A COMPERATIVE ANALYSIS OF BUSINESS MODEL OF RYTHU BAZAAR vis-a-vis MODERN RETAIL OUTLET IN HYDERABAD

BY

MAHENDRA KUMAR CHOUDHARY

B.Sc. (Ag)

THESIS SUBMITTED TO

Professor Jayashankar Telangana State Agricultural University

(Formely part of Acharya N. G. Ranga Agricultural University)

IN PARTIAL FULFILMENT OF THE REQUIREMENTS

FOR THE AWARD OF THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

(AGRIBUSINESS MANAGEMENT)

CHAIRPERSON: Dr. B.GANESH KUMAR

SCHOOL OF AGRIBUSINESS MANAGEMENT

COLLEGE OF AGRICULTURE

RAJENDRANAGAR, HYDERABAD-500 030

Professor Jayashankar Telangana State Agricultural University

(Formely part of Acharya N. G. Ranga Agricultural University)

2015

DECLARATION

I, MAHENDRA KUMAR CHOUDHARY, hereby declare that the thesis entitled **"A COMPERATIVE ANALYSIS OF BUSINESS MODEL OF RYTHU BAZAAR vis-à-vis MODERN RETAIL OUTLET IN HYDERABAD"**submitted to the **Professor Jayashankar Telangana State Agricultural University** in School of Agribusiness Management in the major field of **Agribusiness Management** is the result of the original research work done by me. I also declare that no material contained in the report has been published earlier in any manner.

Place: Hyderabad **(MAHENDRA KUMAR CHOUDHARY)**

Date: **I.D.No: RMBA/13-24**

CERTIFICATE

Mr. MAHENDRA KUMAR CHOUDHARY has satisfactorily prosecuted the course of research and that thesis entitled **"A COMPERATIVE ANALYSIS OF BUSINESS MODEL OF RYTHU BAZAAR vis-à-vis MODERN RETAIL OUTLET IN HYDERABAD"** submitted is the result of original research work and is of sufficiently high standard to warrant its presentation to the examination. I also certify that neither the project nor its part thereof has been previously submitted by him for a degree of any university.

Date: **(Dr. B.GANESH KUMAR)**

Chairperson

CERTIFICATE

This is to certify that the thesis entitled, **"A COMPERATIVE ANALYSIS OF BUSINESS MODEL OF RYTHU BAZAAR vis-à-vis MODERN RETAIL OUTLET IN HYDERABAD" s**ubmitted in partial fulfillment of the requirements for the degree of 'Master of Business Administration' of the Professor Jayashankar Telangana State Agricultural University, is a record of the bonafide original research work carried out by **Mr. MAHENDRA KUMAR CHOUDHARY** under our guidance and supervision.

No part of the thesis has been submitted by the student for any other degree or diploma. The published part and all assistance received during the course of investigations have been duly acknowledged by the author of the thesis.

(Dr.B.GANESH KUMAR)

Chairman of the Advisory Committee

Thesis approved by the Student Advisory Committee

Chairperson :Dr.B .GANESH KUMAR
Principal Scientist
Agribusiness Management Division
National Academy of Agricultural
Research Management (NAARM) _____

Member : Dr.P.Radhika
AssociateProfessor
School of Agribusiness Management,
College of Agriculture,
Rajendranagar, Hyderabad-500030 _____

Member : Dr. M.H.V. BHAVE
AssociateProfessor & Head
Department of Statistics & Mathematics
College of Agriculture
Rajendranagar, Hyderabad-500030 _____

Date of final viva-voce:

ACKNOWLEDGEMENT

I am pleased to place my profound etiquette to my Major Advisor and Chairperson of the Advisory Committee, **Dr.B. GANESH KUMAR,** Principal ScientistAgribusiness Management Division,National Academy of AgriculturalResearch Management (NAARM)for his wise counsel, concrete suggestions,inspiring, meticulous and affectionate guidance, constant help and persistent encouragement during the course of my study and prosecution of research work. I take it as a privilege and pride to have an opportunity of working under her inspiring spirit.

I pay my heartfelt regards to **Dr. Seema,** Professor & Head, School of, School of Agribusiness Management, College of Agriculture, Rajendranagar, Professor Jayashankar Telangana State Agricultural University.

I deem it my privilege in expressing my deep sense of reverence and gratitude and indebtedness to **Dr. P.Radhika,** Associate Professor, School of Agribusiness Management, College of Agriculture, Rajendranagar, Professor Jayashankar Telangana State Agricultural University and member of Advisory Committee for her encouragement and guidance.

I equally owe my deep sense of gratitude to **Dr.M.H.V Bhave,** Associate Professor & Head, Department of Statistics and Mathematics and member of my Advisory Committee for his invaluable guidance, suggestions and support during my course of study.

It will be a great lapse on my part if I fail to extend my best regards to all my teachers and well-wishers who have contributed in building up my present status. I also thank the staff of School of Agribusiness Management for their help during my thesis work.

Language falls short of to express my undoubtfull gratitude, indebtedness, love and affection to my beloved and venerable Father, **Mr. Mahangu Lal Choudhary**, who constantly educated, guided and moulded me into the present position and whose

boundless love, unparallel affection, dedicated efforts, encouragement and moral support is a constant source of motivation for me in shaping up my career.

It is time to surface out my genuflect love and affectionate gratitude to my younger brother **Mr. Jitendra Kumar Choudhary** and all my family members specially whose everlasting love and encouragement were my strongest assets during the course of my life with whose moral support I achieved this level of education.

My acknowledgement would be incomplete and meaningless without thanks to my friends **Suman Raj Meena** and **Pradeep Ram** for their voluntary help, mood refreshing gossip which helped me in completing the thesis.

I owe special thanks to the constant support and guidance extended to me in all possible ways by my best friends **Abhishek Jha** and **Jay Chandra** with which this research work has been completed successfully.

I take it as a special privilege to thank all the authorities and staff of **Professor Jayashankar Telangana State Agricultural University**, who provided me an opportunity to undertake the course and those who directly and indirectly helped me in all my endeavors.

I convey my wholehearted thanks to many of my well-wishers and to other friends requesting their forgiveness for not mentioning them here by name.

Date:

Place: Hyderabad **(MAHENDRA KUMAR CHOUDHARY)**

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LIST OF SYMBOLS AND ABBREVIATIONS

%	:	Percent
&	:	and
et al.	:	and other people
$	:	Dollar currency
Rs.	:	Rupee
Fig	:	Figure
viz.,	:	That is to say
i.e.	:	That is
no.	:	Number
S. No.	:	Serial Number
INR	:	Indian national rupee
GDP	:	Gross domestic product
No.	:	Number
Qt	:	Quintiles
Kg	:	Kilogram
Mt	:	Metric tonnes
Ha	:	Hectare
KM^2	:	Square Kilometer
°C	:	Degree Celsius

AUTHOR : **MAHENDRA KUMAR CHOUDHARY**

TITLE OF THE THESIS WORK : **A COMPERATIVE ANALYSIS OF BUSINESS MODEL OF RYTHU BAZAAR vis-a-vis MODERN RETAIL OUTLET IN HYDERABAD**

DEGREE : **MBA (ABM)**

FACULTY : **AGRICULTURE**

DEPARTMENT : **SCHOOL OF AGRIBUSINESS MANAGEMENT**

CHAIRPERSON : **Dr.B.GANESH KUMAR**

UNIVERSITY : **PROFESSOR JAYASHANKAR TELANGANA STATEAGRICULTURAL UNIVERSITY**

YEARS OF SUBMISSION : **2015**

ABSTRACT

India is the second largest producer of vegetables after China. India with diverse soil and climate comprising several agro-ecological regions provides ample opportunity to grow a variety of vegetable crops. Horticulture plays a unique role in India's economy by improving the income of the rural people. Cultivation of vegetable crops is labour intensive and such they generate lot of employment opportunities for rural population. Vegetables are also rich source of vitamins, minerals, protein and carbohydrates, which are essential in human nutrition. Vegetables have varying proportions of vitamins such as vitamin-A, vitamin-K and vitamin-B6, provitamins, dietary minerals and carbohydrates. They contain a great variety of other phytochemicals, some of which claimed to have antioxidant,

antibacterial, antifungal, antiviral, anticarcinogenic properties. Some vegetables also contain fibre, important for gastrointestinal function. Vegetables contain important nutrients necessary for healthy hair and skin as well. Eating a diet rich in vegetables and fruit as part of an overall healthy diet may reduce risk for heart disease, including heart attack and stroke and protect against a certain types of cancers. Thus, cultivation of vegetable crops plays a vital role in the prosperity of a nation and is directly linked with the health and happiness of the people.

The study on a comparative analysis of business models of Rythu Bazaar vis-a –vis Modern Retail outlet in Hyderabad with the following objectives:

1. To study the business structure, conduct and performance of the farmer - producers selling vegetables in the selected Rythu Bazaar in Hyderabad city.

2. To study the business model pursued by the modern retail outlet namely Reliance Fresh and Heritage Fresh in Hyderabad City.

3. To compare the marketing margins, marketing efficiency and price spread for selected vegetables in rythu bazaar vis-a-vis modern vegetable retail outlet.

4. To explore the constraints faced by Rythu Bazaar farmer –seller and managers in modern vegetable retail outlet.

The study was conducted in Hyderabad city, which was purposively selected. For the study, the total sample size of 30 farmer –producers in two Rythu bazaar,15 samples were chosen for survey and 1-1 modern vegetable retail .Out of these 30 samples, 15 samples are collected from the each Rythu Bazaar in the selected markets and modern vegetable retailer each namely Reliance Fresh and Heritage foods surveyed in city.

In Mehdipatnam Rythu Bazaar producers' share of consumer rupees was 89.81%,89.53%,86.40%,90.94% and 90.11% respectively for tomato, chilli, cauliflower ,brinjal and onion and producers' share of consumer rupees was 89.25%,88.42%,88.57%,90.18% and 89.29% respectively in case of tomato, chilli, cauliflower ,brinjal and onion in Falaknuma Rythu Bazaar .

Where as in Reliance Fresh producer share in consumer rupees was 38.65%,53.72%,56.83%,52.50% and 50.04% of consumer rupee in case of tomato, chilli, cauliflower, brinjal and onion. In Heritage Fresh 46.20%,54.23%,68.46%,54.86% and 43.70% of consumer rupee in case of tomato, chilli, cauliflower ,brinjal and onion. That means in every vegetable producer benefits by selling in Rythu Bazaar as they get higher share in consumer rupees. Generally, the modern retail vegetable outlets are preferred by higher and new emerging middle class especially in a developed city like Hyderabad who prefers quality over the price. However, for a country like India where still majority of people belong to poor and middle class the Rythu Bazaar is source of vegetable at cheap rate compare to modern vegetable retail outlets. Mehdipatnam Rythu bazaar market efficiency by used Shepherd's approach was 9.82, 9.47, 7.38, 11.03 and 10.11 and by used Acharya approach were 8.82, 8.48, 6.37, 10.03 and 9.11 respectively for tomato, chilli, cauliflower, brinjal and onion. Falaknuma Rythu bazaar market efficiency by used Shepherd's approach was 9.30, 8.64, 6.19, 10.18 and 9.34 and by used Acharya approach, it was 8.30, 7.64, 5.48, 9.18 and 8.34 respectively for tomato, chilli, cauliflower, brinjal and onion. On the other hand the marketing efficiency of Reliance Fresh by shepherd's approach was 4.19, 6.13, 6.87, 4.44 and 4.33 and by acharya approach 0.63, 1.16, 1.31, 1.10, and 1.00 respectively for tomato, chilli, cauliflower, brinjal and onion. The marketing efficiency for Heritage Fresh by Shepherd's approach was 4.83, 5.66, 7.82, 5.31 and 5.28 and by Acharya approach was 0.85, 1.18, 2.17, 1.23 and 0.77 for tomato, chilli, cauliflower, brinjal and onion respectively .From the comparism of market efficiency calculated using Shepherd's and Acharya approach it was clear that Mehdipatnam and Falaknuma Rythu Bazaar marketing efficiency is higher than modern retail outlet Reliance Fresh and Heritage Fresh. Reliance Fresh and Heritage Fresh make lot of margin from selling their vegetables at a higher price to customer based on providing good quality, hygienic condition, brand image and facilities like parking, water, air condition and entertainment.

Chapter I

INTRODUCTION

India is the second largest producer of vegetables after China. India with diverse soil and climate comprising several agro-ecological regions provides ample opportunity to grow a variety of vegetable crops. Horticulture plays a unique role in India's economy by improving the income of the rural people. Cultivation of vegetable crops is labour intensive and such they generate lot of employment opportunities for rural population. Vegetables are also rich source of vitamins, minerals, protein and carbohydrates, which are essential in human nutrition. Vegetables have varying proportions of vitamins such as vitamin-A, vitamin-K and vitamin-B6, provitamins, dietary minerals and carbohydrates. They contain a great variety of other phytochemicals, some of which claimed to have antioxidant, antibacterial, antifungal, antiviral, anticarcinogenic properties. Some vegetables also contain fibre, important for gastrointestinal function. Vegetables contain important nutrients necessary for healthy hair and skin as well. Eating a diet rich in vegetables and fruit as part of an overall healthy diet may reduce risk for heart disease, including heart attack and stroke and protect against a certain types of cancers. Hence, these are referred to as protective foods and assume greater importance for providing nutritional security to the people. Thus, cultivation of vegetable crops plays a vital role in the prosperity of a nation and is directly linked with the health and happiness of the people.

Vegetables are not only used for domestic consumption but also substantial quantities are exported in fresh and processed form, bringing much-needed foreign exchange for the country. These groups of crops also provide ample scope for achieving bio-diversity and diversification to maintain ecological balance and to create sustainable agriculture.

India had an area of 9083.0 (in'000 ha) and production of 156445 (in '000mt) in 2012-13 under vegetable cultivation. It is an indicator of tremendous growth of vegetable production in India. The important vegetables in Indian context are potato, tomato, carrot, brinjal, cabbage, cauliflower, guard, bhendi, onion, beet, root and other leafy vegetables (Agriculture statics 2013).

It has produced 129 million tonnes of vegetables in the year 2008-09. Present production of 150 million tonnes of vegetables supply only 145 g per capita per day against recommended requirement of 300 g. In India growing of vegetable is 4.8 times more remunerative than cereals and other field crops.

The production of vegetables in India has grown at a compound annual growth rate (CAGR) ranging between 5-6 percent during the period 2006-2012.In Andhra Pradesh the CAGR was 15 percent with respect to production of vegetables during the same period. Among the vegetables cultivated in Telangana region onion, tomato, brinjal, okra and cabbage occupy major area.

