

Developing Local Food System in India - A Case of Rythu Bazaars in Telangana

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Abstract

This paper discusses the various policy initiatives taken by the Government to encourage desired reforms in agricultural marketing to promote the local food system, the provisions suggested under the reforms to facilitate direct contact between the producers and consumers and the model of farmers market emerging as an outcome of reform measures. The paper also discusses the implementation of Rythu Bazaar (Farmers-market) in Telangana as an example to promote local food systems by encouraging farmer and consumer interaction.

Keywords: Farmers market, Rythu Bazaar, Agricultural marketing, local food systems.

Introduction

Promoting local supply chains has been one of the strategies suggested by Honourable Prime Minister Shri Narendra Modi in his address to the nation on 12th May 2020 in the wake of lock-down enforced in the country due to the coronavirus epidemic. Though, the idea was suggested in a larger economic context, it is equally applicable in agriculture mainly in an environment where more than 86 per cent of the farmers are operating on small and marginal landholdings. Local food can be defined as the food that is locally produced, marketed and consumed (Hand and Martinez, 2010). This concept may also be influenced by geographical, physical, psychological and cultural factors (Mary, 2018, Martinez et al., 2010 and Darby et al., 2008, Durham, et al., 2009). Burnett (2011) used a dynamic approach of local food to understand the willingness of the consumer to pay for locally grown produce and observed that the willingness to pay for fresh produce increases as the geographic scale shrinks, suggesting that consumers may place a higher

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premium on foods under tighter definitions of "local". The localness of agricultural produce also emphasises transparent communication by facilitating interaction between farmers and consumers so that consumers can make more informed purchasing decisions. Direct interaction between farmers and consumers or institutions like canteens, schools, etc., offers benefits like the flexibility to select the quality and quantity of products available for sale, freedom from contracts and frequently higher per unit sales prices than other marketing channels (Willis et al., 2016). The local food system may offer benefits like a greater share in the retail purchase price of food items, growth in local labour markets, increased business for the nearby establishment, improve local economies through import substitution (Burnett, 2011) and help farmers fetch a premium price (Darby, 2008, Burnett, 2011 and David, et al, 2016). Some of the benefits of local food system as compiled by USDA (2009) are health and nutrition, local economic development, environmental benefits, food security and market opportunities for small and medium farmers. The potential of local food system to address the wide range of issues faced by farmers and the rural economy makes it pertinent to discuss the policy initiatives taken by the government to strengthen agricultural marketing with scope for development of the local food system.

With this background, the present paper discusses the various policy initiatives taken by the Government to encourage desired reforms in agricultural marketing to promote local food systems, the provisions suggested under the reforms to facilitate direct contact between producers and consumers and the model of farmers market emerging as an outcome of reform measures. The paper also discusses in detail the implementation of Rythu Bazaar (Farmers-market) in Telangana as an example to promote the local food system by encouraging farmer and consumer interaction.

Policy Environment for Developing Local Food System

The landscape of agricultural production and marketing has undergone changes in the last few years on account of forces of globalisation, changing demand pattern with rising incomes and urbanisation, rapid strides in information and communication technologies, and transformative roles for institutional actors in the state, private sector and civil society (Rao, et al., 2017). Recognising the importance of these changes in creating opportunities for better participation of farmers and income enhancement, the Government of India has come up with several reforms specifically in agricultural marketing, to create a conducive environment for different stakeholders to participate and tap the opportunities. A snapshot of these reforms is provided in Table 1.

Table 1. Agri-Marketing Reforms in India

S. No	Reforms Initiated	Provision	Influence
1	Model State Agricultural Produce Marketing (Development and Regulation) Act, 2003	<ul style="list-style-type: none"> ▪ Establishment of private/ cooperative markets ▪ Direct marketing ▪ Establishing farmer/ consumers market ▪ Single point levy of market fee 	State
2	Model State/UTs Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017	<ul style="list-style-type: none"> ▪ Declaration of whole state/ UT as one unified market ▪ APMCs to regulate practices only in respective principal market yards and sub-yards ▪ Warehouses to operate as sub-market yards 	State
3	Warehouse Development and Regulation Act, 2007	<ul style="list-style-type: none"> ▪ Negotiability of warehouse receipt 	National
4	National Agricultural Market	<ul style="list-style-type: none"> ▪ Integration of Markets ▪ Integration of other services like warehouses, banks, grading and assaying, etc 	State (subsequently National)
5	The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020	<ul style="list-style-type: none"> ▪ Barrier free inter and intra state trade across the country ▪ Freedom of trade in farming produce outside APMC Market Yards 	National
6	The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill 2020	<ul style="list-style-type: none"> ▪ National framework for farming agreements 	National

The Farm Acts introduced during 2020 have now been repealed by the Government. However, it clearly indicates the requirement of the sector and the intent of the government to have a transparent, competitive and liberal market operating at the national level with the ability to provide better alternatives to farmers and traders to buy or sell agricultural commodities. These reforms may have proved to be a significant step towards making Indian agriculture more demand-driven, accessible and competitive both at the domestic and global level. The repeal of the Farm Laws will definitely slow down the reform process in agricultural marketing.

