

Middlemen Problems of Vegetable market with special reference to Tumkur

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Abstract

Indian economy is dependent one on other. All the layers are required to sustain. It is not possible to give the employment to such a huge growing population in the world. Even though in every sector FDI is moving into retail also, still in Taluka places, a lot of people living as middlemen / commission agents / sellers who supply the vegetables from farmer to consumer.

Middlemen faces a lot of problems like storing, transporting, pricing, rent, transport. This paper tries to study their problems to suggest solutions.

Keywords: Vegetables market, middlemen's problems, commission agents, reseller, seller

1. Introduction:

1.1. Tumkur District : Census 2011 data^[1]

An official Census 2011 detail of Tumkur, a district of Karnataka state, India has been released by Directorate of Census Operations in Karnataka. Enumeration of key persons was also done by census officials in Tumkur District of Karnataka.

1.1.1. Tumkur District Population 2011

In 2011, Tumkur had population of 2,678,980 of which male and female were 1,350,594 and 1,328,386 respectively. In 2001 census, Tumkur had a population of 2,584,711 of which males were 1,313,801 and remaining 1,270,910 were females. Tumkur District population constituted 4.38 percent of total Maharashtra population. In 2001 census, this figure for Tumkur District was at 4.89 percent of Maharashtra population.

1.1.2. Tumkur District Population Growth Rate

There was change of 3.65 percent in the population compared to population as per 2001. In the previous census of India 2001, Tumkur District recorded increase of 12.10 percent to its population compared to 1991.

1.1.3. Tumkur District Rural Population 2011

As per 2011 census, 77.64 % population of Tumkur districts lives in rural areas of villages. The total Tumkur district population living in rural areas is 2,079,902 of which males and females are 1,048,710 and 1,031,192 respectively. In rural areas of Tumkur district, sex ratio is 983 females per 1000 males. If child sex ratio data of Tumkur district is considered, figure is 959 girls per 1000 boys. Child population in the age 0-6 is 203,685 in rural areas of which males were 103,989 and females were 99,696. The child population comprises 9.92 % of total rural population of Tumkur district. Literacy rate in rural areas of Tumkur district is 71.66 % as per census data 2011. Gender wise, male and

female literacy stood at 80.48 and 62.71 percent respectively. In total, 1,344,438 people were literate of which males and females were 760,322 and 584,116 respectively.

1.1.4. Tumkur Vegetable Market overview:

Present Tumkur Market is in worst situation. If rain comes then one cannot imagine such a dirty place. Mud, vegetable wastages gives bad smell. Even at this juncture also, vegetable sellers sell and the consumer should wear special dresses and slippers to enter into this market.

Tumkur Vegetable Market can be divided into following segments.

Whole Sale Market Here only more than 2 ½ kgs only be sold.	Flower Market		Retail Sales, Whole sales & small kirana stores
	Excellent Flowers at the cheap rates		
		Retail Sales	
	Retail Sales		

Outside of the vegetable market Fruit sellers & Flower sellers

2. Literature Review

Middlemen told not to exploit farmers, consumers [1]

President of the Davangere Agriculture Produce Marketing Committee Satish Kolenahalli said that he had visited the market following complaints that farmers were being exploited by middlemen and commission agents, who buy vegetables at cheaper price and then they sell them at exorbitant rates. He said that he found the complaints were .He said that he had cautioned the agents to give better price to farmers and sell the vegetables to consumers at a reasonable rate. He said that the APMC was examining whether any steps could be taken to ensure that farmers and consumers would not be exploited by the commission agents and middlemen. Meanwhile, the president found over 20 child labourers working in the vegetable market and he warned the employers (vegetable vendors) of legal consequences of engaging child labour. Later, the APMC president along with other members met District Labour Officer Hiregowdar and apprised him of the child labour in the vegetable market.

Indian Farmers Hostage to Middlemen [2]

- India had targeted a four percent growth rate in agriculture in both its 10th Five-Year Plan (2002-2007) and its 11th Five-Year Plan (2007-12), but the sector instead declined steeply from the ‘green revolution’ of the 1970s to an approximate average of 2.6 – 3 percent.
- The stagnation coincides with a period in which India’s economy has been growing steadily, with projections of a respectable growth of 7.7 percent expected in 2012 despite the prevailing global downturn.

