49 to 102 and now cover nearly 40,000 farmers of 2,800 villages are the beneficiaries of this scheme. Rythu Bazars are located on government lands identified by the District Collectors. The locations are decided in such a way as are convenient to both for the farmers and consumers. The criteria for opening of new Rythu Bazars are the availability of atleast one acre of land in strategic location, and identification of 250 vegetable growing farmers including 10 groups. The price fixation in Rythu Bazars is through a committee of farmers and the Estate Officer. Adequate care is taken to fix the prices realistically. If the prices in Rythu Bazars are higher than the local market rate, there is no incentive to consumers. And if the prices fixed are lower than the wholesale market rates, there is no incentives to farmers. The prices in Rythu Bazars are generally 25 percent above the wholesale rates and 25 percent less than the local retail price. The maintenance expenditure of Rythu bazaars is being met from the financial sources of Agricultural Produce Market Committees.

### **Uzhavar Santhai in Tamil Nadu**

In an effort to overcome several constraints in traditional marketing system an innovative market mechanism took shape in the heartland of Tamil Nadu, popularly called the Uzhavar Santhais 'or the farmers' markets. Uzhavar Santhai is a unique fair farmers' market model wherein consumers buy the products of small and marginal farmers at pre-decided prices. Evidences suggest that Uzhavar Santhai has effectively created a better market by providing opportunities for employment and better incomes to the small and marginal farmers. This practice is providing a viable marketing solution to several bottlenecks faced by the farmers in the traditional marketing system.

Farmers' Markets are under the administrative control of the State's sixteen Agricultural Produce Marketing Committees, which in turn are part of the Department of Agricultural Marketing. The Committees are also responsible for the administration of Regulated Markets, where farmers sell directly to traders without the intermediary of commission agents and under a tender system supervised by Committee officials.

All Farmers' Markets open at 6.30 in the morning, and usually close at 2.00 in the afternoon, although marketing committee staff remains until 5PM to complete all the paperwork.

The price of the vegetables is fixed each day by a committee including Marketing Committee officials and farmers' representatives. Committee members collect prices in the central and retail markets before 3.00 in the morning, and by 6.30 the maximum selling prices in the Farmers' Market are fixed at 15 to 20 percent over the night sale price at the central market, and 20 percent below the price in the retail markets – whichever is higher. Farmers are not permitted to sell above the maximum price, although they are allowed to sell at a lower price. Prices are displayed on a blackboard at each stall, and staff constantly monitor that they are accepted as per the norms. Farmers also get good quality seeds and other inputs in the market itself at reasonable rate.

## **Krushak Bazaars in Orissa**

Government of Orissa established 40 Krushak Bazaars in the state in 2000-01. Government provides incentives for the purposes, which include one or two acres of government land with all the infrastructure facilities in the identified urban /semi urban area. The farmers are identified and provided with photo identity cards to operate in the market. The identified farmers are supplied with required inputs for vegetable production. In addition, storage and public utility facilities are also provided. The price in the Krushak Bazaar is determined taking whole sale price and retail market price of different products in the respective markets. The comparison of prices in wholesale, Krushak Bazaar and retail market indicate that the prices were 4 to 41 percent higher in Krushak Bazaar than the wholesale market price. However in case of retail market, the prices were lower by 10 to 32 percent in the Krushak Bazaar. The price fixation process rarely involved farmers in the decision making.

## **Hadaspar Vegetable Market in Pune**

Hadaspar vegetable market is a model market for direct marketing of vegetables in Pune city. This sub-market yard situated 9 kms away from Pune city belongs to the Pune Municipal Corporation and fee for using the space in the market is collected by the Municipal Corporation from the farmers. This is one of the ideal markets in the country for marketing of vegetables. In this market, there are no commission agents/middlemen. The market has modern weighing machines for weighing the products. Buyers purchase vegetables in lots of 100 kgs or 100 numbers. The produce is weighed in the presence of licensed weighmen of the Market Committee and sale bill is prepared. The purchasers make payment of the value of produce directly to the farmer. The purchaser is allowed to leave the market place along with the produce after showing the sale bill at the gate of the market. Payment is made in cash. Disputes, if any, arising between buyers and sellers are settled by the supervisor of the Market Committee after calling the concerned parties. The Market Committee collects one per cent sale proceeds as market fee for the services and facilities provided by the Committee to the farmer-sellers and buyers.