Model Acts circulated by the Government during 2003 and 2017 also have great potential and may help in bringing the desired changes by adopting various provisions suggested in these Acts. The various provisions suggested in Model Acts have facilitated 27 States/UTs in amending their respective APMC with the provision of direct marketing. In the absence of such provisions facilitating direct marketing, processors and bulk buyers were not able to source the produce directly from farmers outside the market yards and the transaction was required to be routed through regulated markets.

Direct Marketing

Direct marketing allows farmers to transact directly with consumers. It can be through two formats as suggested in the Model Act (2003 and 2017), either by allowing the bulk buyers like processors and organized retailers to source agri-produce directly from producer-seller or through farmers' markets.

Direct Sale by Producers to Bulk Buyers

The provision of direct marketing allows the bulk buyers to source the produce directly from the agriculturist for processing, trade in the commodity of a particular specification, export and grading, packing and transaction in other ways by value addition of notified agricultural produce. The provision allows the direct sale of produce by farmers to processors, exporters and buyers without the involvement of any middlemen outside the market yard in the market area. The direct marketing between producers and buyers will result in monetary gains to both the producer-seller and the consumer. Direct sourcing as suggested in the Model Act allows farmers to communicate directly with buyers by avoiding the long chain of intermediaries, leading to better flow of information and realization of

higher value by farmers. However, the response of buyers to avail the benefits available under the provision has so far been lukewarm as suggested by the number of licenses issued by different states. A total of 294 licenses have been issued by ten states with nearly 75 percent of licenses being issued by Maharashtra alone (GoI, 2017).

Farmers Market

Another format of direct marketing is the concept of farmers' market. Farmers markets facilitate direct sale to consumers by farmers which has been considered at par with many other provisions prescribed under reforms (Chand and Singh, 2016). The concept has been experimented with, in various states with different names like Apni Mandis in Punjab and Haryana (Table 2). The concept, with certain modifications, has been popularized in Telangana and Andhra Pradesh through Rythu Bazaars, Raitha Santhe in Karnataka and in Tamil Nadu as Uzhavar Santhai (GoI, 2001). About 488 such farmers' markets are operating in different States of the country (GoI, 2017). Direct contact between the producer and consumer is helping farmers in availing a higher share in the price paid by the consumer. These markets aim at rebuilding the trust between consumers and producers and serve as a platform for education and advocacy (Zhenzhong, et al, 2015). However, these markets mainly provide a platform for direct transaction between producers and consumers to encourage local food systems by facilitating the supply of locally grown fresh produce, unlike the western concept where the platform is utilized for education and extension in addition to marketing.

Table 2. Direct Marketing Experimented in Different States

State	Name of Farmers-Market	Year	Presence of Intermediaries	No. of Markets	Administration
Tamil Nadu	Uzhavar Santhai	1999-2000	No	104	Marketing Department
Andhra Pradesh	Rythu Bazaar	1999	No	96	APMC
Punjab	Apni Mandi	1987	No	67	APMC
Maharashtra	Shetkari Bazaar	2003	No	45	APMC
Karnataka	Raitha Santhe	2002	No	–	Local Authority Gram Panchayat

Source: dmi.gov.in

Implementation status of Rythu Bazaar in Telangana

The concept of farmer-market encouraging direct interaction between the producer and consumer is implemented with the name of Rythu Bazaar in Telangana. The concept has been discussed in this section as an example to promote the local food system.

Concept and its Implementation

Rythu Bazaar, the farmers' market was a social initiative started by the state government in 1999 (undivided Andhra Pradesh). The main objective of the initiative was to help farmers sell their produce directly to consumers without the involvement of intermediaries. Rythu Bazaar aims at ensuring remunerative prices to the farmers and providing fresh vegetables to consumers at reasonable rates fixed everyday through a committee of farmers and the Estate Officer. The prices in Rythu Bazaars, generally, shall have to be 25 per cent above the wholesale rates and 25 per cent less than the local retail price. These markets are operating with temporary/semi-permanent structures created by respective Agricultural Market Committees (APMCs). Farmers and consumers are not expected to pay any service charges or market fee for availing sheds and other facilities available in these markets (Department of Agricultural Marketing, Government of Telangana). Interested farmers have to get registered with the market. All the registered farmers are provided with an ID Card having basic details like name, address, landholding size, barcode, etc. The ID Cards are issued to a farmer-couple and are not transferrable to other farmers or members of the family. The markets provide basic facilities like shops and weighing machines. As the markets deal in fresh vegetables, some of the markets also have cold storage facilities which are made available at a nominal charge to the producers.