- Professor Chengappa “It’s obvious there is a major block in the growth of the agricultural sector in India,” says P.G. Chengappa, national professor with the apex Indian Council of Agricultural Research, “mainly because of stagnation in productivity and the **lack of market support for perishables.**”
- The overuse of chemical fertilisers and pesticides – together with the government’s encouragement of water-intensive crops and related soil-salinity – has led to the now well-documented environmental decline in India’s farming lands.
- India’s current policy is to help farmers by handing out huge subsidies on fertilisers and agricultural inputs, estimated to be worth 25 billion dollars in 2009-2010.
- Small farmers, forming over 60 percent of India’s farming community, have neither the financial clout nor the access to groundwater or irrigation, while having to spend large sums on costly pesticides and fertilisers.
- The government subsidies are cornered by industrial farming and benefit the fertiliser and chemical industry leaving smallholders out in the cold. An estimated 70 percent of India’s 1.1 billion people are small farmers.
- During 1995-2010, over 250,000 poor farmers in India committed suicide, according to national statistics, mainly attributed to their inability to pay debts incurred on agricultural inputs.
- While India’s soils are said to be failing due to continuous use of chemical inputs, small farmers, desperate to improve productivity, increase the doses of expensive fertilisers and pesticides and end up falling further into debt.
- Curiously, the desperate situation of farmers remains unmitigated by the demand for fruits, vegetables and grains in urban India where increasing incomes have allowed organised food retail chains to mushroom, particularly in south India.
- Almost two-thirds of the farmers’ suicides were reported from southern Karnataka, Maharashtra and Andhra Pradesh states, indicating serious agrarian distress in the peninsular region.
- Direct dealings with farmers by these food retail chains are almost negligible, with most chains outsourcing their daily supply of groceries through contractors or middlemen. “Large retail chains keep a supply of green groceries only to attract the customer for convenience shopping,” explains B. Somesha, chief financial officer of Sahaja Organics, one company that serves as a direct marketing chain for its 500-odd farmer-members in Karnataka.
- Set up in April 2010, Sahaja Organics leaped from a turnover of 38,732 dollars in 2010-11 to an expected 100,000 dollars in 2011-12.
- But this growth still does not allow farmers to cash in on the demand from retail food chains.
- “They (retail chains) want a listing (registration) fee of at least 1,000 dollars plus three months’ credit, which is not possible for small operators,” says Somesha. On the other hand, they skim off high 40 percent margins.
- Prof. Chengappa says India’s Agricultural Produce Marketing Committee (APMC) is actually a barrier to direct benefit for small farmers through its myriad bureaucratic clauses that deter retailers from seeking permission to deal directly with farmers.
- “The APMC allows so many superfluous middlemen that it has actually institutionalised commercial agents and traders in India’s agricultural system,” complains Chengappa.
- There are, however, better run government ventures such as the 12.25 million-dollar turnover Horticultural Producers Co-operative Marketing and Processing Society (HOPCOMS), in Bangalore, which works with 18,000 farmer-members.

- HOPCOMS enjoys the loyalty of farmers who say they are happy with the assured payments and higher prices compared with what they are offered by the city's four major markets.
- “We don't need to pay any commission to the market auction agent,” says 35-year-old Shivananda Attibele, who brings leafy greens to HOPCOMS twice a week from his two-acre plot at Jigani, 43 km outside the city.
- The markets have commission agents, permissible under the APMC, who fix the day's rate for vegetables and grains according to the quantities available for the day and the demand for particular produce.
- The system has given rise to exploitation and extortion, with farmers forced to pay commissions to the agent and is often at his mercy because of credit they may have taken from him.
- “Farmers take loans from the agents and have no option but to take whatever the agents give them,” says 56-year-old Muniraj, whose father began dealing with HOPCOMS 40 years ago.
- Traders forming cartels that prohibit small farmers from selling their produce elsewhere is a countrywide phenomenon in India's markets.
- HOPCOMS managing director, Shanmugappa, agrees that the situation is bad for small farmers who are forced to sell their produce at wholesale auctions in city markets.
- “There is a huge middleman lobby that is cornering very large margins,” says Shanmugappa. “That is why I say that the government should control the prices of vegetables at the ‘end-point’, the market, not at the ‘source’ by subsidising fertilisers, water and electricity.”
- Shanmugappa says the method of government control of market rates for vegetables and grains is successful in several countries.
- Satish Natarajan, a director of Sahaja Organics, believes civil society has been irresponsible about its link with farmers.
- “We have absolutely no idea about where our food is coming from, or the plight of the farmers,” says Natarajan. “We need to build community support to ensure a regular income for our farmers.
- Calls to amend APMC rules have come in from various states in India, but these have been overshadowed by the controversy over a plan to introduce foreign direct investment in the retail sector, that may finally break the middleman's stranglehold.
- India, along with Brazil, Russia and China (that form BRIC), is slated to be among the world's top five grocery markets by 2015.

