



FARMERS' MARKET

RESEARCHING VARIOUS KEY COMPONENTS

MEDHA | DESIGN CHALLENGE- BSSD SEM 4 | 5TH AUGUST, 2020

INTRODUCTION

Agriculture is one of the important sectors of the Indian economy. It contributes about 14% to the GDP of India and about 11% of its total exports. About 50% Indian population still relies on agriculture as its principal source of income and serves as a source of raw material for a large number of industries. Although we have seen a marginal and substantial growth in the production sector of the Agriculture industry, we are yet to establish an effective marketing system in the country.

The disturbance in the supply chain in lieu of the pandemic of 2020 is further proof of problems existing within the current agricultural establishments in the country. India is home to various sizes of farmers' markets. Agricultural marketing as a concept is still evolving in Indian society. In India, there are networks of cooperatives at the local, regional, state and national levels that assist in agricultural marketing.

Marketing of agricultural produce has to undergo a series of transfers or exchanges from one hand to another before finally reaches the consumer. Agricultural marketing system is defined in broadest terms, as physical and institutional set up to perform all activities involved in the flow of products and services from the point of initial agricultural production until they are in the hands of ultimate consumers. This includes assembling, handling, storage, transport, processing, wholesaling, retailing and export of agricultural commodities as well as accompanying supporting services such as market information, establishment of grades and standards.¹

In this report we examine the discrepancies in the current market structure, considering the ongoing pandemic. Through secondary research and data, we will cover the key problem areas in the farmers' market structure and look for areas of intervention in order to redesign the market for the pandemic and post pandemic world.

Through this report, we aim to identify certain marketing strategies, areas for digital innovation, redesigning of supply chain and end-delivery mechanisms in a way that, farmers get a fair price for their produce without inflating prices for the consumer.

¹ Report of the Working Group on Policy Required for Internal and External Trade for the XI Five Year Plan 2007-12, http://Planningcommission.nic.in/Aboutus/Committee/Wrkgrp11/Wg11_Agrpm.Pdf, p.18.

SUMMARY

The basic objective of setting up a network of regulated markets has been to ensure reasonable gain to the farmers by creating environment in markets for fair play of supply and demand forces, regulate market practices and attain transparency in transactions² . Turning industrial distribution structures upside down and making trade relations fairer for small producers sounds idealistic; it is possible if certain keypoints and problem areas are defined and recognized.

Farmers are to gain more independence and autonomy over prices and production conditions and for that to happen, one needs to weaponized smallhold farmers with knowledge and exposure of real-world conditions. Farming is a labour intensive job for major small farmers primarily because they cannot afford equipment and either rent it or do most of the work on their own.

It further becomes difficult for farmers to travel to city areas to sell their produce and they therefore rely on village co-operatives to buy their produce and take it down to bigger mandis and markets. These markets are swarming with intermediaries looking to take big cuts from the farmers' income, which anyway lies at the mercy of erratic rainfall, soil erosion, lack of knowledge and equipment and other unforeseen circumstances.

The Agriculture Marketing system of the country has hardly seen many reforms, albeit good or bad. A farmers' market has so far proven to be far more effective and beneficial for farmers than any other market system introduced within the country through APMC or through big corporations like Reliance Fresh.

Farmers' Markets however, proved to be completely non-resilient to the challenges of the pandemic, forcing people to resort to online platforms like Grofers, Big Basket, Amazon and other big corporates. The aim of the report is to recognize and further suggest various changes that can be implemented to the existing farmers' market model hence making it more effective and resilient in the future.

Various Tools like ecosystem mapping, mind mapping, stakeholders map, opportunity mapping etc have been used to prepare this report

² Indian Agriculture Marketing System (Ch 3 Pg 105)

METHODS

Identifying Key Problem Areas and Introducing Solutions for them

The primary factor behind the supply and price distortions in farm produce in India is the inefficiency in the Agricultural Produce Market Committee (APMC) ³ structure at the state level for marketing and sale of agricultural goods in our country. India's agriculture trade is extremely regional centric and discourages large-scale inter-state sale of food commodities or a national agricultural market. The primary role of the Central Govt. has been to build up food buffer stocks and ensure its distribution to the economically disadvantaged at affordable prices through the public distribution systems, ration cards and other subsidies. The agriculture markets in India are controlled by the APMC in a way that all mandis in the country come under their jurisdiction. Although these platforms give farmers an opportunity to sell their produce to customers directly, most of these market forces have seen an insurgence of intermediaries looking to profit off the produce of the farmers and various tales of extortion and unfair practices from the APMC representatives.