Market Coverage in the State

The concept was introduced in undivided Andhra Pradesh in 1999, and the state government of Telangana continued its focus on the concept even after its separation from Andhra Pradesh in the year 2014. A total of 39 markets are operating successfully in ten districts of the state (Figure 1&2). The progress seems to be reasonable but is confined to only ten districts. There are 23 more districts to be covered.



Fig 1. Coverage of Rythu Bazaars in Telangana

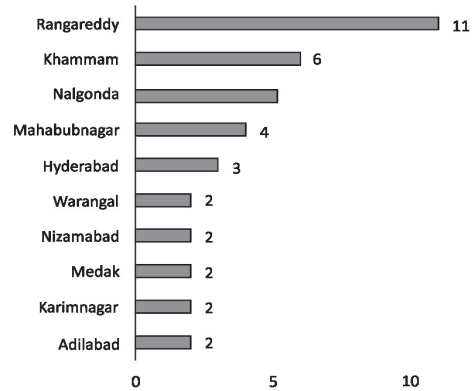


Fig 2. District-wise Number of Farmers' Market in Telangana

Value of Trade in Farmers' Market

The Rythu Bazaar has emerged as an important market alternative for farmers cultivating fresh vegetables as suggested by the value of trade performed in farmers' markets operating in different districts of Telangana during 2018-19 (Table 3). The table reveals that a total trade value of Rs.76637 lakh was performed in all the farmers' markets with nearly 40 percent of the trade in three Bazaars of Hyderabad located at Mehdiapatnam, Falaknama and Erragadda. More than 26 percent of the value is traded in the adjoining district of Ranga Reddy. However, a total of 11 Bazaars are operating in Ranga Reddy district, which is the largest number of markets operating in a single district in Telangana. The table suggests that nearly two-thirds of the trade is taking place in 14 Rythu Bazaars operating in these two adjoining districts of Hyderabad and Ranga Reddy. This may be due to the availability of consumers in these two districts which may be a defining factor in the success of an initiative like Rythu Bazaar encouraging a direct relationship between producers and consumers. The identification of the location with a sufficient consumer base is emerging as an important factor for establishing a platform encouraging consumption of produce locally without any need to push the harvest in a long distribution chain.

Table 3. Value of trade performed in Farmers' Market during 2018-19 (in Rs. Lakhs)

S. No.	Districts	Value (Rs. Lakhs)	Value (as % of Total Value)
1	Hyderabad	30298	39.53
2	Rangareddy	20136	26.27
3	Mahbubnagar	8170	10.66
4	Khammam	8141	10.62
5	Medak	3112	4.06
6	Warangal	1623	2.12
7	Adilabad	1325	1.73
8	Nalgonda	1300	1.70
9	Karimnagar	1287	1.68
10	Nizamabad	1244	1.62
11	Total Value	76637	100.00

Source: Department of Agricultural Marketing, Government of Telangana

Effectiveness of Farmers' Market

It is also important to understand the effectiveness of farmers' markets in promoting local food systems by analysing their ability to capture local production in terms of the proportion of vegetables produced in the district attracted by these markets. The information on district-wise production of vegetables and arrival in these markets is presented in Table 4. Hyderabad, being an urban centre, is not having any significant production of vegetables and also expects to have arrivals from both Ranga Reddy and Medchal districts. Accordingly, in order to facilitate the analysis of arrivals with respect to production, a concept of an urban cluster has been conceived. The urban cluster from the consumption viewpoint consists of Ranga Reddy and Hyderabad districts i.e. commodities arriving in all the Farmers' Markets located in districts Ranga Reddy and Hyderabad. From the production point of view, the corresponding area is Ranga Reddy and Medchal i.e. vegetables produced in these two districts. The information as presented in the table