A common problem faced by the direct market systems is the infiltration of the bazaars by middlemen in the guise of farmers. Though identity cards have been introduced and there are periodical checks, the problem still persists in many bazaars.

## **Farmers Organizations in Marketing**

Inefficient marketing system has lead to an avoidable waste of around Rs 50127 crores. A major part of this can be saved by introducing scale and technology in agricultural marketing. Milk and eggs marketing are two success stories of role of scale and technology in marketing. The extent to which the farmer-producers will benefit (out of saving of avoidable waste) depends on the group-marketing practices adopted by the farmers. In this sense, farmers' organizations need to be promoted for undertaking marketing activities on behalf of the individual members of the group.

Promotion of such organization should be assisted or helped to create basic infrastructure for their effective functioning. This could even include assistance for professional management. Some examples of successful models are discussed below.

## **MahaGrapes**

MahaGrapes came into existence in 1991. It owes its origins to the Maharashtra State Agricultural Marketing Board (MSAMB). MahaMangoes and MahaBanana were also set up subsequently in mangoes and bananas respectively. The objective of the MSAMB was to promote the marketing of fruits by assisting farmers technically and financially and linking them to new domestic and international markets. MahaGrapes currently exports grapes to Europe, the Middle East and in recent years to Sri Lanka. Thompson seedless is the main variety of grape exported.

The firm does not retain the profit it earns. It charges a nominal fee (Rs. 4 per kg.) of grapes exported by the firm for a farmer. This amount helps in covering the operational costs of the firm. This broadly includes wage cost of the firm's employees and transportation cost of sending the product to distant markets. The rest of the profit

earned is passed on to the farmers. In addition, MahaGrapes/cooperatives charges Rs. 7 per kg of grapes for pre cooling and cold storage charges.

When amounts marketed by individual members vary across members, conflict over the cost allocation rule adopted by the cooperative is likely to occur. In MahaGrapes, the allocation of costs related to the storage and cooling or contribution to operational costs is proportional to the amount marketed by the farmers. Since the contribution relates to the output marketed, conflicts over cost sharing have not been an issue in MahaGrapes.

In terms of risk mitigation, the MahaGrapes farmer bears the entire risk in production and marketing. However, the level of risk itself is lower to the extent that the cooperative provides technical expertise so that the crop can be saved from damage and satisfies the quality norms.

Thus, unlike in a situation where the farmer sells to intermediaries who bear the entire marketing risk (from rejection of the assignment), here the risk is shared across all farmers. The firm itself covers against such risks by rejecting procurements that do not meet the specifications but once they accept the produce from the farmer, the risk is totally borne by the firm where, everyone owns a share.

MahaGrapes stands out as an encouraging example of public-private partnership that has delivered favorable outcomes for both large as well as small farmers. Ownership of MahaGrapes lies solely in the hands of the farmers; as they have collectively contributed their share in the fixed and operating costs of MahaGrapes and they also handle the governance of the firm. However, the state initiative from institutions such as MSAMB was essential.

Infrastructure provision – MahaGrapes with partial financial aid from the state government and partial self finance have installed pre coolers and cold storages at all the 16 cooperative headquarters. The grapes are pre cooled and stored in the adjacent cold stores and are carried in refrigerated trucks to the port. A nominal part of the price / Kg received by the MahaGrapes farmers i.e., Rs. four, which goes to fund the activities and pay for the costs of running the MahaGrapes firm and paying salaries to its employees. An additional Rs. 7 is charged for the cooling and the storage facilities provided at the cooperative headquarters goes to the cooperative fund.

### **Co-Operative Marketing**

A marketing organization is more than a sales agency, and performs DIFFERENT functions starting from procurement of product from the producing point to the consuming point, whether raw, semi-processed, or processed. Co-operatives have been argued to be one of the best systems in agricultural produce marketing and processing especially in situations of market failure which obtain very often in agricultural markets and that too in agrarian economies. The cooperatives have been successful in processing of sugar, paddy, milk and cotton. Some of the successful interventions are discussed as under.