Therefore, it is evident that a market mechanism with a government regulatory authority acting as an intermediary is not an effective strategy. In order to design a fair farmers' market which is scalable according to context, size and demand, one needs to gain insight into the acting stakeholders into this process.

³ <https://www.acuite.in/Sector-alert-India-food-security-under-COVID-19-crisis.htm>



(Defining key stakeholders in farmers' markets)

Among states, there is wide variation in density of markets. For example, in Andhra Pradesh, there is one market for 146 villages, while in Uttar Pradesh there is one market for 17 villages.

The Dalwai Committee has estimated that the country would require 30,000 markets, comprising wholesale and rural retail markets. According to its assessment, "There is a requirement for 10,130 wholesale markets functioning across the country. The country will benefit from an additional 3,568 wholesale markets. "An efficient marketing system will at first instance require an inter-connected network of market centres. The interconnectivity of the market centres will require to be correlated with the type of produce being handled at the market networks."⁴ It is rather evident that establishing big central markets within city limits do not benefit either, the farmers or the consumers since bigger markets tend

⁴ <https://www.downtoearth.org.in/news/agriculture/india-needs-30-000-agri-markets-to-give-fair-deal-to-farmers-59513>

to lead to overcrowding, longer distances and higher chances of spread of diseases. Convenience, Hygiene and Price tend to be the three integral deciding factors for consumers especially in times like pandemics. Setting up of monthly or weekly farmers' markets, though beneficial is not an end solution. There is a clear need for a higher number of wholesale markets at district levels. The wholesale markets can also act as quality testing platforms for buyers to come in and interact directly with farmers in order to buy produce in bulk from farmers whose produce the buyer/wholesaler deems fit. Easy accessibility to these markets, with minimum stacking of produce is rather desirable during these times. The Wholesaler, buyer or customer should only have to visit the market on a monthly or weekly basis in order to interact with the farmer regarding the terms of sale or order and the rest of the transactions can be done in a similar fashion to the e-nam system.

HOPCOMS Vegetable Delivery Initiative for Apartments and Larger Residential Areas.

