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# Economic analysis of marketing performances in the rythu bazars (direct marketing) in Hyderabad city

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**Abstract**

The present study entitled Economic Analysis of Marketing Performances in the Rythu Bazars (Direct Marketing) In Hyderabad City was conducted in the Greater Hyderabad city, capital of Andhra Pradesh. Primary data were collected from the selected sample by using pre-tested schedule of questions developed for the study. Price spread, producer's price, producer's share in consumer rupee, marketing margin, total marketing cost and marketing efficiencies were calculated to compare various Rythu bazars and the local market.

**Keywords:** Rythu bazars, marketing efficiency, producer's share in consumer rupee, direct marketing

India is an agrarian society where sole dependence has been on agriculture since time immemorial. Direct marketing models have played a significant role in the history of agricultural marketing. Indian farmers get a very low remuneration from the traditional marketing system. This is because of various factors like presence of middlemen in the marketing channel, high marketing costs, poor regulation of the markets and various kinds of cheating from the system of marketing. Direct marketing ensures elimination of the middlemen from the marketing chain and thereby providing higher share of the consumer's price to the producers. Rythu bazars are one of the most successful implementation of the direct marketing models in India.

A study on the marketing in the Rythu Bazars will help various group of the society. It will be helpful to the policy makers for formulating better plans and policies for the Rythu Bazars. It will help the organising body of the Rythu Bazars in a quick review of the functioning of the Rythu Bazars and the existing faults and gaps in functioning of the Rythu Bazars. The study will be ultimately helpful for the farmers, who are the main aspect of development in Indian situation.

## Materials and Methods

The selected Rythu Bazars for the present study are Mehedipatnam and Falaknuma from Hyderabad district; Erragada and Vanasthalipuram from Ranga Reddy district. Gudimalkapur wholesale market was selected purposively for the present study. Two vegetables namely, brinjal and green chillies were selected to study the marketing of vegetables in the Rythu bazars as compared to the local market.

**Producers share in consumers' rupee:** It is the price received by the farmer expressed as% of the price paid at the consumer level (retail price).

…… (1)

Where,

= Producers share in consumers' rupee,

$P_F$= Producers' price

$P_r$= Retail price

**Marketing efficiency (ME):** Shepherd (1965) suggested that the ratio of total value of goods marketed (retailer's sale price or consumer's purchase price) to the marketing cost may be used as measure of marketing efficiency.

An alternative measure as suggested by Acharya, includes,

(a) Total marketing costs (MC)

(b) Net marketing margins (MM)

(c) Net prices received by the farmer (FP)

(d) Price paid by the consumer

## Results and Discussion

### *Comparison of marketing costs incurred by the farmers*

Table 1 represents various costs incurred by the farmers in the Rythu bazars and Table 2 shows various costs incurred by the local market farmers. We will discuss the costs crop wise in various Rythu bazars.

**Brinjal:** Brinjal farmers realized gross return of ₹1200 /Qt. in all the Rythu bazars. This was quite higher than the local market wholesale price, where the farmers received gross price ₹945.50 /Qt. of brinjal. Table 1 indicates total costs of marketing in different Rythu bazars were ₹129.40 (10.78% of gross price received) in Mehedipatnam, ₹124.60 (10.38% of gross price received) in Erragada, ₹129.90 (10.82% of gross price received) in Falaknuma and ₹114.50 (9.54% of gross price received) in Vanasthalipuram per quintal of brinjal. Transportation cost was most important cost contributing 48.18%, 46.35%, 47.73% and 49.56% of the total cost in Mehedipatnam, Erragada, Falaknuma and Vanasthalipuram Rythu bazar respectively.

In the local market, the farmers spent a total marketing cost of ₹133.66 /Qt. of brinjal. Transportation cost has the highest share of 35.01% in the total cost. Farmers paid 21.22% market commission and 7.08% market fee out of total marketing cost.