Source: https://www.google.co.in/maps

United Andhra Pradesh is the second largest producer of fruits and the fourth largest producer of vegetables in the country with a combined production of 233.84 lakh tonnes. Yet, farmer's share in the consumers' rupee is estimated to be just 40 paise, mostly on account of the

marketing system for fruits and vegetables being in the hands of middlemen. An additional estimated loss in handling of vegetables in the traditional channel of marketing is about 30 to 35 percent. By providing farmers' an alternative channel, some of these inefficiencies existing in the system can be addressed.

Currently the population of Hyderabad is around 8 million. The vegetable needs of the people of Hyderabad are meet by bringing vegetables from neighboring Ranga Reddy district. There are mainly four different formats in which vegetables are sold in the Hyderabad. These formats are Rythu Bazaar, Organised vegetables retail outlets, Weekly mandis, street hawkers and Small retail vegetable shops.

There has been a great concern in the recent years regarding the efficiency of marketing of fruits and vegetables in India. It is believed that poor linkages in the marketing channels and poor marketing infrastructure are leading to high and fluctuating consumer prices and to only a small proportion of the consumer rupee reaching the farmers (Kaul,1997). There is also substantial wastage, deterioration in quality and frequent mis-match between demand and supply spatially and overtime (Subbanarasiah,1991).

Rythu Bazaar is a farmers' market in Hyderabad, India. The Government of Telangana runs it for small farmers with small landholdings. The first market was started in January 1999 during the regime of Sri. Chandrababu Naidu, then Chief Minister of United Andhra Pradesh). In this market, farmers bring vegetables and sell directly to the consumers, thereby eliminating middleman who exploit both farmer and consumers. Thus, the produce available is economical and farm fresh. It is cultivated on the farmer's yard. It has helped in reduction of prices in other vegetables market and vendors. The farmers are greatly benefited by this kind of business model since they sell directly to the customers and do not pay any commission to agents. The customers are also getting good quality produce at lower prices. Thus, they have become popular, creating a demand for the produce of small farmers. It caught on well and the demand for such markets in Hyderabad and other parts of the state has increased. There are seven Rythu Bazaars in Hyderabad and Ranga Reddy district. They were at Kukatpally (KPHB colony, Alwal (near flyover), Mehdipatnam (crossroad), Kothapet, Vanasthaipuram, Erragadda and Qutullapur.

Vontimamidi is an epicenter of retail procurement. Vontimamidi is a village in the Ranga Reddy district of Telangana, about 40 Km away from the major urban centre of Secunderabad and located on a major highway. Its central location has allowed it to become the epicenter of a cluster of farms in a 30-40 km radius, and a hub for retail collection centre. Approximately

14000 farmers grow vegetables including gourds, cucumber, brinjal, chilles, beans and tomatoes in villages around Vontimamidi. Reliance was the first organised retailer to set up a hub in Vontimamidi in 2006 to source fruit and vegetables it has around 30-50 farmers supplying product to it every day and ITC and More followed suit in 2007. In the same year, Spencer set up its vegetable collection centre at Mulugu near Vontimamidi, while Heritage launched its pack house in a nearby village.

Modern retailing is set to have taken off in developing countries in three successive waves in the years between the early 1990s and the early 2000s (Reardon, Hopkins and Beredegue,2007). Customer demand and changing preferences have also played a role in stimulating this growth.

Reliance fresh is the vegetable and fruit retail wing of Reliance Retail. Although a trained agriculturalist looks after procurement operations at Vontimamidi, the collection centre does not provide any specific technical support to growers. Reliance Fresh has also established three other collection centers in the region, specifically for green leafy vegetables, cole crops and tomatoes.

Heritage Fresh is a chain of vegetables retail stores specializing in fresh fruit, vegetables and groceries set up by Heritage India Pvt. Ltd, a leading private dairy and agri-business company in South India. Heritage had established a 6 tonnes capacity pack house in Adivimasjid, a village close to Vontimamidi, as well as collection centres in five nearby villages. The pack house has facilities for cleaning, sorting, grading and ripening fruits and vegetables. It handles over more than 52 kinds of vegetables, including carrots, cauliflower, gourds, chillies and capsicum. Heritage works with 187 farmers spread out in 4 clusters (each cluster comprises 12-13 villages).Out of these, 131 are designed as “custom farmers”- a term for company’s preferred producers, who it supports through inputs and technical advice from an experienced agronomist. Production operations are co-ordinated by a Production Manager and Field-level Operation by 15 Production and Procurement Assistants. Heritage also maintains a field nursery for farmers and has been instrumental in promoting cultivation of new crops in the area, such as carrots, cauliflower and potato.

1.1 PROBLEM STATEMENT

Telangana, the 29th state of India, has huge potential of seasonal and off seasonal vegetable production. The state has conductive climate to grow a large number of vegetables with different quality attributes round the year. The farmers take up vegetable cultivation

extensively. Vegetable production in Hyderabad and Ranga Reddy district mainly depends on irrigation through Osman sagar, Himayat sagar and Manjeera. However, in this region ample production of vegetables and fruits, the perishable nature of the product on the one hand and the lack of organized marketing system on the other have resulted in low producer's price and high consumer's price. The performance efficiency of distribution systems adopted by various kinds of vegetable retail formats is different and the farmer has to make a choice among various distribution channels. There are many challenges like perishability of the produce, inefficient marketing system promoting price gap between producers price and consumer rupee, controlling of markets by few influential big traders, lack of proper storage facilities and transport facilities, which are plaguing the system. Hence, this study aims to analyze the performance efficiency of distribution systems adopted by various kinds of vegetable retail formats in Hyderabad. The results of the study would be helpful to the consumers to make a choice among various retail formats and would help the retailers to improve their distribution channels. The farmers also would have knowledge about the distribution network which is most suitable to them hence the study was carried out with the following objectives.

1.2 Objectives of investigation

1. To study the business structure, conduct and performance of the farmer - producers selling vegetables in the selected Rythu Bazaar in Hyderabad city.

2. To study the business model pursued by the modern retail outlet namely Reliance Fresh and Heritage Fresh in Hyderabad City.

3. To compare the marketing margins, marketing efficiency and price spread for selected vegetables in rythu bazaar vis- a-vis modern vegetable retail outlet.

4. To explore the constraints faced by Rythu Bazaar farmer –seller and managers in modern vegetable retail outlet.

1.3 SCOPE OF STUDY

The study area conducted in Hyderabad, which has a population of eight million people, who purchase vegetables from different retail formats. To meet the demand of vegetables there are many formats varying from traditional weekly bazaars, government regulated markets like rythu bazaars, organized retail outlets and individual traders, which are functional in Hyderabad. Hyderabad city gets its vegetable supply from surrounding districts and various distribution networks are adopted. Hence, in the study the performance efficiency of distribution systems adopted by various kinds of vegetable retail formats is analyzed. Adoption of different

distribution networks give rise to different price levels for same vegetables across the formats. Hence, the price levels in various formats for some selected vegetables are collected and compared .The reasons for consumers preferring a particular retail format are analyzed .The results of the study would be helpful in knowing the consumer perception about various retail formats of vegetables and would help the retailers to improve their distribution by plugging the lacuna. The study would through light on the efficiency of each retail format and help, the policy makers in making future decisions regarding marketing of vegetables.

1.4 LIMITATIONS OF THE STUDY

All the social science research is subject to certain limitations; the present study also was no exception. As such, the study had certain limitations, which are listed below.

1. The study had the limitation of time and resources available for a single investigator.
2. The area of investigation was restricted to respondents of Hyderabad city, which is considered to be a one of the heterogeneous metropolitan city. As such, generalization of the study could be extended to the areas where similar conditions exist, but may not have wider applicability.
3. Since the study is based on individual perception and expression of the respondents, some degree of error may be possible in the data due to lack of accurate expression of the respondents.

1.5 STRUCTURE OF THE PROJECT REPORT

The study is presented in five chapters as follows.

I. **Introduction:** The importance of the study, problem setting and objectives are covered.

II. **Review of literature:** The available and relevant literature thoroughly reviewed.

III. **Materials and Methods**: The methods and materials encompassing sampling, data collection, analytical tools, and techniques are explained.

IV. **Results and discussion:** The results and discussion covering the important aspects such as efficiency of distribution networks adopted by Rythu Bazar and various retail formats, comparison of marketing margins and price spread in Rythu Bazar and modern vegetable retail outlet is presented.

V. **Summary and conclusions:** Summary and conclusions of the study are presented.

Chapter – II

REVIEW OF LITERATURE

For any investigation, the findings of earlier studies will give insight to the problem and set direction for the research. An extensive survey of literature was undertaken in order to have an understanding of various concepts related to the problem concerned, interpretation of findings of the study and the limitations. Hence in this chapter an attempt was made to review the literature of the past research work relevant to the present study. The review has been presented under the following heads.

2.1 The business structure, conduct and performance of the vegetable markets selling vegetables.

2.2 The business models pursued by the modern vegetable retail outlets.

2.3 Problem and constraints in marketing of vegetables.

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2.1 The business structure, conduct and performance of vegetables markets selling vegetables.

Singh and Jagdish (1995) have examined the marketing costs and margins for vegetables through a comparative study of 1990-91 with 1984-85 .It is argued that the vegetables growers are not getting what they should because the market intermediaries are getting alot in the name of marketing costs and margins. The study showed that the producers shore in consumer's rupee had declined share of producer is mainly accounted for by high cost of packing and grading and commission to market intermediaries .The study suggests that some alternative so that producers share in consumer's rupee can be increased.

Wolf (1997) in a case study examined responses of consumers with the objective of comparing the profile of farmers' market shoppers to those who do not shop at farmers' markets. Examination of the demographic profile of consumers of farmers' market indicate

that they are more likely to be female, married, and have completed postgraduate work. There was no difference observed with respect to age, income levels, and employment status between farmers' market shoppers and farmers' market non-shoppers.

Shiyani et al (1998) concluded that the marketing cost incurred by the producers was highest in case of tomato (Rs 108.04/Qt.), brinjal (Rs 61.751/Qt.) and cabbage (Rs 50.44/Qt.) .The total expenditure in curried at the retailer's level was the highest in case of tomato (Rs 139.76/Qt.) and the producers share in consumer's rupees for tomato was 56.87 percent.

Durga (1999) stated that in case of tomatoes producers share is 65.85 percent, wholesaler's margin is 7.06 percent and the marginal retailer is 27.06 percent , price spread is 34.11 percent for brinjal the share of producer, the wholesaler and the retailer were respectively 48.74, 5.42 and 45.85 percent ,the price spread is 51.26 percent the producer – seller of Rythu bazaar gets 100 percent of price paid by the consumers.

Singh and Singh (1999) in his study on production and marketing of vegetable crops in Varanasi district ,Uttar Pradesh revealed that highest cost of production per hectare was involved in the production of potato crop Rs.20971 followed by cauliflower Rs.14587, Peas Rs.14032, brinjal Rs.12719.50,tomato Rs.12380, chilies Rs.11970 and lanki Rs. 10296.Return per rupees of investment was maximum for chilies followed by lanki ,tomato brinjal, cauliflower and potato.

Mishra et al. (2000) have identified some problems in marketing of banana in their study on production and marketing of banana in Gorakhpur district. The problems identified were: desirable and cheaper rate of transportation is not readily available to the producers, farmers being compelled to dispose of their produce at lower ruling price in the market due to unavailability of sufficient storage facilities and weak financial structure. Producers are also inclined to sell their produce at lower price, due to lack of proper knowledge about market price.

Trobe (2001) studied the potential benefits of marketing food directly from producers to consumers, and hence circumventing the 'middlemen' in the food supply chain. This qualitative study concluded that both farmers and consumers have accrued benefits. Consumers get locally grown, fresh, healthy and, in many cases, organic food at affordable prices, while producers get more value of their produce.

Brown (2002) reviewed all the research done on farmers' markets in the period from 1940 to 2000 and found the huge increase in the number of farmers' markets in the United States after the passage of the Farmer-to-Consumer Direct Marketing Act of 1976. This article inventories the literature since the Second World War on retail farmers' markets and direct marketing in North America. This study concluded that the literature on farmers' markets is scant and has ample room for new and exciting explorations. The study also delved into the economic impact of the farmers' markets.

Savitha (2003) in her paper studied if the farmers operating from Rythu Bazaars were satisfied with the issue of ID cards, facilities provided, price fixing mechanism, supervision of the bazaars by officials, utilization of Rythu Bazaar funds etc. The study also found that the farmers' felt the absence of commission and remunerative prices being the main advantages of the markets.

Onianwa et al. (2005) analyzed the determinants of Farmer-to Consumer direct-market shoppers and provided insights into the factors that affect shopping at a farmer-to-consumer direct market.

Saibaba and Vadde (2009) studied Consumer Satisfaction and Preferences towards Rythu Bazaar in Warangal District of Andhra Pradesh by looking at the marketing angle which is one of the weakest links in the chain of activities concerned with production and disposal of agricultural products. They analyzed the preferences, needs and wants of the vegetable buyers and make them available to farmers so that they can take correct decisions regarding the marketing strategies to be implemented in Rythu Bazaars of Andhra Pradesh State of India. The findings indicate that majority of consumers felt the location of Rythu Bazaar is not conducive; they also felt that the behavior of sellers at Rythu Bazaar has been impolite; parking facility and other amenities at the Rythu Bazaar were also not satisfactory.

Jagwe and Machete (2011) examined the impact of transaction costs on smallholder banana farmers in the Great Lakes Region of Central Africa and found that access to price information, collective action, gender of household head; geographical location and degree of dependence on the crop significantly affect the choice of selling point.

Sharma *et al.* (2011) in their study has examined the nature and extent of post-harvest losses in vegetable supply chain in the Kuma division of Uttarakhand. Twelve major vegetables have been selected for the study. The maximum aggregate post-harvest losses have been found in tomato, followed by potato, brinjal, chilly, French bean and pea. The study has suggested the establishment of producer co-operatives to handle various activities relating to production and marketing of vegetables to help reduce post-harvest losses.

Reddy *et al.* (2012) in their study titled evaluation of performance of supply chains in vegetable marketing in Andhra Pradesh indicated that Rythu bazaar had shown better performance to farmers in generating remuneration rather than the supply chain under reliance fresh. The retail prices of selected vegetables were more in Reliance Fresh outlets in comparison to Rythu Bazaar, which is turn back factor for consumers. In spite of price fluctuations, the Reliance fresh supply chain owners drew a stable share in the consumer's rupee. It can be said that the supply chain under Rythu Bazaar (direct marketing) was more beneficial to the farmers as well as consumers than the supply chain under organized retail industry.