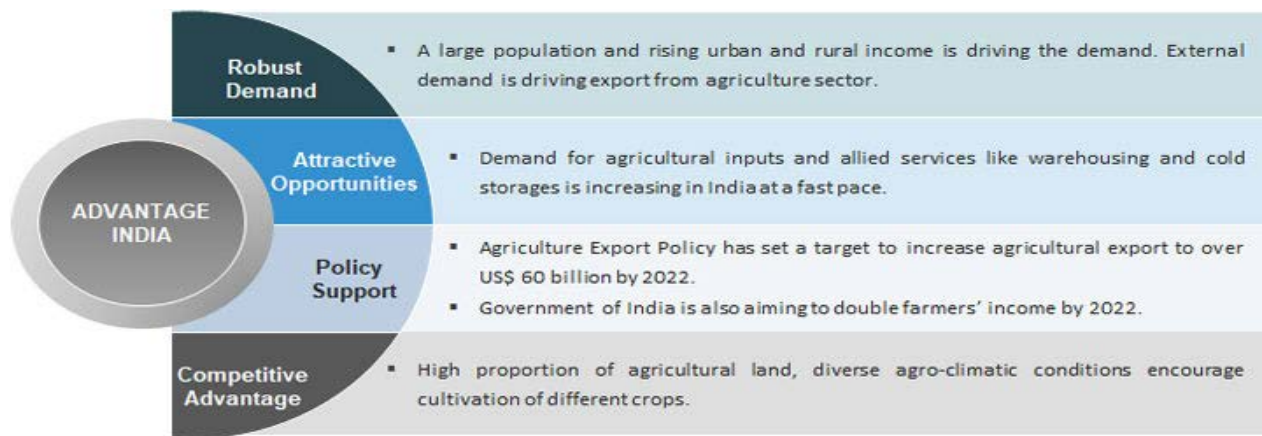
In order to give retail chains and organisations formed by farmers themselves instead of bigger conglomerates like Reliance Fresh, Spar, Grofers etc ; an initiative by HOPCOMS could pave the way for the future of price moderation and fair prices for farmers. Safal is also a farmer-centric enterprise operating in the NCR, they too procure fresh produce from the doorstep of farmers, eliminate intermediaries and bring the goods directly to the customers. SAFAL deals with approximately 180 farmer associations (with membership of approx 8000 farmers) and formal contracts are not the norm. The farmer's association manages local procurement from its members and the transportation link to SAFAL DC unit. However, SAFAL provides support by facilitating tender/contracts for transport services where needed, for the associations. Similarly, selection of crates and weighing machines for use of the associations is facilitated through SAFAL.⁵ Though the presence of SAFAL shops at every corner in order to cater to the demand of a certain neighbourhood, is ideal. Another opportunity area for incorporating SAFAL-like model in the farmers' market system design could be done by arranging for collection of fresh produce from the farms and having it transported to specific zip-codes and neighborhoods in delivery vans or moving food-trucks. Customers can place orders through SAFAL or HOPCOM portals for produce and the number of orders can assess the demand, making it easier for orders to be dropped off at certain points within neighborhoods and apartment complexes where customers can further pick them up in their own bags, further making the chain more sustainable and free from fear of viruses.

The compelling reason for farmers, is that they get the mandi/market rate without the aggravation of going/travelling to the mandi and cities, haggling with the adhtiyas,

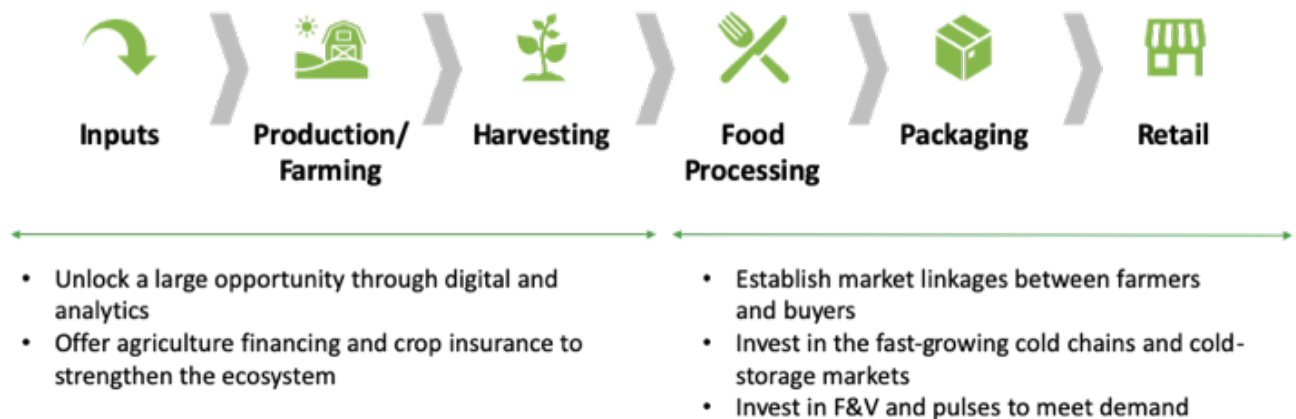
⁵ Analysis of NDDDB & Cluster model for marketing of Vegetables

crossing city borders which is unadvisable during the pandemic, or giving commission, paying fees, taxes and bribes. Something that are rather common implications and obstacles in the journey from farms till local farmers' markets ⁶

