

An Empirical Study on Farmers' Constraints in Marketing to Organized Retailers

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Abstract:

Background: The growth of organized retail chains in the Indian market is significant and it cannot be ignored by any marketers. Over the years many organized chains have developed their own models for the procurement of fruits and vegetables directly from the farmers. The percentage of farmers engage in direct selling to the organized chains through these procurement models is very negligible, despite its merit.

Materials and Methods: This paper attempts to find out the major constraints of farmers to sell their produce to organized retailers. A survey has been conducted among the farmers of fruits and vegetables from districts surrounded by Bengaluru city and those who are supplying their produce to organized chains.

Results: Pressure from the middlemen, lower price, and delay in payment found to be the major constraints and discourages them to sell their produce to organized retailers. Transportation cost, the quantity of production, and grading do not found to be constraints. The perceived constraints significantly vary as per their demography.

Conclusion: The outcome of the study has policy and sourcing implications. Future studies may be carried out to find out the influence of these constraints on farmers' perception towards organized retailers' procurement.

Key Word: Farmers; Organized Retail; Constraints; Marketing; Procurement.

Date of Submission: 10-04-2021

Date of Acceptance: 26-04-2021

I. Introduction

An organized retail chain is one of the important sectors of the current economic scenario in India. There has been considerable growth in the organized retailing business in recent years and it is poised for much faster growth in the future. Karnataka state is one of the progressive states with greater potential for the development of fruits and vegetables. Factors determining the procurement are procuring the right quality, of the right quantity, at the right price, from the right source, at the right time. Various procurement models evolved over some time. The direct procurement from the farmers through a collection center by an organized retailer is in practice intending to benefit the farmers with a remunerative price and a better price share. However, farmers' preference to sell their produce to organized retailers is subject to their perceived constraints to sell their produce to the organized outlets, despite the merits. The study has been carried out to investigate the major factors that act as constraints to farmers in supplying to organized outlets.

II. Methodology

The objectives of the study are 1. To find out the perceived constraints faced by farmers in selling their produce to organized retailers. and 2. To find out whether the perceived constraints vary as per the demography of the farmers. A sample survey has been carried out among the farmers of fruits and vegetables in four neighboring districts of Bengaluru city and who are supplying their produce to organized retail chains in the city. Samples were drawn on snowball sampling technique and a total sample size of 344 calculated based on the standard deviation observed during the pilot study and the samples are drawn from four identified districts as per the area under farming and the quantity supplied to organized chains. A structured questionnaire has been administered among the respondents. A pilot study has been carried out in the study area to understand the procurement model which is in force. During the pilot study, various stakeholders such as farmers, traders, organized retailers, and officials of concerned departments were asked to list various constraints, using the brainstorming method. The respondents were asked to rate their perception on the various constraints listed accordingly, on a five-point scale. The data were analyzed using percentage, rating, and ranking. ANOVA has been carried out to find out the significant variation in constraints as per the demography.

III. Review of Literature

The small farmers of fruits and vegetables face multiple constraints for marketing such as lack of access to credit, lack of access to storage facilities, lack of market information, lack of finance for farming, poorly developed village markets, poor producer prices, high perishability of produce, low patronage, inadequate access roads, the small size of the transport and high transportation costs (Matsane and Oyekale, 2014). Another study (Emana and Gebremedhin, 2007) revealed that lack of markets to absorb the production, low price for the products, a large number of middlemen in the marketing system, lack of marketing institutions safeguarding farmers' interest, and lack of coordination among producers to increase their bargaining power as the major constraints. Linking smallholders with markets including value chains, the role of smallholders in enhancing food security and employment generation, differential policies, and institutional support for smallholders are identified as the major opportunities to overcome the challenges faced by small farmers in India (Mahendra Dev, 2014). Rapid entry of corporate into the marketing of vegetables and fruits sectors will help the farmers as they are going for direct tie-ups with farmers eliminating the middlemen at various levels (Piali, and Simayan, 2011). However, studies found that farmers in India face several problems such as fragmented supply chain, poor infrastructure facilities, quality and safety standards, supply chain losses and poor transportation facilities, etc. affecting the overall growth of the agricultural development of India (Negi and Neeraj 2015).

With the growing competition in organized retailers and their growing interest to procure fruits and vegetables from farmers, it is inevitable for the organized retailers to understand the farmers' issues and views in selling their produce to them. There are several studies to find out the challenges and constraints of farmers in marketing their produce in general. Several studies are also carried out to understand the opportunities and impact of organized retailers. However, there is no empirical evidence to understand the constraints of farmers to meet the requirement of organized retailers and sell their produce to them.

IV. Data Presentation and Discussion

The investigator attempted to find out, what are the major factors that act as constraints to farmers in supplying to organized outlets. The respondents were asked to rate the various identified constraints on a five-point scale from 'not at all to a 'very great extent.

About 72 percent of the farmers responded that 'Pressure from middlemen' as one of their constraints affecting to a very great extent in the marketing of fruits and vegetables to organized retailers. It is also revealed that 53.5 percent of respondents consider 'no remunerative price' as constraints affecting them to a very great extent. The respondents (41.9 percentage) opine that the delayed payment made by organized retailers acts as a constraint. Constraints like 'Insufficient quantity' and 'High Transportation Cost' were not considered as significant constraints among the respondents in the study area. The average rating for each constraint was calculated by giving a weighted score from 0 to 4 for response ranging from 'not at all to 'very great extent' and accordingly the average weighted score for each constraint is calculated and given the rank. Table 1 shows the details.