**Green Chillies:** A total return of ₹1600 /Qt. of green chilli was received by the farmers in all the Rythu bazars in contrast to ₹1269 /Qt. in the local market. Total marketing costs incurred by the farmers were ₹137.30 in Mehedipatnam (8.58% of gross price received), ₹143.95 in Erragada (9.00% of gross price received), 123.00 in Falaknuma (7.69% of gross price received) and ₹117.55 (7.35% of gross price received) in Vanasthalipuram Rythu bazars. Cost of transportation was found to be largest cost accounting for 47.67% in Mehedipatnam, 45.29% in Erragada, 50.12% in Falaknuma and 48.28% in Vanasthalipuram Rythu bazars out of total marketing costs. Total marketing cost was ₹160.09/ Qt. for green chilli in the local market. Farmers selling green chillies in the local market paid the highest amount for transportation (30.92% of the total cost) followed by commission charges (23.78% of total marketing costs). Market fee was 7.93% of total marketing costs.

### *Farmer's price, price spread, marketing margins and producer's share in consumer rupee*

**Brinjal:** As ₹1200/ Qt. gross price for brinjal in all Rythu bazars was received by the farmers, net price received was ₹1070.60 (89.22% of the price paid by the consumers) in Mehedipatnam, ₹1075.40 (89.62% of the price paid by the consumers) in Erragada, ₹1070.10 (89.18% of the price paid by the consumers) in Falaknuma and ₹1085.50 (90.46% of the price paid by the consumers of the price paid by the consumers) in Vanasthalipuram Rythu bazar. In contrast, farmers in the local market received only 51.71% (₹811.84/ Qt.) of the retail price.

### *Green Chillies*

Gross price received by the green chilli farmers was ₹ 1600 /Qt. in all the Rythu bazars, as compared to ₹1269.00 in the local market. Net price received by the farmers (i. e., farmer's price) was 91.42% of the price paid by the consumers in Mehedipatnam, 91.00% of the price paid by the consumers in Erragada, 92.31% of the price paid by the consumers in Falaknuma and 92.65% of the price paid by the consumers in Vanasthalipuram Rythu bazars. Farmers in the local market received 62.47% of the price paid by the consumer (i. e., retail price) per Qt. of green chilli, quite lower than the farmers in the Rythu bazars.

**Table 1. Costs of Marketing incurred by the farmers of selected vegetables (₹ / Qt.) in Different Rythu Bazars**

| Sl. No. | Particulars | Brinjal | | | | Green chilli | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | M | E | F | V | M | E | F | V |
| 1. | Gross price received by producer | 1200 | 1200 | 1200 | 1200 | 1600 | 1600 | 1600 | 1600 |
| 2. | Marketing cost incurred by the producer | | | | | | | | |
| A | Transportation cost | 62.35 (48.18) | 57.75 (46.35) | 62.00 (47.73) | 56.75 (49.56) | 65.45 (47.67) | 65.20 (45.29) | 61.65 (50.12) | 56.75 (48.28) |
| B | Spoilage loss | 25.30 (19.55) | 24.60 (19.74) | 27.10 (20.86) | 20.5 (17.90) | 29.60 (21.56) | 39.20 (27.23) | 20.30 (16.50) | 23.55 (20.03) |
| C | Hamali charges | 10 (7.73) | 10.00 (8.02) | 10.00 (7.70) | 10.00 (8.73) | 10.00 (7.28) | 10.00 (6.95) | 10 (8.13) | 10.00 (8.51) |
| D | Miscellaneous expenses | 31.75 (24.54) | 32.25 (25.88) | 30.80 (23.71) | 27.25 (23.81) | 32.25 (23.49) | 29.55 (20.53) | 31.05 (25.24) | 27.25 (23.18) |
| 3. | Total marketing cost | 129.40 (100) | 124.60 (100) | 129.90 (100) | 114.50 (100) | 137.30 (100) | 143.95 (100) | 123.00 (100) | 117.55 (100) |
| 4. | Net price received by the producer | 1070.60 | 1075.40 | 1070.10 | 1085.50 | 1462.70 | 1456.05 | 1477.00 | 1482.45 |

M = Mehedipatnam; E = Erragada; F =Falaknuma; V = VanasthalipuramSource: Primary data.Values in parentheses show are percentage of total cost incurred by farmers.