Opportunity Areas for Indian Market

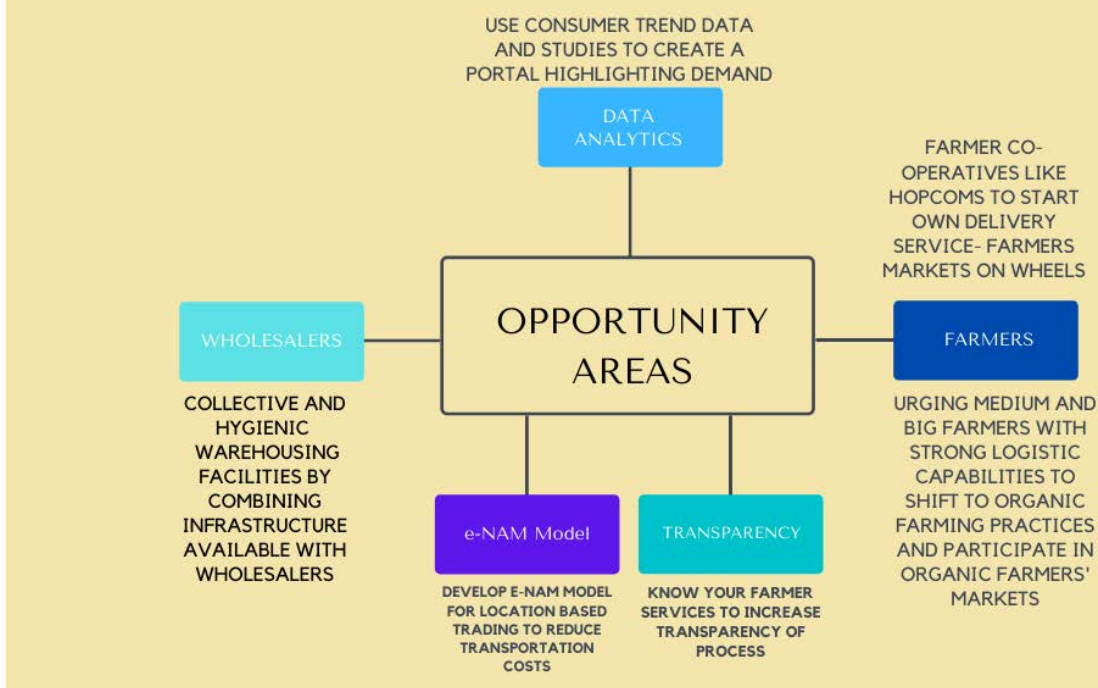


(Credit: [INDIAN AGRICULTURE AND ALLIED INDUSTRIES INDUSTRY REPORT](#))