Middlemen are not allowed in this vegetable market ^[3]

- At a cursory glance, one may not find anything remarkable about the ‘Tarakari Mala’, a four-acre vegetable yard off M.G. Road here. But, many a eyebrow would be raised if they were to realise that transactions up to a whopping Rs. 5 lakh take place in this vegetable market every day.
- Farmers from Mysore taluk converge on this vegetable yard at about 4 a.m. with vegetables of all varieties to sell them to merchants (mostly farmers again) at the site. Business comes to a close between 11 and 11.30 a.m.
- Citizens abound the place in the early hours when the merchants stick to the quoted prices of commodities, which may be relaxed in the later hours. “We try to wrap up by

11.30 a.m.,” Rajanna, president of the Siddartha Tarakari Belegarara Mathu Maratagarara Sahakara Sangha, an association of the farmers and merchants here, told The Hindu.

- Much earlier, the vendors (merchants) carried out their business near Lansdowne building, and later shifted close to the Palace premises. The Mysore City Corporation and the Mysore Urban Development Authority shifted them to the present location later.
- The vendors would leave huge quantity of litter after they left for the day, defiling the surroundings, which necessitated their relocation, sources said. Farmers come here from various parts of Mysore taluk such as Siddalingapura, Kalastavadi, Salundi, Mellalli and Rammanahalli.
- The MUDA has built sheds close to the spot from where the merchants sell vegetables, but the space has been lying unutilised for the past three years. An individual from Bangalore had moved the court claiming the land belonged to him, Somanna, a member of the association said. The merchants are sore about the fact that Mysore District in-charge Minister S.A. Ramdas is impervious to their plight for they had to sit in the open sun all the time. Another merchant said the four-acre land was a ‘gomala’ (grazing land) given over to the State Government by the former rulers of Mysore. Mr. Rajanna, however, claims the four acres of land were sanctioned in favour of the Dalit Sangharsha Samiti by a former Deputy Commissioner of Mysore. The best part about the market is that no middlemen are allowed here, Mr. Rajanna, who is also the Dalit Sangarsha Samiti (Bettaiah Kote wing) city unit president, said.
- All farmer-merchants have been provided identity cards to sell vegetables, and no one else would be allowed to sell at the spot. If any merchant was found on the wrong side, he/she would be suspended from selling vegetables for 15 days at a stretch.
- The farmers and merchants formed a cooperative society three months ago to help farmers in need of financial assistance. They extend loans up to Rs. 5,000 to merchants at one per cent interest rate.

Crash in tomato prices comes as a shock to farmers ^[4]

- Farmers in Gubbi, Kunigal and Tumkur taluks decided to sow tomatoes in large tracts of land considering the skyrocketing vegetable prices. The three-and-a-half-month crop, they presumed, would mean good and quick returns.
- The crash in the tomato prices — to less than Re. 1 a kg — has come as a shock to them now. They say that it neither helps the farmer nor the consumer. While farmers in the villages of Tumkur district are getting 60 paise to 80 paise per kg of tomato, consumers in the city are buying it for around Rs. 10 per kg.
- Jayamma of Upparahalli told The Hindu: “I went to buy tomatoes after I came to know that tomatoes are sold at 80 paise per kg, but I had to buy at Rs. 10 per kg.”
- Nagappa of Mekharahalli in Sira taluk said that he was offered Rs. 10 per 20-kg carton of tomatoes and farmers had thrown tomatoes on the road at Bukapatna Circle in Sira taluk. “My wife and I have to work as agricultural labourers in others’ fields to take care of our two children,” he said.
- For many farmers, the loss is cumulative. Vasanth Kumar and Roopa, farmer couple at Salagame in Hassan district, are hit by the tomato price crash even as they had not recovered from the loss they suffered after cultivating potato in the kharif season. They are now looking at tough times ahead, with three children to be educated. “For routine expenses we are now dependant on two cows we have,” said Ms. Roopa.