2.2 The business models pursued by the modern vegetable retail outlets.

Merrilees *et al.* (1997) in his study describing the success of vegetables retail stores, states that the most essential ingredient is the greater ability of the organized retail format to meet the needs of the time poor consumers seeking a convenient, one stop way of shopping with benefits from a much wider range, lower prices and usually a brighter, more interactive store atmosphere.

Pankaj and Ken (2000) in their study found out that most of the value created by organized retailers is pocketed by its consumers. They found that Wal-Mart enters in vegetable market, prices decrease by 8 per cent in rural areas and 5 per cent in urban areas. This was mainly because the retailers source their products from the suppliers who supply the required vegetables at a lesser price than others.

Moschi *et al* (2004) in their study on behavior of mature consumers on selection of vegetable and fruit retail stores said that older consumers are very price conscious, have different needs compared to younger vegetable and fruit shoppers as they enjoy interaction

more than younger consumers and prefer to shop in a store where they can receive special assistance-service.

Neven and Reardon (2004) study on modern retail outlet concluded that in particular, modern retail markets are reorganizing how vegetable and fruit chains operate: requiring product homogeneity; specific standards in sorting, grading and packaging, and consistency in supply.

Chowdhury et al, (2005) in their study found that Farmers preferred to sell to the modern retail vegetable retail outlet chain because of lower transaction costs and assured purchase besides higher absolute price received.

Baseer and Laxmi Prabha (2007) in their study on prospects and problems of Indian vegetable retailing concluded that the organised with ideal shopping experience through consumer preference analysis, excellent ambience, choice of merchandise, changing life style, strong income growth and favourable demographics are the driven for the fast growth of this sector, increasing income level, education, acceptance exposure have an impact on the Indian consumers shopping habits.

Jha and Guha R.(2007) in their study on Reliance Fresh strategy concluded that indication of cut throat competition and an impending price war is evident in selling of different product to the tune of 15-20 percentage cheaper in grocery items like 15-20 percent cheaper in potaoes,onian ,atta and as much as 50 percent in the case of fruit and vegetables compared to ongoing ,market rate at the kirana.

Bansal and Singh (2008) studied the consumer perception regarding purchase of products from big vegetable and fruit retail outlet and concluded that majority of the respondents are influenced to visit big vegetable and fruit retail outlet due to the availability of different brands. Majority of the shopping malls are following the sales promotions like free gifts, coupons, discounts.

Joseph et al, (2008) conduct their study on cauliflower in Hoskote, Bangalore found that the retail chain farmers had considerably lower transaction costs.

Mangala and Chengappa, (2008), conduct their study on Spencer vegetable retail outlet in Bangalore on selected vegetables cabbage, cauliflower and tomato found that retail chain farmers had considerably lower transaction costs than the non-retail chain farmers on that selected vegetables. Spencer's also ensured support price even in case of glut in the market, so that the farmers did not incur losses.

Dhananjaya and Rao, (2009) conduct their study on Namdhari Fresh modern vegetable retail outlet concluded that provided higher prices for baby corn (Rs.7/kg) and bhindi (Rs.9/kg) at farm gate itself as compared to only Rs.4/kg each for the two crops in mandi.

Das and Kumar (2009) in their study on Reliance Fresh strategy concluded that indication of cut throat competition and an impending price war is evident in selling of different product to the tune of 15-20 percentage cheaper in case of grocery items and ad much as 50 percent in case of fruit and vegetables compared ongoing market rate at the kirana stores.

Reardon, et.al (2009) analyzed the Small farmers have an opportunity to participate in modern vegetable retail outlet as price incentives and may be higher relative to traditional markets .

Sulaiman et al (2010) examined the major reasons of farmers to sell vegetables and fruits to organised retailers were: higher price, use of electronic weighing scales, savings from commission charges (4-10%) payable at the local mandi. Further, 65% of farmers working with the retail chains were small and marginal farmers.

Pritchard et al (2010) found in their comparative analysis of vegetable procurement in the Mysore region estimated that transaction costs for farmers in the supermarket trade were significantly less than those for farmers selling to traders, namely, 76 per cent for tomatoes, 37 per cent for carrots, 28 per cent for cabbage, and only 16 per cent for cauliflower .

2.3 Problem and constraints in marketing of vegetables.

Subrahmanyam and Gajanana, (2000) in their study on HOPCOMS vegetable retail outlet. The study was carried out at several retail outlets HOPCOMS in Bangalore They analyzed HOPCOMS had an approved policy of fixing the procurement price slightly higher than the prevailing wholesale price and retail price at a slightly lower level than the ruling retail price so as to maintain a margin of 25%.So that The HOPCOMS vegetables retail prices were 18% lower than that of the traditional retailers and 10-25% lower than other modern retailers.

Weatherspoon and Reardon (2003) examined the problem and constraints of farmer who sell their product to modern retail vegetable shop. Farmers also face several constrains (i.e. capital constrains, time constrain and knowledge constrains) to meet product specifications and requirements posed by modern markets. A lot of small farmers have difficulty in monitoring quality.

Cadilhon et al (2006) stated that in case of vegetable modern retail outlets. Though the vegetable retail chains initially offered higher prices to producers than those offered by traditional channels, farmers also incurred extra costs like processing and packaging, marketing, transport, and other transaction costs unlike their counterparts in traditional channels .

Punjabi and Sardana(2006) in their study on modern vegetable retail outlets concluded that the modern vegetable retail chains procured only high quality produce (about 30% of total production), for which they obtained a higher price. However, the price obtained for the rest of the produce was lower than average.

Alam and Verma (2007) in their study on modern vegetable retail outlet found that vegetable retail chain procured only 30% of the total tomatoes. However, rejection rate for some federations supplying to the retail chain was as high as 50-60% due to small size of tomato and pest infection, and long distance transport of produce to Delhi where final quality check was done. Besides, poor grading by farmers deliberately and lack of supervision led to higher rejections although it was also stated that, sometime, rejection was deliberate to avoid oversupply.

Murthy and Wader (2007) in their study on tomato found that the quality parameters influencing price of tomato in Karnataka included bigger circumference, higher moisture content and higher thickness of pulp of tomato, which fetched higher price in the market.

Hernandez et al (2007) conduct their study on tomato farmers who supply tomato to modern vegetable retailer in Guatemala concluded that Farmers preferred to sell to wholesalers due to procurement of all quantities and grades all round the year; low transaction costs and risk; and quick payment.

Blandon et al (2008) explains that farmers participating in the modern vegetable retail outlets had a greater degree of trust in their buyers than farmers supplying the spot

markets. Initially, farmers were reluctant to supply the produce to modern vegetable retail outlets since they were paid two or three weeks after delivering the produce. However, through interaction with other farmers who were already participating in the supermarket channel and with the supermarket buyers over time, mutual trust developed that could even withstand delays in payments or rejections of the produce.

Joseph et al (2008) in their study on vegetable and fruit retail outlet and found that wastage at the modern vegetable and fruit store level was around 8-10 per cent every day which was then sold to hawkers .

Gopalakrishnan and Srinivasa (2009) in their study on corporate vegetable and fruit retails concluded that they turn as corporate food provision‘ will accelerate many key elements of India‘s agricultural crisis as it will produce a decline in land productivity, reduce food security, adversely affect price stability and negatively impact employment and credit sectors.

Pritchard et al (2010) in their study on Reliance Fresh vegetable and fruit procurement concluded that farmers did not generally possess strong loyalties one way or to the other among traders, or between traders and supermarket buyers. Farmers were aware of price conditions across different markets and price realization obtained by their neighbours due to mobile phones.

Chapter III

MATERIALS AND METHODS

The methodology adopted for undertaking study would have impact on deriving valid results from the study. In this chapter, the methodology followed to fulfill the objectives of the study presented under the following sub-headings.

1. Description of the study area
2. Nature and source of data
3. Sample procedure
4. Analytical tools and techniques employed
5. Terms and concepts used in the study

3.1 Description of the study area

Hyderabad is common capital of the southern Indian state of Telangana and Andhra Pradesh. Hyderabad has a population of about 8.7 million (2011, census) making it the fourth most populous city and sixth most populous urban agglomeration in India. Hyderabad has a pleasant climate, which is a home place of different religions, castes, occupations, cultures, speaking diverse languages and of different food preferences. It is the information technology and biotechnology hub of India, with industrial estates, international airport, many fruits and vegetable markets and numerous financial and educational institutions.

Hyderabad city selected as the study area for studying vegetables market, as the city is the hub of retail revolution having many fruit and vegetable markets operating from a long period. In addition, many retail formats have opened their outlets recently in the city at many places. The retail formats have made Hyderabad as their focal point of the managerial operations. Many vegetable growing districts surround the Hyderabad city. Farmers growing their produce in these districts bring their produce to wholesale vegetable markets

and to emerging organized retail stores established in Hyderabad.

3.1.1 Location

Situated in the north-western part of Telangana in southeastern India, Greater Hyderabad covers 650 km^2 making it one of the largest metropolitan areas in India. Latitude: 17°37′00″ N Longitude: 78°48′00″ E.

3.1.2 Demographics

When the Greater Hyderabad municipal corporation (GHMC) established in 2007, the area occupied by the municipality increased from 175 km^2 to 650 km^2. Consequently, the urban population 87,46,490 in 2014(Bureau of Economics,2014).In the previous year it was around 80,46,449.So the population increase from last year was 7,00,041.In which many of which are migrants from elsewhere in India, making Hyderabad the nation's fourth most populous city. As of 2014, the population density is 20,200 /km^2. It the sixth most populous urban agglomeration in the country. There are male and female citizens -a sex ratio of 945 females per 1000 males, higher than the national average of 926 per 1000. The socio-economic strata consist of 20% upper class, 50% middle class and 30% working class. Literacy rate in Hyderabad is 82.96%, which is higher in comparism to other major cities of India.

Table 3.1 Growth of Population in Hyderabad

Growth of Population in Hyderabad		
Cenus	**Population**	**Growth in %**
1971	17,96,000	-
1981	25,46,000	41.8%
1991	30,59,262	20.2%
2001	36,37,483	18.9%
2011	68,09,970	87.2%

Data from Indian Statistical Department (1971-2011)

3.1.3 Geography

Hyderabad was located in central Telangana and spread over an area of 650 km^2. The city lies in the Deccan Plateau and rises to an average height of 542 m above the sea level. The city lies at 17°37′00″ N Longitude: 78°48′00″ E ° E longitude. The modern Hyderabad is spread over an area of 650 km^2 making it one of the largest metros in India. The predominant topography of the city is sloping rocky terrain of grey and pink granites. Some locations with higher altitude are scattered throughout, giving rise to the appearance of several small hillocks. Hyderabad has an average altitude of about 1,778 feet (542 m) above mean sea Level (MSL), while the highest point in the city is Banjara Hills at 2,206 feet (672 m). The city houses multiple lakes and large water tanks. The Husain Sagar lake, built in 1562, is located at the heart of the city. The Osman Sagar and Himayat Sagar are two artificial lakes created because of dams on Musi river.

Climate

The climate of Hyderabad remains fairly warm through most parts of the year and does not receive much rainfall in the monsoon. With the onset of winters in North and central parts of India, temperatures marginally come down in the months of December and January and the nights become quite cool in and around the Hyderabad city. During the summer months, the mercury goes as high as 42°C while in winters the minimum temperature may come down to as low as 12°C. June to November are the months of monsoons, accompanied by rains. During the Monsoons, also the temperature goes down at times. Thus, for most parts of the year, the weather and climate of Hyderabad remains moderate .

Rainfall

More than 75 per cent of the rainfall is received during the south-west monsoon season, i.e., from June to September. The south-west monsoon sets in by 7 June. Its advent is sudden and the rainfall increases from less than 5 per cent (of the annual) in May to 15 per cent in June.

Humidity

In the monsoon season, humidity is very high exceeding 75% from July to September. In the dry months of March, April and May, humidity is comparatively low with an average of 25 to 30%.

Recent Temperature Increases

According to India Meteorological Department, the summer months of April and May 2009 recorded the warmest temperatures since 1901, with mean maximum temperatures hovering frequently at around 42°C with maximum temperature touching 45°C.

3.1.4 Economy

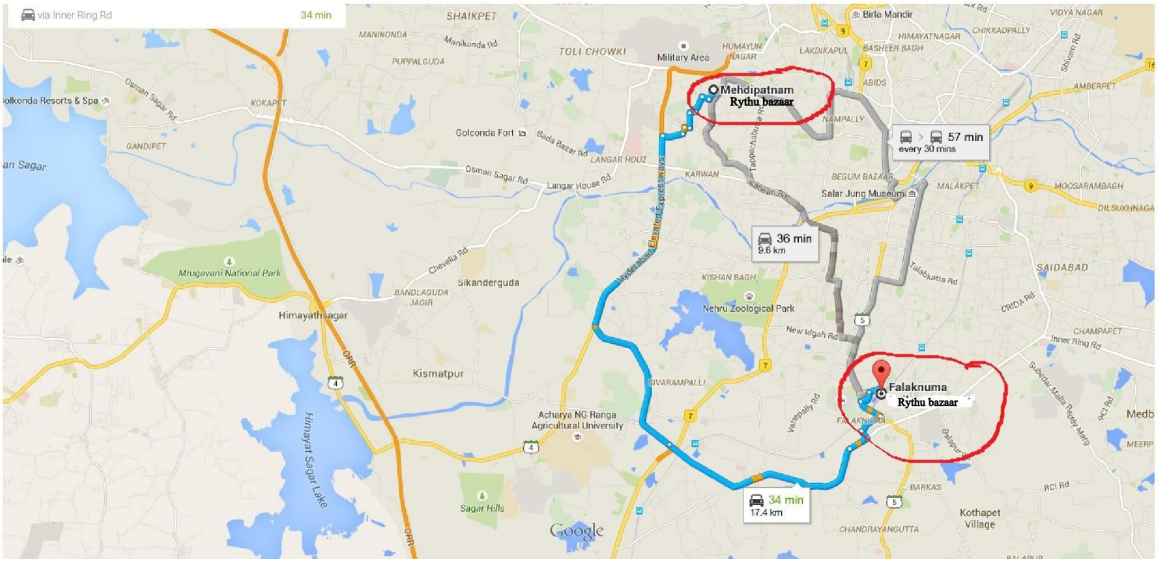
The economic pattern of the city changed from a primarily service hub to a more diversified economy .Hyderabad is decidedly one of India's most important economic hubs, with marked growth in the automobile and auto parts industry, poultry farming, textiles and apparel industry, and bulk drugs and pharmaceuticals. More than these, however, Hyderabad is also fast becoming a major IT city in India due to its wide economic growth, Hyderabad is the economic and financial capital of the state of Andhra Pradesh and now Telangana, and it is the state's largest contributor to the gross domestic product (GDP) as well as state tax and excise revenues. Over the last decade, Hyderabad has posted dramatic growths and it expected that it would continue to grow in the following years. Since the 90s, its economic pattern has changed from being primarily service-oriented to one with a broader and more diversified spectrum, including transport, commerce, and communications. In 2013, GDP was US$ 120 billion, placing the city fourth in India and 83rd in the world. Hyderabad and its suburbs house the highest number of special economic zones among India's cities. The main economic sectors of Hyderabad are traditional manufacturing, the knowledge sector, and tourism. The service industry is a major contributor. As of 2013, the largest employers of Hyderabad are the governments of United Andhra Pradesh and Central Government, with 113,000 and 85,000 employees, respectively. The city is the largest contributor to the state's GDP (Gross domestic product) and state tax. The per capita income of Hyderabad was Rs.44300 (US$700) in 2013.