**Table 2. Different costs of Marketing incurred by the farmers, wholesalers and retailers of selected vegetables (₹/Qt.) in Local market**

| Sl. No. | Particulars | Brinjal | Green chilli |
|---|---|---|---|
| 1 | Gross price received by the farmer | 945.50 | 1269.00 |
| 2 | Marketing costs incurred by farmer | | |
| i | Transportation | 46.80 (35.01) | 49.50 (30.92) |
| ii | Commission to commission agent | 28.36 (21.22) | 38.07 (23.78) |
| iii | Wastage due to transportation and handling | 23.64 (17.69) | 31.73 (19.82) |
| iv | Hamali and weighments | 6.15 (4.60) | 5.85 (3.65) |
| v | Market fees | 9.46 (7.08) | 12.69 (7.93) |
| vi | Miscellaneous expenditures | 19.25 (14.40) | 22.25 (13.90) |
| 3 | Total cost incurred by farmers | 133.66 (100) | 160.09 (100) |
| 4 | Net price received by farmer/ producer(1-3) | 811.84 | 1108.92 |
| 5 | Farmer's sale price to wholesaler | 945.50 | 1269.00 |
| 6 | Marketing costs incurred by wholesaler | | |
| i | Transportation | 30.70 | 37.20 |
| ii | Loading and unloading | 19.56 | 23.51 |
| iii | Transportation and storage losses | 26.09 | 31.34 |
| iv | Market fee | 13.05 | 15.67 |
| v | Miscellaneous expenditures | 17.00 | 20.00 |
| 6 | Total cost incurred by wholesaler | 106.40 | 127.72 |
| 7 | Wholesaler selling price to the retailer | 1304.50 | 1567.00 |
| 9 | Marketing costs incurred by retailer | | |

| | | | |
|---|---|---|---|
| I | Transportation | 38.70 | 37.70 |
| ii | Spoilage losses | 23.55 | 26.63 |
| iii | Miscellaneous expenditures | 11.80 | 14.90 |
| 10 | Total cost incurred by the retailer | 74.05 | 79.23 |
| 11 | Retailer's sale price/ Consumer' price | 1570.00 | 1775.00 |

**Table 3. Total marketing Cost (in ₹ /Qt.), farmer's price (in ₹ /Qt.), Price Spread (in ₹ /Qt.), Producer's Share in consumer (%) rupee and marketing efficiency in different Rythu Bazars**

| Sl. No. | Particulars | Brinjal | | | | Green chilli | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | M | E | F | V | M | E | F | V |
| | Gross price received by producer | 1200 | 1200 | 1200 | 1200 | 1600 | 1600 | 1600 | 1600 |
| | Total marketing cost | 129.40 (10.78) | 124.60 (10.38) | 129.90 (10.82) | 114.50 (9.54) | 137.30 (8.58) | 143.95 (9.00) | 123.00 (7.69) | 117.55 (7.35) |
| | Net price received by the producer | 1070.60 (89.22) | 1075.40 (89.62) | 1070.10 (89.18) | 1085.50 (90.46) | 1462.70 (91.42) | 1456.05 (91.00) | 1477.00 (92.31) | 1482.45 (92.65) |
| | Producer's share in consumer rupee | 89.22 | 89.62 | 89.18 | 90.46 | 91.42 | 91.00 | 92.31 | 92.65 |
| | Marketing efficiency-Shepherd's approach (1/2) | 9.27 | 9.63 | 9.24 | 10.48 | 11.65 | 11.12 | 13.01 | 13.61 |
| | Marketing efficiency-Acharya approach (3/2) | 8.27 | 8.63 | 8.24 | 9.48 | 10.65 | 10.12 | 12.01 | 12.61 |

M = Mehedipatnam; E = Erragada; F = Falaknuma; V = Vanasthalipuram

**Table 4. Total marketing Cost, farmer's price, Marketing margin, Price Spread, Producer's Share in consumer rupee and marketing efficiency in the Local Market**

| Sl. No. | Particulars | Brinjal | Green chilli |
|---|---|---|---|
| | **Gross price received by the farmer (in ₹ /Qt.)** | 945.50 (60.22) | 1269.00 (71.49) |
| | **Total cost incurred by farmers (in ₹ /Qt.)** | 133.66 (8.51) | 160.09 (9.02) |
| | **Net price received by farmer/ producer (1-2) (₹ Qt.)** | 811.84 (51.71) | 1108.92 (62.47) |
| | **Farmer's sale price to wholesaler (in ₹ /Qt.)** | 945.50 (60.22) | 1269.00 (71.49) |
| | **Total cost incurred by wholesaler (in ₹ /Qt.)** | 106.40 (6.78) | 127.72 (7.19) |
| | **Wholesaler selling price to retailer (in ₹ /Qt.)** | 1304.50 (83.09) | 1567.00 (88.28) |
| | **Wholesaler's margin{6-(4+5)} (in ₹ /Qt.)** | 252.60 (16.09) | 170.28 (9.59) |
| | **Total cost incurred by the retailer (in ₹ /Qt.)** | 74.05 (4.72) | 79.23 (4.46) |
| | **Retailer's sale price/ Consumer' price (in ₹ /Qt.)** | 1570.00 (100) | 1775.00 (100) |
| | **Retailer's margin{9-(6+8)} (in ₹ /Qt.)** | 191.45 (12.19) | 128.77 (7.25) |