### **Amalsad and Gadat Co-operatives in South Gujarat**

The Amalsad co-operative was registered in 1941. It has a membership of 8310 of which 4273 are active members. The Amalsad co-operative works through the commission agents to dispose off the produce in markets like Delhi, Bombay, Indore, etc. In fact, Delhi alone accounts for 90 percent of the total chickoo sales of the co-operative. Amalsad co-operative works in a highly competitive market. There are more than 10 private traders in the Amalsad market. But the co-operative accounts for 50 per cent of the total market arrivals of fruits, and 95 percent of the produce from the 17 villages which are catered to by the co-operative. The co-operative has its own chickoo packaging machine worth Rs. 14 lakh which is used to pack and load chickoo in trucks mechanically. Besides, the co-operative is also in the business of cleaning, packing, branding, and selling various food commodities at its main complex and through its various outlets.

Similarly, the Gadat co-operative, registered in 1944, has 3152 members of whom about 1800 are active members. The co-operative covers 800 hectares across 7 villages. Like Amalsad, it has chickoo as its main business though; banana and mango are also procured. Out of a turnover of Rs. 4.075 crore, chickoo accounts for as much as Rs. 4 crore. It also has tried selling mango pulp under the brand names of 'Triputi' and 'Amidhara'.

In Amalsad co-operative, every day about 200 farmer members bring graded produce to the society at its two collection centres, one of which is at Amalsad itself. The grading is done on the basis of size, shape and fitness of the fruits. A sample of 10 kg of chickoo from a lot is drawn in order to judge the quality. The number of fruits in the sample lot size determines the quality. The lesser the number of fruits, the better grade of quality is awarded to that lot. The system is known locally as 'Jantri' count. These quality and grade parameters are fixed for the season and can be changed from season to season or during the season itself depending on the behaviour of and price realization in terminal markets, agro-climatic situation, and general levels of quality in a season.

Similarly, in the Gadat co-operative area, each village has a retail outlet of the co-operative alongwith a flour mill. This outlet supplies various agricultural inputs as well as consumer goods to farmer members. Besides, there is a rice mill owned by the co-operative and it sells rice under the brand name of "Ambica". In the Gadat co-operative also, the produce is pooled after the farmer has been paid up to 75 percent of the value of his produce as per the grade of the produce.

One more feature of these co-operatives is that the membership does not come as a free option for the members. The members are expected to deliver produce to the co-operative and loyalty is valued. In fact, in order to keep the co-operative viable and manageable, the Gadat co-operative is planning to close its membership. The limited membership may not be in tune with the principles of co-operation, but it is crucial for the financial health of the co-operative. In fact, this has been one of the factors in ensuring the viable functioning of the so called "New Generation Co-operatives" in the US and of the sugar co-operatives in South Gujarat along with other factors like value added processing, linking of producer equity and product delivery rights, sale of tradable equity shares to raise capital and efficient use of market information.

### **HOPCOMS, Bangalore**

The HOPCOMS was established as 'The Bangalore Grape Growers' Cooperative Marketing and Processing Society Ltd.' (BGGCOMS) on 10<sup>th</sup> September, 1959 with the main objective of encouraging grape vine cultivation by providing the required inputs, technical know-how, marketing facilities etc. The society started handling fruits and vegetables apart from grapes since 1965. In 1983, the name of the society was changed as The Bangalore Horticultural Producers' Cooperative Marketing and Processing Society Ltd. (BHOPCOMS) and subsequently in 1987 it became HOPCOMS.

The membership of the society consists of four categories viz. 'A' class members, who are the producers of horticultural crops in the area of operation 'B' class members, who are admitted as associate members and include cooperative institutions, 'C' class earmarked for the Government of Karnataka, and 'D' class members comprise traders and commission agents.

The jurisdiction of the society extends to 8 districts of Karnataka, namely Bangalore (both rural and urban), Mysore, Dakshina, Kannada, Kolar, Mandya, Tumkur and Shimoga. The society has one branch each in 6 districts barring Shimoga and Bangalore (Rural). The main business of HOPCOMS is procuring and disposal of fresh fruits and vegetables.

