

Research Project
on
“Impact on Farmer Income in View
of Current Trends in Agri –
Retailing”



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Executive Summary

1. Introduction

"Impact on Farmer Income in view of Current Trends in Agri Retailing"

Defining retailing: Mr. Raghu pillai, CEO, RPG - Retail pointed that "When you look at the retail and what is meant by organized retailing ... setting up nice glitzy stores on the high street of big cities is not necessarily retailing. Retailing is about what value you are able to extract outside the supply chain, and you can deliver that value in commercially viable way to the customer? The sore is only the delivery mechanism, so you can have nice glitzy store if that is your delivery model or you can have a hand cart, if that I the delivery model." Retailing of agri input & output comes under Agri-retailing.

A number of experiments like Tata Kisan Kendra, Godrej's Aadhar, DSCL Hariyali, Mahindra's Subhlabh and ITC's Sagar Chaupal have suddenly emerged in the rural market space. These experiments have one common thread i.e. they are attempting to integrate the chain by removing the inefficiencies in the rural as well as agricultural supply chain. The key objective of these experiments is to provide one stop "Total Farm Solution" to the Indian farmers so that farm income as well as farm prosperity improves. The services to be provided are credit facilitation, water management, supply of agri inputs, agri advisory services, and marketing of agricultural output as well as supply of consumer goods. There is much that modern science and technology can do to realise this vision. Rural incomes have to be increased. Rural infrastructure has to be improved. Rural health and education needs have to be met. Employment opportunities have to be created in rural areas." Agriculture and agro-based industries account for 25 per cent of India's GDP. More significantly, over 60 per cent of the country's population is engaged in this activity. However, this very statistic simultaneously reveals why rural India remains a backwater for the country's industry; that 60 per cent of the people generate only 25 per cent of the country's GDP means that their purchasing power is low. Most of industry's "engagement" with rural India is in terms of corporate social responsibility (CSR), rather than business. Most industries, excepting the ones that directly deal in agricultural inputs, machinery or commodities, confine their business attentions to India's cities, where the country's purchasing power resides. This can be seen in the fact that though a small fraction of the country's population reads English, most of the country's print advertising spends flows to its

English language media, read mainly in the cities. But the fact about India's smaller cities, its towns and villages is that they are growing. There's a market out there, and it's waiting to be addressed. In terms of purchasing power, it may not have great depth, but it has enormous width, like the bottom of any pyramid. It is also a market with its own characteristics and its own dynamics. City formulae don't always work here. Grabbing a foothold takes much more than mere marketing savvy.

Need for enhancing Investment in Agriculture

Agriculture being a State subject, the overall public expenditure on agriculture is dependent on the resources available to the States and this share has declined over a period of years. The demand supply paradigm, the growing land scarcity and lop-sided development are manifestation of stagnant capital formation in agriculture. Given the importance of agriculture in India, the repercussion of a fall in agricultural growth is bound to have an impact on the other sectors of the economy and in particular to the lives of around 65 percent of the population dependant on it. Hence there is an increased need for directing the flow of investment towards agriculture and other related rural infrastructure for sustaining agriculture growth.

Some of the reasons for slower growth in public investment in agriculture are:

- Diversion of resources from investments to current expenditures in the form of subsidies.
- Large expenditure incurred on maintenance of existing projects.
- Inordinate delays in completing the projects on hand.
- Relatively lower allocation for irrigation, rural infrastructure and research presently in absence of such a market led environment private sector is constrained in its growth. Some of the reasons for slower growth in private investment in agriculture.
- Poor marketing infrastructure for processing agricultural commodities, particularly fruits and vegetables and transporting them to market centers.
- Quantitative restrictions and bureaucratic difficulties in licensing. Similarly stringent controls on storage and movement of several agricultural commodities.
- Cascading effect of multiple taxes at various stages from harvesting to marketing which is more compounded by considerable variation in tax and fee structure across the states creating arbitrage opportunities to the detriment of farmers.
- Controlled prices, restrictions on purchases outside mandi.
- Lack of integrated value chain concept from lion to the market.

- Lack of linkages between spot and future markets.

Therefore, the proposed investigation entitled “**Current Trends of Agri-Retailing and Its Impact on Farmer’s Income**” was designed with following specific objectives:

Objectives of the Study

1. To find out status of agri retailing in the area.
2. To find impact of input and output retailing on farmers income.
3. To identify major problems in the retailing in the area.

2. Methodology

Here, an attempt has been made to describe the methodology adopted for the study *viz.* selection of districts, tehsils, farmers and Agri-retailing hubs, method of data collection and techniques used for the analysis of the data collected.

2.1 Sampling Framework

Snow ball method of sampling was used for the selection of the farmers for the present study.

2.1.1 Study Area

The study was conducted in the Rajasthan state of the India.

2.1.2 Selection of Districts

The Jaipur, Bikaner region (including nearby districts), Udaipur and Kota districts were selected for the present study because these four districts has more agricultural activities and can represent state as a whole.