Table 3.2 Demographic profile of Hyderabad.(2013)

Item	Units	Figure
Population	In Persons	87,46,490
Sex Rato	-	945
Urban	In Persons	87,46,490
Rural	In Persons	0
Population Growth (decadal)	%	4.71
Population Density (Person/Sq.Km)	No/sq.km	20,200
Literacy	%	82.96
Male	%	83.35
Female	%	78.42
Urbanization	%	100
Workers as % of total population	%	29.24
Workers % of main Workers	%	92.18
Household industries	%	2.56
Area under Food & Non-Food crops	Area in Hectares	0
Mining & Quarrying	Qty in tonnes	0
Forest Area under the control of Forest Department	Area in Hectares	0
Gross irrigated area as % of gross cropped area	%	0
Value of output of major crops	%	-
Per capita food grain production	%	0

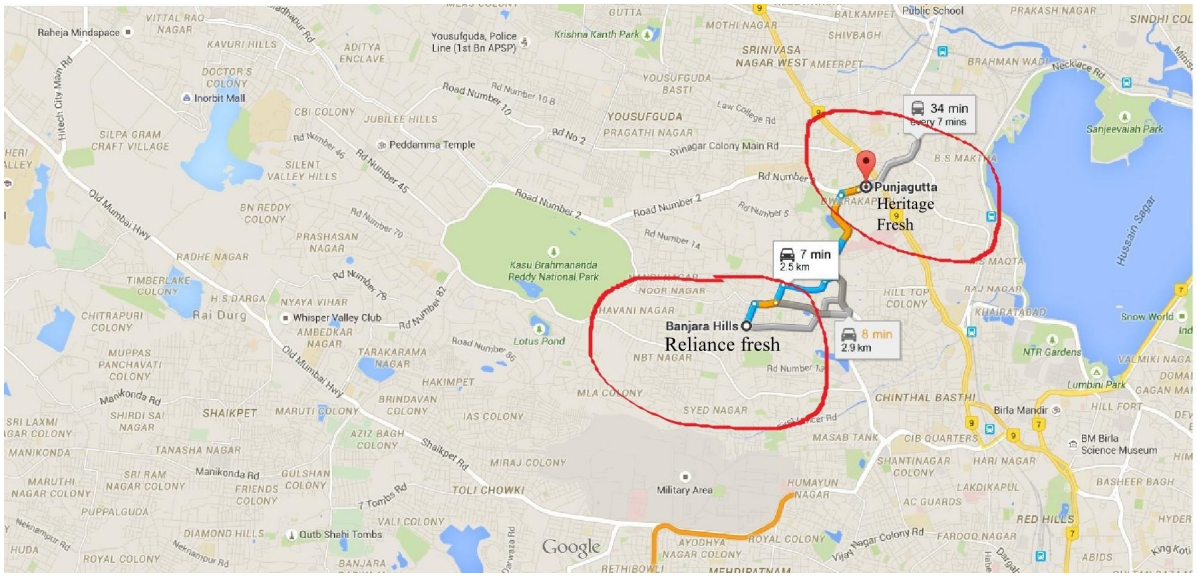
(Source: Indian Statistical Department, 2014)

Fig. 3.1.1 Map of Hyderabad city- showing the study area where Rythu Bazaars are located.



Source: https://www.google.co.in/maps

Fig. 3.1.2 Map of Hyderabad city- showing the study area where the modern vegetable retail outlets are located .



Source: https://www.google.co.in/maps

3.2 NATURE AND SOURCE OF DATA

In order to test the specific objectives of investigation, data was collected from the primary sources.

Primary data regarding the marketing efficiency of the distribution systems was collected from the Rythu Bazaar producers-sellers. The data with respect to cost of marketing and price received by them was collected. Similarly, the data on costs and returns obtained by the market intermediaries as well as by the retail formats obtained through interview schedule, which contained indicators such as wastages losses involved, quantity sold and selling price. Similarly, the data from modern retail vegetable outlet also collected through a structured schedule by personal interview method. The data with respect to the market efficiency, wastage losses, value addition and price received by them collected of using structured schedule by personal interview method.

Secondary data regarding Reliance Fresh and Heritage Fresh outlets and Rythu Bazaars information was collected from the records of retail outlets, websites and journals. The data on district area, production, and productivity was collected from Directorate of Horticulture, Government of Telangana.

3.3 SAMPLING PROCEDURE

3.3.1 Selection of the study area

Hyderabad city was selected as the study area for studying distribution systems in vegetable marketing, as the city was the hub of retail revolution having many fruit and vegetable markets operating from a long period. Many retail formats have opened their outlets recently in the city at many places. The retail formats have made Hyderabad as their focal point of the Managerial Operations. Many vegetable growing districts are surrounding the Hyderabad city. Farmers growing their produce in these districts bring their produce to wholesale vegetable market and to emerging retail formats established in Hyderabad.

3.3.2 Selection of Rythu Bazaar, modern retail outlets and farmer- producers.

For the study, two Rythu Bazaars operating in Hyderabad based on volume of vegetables sold were selected among the seven-Rythu Bazaars in Hyderabad. It was noticed that Mehedipatnam and Falaknuma Rythu Bazaars are dealing in more volumes compared with other rythu bazaars hence these Rythu Bazaars were selected for the study. From each Rythu Bazaar 15 farmer-producers were selected using random sampling method. Among the organized retail outlets two retail outlets i.e. Reliance Fresh and Heritage Fresh have been selected based on the volume of vegetables sold of selected vegetables.

To collect the data from modern vegetables retailers' two densely populated areas in Hyderabad i.e. Banjara hills and Panjagutta were chosen were Reliance Fresh and Heritage Fresh are located. Thus, the sample would consist of two rythu bazaars Mehdipatnam and Falaknuma Rythu Bazaars 15 farmer-producers and two modern vegetables retail outlets Reliance fresh and Heritage Fresh.

3.3.3 ANALYTICAL TOOLS AND TECHNIQUES EMPLOYED

Detailed description of the analytical tools employed in the study is given below.

Simple conventional method of tabular analysis was employed to study the price spread and market efficiency. Averages and percentages were worked out to examine the roles played by the intermediaries; factors influencing distribution networks, problems and expectations of the producers, retail formats and consumers in the distribution networks.

3.5 TERMS AND CONCEPTS USED IN THE STUDY

Rythu Bazaar distribution channel:

Upstream and downstream relationship of farmer with customer.

Modern distribution channel

Modern distribution channel is the upstream and downstream relationships with Farmer/Supplier to consolidation centre to retail format to customer.

Market intermediaries

Market intermediaries are those individuals who perform various marketing functions, involved in purchase and sale of goods and move goods from producers to consumers.

Producer's net price

This refers to the price per unit that farmers realize after deducting the marketing costs from the gross price.

Commission agent's net returns

It is the difference between commission agent's gross returns and total marketing cost incurred by commission agent.

Retail outlet's net returns

It is the difference between retail format's gross returns and total marketing cost incurred by retail format.

Marketing margin

This refers to the net profit to the different market intermediaries of a particular produce after deducting costs incurred by them for handling the commodity.

Marketing margin = selling price-cost price

Net marketing margin = Marketing margin–marketing cost

Producer's share in the consumer rupee

This refers to the farmer's net price to the retail price of the produce expressed in percentage.

Price spread

This refers to the difference between the net price received by the farmer and the price paid by the consumer for the produce.

Price spread= Consumer price – Producer price

Marketing efficiency index

The ratio of the net price received by the production-seller to the total marketing cost and total net margins of intermediaries as suggested by Acharya and Agarwal (1998).

$$ME = \frac{FP}{MC + MM}$$

Where,

ME: Marketing efficiency

FP: Net price received by the producer-seller

MC: Total marketing cost

MM: Net marketing margin

Shepherd's approach: By this approach, marketing efficiency was calculated by dividing the gross price received by the farmer with the total marketing cost.

Acharya approach: By this approach, marketing efficiency was calculated by net price received by the farmers divided by the total marketing costs plus net marketing margins.

Chapter IV

RESULTS AND DISCUSSION

The results of the analysis carried out for fulfilling the objectives of the study are presented under the following heads.

1. The business structure, conduct and performance of the farmer - producers selling vegetables in the selected Rythu Bazaar in Hyderabad city.

2. The business model pursued by the modern retail outlet namely Reliance Fresh and Heritage Fresh in Hyderabad City.

3. Comparism of the marketing margins, marketing efficiency and price spread for in select vegetables in Rythu Bazaar vis-a-vis modernvegetable retailoutlet.

4. To explore the constraints faced by Rythu Bazaar farmer - seller and modern vegetable retail outlet.

4.1 Socio-Economic Characteristics of the Producer-sellers in Mehdipatnam and Falaknuma Rythu Bazaars .

4.1.1 Education

Better educational level assists the producer – seller to best decision and better handling the customer. Keeping this point in view data about educational level of producer -sellers was collected and results are presented in Table 4.1.

The Table 4.1 reveals that in Mehedipatnam Rythu Bazaar 72 percent of respondent are educated and have different levels of education. The proportion of the respondents who were secondary level(6^{th} to 10^{th}) educated was largest (26.00 percent), while producer –seller who were primary level educated (1^{th} to5^{th}) and who had higher level educated (Above $10^{th)}$ of the education had 20 percentage each, respectively. College degree was 6 per cent and rest was illiterates (26 percent). It could be concluded that majority of producer -seller were educated and hence have a fair understanding of the various markets practices ,tactics and best prices for their product in these markets.

Table 4.1 Educational Status of the producer-seller in Mehdipatnamand Falaknuma RythuBazaar.

S.No.	Particulars	Mehdipatnam	Falaknuma
1	Illiterate	4 (26)	3 (20)
2	Primary(1th to 5th)	3 (20)	4 (26)
3	Secondary (6th to 10th)	4 (26)	3 (20)
4	Higher (Above 10th)	3 (20)	3 (20)
5	College degree	1 (6)	2 (14)

Figure in parenthesis, indicate percentage to total

From Table 4.1 it can be noticed that respondents who had in Falaknuma primary (1th to 5th) education level had majority while secondary level (6th to 10th) and Higher level (Above 10th) education level share each 20 percentage respectively. College degree was 14 per cent and rest was illiterates 20 percent. It could be concluded that majority of producer -seller were educated (80 percent) and hence have a fair understanding of the various markets practices ,deal with customer, and best prices for their product in these markets.

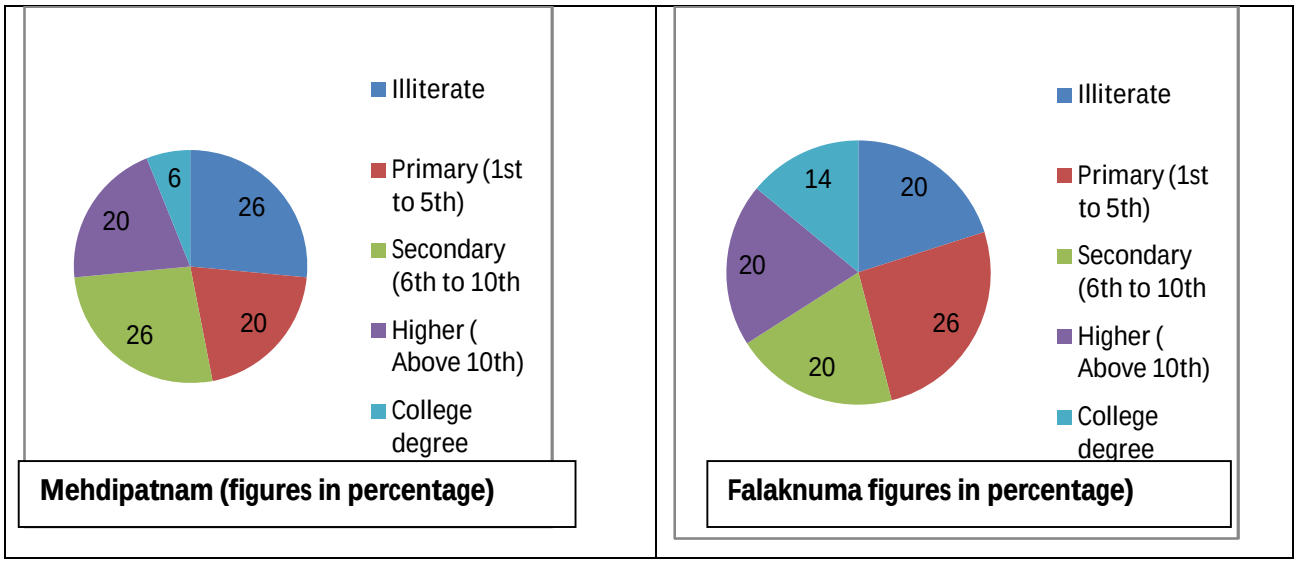


Figure 4.1 Educational Status of the Producer-seller in Mehdipatnam and Falaknuma Rythu Bazaar

4.2 Personal Profile of the producer -sellers and their age:

Data from Table 4.2 pertaining to producer-seller profile reveals that in Mehdipatnam Rythu Bazaar,majority (33 per cent) of the producer- sellers belonged to the age group of 46 and above followed by the age group 31-35 years (26 per cent) while 20 per cent of the consumers were in the age group of 25-30 years means representing the youth .The below 25 age, 36-40 and 41-45 respondent are seven percent each.

In Falaknuma Rythu Bazaar producer –seller profile reveals that in majority (33 per cent) of the consumers belonged to the age group of 25-30 followed by the age group 36-40 and 41-45 age groups each (20 percent) while 13 per cent of the consumers were in the age group of 46 and above years. The below 25 and 31 -35 equally share 7 percent respectively.

Table 4.2 Age profile of sample of the producer-seller in Mehdipatnam and Falaknuma Rythu Bazaar.