| | | | |
|---|---|---|---|
| | **Total marketing cost (2+5+8) (in ₹ /Qt.)** | 314.11 (20.01) | 367.04 (20.68) |
| | **Price spread (9-1) (in ₹ /Qt.)** | 624.50 | 506.00 |
| | Producer's share in consumer Rupee (%) | 51.71 | 62.47 |
| | Marketing efficiency- Shepherd's approach (9/11) | 4.50 | 4.84 |
| | Marketing efficiency- Acharya approach{3/ (11+7+10)} | 1.07 | 1.66 |

Values in parentheses show percentage of price paid by consumer for respective crops.

**Price spread and producer's share in consumer rupee:** Producer's shares in consumer rupee for all the selected crops were highest in Vanasthalipuram Rythu bazar (90.46% for Brinjal and 92.65% for green chilli).

In the local market farmers received much less than what was paid by the consumers. Price spread was ₹ 624.50 for brinjal and ₹ 506.00 for green chilli per quintal of the produce. Producer's share in consumer rupee was 51.71% for brinjal and 62.47% for green chilli in the local market.

**Comparison of marketing efficiency:**

**Shepherd's approach:** By this approach marketing efficiency is calculated by dividing the gross price received by the farmer with the total marketing cost. Marketing efficiency for brinjal was 9.27, 9.63, 9 . 2 4 and 10.48 in Mehedipatnam, Erragada, Falaknuma and Vanasthalipuram respectively and 4.50 in the local market. For green chilli efficiencies were respectively 11.65, 11.12, 13.01 and 13.61 and in the local market 4.84.

**Acharya approach:** Here net price received by the farmers is divided by the total marketing costs plus met marketing margins. Marketing efficiencies were 8.27, 8.63, 8.24, 9.48 and 1.07 in Mehedipatnam, Erragada, Falaknuma, Vanasthalipuram and local market respectively for brinjal. For green chilli they were 10.65, 10.12, 12.01, 12.61 and 2.07 respectively. This revealed that all the Rythu bazars are much more efficient than the local market because farmers received more net price for the products in Rythu bazars and total marketing cost is quite high in the local market than the Rythu bazars.

**Analysis of benefits and constraints:**

**Benefits:** Benefits received by the sellers/ farmers as well as the consumers, are tabulated in Table 5 and 6.

**Table 5. Benefits of selling the produce in the Rythu Bazars (total number of respondents is 20 for each crop from each Rythu Bazar) (B= Brinjal, GC = Green Chilli.)**

| Particular | Mehedipatnam | | Erragada | | Falaknuma | | Vanasthalipuram | |
|---|---|---|---|---|---|---|---|---|
| | B | GC | B | GC | B | GC | B | GC |
| Higher price | 18 (90) | 20 (100) | 19 (95) | 20 (100) | 20 (100) | 20 (100) | 18 (90) | 18 (90) |
| Direct selling | 12 (60) | 13 (65) | 10 (50) | 10 (50) | 9 (45) | 8 (40) | 10 (50) | 10 (50) |
| No market commission | 19 (95) | 18 (90) | 20 (100) | 20 (100) | 20 (100) | 20 (100) | 19 (95) | 19 (95) |
| No intervention by intermediaries | 20 (100) | 18 (90) | 20 (100) | 19 (95) | 20 (100) | 19 (95) | 19 (95) | 18 (90) |
| Assured place for sale | 8 (40) | 14 (70) | 14 (70) | 13 (65) | 13 (65) | 12 (60) | 11 (55) | 10 (50) |
| Assured customer | 10 (50) | 12 (60) | 9 (45) | 10 (50) | 15 (75) | 12 (60) | 8 (40) | 8 (40) |
| Proper market regulation | 16 (80) | 11 (55) | 12 (60) | 12 (60) | 10 (50) | 11 (55) | 9 (45) | 10 (50) |
| Can meet the market officials directly | 14 (70) | 14 (70) | 11 (55) | 12 (60) | 16 (80) | 17 (85) | 8 (40) | 9 (45) |
| Getting helps regarding cultivation practices | 6 (30) | 8 (40) | 7 (35) | 8 (40) | 8 (40) | 6 (30) | 9 (45) | 11 (55) |
| Other facilities | 12 (60) | 12 (60) | 16 (80) | 17 (85) | 16(80) | 16(80) | 19(95) | 18 (90) |