⁶ <https://www.downtoearth.org.in/coverage/safal-shows-the-way-35584>

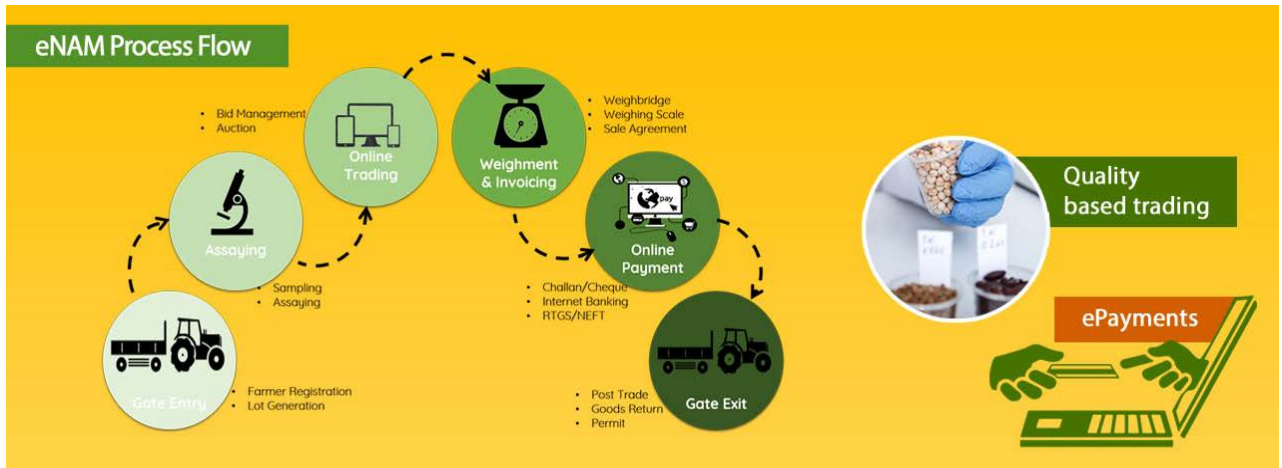
DEFINING OPPORTUNITY AREAS FOR STAKEHOLDERS UNDER FARMERS' MARKET MODEL



E-NAM Model For Farmers' Markets

Since the e-nam model is an existing service in the country, formation of smaller localised subsidiaries of a similar model with integration of services and value proposition of a farmers' market could prove to be effective in the Indian Market. E-nam follows the principles of a "Futures Market". A futures market is an auction market in which participants buy and sell commodity and futures contracts for delivery on a specified future date. Futures are exchange-traded derivatives contracts that lock in future delivery of a commodity or security at a price set today.⁷

⁷ <https://www.investopedia.com/terms/f/futuresmarket.asp#ixzz1Zi2vUOER>



Credit : (IndiaFillings)

The areas of intervention in the eNam Process Flow could be the Assaying and Gate entry parts that could be substituted with the model of the Farmers' Market. Where on a weekly basis, customers could visit a farmers' market to familiarize themselves with the quality of produce available with the local and visiting farmers. An organizing committee would have to oversee the entry of the farmers to the market in order to avoid discrepancies. Here, the customer would have the opportunity to double check and sample the produce available with the farmers of their choosing. Once the customer is satisfied with the produce from a particular farm or farmers, they can choose to "Subscribe" or "Order" monthly produce from the particular producer. A quantity and preference assessment by the customer would further help the farmer predict the quantity of produce to be sold by him each month. Hence decreasing wastage of produce, like seen before. Once each participating farmer or group of farmers have reached certain number of subscribers, the organizer would further form a coalition amongst them to arrange the produce delivery system, either at the doorstep of the customer or to certain collection and drop-off points at or near the venue of the farmers' market. The delivery of produce can be done on a weekly or a daily basis depending on the demand from the customers.

Digital market to ensure transparency

Lack of transparency in the food industry is one of the biggest worries of any consumer in the nation. Harrowing pictures of farms with improper irrigation systems, leakage of sewage into fields, unhygienic conditions of mandis and high prices quoted by retailers are all part of the problem in the country. Reducing the food miles is something that the Indian food market is already aware of given the availability of local farms and high concentration of farmers in the suburbs and countryside too. Hence leading to the prospect of a short supply chain attainable and extremely probable yet again. 'Short supply chains' – an idea that's hardly new: Direct sales by small-scale producers, community-

supported agriculture as well as self-service stations for regional products are a trend.⁸ The main objective of the digital marketplace remains turning industrial distribution structures upside down and making trade relations fairer for small producers. Farmers are to gain more independence and autonomy over prices and production conditions – and thus be able to keep up with competition and changes in the industry.

CONCLUSION

There are several challenges involved in marketing of agricultural produce owing to limited access to the market information, low literacy level among the farmers and multiple channels of distribution that eats away the pockets of both farmers and consumers. The government funding of farmers is still at nascent stage and most of the small farmers still depend on the local moneylenders who are leeches and charge high rate of interest. From the findings of the report, it can be concluded that there needs to be intervention in various points of the agriculture supply chain. Breaking down of farmers' markets, increasing their frequency and an outreach platform for farmers are all part of redesigning the model. It is evident that there needs to be a secure model with absence of intermediaries who would try to leech off the profits of the farmers. Credit lending services could stand to gain from timely returns from the side of the borrower and could a percentage of profits made by a farmer, so a coalition between credit lenders, market organizers with a resilient and fair marketing model for both the farmers and customer would be ideal in this scenario. Findings from this study can hopefully be a starting point for a system that leads to a fair trade system in a country that has seen depressing statistics with regards to the agro industry so far.

⁸ <https://www.euractiv.com/section/agriculture-food/news/the-digital-farmers-market/>