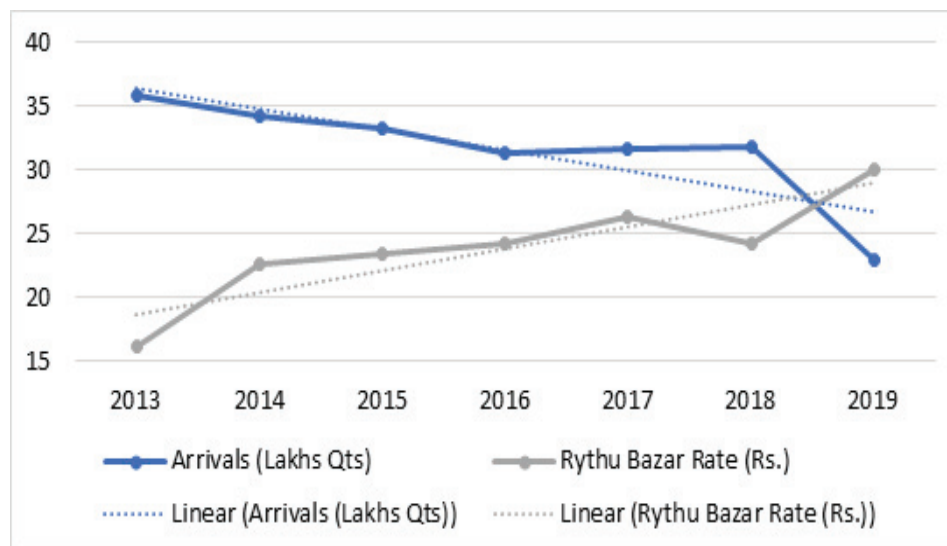
reveals that some of the districts are really performing well by capturing more than 20 percent of the production like Khammam, Urban Cluster and Mahabubnagar, in the same order. The districts like Medak and Karimnagar are also doing well with each district capturing more than ten percent of the total vegetable production. Overall, all Rythu Bazaars operating in the states are able to capture more than 20 percent of the total vegetables produced in the state. This ability to capture local production has gone as high as 48 percent in Khammam district and 27 percent in Mahbubnagar district. This suggests that these markets can play a vital role in developing an effective local food system encouraging consumption of production locally and helping farmers obtain better prices.

Table 4. Total arrival of vegetables in Rythu Bazaars as Percent of Total Production during 2018-19

S. No	Districts	Vegetables Arrivals (MT)	Vegetables Production (MT)	Percent (%)
1	Adilabad	4264	96199	4.43
2	Karimnagar	5420	40186	13.49
3	Khammam	22203	46446	47.80
4	Mahbubnagar	24029	89363	26.89
5	Medak	14821	79013	18.76
6	Nalgonda	5150	94397	5.46
7	Nizamabad	5044	97331	5.18
8	Warangal	4728	150274	3.15
9	Urban Cluster	202484	711779	28.45
10	Total	288141	1404987	20.51

Source: Department of Agricultural Marketing, Government of Telangana

Rythu Bazaars are emerging as an important alternative in terms of the value of trade and percentage production captured by these markets. Prices being realised by farmers using the platform have also shown a continuously increasing trend. However, an area of concern is the continuous decline in arrivals in such markets (Figure 3).

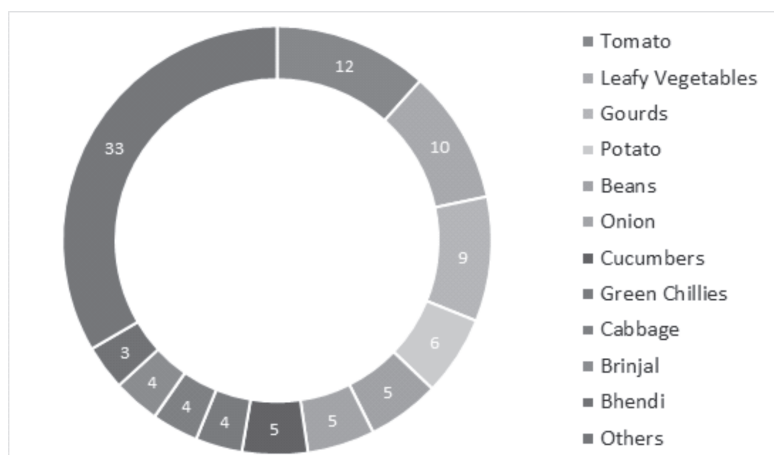
Figure 3. Status of arrivals and prices in Rythu Bazaar

Leading vegetables arriving in the Farmers' Market

A large number of vegetables are arriving in Rythu Bazaars as depicted in Table-5 and Figure-4. The variety of vegetables makes Rythu Bazaars an attractive place for consumers to visit. However, nearly half of the arrival is contributed by the leading six vegetables only, including tomato, potato, onion and leafy vegetables. The arrivals of different vegetables in different Farmers' Markets operating in Telangana have been depicted in Figure 4. The arrival of more than 30 types of different vegetables in the farmers market makes them an excellent platform for farmers to market their produce. However, these markets have turned out to be a major platform for some leading vegetables like tomato, leafy vegetables, gourds, potato, beans and onion contributing nearly 50 percent of the total arrivals in the markets.