S.No.	Age (in years)	Mehdipatnam	Falaknuma
1	Below 25	1 (7)	1 (7)
2	25-30	3 (20)	5 (33)
3	31-35	4 (26)	1 (7)
4	36-40	1 (7)	3 (20)
5	41-45	1 (7)	3 (20)
6	46 and above	5 (33)	2 (13)
Total		15 (100)	15 (100)

Figure in parenthesis, indicate percentage to total

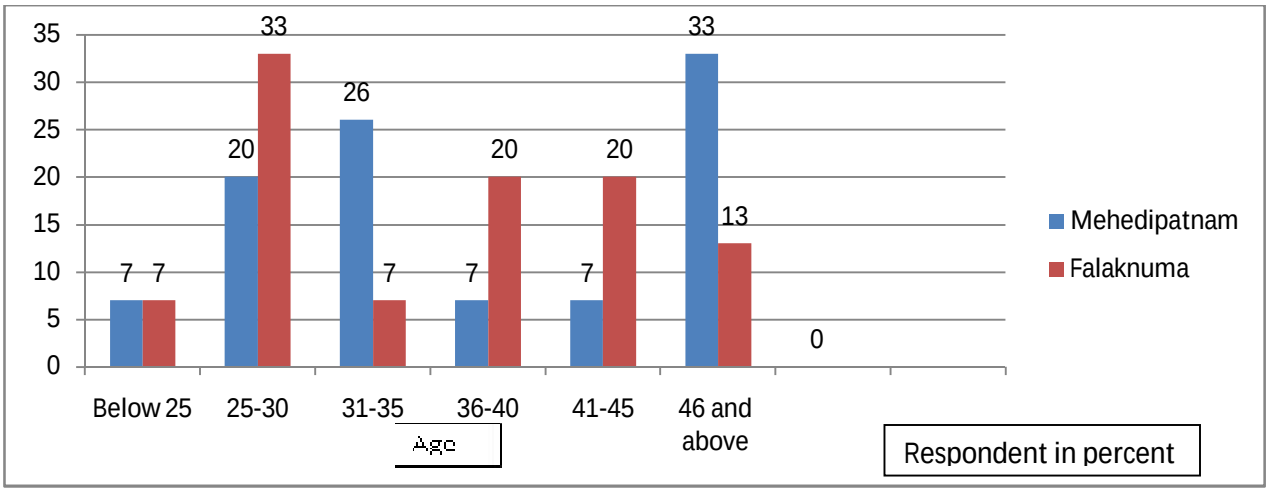


Figure 4.2 Educational Status of the producer-seller in Mehdipatnam and Falaknuma Rythu Bazaar

4.3 Monthly income

Income also motivates an individual to adopt right measures for betterment of his/her own livingand to support his or her family and to obtain food , educate to children and securing future. Keeping these facts in view, data was tabulated and the producer - seller were categorized into three categories by opting the class interval technique and results are presented in Table 4.3

Table 4.3 Monthly income ofsample producer-seller in Mehdipatnam and Falaknuma Rythu Bazaars

		Particulars	
S.No.	**Monthly income (in Rs.**	**Mehdipatnam**	**Falaknuma**
1	Below 10,000.	3 (20)	1 (7)
2	10,000-20,000	11 (73)	12 (80)
3	More than 30,000	1 (7)	2 (13)

Figure in parenthesis, indicate percentage to total

It can be observed from Table 4.3 that in Mehdipatnam Rythu Bazaar majority of the producer -seller (73 per cent) had an income ranging between Rs.10,000-20,000.On the other hand, 20 per cent of the producer –seller were having income below Rs. 10,000.and only 7 percent of the producer-seller come more than Rs. 30,000.While in Falaknuma Rythu Bazaar 80 percent producer - seller income ranges between Rs 10,000- 20,000 and 13 per cent of theproducer -seller income wasmore than Rs 30, 000, only 7 percent had below Rs. 10,000 monthly income.

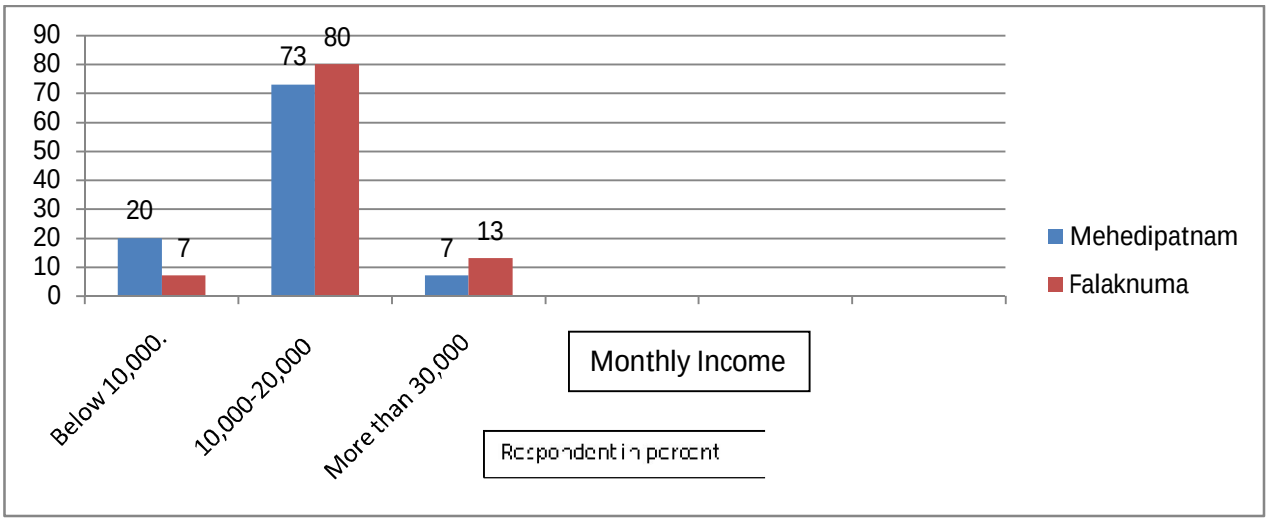


Figure 4.3Monthly Income of the Producer-seller in Mehdipatnam and Falaknuma Rythu Bazaars

4.4 Family size

After money it is also an important factor because it will determined the actual money available to do further business in Rythu Bazaar excluding the money expenditure to family. If the family size is small higher amount of money will be available for business.

Table 4.4 Family size of producer-seller

S.No.	Particulars	Mehdipatnam	Falaknuma
1	Less than four	7 (47)	9 (60)
2	4-6	5 (34)	3 (20)
3	7-9	2 (13)	2 (13)
4	10 and above	1 (6)	1 (6)

Figure in parenthesis, indicate percentage to total

From Table 4.4 it can be observed that in Mehdipatnam Rythu Bazaar majority of the producer –sellers family size is less than four members in a family (47 percent), followed by 4-6 members in a family (34 percent). The family size of 7-9 members constitutes 13 percent and only 6 percent belong to family size of 10 members and above. While in Falaknuma Rythu Bazaar the majority of respondents belong to less than four family members family size. Family size of 4-6 members was seen in case of 20 percent respondents. Family size of 7-9 members constitutes 13 percent. Only 6 percent producer –seller had more than 10 family members.

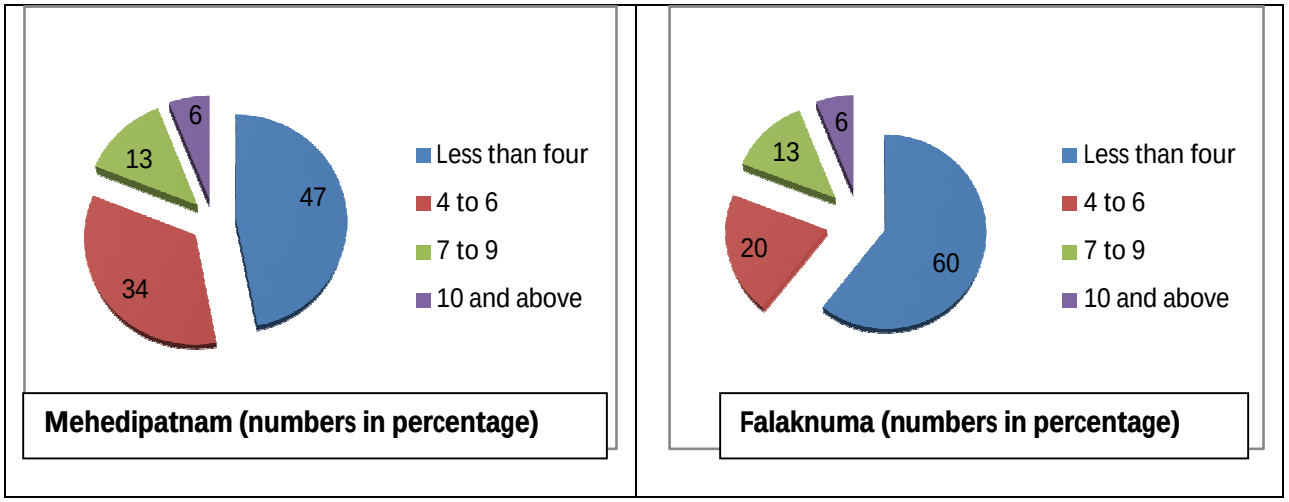


Figure 4.4 Family size of the producer-seller in Mehdipatnam and Falaknuma RythuBazaar

Table 4.5 Mode of transport used by Producer-sellers in Mehdipatnam and Falaknuma RythuBazaars.

S.No.	Mode of Transport	Mehdipatnam	Falaknuma
1	Trolley	2 (13)	3 (20)
2	Rickshaw	2 (13)	1 (6)
3	Truck	4 (27)	2 (13)
4	Bicycle	2 (13)	1 (7)
5	Bus	4 (27)	3 (20)
6	Tractor	1 (7)	5 (34)
	Total	15 (100)	15 (100)

Figure in parenthesis, indicate percentage to total

From table 4.5 it can be observed that in Mehdipatnam Rythu Bazaar, around 27.1 of the producer-seller use truck and a similar percentage use buses. Trolley, rickshaw and bicycle share are used by equal of 13% and least use mode of transport was tractor with only 7% using this mode. While in Falaknuma Rythu Bazaar the majority use tractor (34%) followed by trolley and bus with a equal share of 20% each. 13 percent producer –seller use truck to transport, only 7 percent and 6 percent use bicycle and rickshaw respectively for transport.

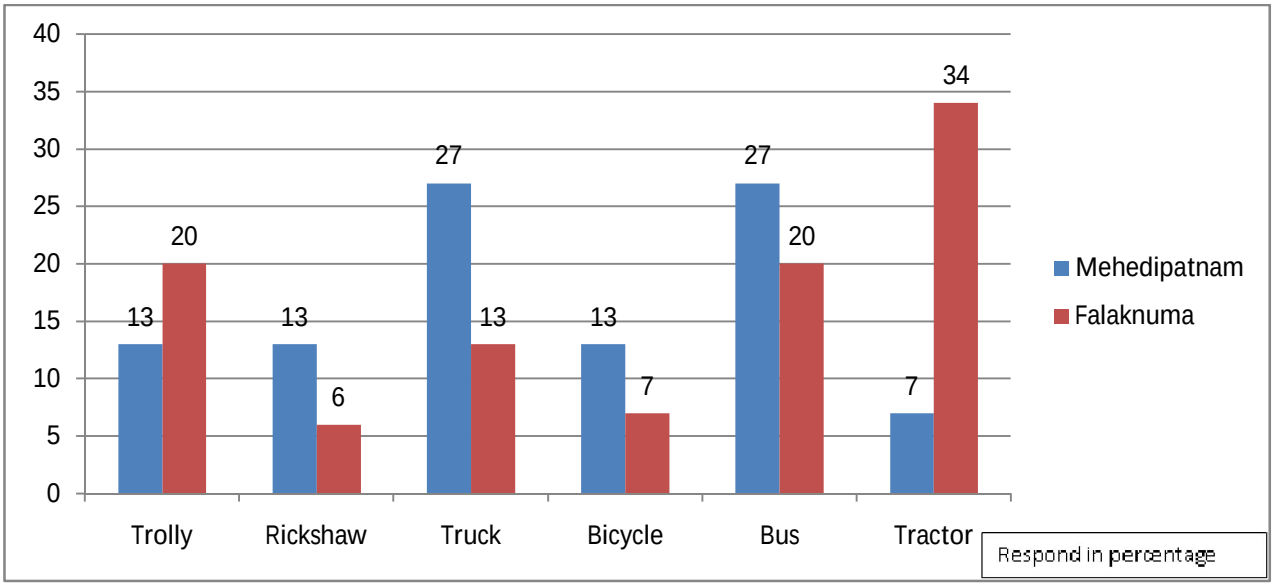


Fig. 4.5 Mode of Transport of the Producer-seller in Mehdipatnam and Falaknuma Rythu Bazaars

4.6 Gender profile of the producer-sellers

Table 4.6 Gender profile of the producer-sellers in Mehdipatnam and Falaknuma Rythu Bazaars

S.No.	Gender	Mehedipatnam	Falaknuma
1	Men	6 (40)	8 (53)
2	Women	9 (60)	7 (47)
	Total	15 (100)	15 (100)

Figure in parenthesis, indicate percentage to total

From Table 4.6 it can be found that women play an important role in Rythu Bazaars. In Mehedipatnam Rythu Bazaar majority participation is of women. There are 60 percent women producers - sellers and rest are men .(40 percent) While in the Falaknuma Rythu Bazaar there is 47 percent women participants and rest are men. (53 percent)