2.1.3 Selection of Tehsils

Any two tehsils from every district was selected on the basis of availability of any agri retailing firms in the selected tehsil. Thus, the Aamer & Chomu tehsils from Jaipur district, Sangaria & Hanumangarh tehsils from Bikaner region, Malvi & Girwa tehsils from Udaipur district and Ladpura & Digod tehsils from Kota district were selected on the basis of availability

of agri retailing firms in the tehsils. Thus, total eight tehsils from selected four districts were selected for the present study.

2.1.4 Selection of Villages

Two villages from every selected tehsil were selected purposively that there should be presence of any form of Agri-retailing activity in the village. Thus, a sample of total 16 villages was selected for the present study.

2.1.5 Selection of Respondents:

For the collection of primary data, a sample of 20 beneficiary farmers and 5 non beneficiary farmers from every selected village of each district was selected using snow ball method. Thus, total 400 farmers were selected from four selected districts, out of which 320 farmers were beneficiary and 80 farmers were non beneficiary.

2.1.6 Selection of Agri-retailing firms:

To examine impact of the Agri-retailing, the firms, working in the selected area were selected. Reliance fresh, Hariyali Kisan Bazaar, ITC’s e-chaupal and Hariyali Kisan Bazaar

2.2 Collection of data

Primary data were collected through pre-structured and pre-tested schedules using personal interview method.

2.3 Analysis of data

The collected data were analyzed by using various statistical tools to achieve objectives of the study.

3. Result and Discussion

The present study was confined to following specific objectives:-

1. To find out status of Agri-retailing in the area.
2. To find impact of input and output retailing on farmers income.
3. To identify major problems in the retailing in the area.

3.1 To find out status of Agri-retailing in the study area:-

Four districts from Rajasthan state were selected on the basis of comparatively more action in agricultural activity and availability of Agri-retailing players. In Jaipur and Udaipur districts Reliance fresh of Reliance group was found very actively interacting with farmers in purchasing vegetables only but it was not providing any type of inputs to farmers. In Bikaner region Hariyali Kisan Bazaar of DSCL group was found with the facility of purchasing mustard, barley and guar alongwith making available various types of agri inputs and domestic goods to farmers. Whereas, in Kota district the Hariyali Kisan Bazaar of DSCL group and E-chaupal of ITC group was found and purchasing mustard and soybean produce, respectively. Hariyali Kisan Bazaar was also making available agri inputs and domestic goods for farmers in Kota district. Thus, it was analysed that Reliance fresh and e-chaupal were only active in purchasing vegetables and specific crop produce, respectively. Whereas, Hariyali Kisan Bazaar was active in both the activities i.e. purchasing crop produce and selling agri inputs and domestic goods also.

3.2 To fulfil the second objective of the present study following analysis were done:-

3.2.1 Average size of operational land holding:-

3.2.2 Input purchased by farmers

3.2.3 Farm produce sold by farmers

3.2.4 Per cent of farm produce sold immediately after harvest

3.2.5 Warehousing/cold storage facilities in selected villages of selected districts

3.2.6 Awareness of farmers about Agri-retailing

3.2.7 Experience of farmers with Agri-retail

3.2.8 Selling preferences of beneficiary and non-beneficiary farmers

3.2.9 Strengths of Agri-retailing in view of beneficiary farmers of selected districts

3.2.10 Weakness of Agri-retailing in view of beneficiary farmers of selected districts

3.2.11 Opportunities for farmers in Agri-retailing

3.2.12 Threats of Agri-retailing in view of beneficiary farmers of selected districts

3.2.13 Need of post harvest technology by farmers

3.3 To identify major problems in Agri-retailing in the selected districts

3.4 Conclusions:-

The important conclusions of the study are as under:-

1. Average size of operational land holding was found greater on beneficiary farms than non-beneficiary.
2. In Jaipur and Udaipur districts Reliance fresh of Reliance group was found actively dealing in vegetables. Hariyali Kisan Bazaar of DSCL group found in Bikaner region dealing in foodgrain crops produce and supplying agri inputs also. In Kota district Hariyali Kisan Bazaar of DSCL group & e-chaupal of ITC group were found dealing in foodgrain crops produce and supplying agri inputs also, respectively.
3. Beneficiary farmers were found purchasing various agri inputs from Hariyali Kisan Bazaar of DSCL group and e-chaupal of ITC group while, Reliance fresh of Reliance group was not found making available any type of agri input.
4. Reliance fresh were found purchasing vegetables only from farmers while, Hariyali Kisan Bazaar & e-chaupal were found purchasing only produce of mustard, barley, guar & soybean from farmers.
5. Farmers indebtedness and lack of storage facilities were found major reasons for selling most of farm produce by farmers immediately after harvesting.
6. Hariyali Kisan Bazaar of DSCL group was found selling domestic consumption goods alongwith agri inputs.
7. Farmers were agreed to sell their farm produce to Agri-retail if they offered comparatively better price than village aggregator or APMC.
8. Framers were agreed that Agri-retaling hubs providing them technical know how information about products price and about new varieties of farm inputs like seed and chemicals.
9. There is no warehouse/cold storage facility found in selected villages of selected districts.
10. Data reveals that some of selected farmers were not aware about Agri-retail.