- Officials at the Agricultural Produce Market Committee expressed helplessness over these turn of events. Deputy Director of Marketing Department, APMC, Tumkur, M.C. Doreswamy, said: “The rates of these perishable commodities is fixed based on the demand.”
- Farmers, however, argue for greater regulation. Tumkur district president of Karnataka Rajya Raitha Sanga (KRRS) Govindaraju said that it is the responsibility of the government to intervene and purchase tomatoes. “The crash is helping middlemen and not consumers,” he pointed out.
- Lakshman Gowda, farmer from Kadagamdoddi in Raichur district, associated with KRRS, too blames APMC officials. According to him, tomato supplies from Belgaum to Raichur market is the major reason for the decreased demand there.
- “The APMC should make sure that locally grown agricultural produce is purchased by the traders on priority. We have been demanding that the APMC should not allow outside produces whenever the local production is more. However, our request is never considered,” he said.

3. Objectives

- To understand the problems of middlemen/Commission Agents / Reseller / Seller
- To analyze and suggest the solutions.

4. Research Methodology

For the research purpose following way the methods adopted.

Data Collection & Methodology:

- Primary Data- By questionnaire method by asking the structured questions to middlemen / commission agents / Resellers / sellers limited to 100.
- Secondary Data: Thru Internet, Publications, Websites.

Survey Methods: Questionnaire

5. Findings

- A majority of 47.7 percent of the middlemen were in the age group between 40 to 60 years.
- A majority of 66.4 percent of the middlemen belong to Hindu religion.
- A majority of 95.3 percent of the middlemen were men.
- A majority of 89.7 percent of the middlemen were married.
- A majority of 59.8 percent of the middlemen had school education.
- A majority of 72 percent of the middlemen were doing the commission agency business.
- A majority of 62.6 percent of the middlemen were doing their inherited vegetable business.
- A majority of 64.5 percent of the middlemen established the vegetable business between 1975 and 2000.
- The majority of 94.4 percent of the middlemen were sole- traders.
- A majority of 54.2 percent of the middlemen were doing the vegetable business only in the morning.

- A maximum of 34.6 percent of the middlemen have an experience of 20 to 30 years in the vegetable marketing business.
- A majority of 55.1 percent of the middlemen perceived that the vegetable business was fair.
- A majority of 42.1 percent of the middlemen purchased the vegetables directly from the farmers.
- A maximum of 73.8 percent of the middlemen purchased the vegetables both on cash and credit basis.
- A majority of 68.2 percent of the middlemen purchased large quantity of vegetables.
- A majority of 67.3 percent of the middlemen forecast the demand for vegetables depends upon the domestic consumption of consumers.
- A maximum of 50.5 percent of the middlemen adopted the policy of adding a certain percentage to the purchase price.
- A majority of 73.8 percent of the middlemen sold the vegetables to the retailers.
- A majority of 86.9 percent of the middlemen fixed the selling price depending upon the total arrivals of the vegetables in the market.
- A majority of 50.5 percent of the middlemen adopted determined price method for fixing the selling price.
- A majority of 41.1 percent of the middlemen's total value of vegetable sales per month ranges between 8000 to 12000 rupees.
- A majority of 60.7 percent of the middlemen had rented godown facilities.
- A majority of 46.7 percent of the middlemen expressed that the grading of vegetables were done by the farmers themselves.
- A majority of 57 percent of the middlemen considered the quality of vegetables for their grading.
- A majority of 70.1 percent of the middlemen did not allow the consumers to choose the vegetables at the time of purchase.
- A maximum of 85 percent of the middlemen used gunny bags for packing the vegetables.
- A majority of 40.2 percent of the middlemen incurred an expense below 50 rupees for packing the vegetables.
- A majority of 27.1 percent of the middlemen spent between 50 to 100 rupees for transport cost.
- A majority of 36.4 percent of the middlemen incurred an amount more than 200 rupees for loading and unloading the vegetables.
- A majority of 56.1 percent of the middlemen spent commission cost per month between 4000 to 6000 rupees.
- A maximum of 49.5 percent of the middlemen met the wastage per day between 100 to 200 rupees.
- A maximum of 47.7 percent of the middlemen revealed that the performance of exchange and physical function was fair.
- The standard deviation of the residual (Error in performance) of 0.166 which was close to 0 confirms that the factors which predicted that the performance of exchange and physical function were better.
- A majority of 42.1 percent of the middlemen revealed that the godown rent was moderate.