Table 1. Ranking of Various Constraints Based on the Average Rating

Constraints	Average Rating (Out of 4)	Ranking
Seasonality in Production	2.91	IV
Insufficient Quantity	1.14	X
Fluctuations in Quality	2.53	V
High Transportation Cost	1.74	IX
Lack of Grading	1.75	VIII
Poor Market Awareness	2.42	VI
No Remunerative Price	3.16	II
Pressure from Middlemen	3.56	I
Delay in Payment	2.95	III
No Advance Payment	1.86	VII

Source: Calculated from Survey data

Based on the result, the study observed that 'Pressure from Middlemen' with an average weighted score of 3.56 ranked as a number I constraints in marketing to organized retailers. The credit owed from middlemen for input purchase and the advance money received from middlemen, etc., force them to sell their produce to the concerned middlemen only. The table also reveals that the respondents in the study area perceive selling to local traders as more remunerative and as such with a score of 3.16, 'no remunerative price' acts as the second most constraint in selling their produce to organized retailers. The delay in payment is also considered as another major constraint with a score of 2.95 and ranked as the third constraint. However, the insufficient quantity, high transportation cost, and lack of grading are not considered as major constraints. This shows that the procurement by organized retailers is done through various collection centers in proximity to the farmers, with flexible quantity without the condition of any minimum quantity and buying the entire lot, without necessarily any grading.

Relationship between Demography and Constraints

To find out whether the constraints vary significantly with the demography of respondents such as the size of landholding, age group, educational level, and annual family income, Analysis of Variance (ANOVA) has been carried out.

H₀: The constraints faced by farmers in selling to organized retailers do not vary significantly with demography such as age group, education level, and monthly income from agriculture.

Age Group and Constraints

Table 2. Age Group and Constraints

Constraints	F	Sig.
Compared with Age Group	10.908	.000

The above ANOVA table shows that the significant value of constraints compared with the different age groups of respondents is 0.000 which is less than 0.05 significant level. Therefore the Null hypothesis is rejected and accepting the Alternate Hypothesis with a 95% confidence level. It can be inferred that the constraints vary significantly with the different age groups of respondents. The Mean values for constraints as per the age group of respondents are shown in table 3.

Table 3. Age Group and Constraints Homogeneous Subsets

Constraints				
Age Group	N	Subset for alpha = 0.05		
		1	2	3
Less than 30	88			2.5920
30 to 40	152	2.2579		
40 to 50	72		2.4889	
Above 50	32		2.3750	

The Post hoc analysis is carried out with the Duncan method to understand the intergroup difference among the different age groups with constraints. It indicates that three homogeneous subgroups can be formed among the four categories of the age group of the respondents. The respondents in the age group of less than 30 perceive that the constraints are more with a score of 2.59. Whereas, respondents in the age group of 30 to 40 do not see many constraints.

Education Level and Constraints

Table 4. Education Level and Constraints

Constraints	F	Sig.
Compared with Education Level	5.141	.006

The above ANOVA table shows that the significant value of constraints compared with the Education level of respondents is 0.006 which is less than 0.05 significant level. Therefore the Null hypothesis is rejected and accepting the Alternate Hypothesis with a 95% confidence level. It can be inferred that the constraints vary significantly with the different educational levels of respondents. The Mean values for constraints as per the different educational levels of respondents are shown in table 5.

Table 5. Education Level and Constraints Homogeneous Subsets

Constraints		
Education Level	N	Subset for alpha = 0.05
		1
No formal education	16	2.3000
Up to HSC	200	2.4720
Graduation	128	2.3070

The Post hoc analysis is carried out with the Duncan method to understand the intergroup difference among the different educational levels of respondents with constraints. It indicates that only one homogeneous subgroup is formed among the three categories of the educational level of the respondents. The respondents with education up to HSC opine that they have more constraints in selling to organized retailers compared to those having no formal education and those who are graduated.

Monthly Income from Agriculture and Constraints

Table 6. Monthly Income from Agriculture and Constraints

Constraints	F	Sig.
Compared with Monthly Income from Agriculture	17.025	.000

The above ANOVA table shows that the significant value of constraints compared with the monthly income of respondents from agriculture is 0.000 which is less than 0.05 significant level. Therefore the Null hypothesis is rejected and accepting the Alternate Hypothesis with a 95% confidence level. It can be inferred that the constraints vary significantly with the monthly income of respondents from agriculture. The Mean values for constraints as per the different monthly incomes of respondents are shown in table 7.

Table 7. Monthly Income from Agriculture and Constraints Homogeneous Subsets

Constraints				
Monthly Income from Agriculture	N	Subset for alpha = 0.05		
		1	2	3
10,000 to 20,000	72			2.6556
20,000 to 30,000	176		2.3869	
Above 30,000	96	2.2417		

The Post hoc analysis is carried out with the Duncan method to understand the intergroup difference among the different monthly income of respondents from agriculture with constraints. It indicates that three homogeneous subgroups are formed among the three categories of the monthly income of the respondents from agriculture. It can be inferred from the analysis that the opinion on the level of constraints decreases with the increase in income from agriculture. The respondents with high income from agriculture consider relatively fewer constraints in selling to organized retailers.

V. Conclusion

The study has revealed the constraints that are faced by the farmers in selling their produce to organized retailers. Pressure from the middlemen, lower price, and delay in payment was found to be the major constraints and discourages them to sell their produce to organized retailers. As farmers get better prices outside the organized retailers they tend to prefer local traders. Transportation cost, the quantity of production, and grading do not found to be major constraints. The perceived constraints significantly vary as per their demography. The outcome of the study has policy and sourcing implications. Future studies may be carried out to find out the influence of these constraints on farmers' perception towards organized retailers' procurement. Studies may be further carried out in other parts and other crops and the results may be compared.

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Darly S, et. al. "An Empirical Study on Farmers' Constraints in Marketing to Organized Retailers." *IOSR Journal of Business and Management (IOSR-JBM)*, 23(04), 2021, pp. 53-57.