Figures in parentheses are the percentage of total number of respondents.

As per the farmers' point of view absence of market commission (which is paid by the farmers selling in the local market) and no intervention of intermediaries were the most important benefits. From consumer' point of view the most important benefit was the best price for the produce (87.50%) followed by fresh quality product, parking facility, clean market place, no cheating from the farmers.

**Table 6. Benefits to consumers for coming to the Rythu bazars (total number of respondents is 10 for each crop from each Rythu Bazar)**

| Particulars | M | E | F | V | Total |
|---|---|---|---|---|---|
| Best price of the produce | 9 (90) | 8 (80) | 9 (90) | 9 (90) | 35 (87.50) |
| Fresh quality | 7 (70) | 8 (80) | 9(90) | 8 (80) | 32 (80) |
| Clean market place | 6 (60) | 7 (70) | 4 (40) | 6 (60) | 23 (57.50) |
| Direct contact with the farmers | 4 (40) | 6 (60) | 5 (50) | 7 (70) | 22 (55.00) |
| Parking facility | 9 (90) | 10 (100) | 4 (40) | 5 (50) | 28 (70.00) |
| No cheating from the farmers | 7 (70) | 5 (50) | 6 (60) | 6 (60) | 24 (60.00) |

Figures in parentheses are percentage of the total number of respondents, Source: Primary data

**Table 7. Constraints of selling the produce in the Rythu Bazars (total number of respondents is 20 for each crop from each Rythu Bazar)**

| Particular | Mehedipatnam | | Erragada | | Falaknuma | | Vanasthalipuram | |
|---|---|---|---|---|---|---|---|---|
| | B | GC | B | GC | B | GC | B | GC |
| To avail selling point | 17 (85) | 20 (100) | 12 (60) | 11 (55) | 17 (85) | 16 (80) | 9 (45) | 8 (40) |
| Price not profitable | 2 (10) | 2 (10) | 0 | 1 (5) | 3 (15) | 4 (20) | 5 (25) | 4 (20) |
| Poor bargaining power | 12 (60) | 10 (50) | 7 (35) | 9 (45) | 11 (55) | 11 (55) | 7 (35) | 6 (30) |
| Clean market yard | 15 (75) | 13 (65) | 6 (30) | 9 (45) | 10 (50) | 9 (45) | 1 (5) | 2 (10) |
| Unavailability of cold storage | 19 (95) | 18 (90) | 20 (100) | 20 (100) | 17 (85) | 18 (90) | 20 (100) | 20 (100) |
| Unavailability of seeds from Rythu Bazars | 16 (80) | 15 (75) | 15 (75) | 15 (75) | 20 (100) | 19 (95) | 15 (75) | 15 (75) |
| Place shortage | 15 (75) | 19 (95) | 0 | 1 (5) | 15 (75) | 1 5 (75) | 10 (50) | 10 (50) |

B= Brinjal, GC = Green Chilli. Source: Primary data

**Constraints:** Unavailability of cold storage was the most problematic issue faced by the farmers in the Rythu bazars as perceived by the farmers because this led to the loss of unsold produce in terms of quality and quantity. The other major problems were unavailability of seeds from the Rythu bazars, availing a good selling point, place shortage, poor bargaining power etc.

## Conclusions

The above findings clearly reveal that the Rythu bazars are performing well as per the rules and

regulation mandatories. The Rythu bazar model of Andhra Pradesh and Telangana can be adopted by the various states of India for raising the quality of life as well as to benefits the consumers by providing a reasonable prices and quality fresh farm products.

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