- A maximum of 34.6 percent of the middlemen revealed that the packing expense of the vegetables was moderate.
- A majority of 36.4 percent of the middlemen revealed that the transport cost was moderate.
- A majority of 46.7 percent of the middlemen viewed that the loading and unloading cost was moderate.
- A majority of 55.1 percent of the middlemen revealed that the commission cost was moderate.
- A majority of 37.4 percent of the middlemen revealed that the wastage of vegetables was moderate.
- Problems such as packing expenses, commission and wastage decreased the performance of exchange and physical functions. The problem of wastage was emerged as a significant predictor which delivered the performance of exchange and physical function of the middlemen.
- A majority of 32.7 percent of the middlemen expressed that the vegetables arrived to the market by people carrying their load on their head.
- A majority of 48.6 percent of the middlemen revealed that the time of arrival of vegetables to the market was evening.
- A maximum of 39.3 percent of the middlemen spent monthly for shop rent between 300 and 400 rupees.
- A majority of 66.4 percent of the middlemen spent for staff salary between 500 to 750 rupees.
- A majority of 96.3 percent of middlemen procured the finance both from their own funds and borrowed funds.
- A majority of 38.3 percent of the middlemen borrowed money at an interest rate of 20 to 25 percent.
- A majority of 41.1 percent of the middlemen spent between 750 to 1000 rupees per month for the administrative expenses.
- A majority of 72.9 percent of the middlemen appointed S persons in their shop.
- A majority of 61.7 percent of the middlemen had small savings habit.
- A majority of 62.6 percent of the middlemen knew how to employ their wards in this business.
- The maximum of 49.5 percent of the middlemen revealed that the facilitating function was fair
- A majority of 28 percent of the middlemen felt that the shop rent was normal.
- A majority of 45.8 percent of the middlemen viewed that the staff salary was moderate.
- A majority of 44.9 percent of the middlemen viewed that the rate of interest on debt was normal.
- A majority of 52.3 percent of the middlemen viewed that the administration expenses were low.
- A majority of 36.4 percent of the middlemen viewed that the donation cost was low.
- A majority of 53.3 percent of the middlemen felt that the miscellaneous expenses were high.
- A majority of 60.7 percent of the middlemen felt that the profitability position of this business was moderate.
- Problems such as shop rent, administration expenses and miscellaneous expenses decreased the performance of facilitating functions. The problem of administrative

expenses emerged as a significant predictor which safeguarded the performance of facilitating functions of the middlemen.

- A majority of 30.8 percent of the middlemen felt that the perishable nature of the vegetables was very low.
- A majority of 46.7 percent of the middlemen felt that the uncertain nature of the vegetable business was low.
- A majority of 35.5 percent of the middlemen felt that the demand for forecasting function of vegetables was low.
- A majority of 37.4 percent of the middlemen felt that the adjustment of climatic condition was excellent.
- A majority of 48.6 percent of the middlemen felt that the risk involved in the business was very low.
- A problem such as perishability, uncertainty and risk decreased the performance of overall performance of the middlemen's functions. These 3 problems decreased the performance, the problem of uncertainty emerged as a significant predictor which delivered the performance of the overall performance of the middlemen.

6. Suggestions

- In order to reduce wastage, the researcher suggests to the middlemen to determine the demand of vegetables well in advance using their experience and to safe handle the vegetables.
- The researcher suggests that the middlemen can reduce the rent given to the shop to enhance the variety of vegetables.
- It is suggested that the middlemen may improve the storage facilities to avoid wastage of vegetables.
- It is also advised that the middlemen must try to increase the working hours for reducing the fixed cost.
- The middlemen are recommended that the uncertain and risk should be overcome by their valuable experience in the sale of vegetables.
- It is advised to the middlemen that he should always maintain courteous conduct and smiling face to the consumers at the time of sale of vegetables.
- The researcher suggests that the middlemen be honest in telling the facts about the quality of the vegetables.
- It is suggested that the middlemen follow proper weighing system in order to retain their customers.
- The researcher advises the middlemen to allow the consumers to choose the vegetables by themselves.

7. Conclusion

Most of the middlemen were aged between 40 to 60 years and they were illiterate married male Hindus. Majority of them were commission agents and were working in the morning hours and their performance of exchange and physical function was fair. The researcher also identified that the sales achieved per month, nature of purchase, loading/unloading and god own facilities were the key factors which triggered the performance of exchange and physical functions. Packing expenses, commission and

wastage were some of the problems which reduced the performance exchange and physical function.

Majority of the middlemen revealed that the performance of facilitating function was fair. Mode of arrivals, shop rent per month, rate of interest and number of employees working in the business were factors which influenced the performance of this function and problems like the shop rent, administrative expenses involved and other expenses reduced the performance. The middlemen agreed that the overall performance of their business was fair. The researcher also identified some exclusive general problems like perishability of the vegetables, uncertainty in business and risk reduced the overall performance in the business of the middlemen.

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