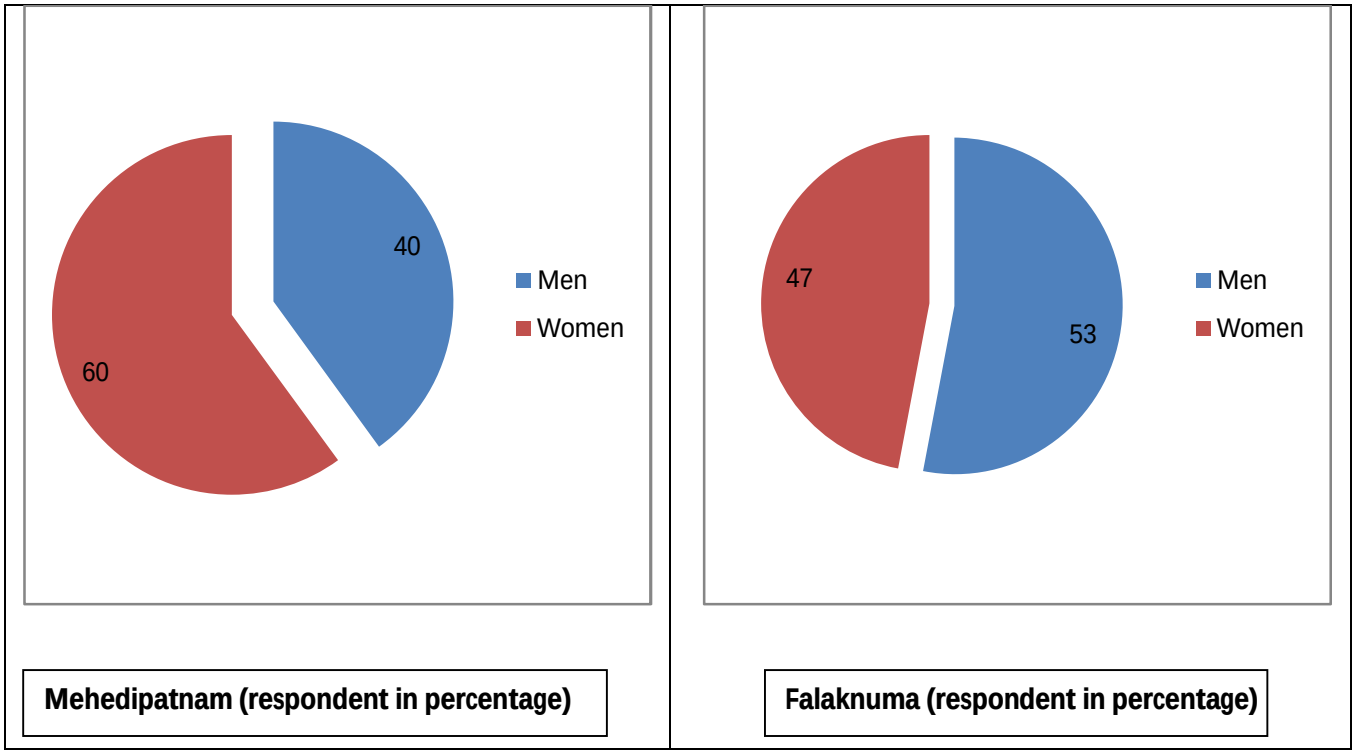


Fig. 4.6 Gender profile of the producer-sellers in producer-seller in Mehedipatnam and Falaknuma Rythu Bazaars.

4.7 Source of credit of the producer-seller

Table 4.7 Source of credit of the producer-seller in Mehedipatnam and Falaknuma Rythu Bazaars.

S.No.	Source of Credit	Mehedipatnam	Falaknuma
1	Own fund	9 (60)	8 (53)
2	Bank Assistance	2 (13)	3 (20)
3	Self Help Group	1 (7)	1 (7)
4	Non -Institutional	3 (20)	3 (20)
	Total	15 (100)	15 (100)

Figure in parenthesis, indicate percentage to total

From table 4.7, it can be observed that in Mehedipatnam Rythu Bazaar majority of producer -sellers source of credit is own fund (60%),followed by non -institutional source of credit. 13percent of producer -sellers from the sample have taken credit from banks. Only 7 percent of producer - sellers take credit from self help groups. While in Falaknuma Rythu Bazaar the majority of producer –sellers source of credit is own fund 53% and the share of by non - institutional source of credit and bank assistance is 20% each respectively .Only 7 percent of producer -sellers taken credit from self help groups.

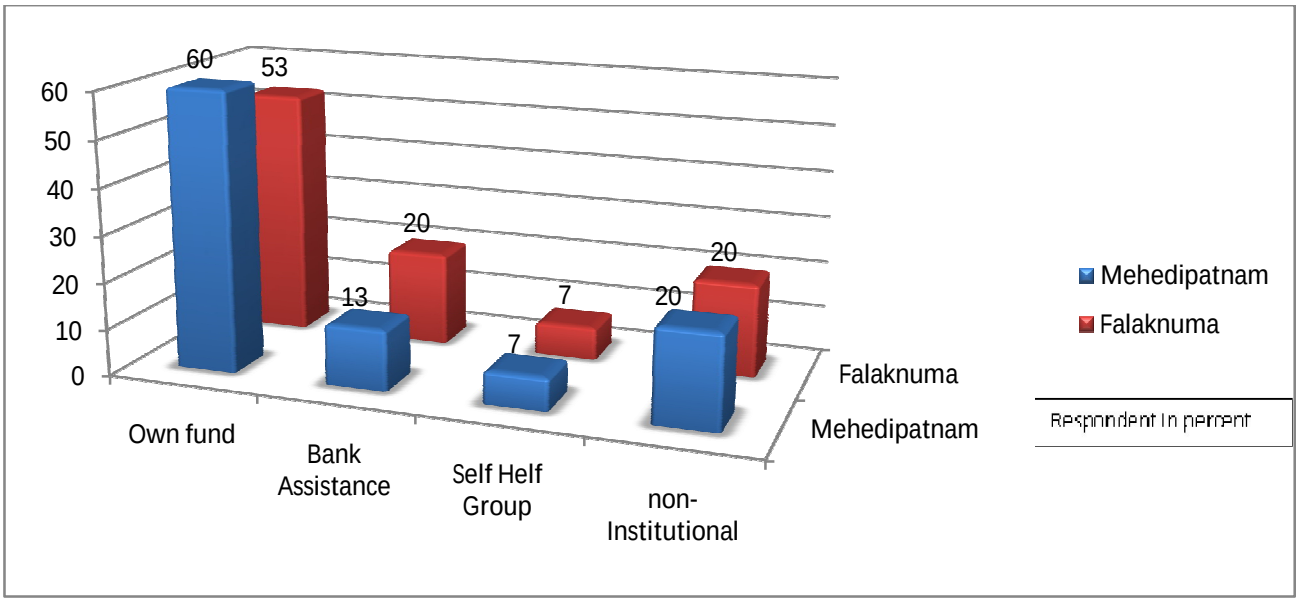


Figure 4.7 Source of credit for sample of the producer-sellers in Mehdipatnam and Falaknuma Rythu Bazaars

4.8 Distance

Table 4.8 Distance travelled by producer-sellers in Mehdipatnam and Falaknuma Rythu Bazaars.

S.No.	Particulars	Mehedipatnam	Falaknuma
1	0-5 Km	1 (7)	0 (0)
2	5- 10 Km	2 (13)	1 (7)
3	10-20 Km	3 (20)	7 (47)
4	20 – 30 Km	7 (47)	2 (13)
5	More than 30 Km	2 (13)	5 (33)
	Total	15 (100)	15 (100)

Figure in parenthesis, indicate percentage to total

From table 4.8, it can be observed that in Mehedipatnam Rythu Bazaar majority of producer –sellers (47%) travelled around 20-30 km while 20% of them travelled 10-20 km. Respondents who travelled 5-10 km and more than 30 km were same (13%).The least distance 0-5 km was travelled by only by 7% producer-seller.While in Falaknuma nobody travelled in the range of 0- 5 km .Majority of the producer -sellers travelled 10-20 km (47%), followed by more than 30 km respondents who travelled more (33%). 20-30 km distance was travelled by 13 of respondents and 5-10 km distance was travelled by seven percent of respondents. Thus it can be noticed that around 50% of producer – sellers in both market travelled more than 20 km distance.

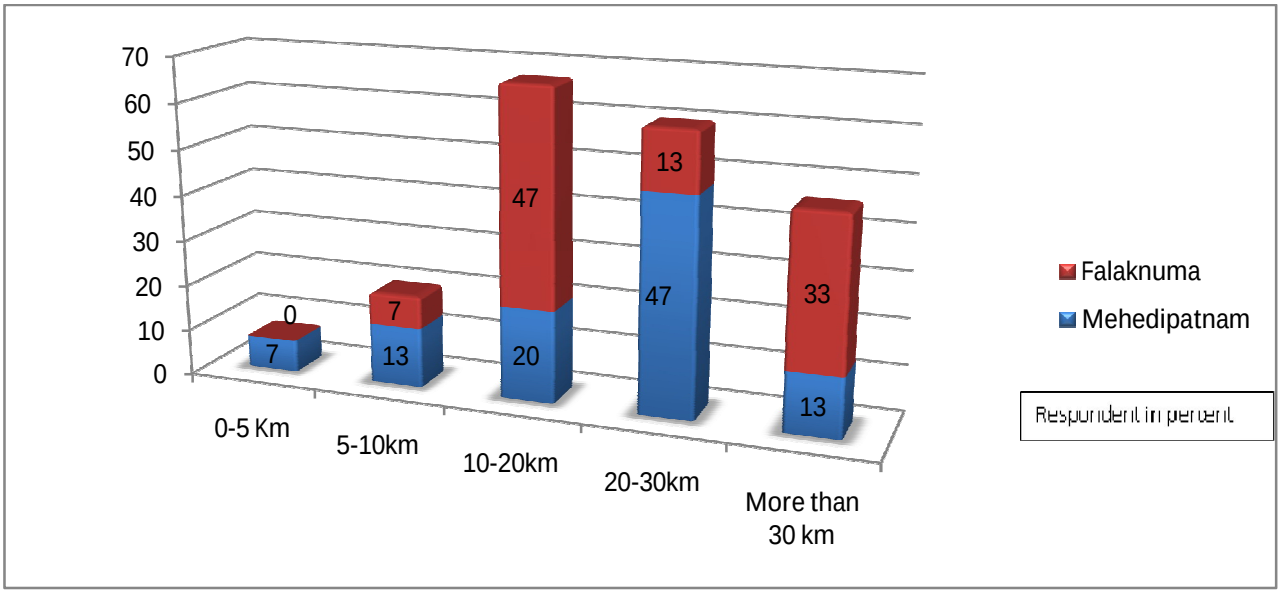


Fig. 4.8 Distance travelled by sample of the producer-sellers in Mehdipatnam and Falaknuma Rythu Bazaar

4.9 Behaviour of producer –

Seller behavior affects the business, especially in Rythu Bazaar. From table 4.9 it can be observed behaviour in Mehedipatnam 47% producer-sellers behaviour was courteous, followed by rude 26%. 13% producer-seller behaved is very courteously while 7% behaved in a very rude manner. In Falaknuma Rythu Bazaar the majority of producer -sellers behaviour was rude (53%) followed by indifferent which was 20%, 13% producer-sellers behaviour was very rude while respondents who were very courteous and courteous were equal in number (7%).

Table 4.9 Behaviour of the producer-seller observed in Mehedipatnam and Falaknuma RythuBazaar.

S.No.	Particulars	Mehedipatnam	Falaknuma
1	Very Courteous	2 (13)	1 (7)
2	Courteous	7 (47)	1 (7)
3	Indifferent	1 (7)	3 (20)
4	Rude	4 (26)	8 (53)
5	Very Rude	1 (7)	2 (13)
	Total	15 (100)	15 (100)

Figure in parenthesis, indicate percentage to total

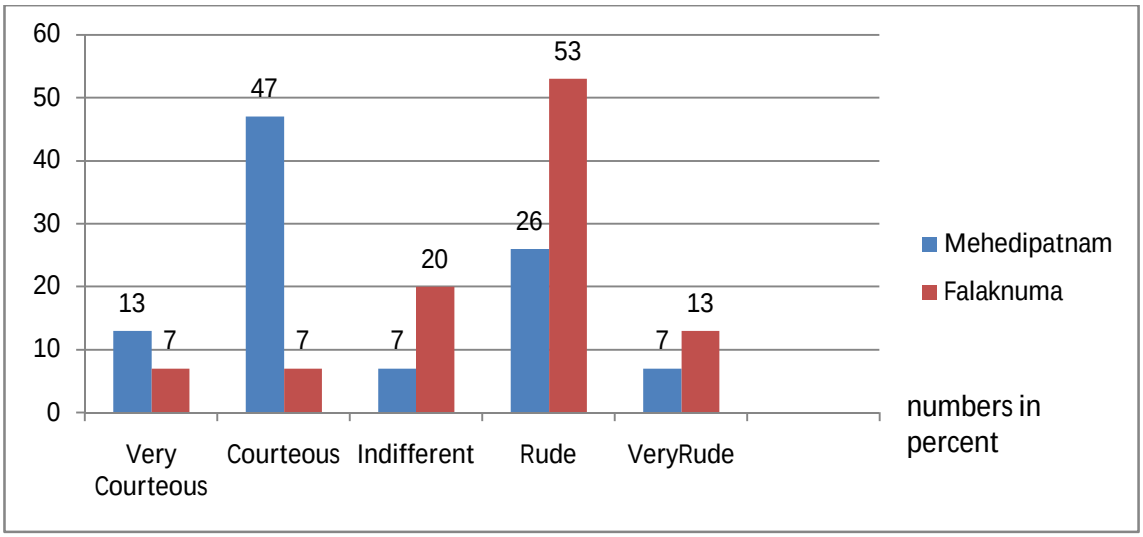


Fig. 4.9Behaviour of the sample of the producer-seller observed in Mehedipatnam and Falaknuma Rythu Bazaar

Table 4.10 Satisfaction level from the facilities provided by government to the producer-seller in Mehdipatnam and Falaknuma Rythu Bazaar

S.No.	Particulars	Mehedipatnam	Falaknuma
1	Excellent	2 (14)	1 (7)
2	Good	4 (26)	2 (13)
3	Poor	9 (60)	12 (80)
	Total	15 (100)	15 (100)

Figure in parenthesis, indicate percentage to total

From table 4.10, it can be observed that in Mehdipatnam Rythu Bazaar majority of producer –sellers felt that government facilities were poor followed by 26% producer-sellers who felt that the facilities provided were good. 14% producer-sellers felt excellent facilities. While in the Falaknuma Rythu Bazaar 80% of producer-seller felt the government facilities were poor, followed by 13 % producer-seller which felt facilities provided by the government were was good and remaining 7% felt government facilities were excellent.