### **Procurement of Fruits and Vegetables**

The society procures fruits and vegetables both from cultivators (members as well as non-members) and the open market.

Producers at the nearby places bring their produce on their own and supply at the H.O. or at the branches. The cultivator has to take an indent from the society for the supply of fruits and vegetables and normally, produce in excess of the indented quantity will not be accepted.

### **Supply at the Procurement Centres**

At present, the society purchases nearly 85 percent of fruits and vegetables from the cultivators directly. Almost entire quantity of tomato, cabbage, cauliflower, cucumber, raw banana, pomegranate, papaya and mango is now being procured from the field.

## Procurement from the Market

A part of the produce is also bought from the local markets to meet the requirements of the bulk buyers like Government hospitals, hostels, factories etc. On an average, the society losses Rs. 3 per kg. of fruits and vegetables by purchasing from the market. The society buys about 15-20 per cent of fruits and vegetables from the market.

## Supply from other States

In addition to procurement from producers and the market, HOPCOMS gets a small quantity of the produce from the other states. It gets apple from NAFED, The Himachal Pradesh Horticultural Produce Marketing and Processing Corporation (HPMC), National Dairy Development Board (NDDB) and GROWREP, Delhi, kinnow orange from GROWREP, orange from NAFED, Nashik and onion from Vegetable and Fruit Cooperative Marketing society (VEFCO), Nashik. The procurement of fruits and vegetables is made on consignment basis.

## Grading of Fruits and Vegetables

Though HOPCOMS does not classify fruits and vegetables into grades like A,B,C, the society claims that it maintains the quality of fruits and vegetables by accepting only the good quality produce from the growers. It rejects the injured, damaged and diseased ones.

## Indent System

From our earlier discussion, we understand that the society follows the 'indent system', which it used to follow even in the 70s, while procuring fruits and vegetables from the growers. This system, no doubt, helps the society in regulating the supply based on the demand. In fact, we were told that the disposal of the produce is the major problem of the society and hence, in order to avoid losses due to surplus, HOPCOMS resorts to this system.

## Disposal of the Produce

- Sales through Retail Outlets
- Sales to Bulk Buyers
- Sales to HOPCOMS Branches

## Production Related Activities

HOPCOMS supplies production requisites like vegetables seeds, fertilizers, PPC (fungicides and insecticides) and garden implements to the fruits and vegetables growers at reasonable price. It may be observed that inputs account for 8-10 percent of the total sales of HOPCOMS. Further, it is also to be noted that there has been a 3 fold increase in the value of inputs supplied to fruits and vegetables growers. This, we believe, is due to the opening up of the fertilizer and PPC godowns at Kolar, Chikkaballapur and Vijayapur.

## Process Activity

HOPCOMS takes up preparation of juice from grapes, mango, orange, apple etc., in Bangalore, Mysore and Mangalore branches and sells it in bottles of 200 ml in their retail outlets. Although, with the opening up of the procurement centres, there was an increase in the supply of fruits, but a corresponding increase is not observed.

## Some Success Stories of Self Help Groups

- The success story of women empowerment in Andhra Pradesh, through Self Help Groups (SHGs) and MACTCS (Mutually Aided Co-operative Thrift and Credit Societies) has been widely appreciated across India
- Over 5.4 million women have organized themselves in 380 thousand groups
- Farmers' Groups have also been formed in the state to facilitate implementation of Participatory projects at grass-root level

- These village level organizations of the farmers and farm families have grown to a level of self-sustainability where they are now demanding more and more access to Information. They are demanding Information on public sector schemes, market prices, weather
- They market their products collectively to access more bargaining power
- Under *Mission Mode NATP Empowerment of women in agriculture*, 540 farm women were grouped into 36 Self Help Groups for starting different enterprises based on the needs and preference of farm women, resources available and marketing potentiality in the area.
- Trainings were organized for capacity building of farm women of the SHGs in the enterprises.
- The members of Self Help Groups were also trained to handle different equipments.
- Empowerment of women Self Help Groups have been made by skill training and orientation to project management aspects.
- All the members of SHGs started enterprises as per their interest. The women have
- Started generating income from enterprises.

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