Table 5. State Level Arrivals of Different Vegetables in Rythu Bazaars During TE 2019

S. No	Vegetables	Vegetables Arrival (MT) TE 2019	Percent (%)	Cumulative Percent Arrival
1	Tomato	33408	11.61	12
2	Leafy Vegetables	29026	10.09	22
3	Gourds	27059	9.41	31
4	Potato	17341	6.03	37
5	Beans	15737	5.47	43
6	Onion	14620	5.08	48
7	Cucumbers	14209	4.94	53
8	Green Chillies	10135	3.52	56
9	Cabbage	10129	3.52	60
10	Brinjal	10125	3.52	63
11	Bhendi	9733	3.38	67
12	Others	96128	33.42	100
	Total	287649	100.00	100

Figure 4. Proportion (%) of Different Vegetables Arriving in Rythu Bazaars of Telangana

Benefits of Farmers Market

Rythu Bazaar has shown the potential to provide an alternative marketing channel to farmers mainly cultivating vegetables. The major benefits as perceived by the farmers are price realization, direct contact with consumers and availability of sheds in the same order as indicated during the interaction with different farmers visiting Siddipet Rythu Bazaar. Overall, some of the benefits as perceived by farmers under different categories are presented in Table 6.

Table 6. Benefits as perceived by farmers visiting Siddipet Rythu Bazaar

Price	Market	Convenience	Facilities
<ul style="list-style-type: none"> ▪ Better price realisation ▪ Uniform price ▪ No need to bargain 	<ul style="list-style-type: none"> ▪ Availability of customers ▪ Interaction with customers ▪ Establishing relations ▪ Availability of facilities like cold stores 	<ul style="list-style-type: none"> ▪ Clean ▪ Protection from sun ▪ Total crop sale ▪ Location 	<ul style="list-style-type: none"> ▪ Sheds ▪ Water ▪ ATM ▪ Food availability

Though, the concept is full of potential it is not free from challenges. As the Siddipet market is developed in a multi-story format, many farmers suggested the need for a lift to facilitate the movement of commodities over different floors. Another limitation as expressed by farmers related to the availability of sheds. Though there are sufficient sheds available in the market, still, many times either the sheds are not available to all the visiting farmers or if available not of the farmer's choice. Availability of transportation facilities has also been highlighted as one of the limiting factors, by visiting farmers.

Conclusion

Locally grown food has created interest in the consumers for attributes like freshness and quality. Local food systems have the potential to influence price realisation by farmers, develop the labour market and improve local economics. The Government has introduced a number of policy initiatives in the agricultural marketing sector like reforms encouraging provisions such as direct marketing and farmers' market and subsidy based schemes to

strengthen infrastructure. Direct marketing of local food products has the potential to increase farm income (Brown, 2003). State governments are expected to create facilities for developing local food systems by adopting appropriate strategies covering farmers' market. State governments may also avail benefits available under various schemes of the Government of India mainly with focus on Infrastructure development.

Realising the importance of direct interaction between the farmer and the consumer, the concept of farmers-market with different names has been introduced by various states like Punjab, Tamil Nadu, Odisha, Maharashtra, Telangana and Andhra Pradesh. In order to encourage consumption of fresh produce at the local level, the concept of farmers market is being implemented as Rythu Bazaar in Telangana. The basic analysis of the information on Rythu Bazaar in Telangana suggests that the availability of consumers may be a defining factor in the success of farmers-market as two-thirds of the total trade taking place in the case of Rythu Bazaar in Telangana is coming from consumption hubs like Hyderabad and Ranga Reddy. These markets have also shown their effectiveness in prompting local food systems as suggested by their ability to attract local production. Though, the concept has shown its potential to encourage the local economy, it will require an understanding of local as perceived by the consumers along with other attributes that influence their purchasing decisions in the local context. As the Rythu Bazaar offers a potential market mainly for vegetable growers locally and vegetable crops can also offer better returns in comparison to traditional crops, the Government may encourage the farmers to take up cultivation of vegetables as per the requirement of consumers in the farmers market. The concept of farmer-market for its ability to provide market access, attract local production and better price realisation has the potential to encourage local food systems.

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