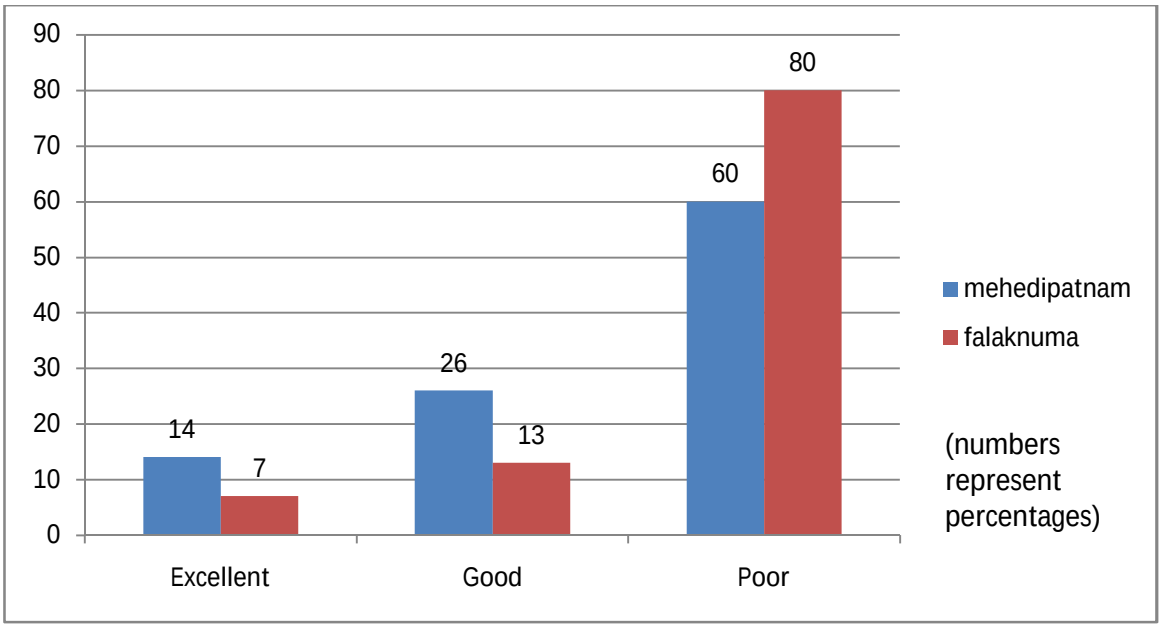


Figure 4.10 Satisfaction level from the facilities provided by Government to the producer-seller in Mehdipatnam and Falaknuma Rythu Bazaar

4.11 Benefits to producer

Table 4.11 Benefits to producer seller by selling vegetables through Rythu Bazaarin Mehdipatnam and Falaknuma RythuBazaar.

S.No.	Particulars	Mehedipatnam	Falaknuma
1	Best price for their vegetable	10 (67)	4 (47)
2	No cheating from the Middlemen	2 (13)	9 (60)
3	Better Market yard for sell	3 (20)	2 (13)
	Total	15 (100)	15 (100)

Figure in parenthesis, indicate percentage to total

From table 4.11it can be observed that in Mehdipatnam Rythu Bazaar majority producer-sellers felt that they got best price for their vegetable (67%), followed respondents who felt that they have a better market yard for selling (20%). The least benefit mentioned by them was no cheating from middlemen (13%). While in the Falaknuma Rythu Bazaar majority of producer-sellers felt that no cheating from middleman 60%, was the benefit accured to them which was

followed by 27% producer –sellers who but that they got the benefit in the form of best price. 13% of producers – sellers felt they have the benefit of better market yard.

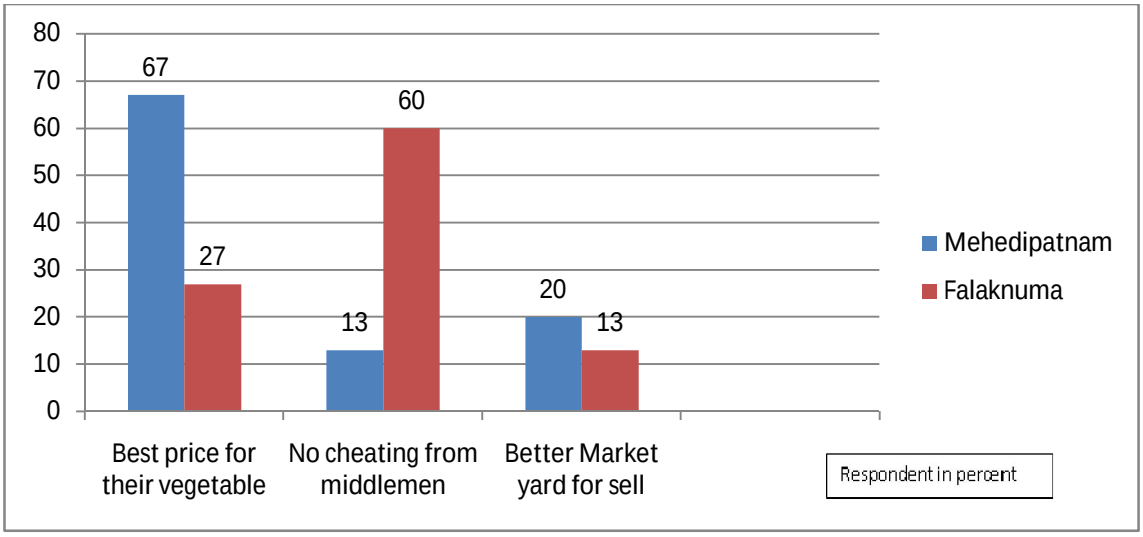
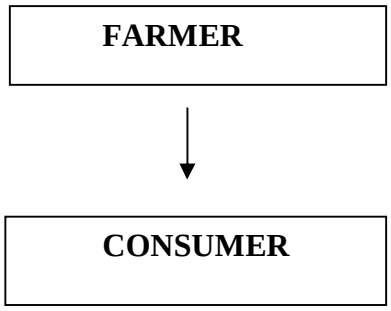


Figure 4.11 Benefits to producer seller by selling vegetables through Rythu Bazaar in Mehdipatnam and Falaknuma RythuBazaar.

Marketing Costs, Margins, Efficiency and Price Spread analysis of channel adopted by Rythu Bazaars

In Rythu Bazaars there is direct selling of vegetables from farmers to consumers on a platform provided by state government hence there is no marketing margin incurred in this channel. The Business model is that the individual producer-seller sells vegetables directly to customer without intervention of middlemen.

Rythu Bazaar Business Model



In case of on tomato (table 4.12, 4.17 and 4.18) in Mehdipatnam Rythu Bazaar the farmer incurred a transportation cost of Rs.75, loading and unloading cost Rs 8 and Rs.5 respectively, wastage losses of Rs.30 and miscellaneous expenses of Rs.50for one quintal. All these costs accounted to Rs.168 per Qt.of tomato which is 11.33 percent of consumer rupee. InFalaknuma Rythu Bazaar the farmer incurred atransportation cost of Rs.73, loading and unloading cost Rs6 and 5respectively, wastagelosses of Rs. 32 and miscellaneous expenses of Rs. 56 for one quintal. All these costs accounted to Rs.172 per Qt. of tomato which is 12.04 percent of consumer rupee.

In case of chilli (table 4.13,4.17 and 4.18) in Mehedipatnam Rythu Bazaar the farmer incurred a transportation cost of Rs.70, loading and unloading cost Rs. 8 and Rs.5 respectively,wastage losses of Rs. 34 and miscellaneous expenses of Rs.110 for one quintal. All these costs accounted to Rs.227 per Qt. of chilliwhich is 11.80percent of consumer rupee. In Falaknuma Rythu Bazaar,the farmer incurred atransportation cost of Rs.68, loading and unloading cost Rs 6 and 5 respectively,wastage losses of Rs. 38 and miscellaneousexpensesRs.126 for one

quintal. All these costs accounted to Rs.243 per Qt. of chilliwhich is 13.08percent of consumer rupee.

In case of cauliflower (table 4.14, 4.17 and 4.18)in Mehedipatnam Rythu Bazaar the farmer incurred a transportation cost of Rs.65, loading and unloading cost Rs.8 and Rs.5 respectively,wastage losses of Rs.150and miscellaneous expenses Rs.70 for one quintal. All these costs accounted to Rs.298 per Qt. of cauliflower which is 15.67percent of consumer rupee. In Falaknuma Rythu bazaar the farmer incurred a transportation cost of Rs.63, loading and unloading cost Rs.6 and Rs.5 respectively, wastagelosses of Rs.180 and miscellaneous expenses Rs. 85 for one quintal. All these costs accounted to Rs.338 per Qt of cauliflower which is 18.22 percent of consumer rupee.

In case of on brinjal (table 4.15, 4.17 and 4.18) in Mehedipatnam Rythu Bazaar the farmer incurred a transportation cost of Rs.65, Loading and unloading cost Rs. 8 and Rs. 5 respectively,wastage losses of Rs. 30 and miscellaneous expenses of Rs.50 for one quintal. All these costs accounted to Rs.154 per Qt. of brinjal which is 9.96 percent of consumer rupee. In Falaknuma Rythu Bazaar the farmer incurred a transportation cost of Rs.63, loading and unloading cost Rs.6 and Rs.5 respectively, wastagelosses of Rs. 32 and miscellaneous expenses Rs .56 for one quintal. All these costs accounted to Rs.162 per Qt. of brinjal which is 10.88 percent of consumer rupee.

In case of onion (table 4.16, 4.17 and 4.18)in Mehdipatnam Rythu Bazaar the farmer incurred a transportation cost of Rs.65, loading and unloading cost Rs.8 and Rs.5 respectively,wastage losses of Rs.40 and miscellaneous expenses of Rs.50 for one quintal. All these costs accounted to Rs.178 per Qt. of tomato which is 10.97 percent of consumer rupee. In Falaknuma Rythu Bazaar the farmer incurred a transportation cost of Rs.63, loading and unloading cost Rs.6 and Rs.5 respectively, wastagelosses of Rs.42 and miscellaneousexpenses Rs. 56 for one quintal. All these costs accounted to Rs.182 per Qt. of onion which is 11.98 percent of consumer rupee.

Table 4.12 Costs of marketing incurred by the farmers for tomatoin Mehedipatnam and Falaknuma Rythu Bazaar (`Rs/Qt.)

Sl. No.	Particulars	Mehedipatnam	Falaknuma
1.	Gross price received by producer	1650	1600
2.	Marketing cost incurred by the producer		
a	Transportation cost	75	73
b	Loading	8	6
c	Unloading charge	5	5
d	Wastage loss	30	32
e	Miscellaneous expenses	50	56
3.	Total marketing cost (a+b+c+d+e)	168	172
4.	Net price received by the producer (1-3)	1482	1428

Table 4.13 Costs of Marketing incurred by the farmers for chilliin Mehedipatnam and Falaknuma Rythu Bazaar(Rs/Qt.)

Sl. No.	Particulars	Mehedipatnam	Falaknuma
1.	Gross price received by producer	2150	2100
2.	Marketing cost incurred by the producer		
a	Transportation cost	70	68
b	Loading	8	6
c	Unloading charge	5	5
d	Wastage loss	34	38
e	Miscellaneous expenses	110	126
3.	Total marketing cost (a+b+c+d+e)	227	243
4.	Net price received by the producer (1-3)	1923	1857

Table 4.14 Costs of marketing incurred by the farmers for cauliflower in Mehedipatnam and Falaknuma Rythu Bazaar. (Rs/Qt.)

S.No.	Particulars	Mehedipatnam	Falaknuma
1.	Gross price received by producer	2200	2100
2.	Marketing cost incurred by the producer		
a	Transportation cost	65	63
b	Loading	8	6
c	Unloading charge	5	5
d	Wastage loss	150	180
e	Miscellaneous expenses	70	85
3.	Total marketing cost (a+b+c+d+e)	298	339
4.	Net price received by the producer (1-3)	1901	1860

Table 4.15 Costs of marketing incurred by the farmers for brinjal in Mehedipatnam and Falaknuma Rythu Bazaar(Rs /Qt.)

Sl. No.	Particulars	Mehedipatnam	Falaknuma
1.	Gross price received by producer	1700	1650
2.	Marketing cost incurred by the producer		
a	Transportation cost	61	63
b	Loading	8	6
c	Unloading charge	5	5
d	Wastage loss	30	32
e	Miscellaneous expenses	50	56
3.	Total marketing cost (a+b+c+d+e)	154	162
4.	Net price received by the producer (1-3)	1546	1488

Table 4.16 Costs of marketing incurred by the farmers for Onionin Mehedipatnam and Falaknuma Rythu Bazaar (Rs/Qt.)

S.No.	Particulars	Mehedipatnam	Falaknuma
1.	Gross price received by producer	1800	1700
2.	Marketing cost incurred by the producer		
a	Transportation cost	75	73
b	Loading	8	6
c	Unloading charge	5	5
d	Wastage loss	40	42
e	Miscellaneous expenses	50	56
3.	Total marketing cost (a+b+c+d+e)	178	182
4.	Net price received by the producer (1-3)	1622	1518

From Table 4.17and 4.18 it can be observed that net price received by the farmer in this business model at Mehdipatnam Rythu Bazaar was Rs.1482 per Qt. of tomato, Rs.1857 for per Qt. of chilli, Rs. 1860 for per Qt. of cauliflower, Rs.1488 for per Qt. of brinjal and Rs. 1518 for per Qt. of onion. The net price received by the farmer was 90.38%, 89.63%, 86.41%, 85.07%, and 90.62% of consumer rupee respectively in case of tomato, chilli, cauliflower, brinjal and onion. While net price received by the farmer in this business model at Falaknuma Rythu Bazaar was Rs.1482 per Qt. of tomato, Rs.1857 for per Qt. of chilli, Rs. 1860 for per Qt. of cauliflower, Rs.1488 for per Qt. of brinjal and Rs. 1518 for per Qt. of onion. The net price received by the farmer was 89.83%, 88.89%,84.56 %, 90.43%, and 90.41% of consumer rupee respectively for tomato, chilli, cauliflower, brinjal and onion.

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.

In Mehedipatnam Rythu Bazaar the marketing efficiency was 9.82, 9.47, 7.38, 11.03 and 10.11 respectively in case of tomato, chilli, cauliflower, brinjal and onion. It means that brinjal is the most market efficient vegetable while the cauliflower is least market efficient vegetable.

In Falaknuma Rythu Bazaar the marketing efficiency was 9.30, 8.64, 6.19, 10.18 and 9.34 respectively in case of tomato, chilli, cauliflower, brinjal and onion. The Falaknuma Rythu Bazaar revealed the same results as that of Mehdipatnam market.

Acharya approach: By this approach marketing efficiency is calculated by net price received by the farmers divided by the total marketing costs plus net marketing margins.

According to Acharya approach in Mehedipatnam Rythu Bazaar, the marketing efficiency was 8.82, 8.48, 6.37, 10.03 and 9.11 respectively in case of tomato, chilli, cauliflower, brinjal and onion. It means that onion is most marketing efficient vegetable followed by brinjal while the least marketing efficient vegetable was cauliflower.

In Falaknuma Rythu Bazaar, the marketing efficiency was 8.30, 7.64, 5.48, 9.18 and 8.34 respectively in case of tomato, chilli, cauliflower, brinjal and onion.It means that brinjal ismost marketing efficient vegetable followed by onion while the least marketing efficient vegetable was cauliflower.

Table 4.17 Marketing efficiency in Mehedipatnam Rythu Bazaar

S.No.	Particulars	Tomato	Chilli	Cauliflower	Brinjal	Onion
1	Gross price received by producer	1650	2150	2200	1700	1800
2	Total marketing cost	168	227	298	154	178
3	Net price received by the producer	1482	1925	1901	1546	1622
4	Producer's share in consumer rupee	89.81	89.53	86.40	90.94	90.11
5	Marketing efficiency– Shepherd's approach	9.82	9.47	7.38	11.03	10.11
6	Marketing efficiency – Acharya approach	8.82	8.48	6.37	10.03	9.11

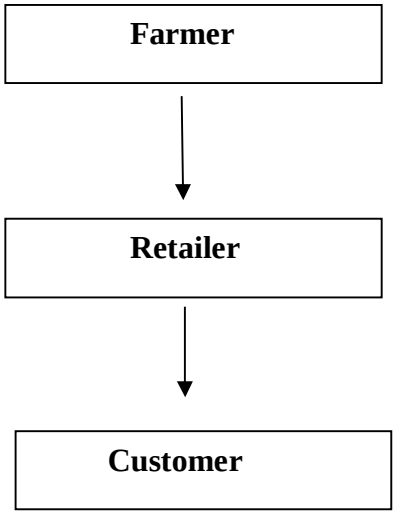
Table 4.18 Marketing efficiency in Falaknuma Rythu Bazaar

S.No.	Particulars	Tomato	Chilli	Cauliflower	Brinjal	Onion
1	Gross price received by producer	1600	2100	2100	1650	1700
2	Total marketing cost	172	243	339	162	182
3	Net price received by the producer	1428	1857	1860	1488	1518
4	Producer's share in consumer rupee	89.25	88.42	88.57	90.18	89.29
5	Marketing efficiency– Shepherd's approach	9.30	8.64	6.19	10.18	9.34
6	Marketing efficiency – Acharya approach	8.30	7.64	5.48	9.18	8.34

THE BUSINESS MODEL, MARKETING EFFICENCY AND PRICE SPREAD IN MODERNVEGITABLE RETAIL OUTLET(RELIANCE FRESH AND HERITAGE FRESH) FOR SELECTED VEGETABLE

Modern Vegetable Retail Outlet

The business model is that the retailer buys directly from farmer and individual customers purchase vegetables from that retailer. The modern vegetable retail outlet makes profit from high margin, efficient supply chain and selling quality vegetable.



Reliance Fresh Business model

Heritage Fresh Business model

4.19 Source of procurement

Table 4.19 Source of procurement by modern vegetable retailers Reliance Fresh and Heritage Fresh for selected vegetables in respectively Banjara hills and Panjagutta.

Source of Procurement (Percentage)						
	Particulars	**Farmer**	**Local Market**	**Mandi**	**Contract Farming**	**Total**
	Reliance fresh Percentage	70	12	10	8	100
	Heritage fresh Percentage	5	10	5	75	100

From Table 4.19 it is clear to observe that the Reliance Fresh procures majority of their vegetables from the farmer directly (70 percent) followed by percent from local market (12 percent). The procurement share from mandi and contract farming 10 and 8 percent respectively. While in Heritage Fresh the procurement was from contract farming 75 percent, followed by procurement from local market (10 percent). From direct farmer and mandi they procure 5 percent each respectively.

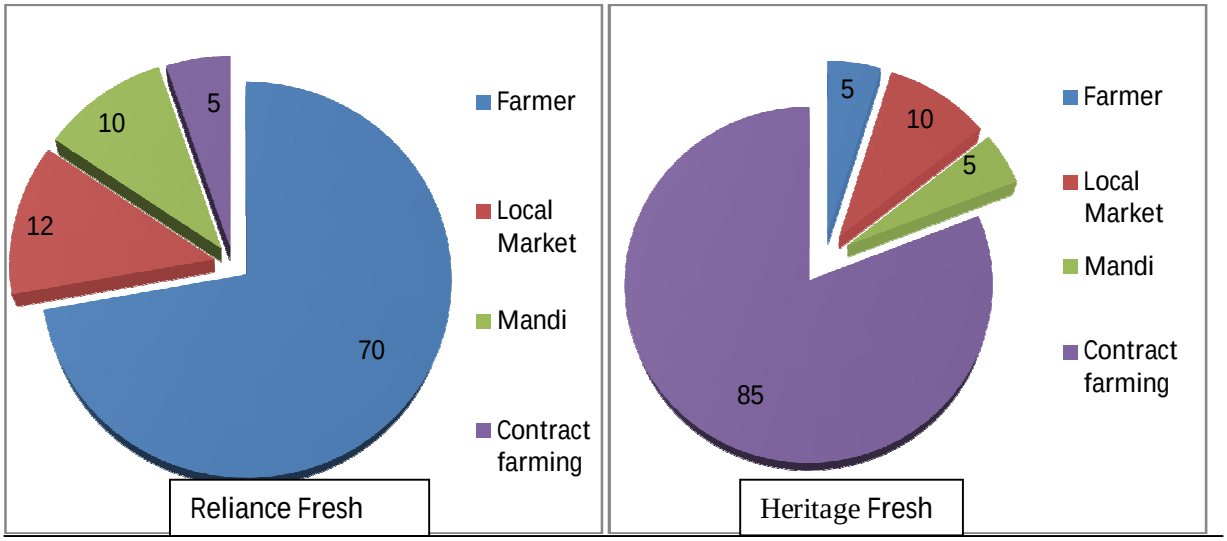


Fig. 4.12 Source of procurement by modern vegetable retailer's Reliance Fresh and Heritage Fresh for selected vegetables.

4.20 Marketing Cost, Marketing Margin and Market efficiency in Modern retail outlets.

From the data collected it is noticed that in case of Reliance Fresh 70 percent of the produce is collected directly from the farmer where as in case of Heritage Fresh around 75 percent of produce is collected directly from the farmers through contract farming method .Hence, the cost calculations, margins and market efficiency has been calculated for this particular channel is that farmer – modern retail –consumers.

Table 4.20 Marketing cost incurred by the farmers and Reliance Fresh retailers for selected vegetables in Banjara hills (Rs/Qt.)

S.No.	Particulars	Tomato	Chili	Cauliflower	Brinjal	Onion
1	Gross price received by the farmer	1100	1650	1800	1150	1200
2.	Marketing costs incurred by farmer					
a	Harvesting cost (labour charges)	54	55	53	56	52
b	Wastage in handling	31	28	33	37	38
c	Miscellaneous expenditures	10	9	9	7	9
3	Total cost incurred by farmers	95	92	95	100	99
4	Net price received by farmer/ producer(1-3)	1005	1558	1705	1050	1101
5	Farmer's selling price to Reliance fresh	1100	1650	1800	1150	1200
6	Marketing costs incurred by retailer					
a	Transportation	98	105	95	96	102
b	Spoilage losses	46	48	45	42	50
c	Miscellaneous expenditures	23	24	27	21	26
7	Total cost incurred by the Reliance Fresh	167	177	167	159	178
8	Reliance Fresh's final cost	1267	1827	1967	1309	1378

Table 4.21 Price Spread and marketing efficiency in the Reliance Fresh

S.No	Particulars	Tomato	Chilli	Cauliflower	Brinjal	Onion
1	Gross price received by the farmer (Rs/ Qt.)	1100	1650	1800	1150	1200
2	Total cost incurred by farmer (Rs/Qt.)	95	92	95	100	99
3	Net price received by farmer /producer (Rs/Qt.)	1005	1558	1705	1050	1101
4	Total cost incurred by Reliance fresh (Rs/Qt.)	167	177	167	159	178
5	Retailer's sale price / Consumer's price (Rs/kg.)	26	29	30	20	22
6	Retailer's sale price / Consumer's price (Rs/Qt.)	2600	2900	3000	2000	2200
7	Reliance Fresh's final cost (Rs/Qt.)	1267	1827	1967	1309	1378
8	Reliance fresh margin (Rs/Qt.)	1333	1073	1033	691	822
9	Total marketing cost (Rs /Qt.)	262	269	262	259	277
10	Price spread (Rs /Qt.)	1500	1250	1200	850	1000
11	Price spread (Rs/kg)	15	12.50	12	8.50	10
12	Producer's share in consumer rupee (percent)	38.65	53.72	56.83	52.50	50.04
13	Marketing efficiency - Shepherd's approach	4.19	6.13	6.87	4.44	4.33
14	Marketing efficiency – Acharya approach	0.63	1.16	1.31	1.10	1.00

In case of tomato in the Reliance Fresh the net price received by farmer is Rs. 1005 and the total marketing cost (cost incurred by farmer and cost incurred by Reliance Fresh) was Rs.262 Reliance Fresh sell tomato to customer at the price of Rs 26 per kg means 2600 per Qt. So the margin of Reliance Fresh was around Rs. 1333 and price spread was Rs.1500 per Qt means Rs.15 per kg. The producer's share in consumer rupee is 38.65 %.The marketing efficiency by Shepherd's approach was 4.07 while marketing efficiency by Acharya approach was 0.63.

In case of chilli in the channel adopted by Reliance Fresh the net price received by farmer is Rs. 1558, the total marketing cost (cost incurred by farmer and cost incurred by Reliance Fresh) was Rs.269. Reliance Fresh sells chilli to customer at the price of Rs.29 per kg i.e. 2900 per Qt. So the margin of Reliance Fresh is around Rs. 1073 and price spread was Rs.1250 per Qt means Rs.12.50 per kg. The producer's share in consumer rupee is 53.72 %.The marketing efficiency by Shepherd's approach was 6.13 while marketing efficiency by Acharya approach was 1.16.

In case of cauliflower in the Reliance Fresh the net price received by farmer is Rs. 1705, the total marketing cost (cost incurred by farmer and cost incurred by Reliance Fresh) was Rs.281.Reliance Fresh sells cauliflower to customer at the price of Rs.30 per kg i.e. 3000 per Qt. So the margin of Reliance Fresh is around Rs.1033 and price spread was Rs.1200 per Qt which account to Rs.12 per kg. The producer's share in consumer rupee is 56.83.The marketing efficiency by Shepherd's approach was 6.40 while marketing efficiency by acharya approach was 1.31.

In case of brinjal in the Reliance Fresh the net price received by farmer is Rs. 1050; the total marketing cost (cost incurred by farmer and cost incurred by Reliance Fresh) was Rs.259. Reliance Fresh sale brinjal to customer at the price of Rs. 20 per kg means Rs.2000 per Qt. So the margin of Reliance Fresh is around Rs. 691 and price spread was Rs.850 per Qt means Rs.8.50 per kg. The producer's share in consumer rupee is 52.50 %.The marketing efficiency by Shepherd's approach was 4.42 while marketing efficiency by Acharya approach was 1.10.

In case of onion in the Reliance Fresh the net price received by farmer is Rs. 1101; the total marketing cost (cost incurred by farmer and cost incurred by Reliance Fresh) was Rs.277. Reliance Fresh sells onion to customer at the price of Rs 22 per kg which account to 2200 per Qt. So the margin of Reliance Fresh is around Rs. 822 and price spread was Rs.1000 per Qt which is Rs.10 per kg. The producer's share in consumer rupee is 50.04 %.The marketing efficiency by Shepherd's approach was 4.33 while marketing efficiency by Acharya approach was 1.00.

Table 4.22 Marketing costs incurred by the farmers and Heritage Fresh retailers for selected vegetables in Panjagutta

S.No.	Particulars	Tomato	Chilli	Cauliflower	Brinjal	Onion
1	Gross price received by the farmer(Rs /Qt.)	1200	1500	2000	1350	1400
2.	Marketing costs incurred by farmer (Rs /Qt.)					
a	Harvesting cost (labour charges)	48	45	43	46	42
b	Wastage in handling	33	36	31	35	38
c	Miscellaneous expenditures	10	9	9	7	9
3	Total cost incurred by farmers	91	90	83	88	89
4	Net price received by farmer/ producer(1-3)	1109	1410	1917	1262	1311
5	Farmer's sale price to Heritage fresh	1200	1500	2000	1350	1400
6	Marketing costs incurred by Heritage Fresh (Rs /Qt.)					
a	Transportation	92	89	94	96	100
b	Spoilage losses	42	46	41	45	50
c	Miscellaneous expenditures	23	24	27	25	26
7	Total cost incurred by the Heritage Fresh	157	159	162	166	176
8	Heritage Fresh final cost	1357	1659	2162	1516	1576

Table 4.23 Price spread and marketing efficiency in Heritage Fresh

S.No	Particulars	Tomato	Chili	Cauliflower	Brinjal	Onion
1	Gross price received by the farmer (Rs/Qt)	1200	1500	2000	1350	1400
2	Total cost incurred by farmer (Rs/Qt.)	91	90	83	88	89
3	Net price received by farmer /producer (Rs /Qt.)	1109	1410	1917	1262	1311
4	Total cost incurred by Heritage Fresh (Rs /Qt.)	157	159	162	166	176
5	Heritage's sale price / Consumer's price (Rs/kg.)	24	26	28	23	30
6	Heritage's sale price / Consumer's price (Rs /Qt.)	2400	2600	2800	2300	3000
7	Heritage Fresh's final cost (Rs/Qt.)	1357	1659	2162	1516	1576
8	Heritage Fresh margin (Rs/Qt.)	1043	941	638	784	1424
9	Total marketing cost (Rs /Qt.)	248	249	245	254	265
10	Price spread (Rs /Qt.)	1200	1100	800	950	1600
11	Price spread (Rs /kg)	12	11	8	9.50	16
12	Producer's share in consumer rupee (percent)	46.20	54.23	68.46	54.86	43.70
13	Marketing efficiency - Shepherd's approach	4.83	5.66	7.82	5.31	5.28
14	Marketing efficiency – Acharya approach	0.85	1.18	2.17	1.23	0.77

In case of tomato in the Heritage Fresh, the net price received by farmer is Rs.1109;the total marketing cost (cost incurred by farmer and cost incurred by Heritage Fresh) was Rs.248.Heritage Fresh sells tomatoes to customers at the price of Rs24 per kg which accounts 2400 per Qt. So the margin of Heritage Fresh is around Rs.1043and price spread was Rs.1200 per Qt which means Rs.12 per kg. The producer's share in consumer rupee is 46.20 %.The marketing efficiency by Shepherd's approach was 4.83 while marketing efficiency by Acharya approach was 0.85.

In case of chilli in the Heritage Fresh, the net price received by farmer is Rs. 1410; the total marketing cost (cost incurred by farmer and cost incurred by Heritage Fresh) was Rs.249. Heritage Fresh sells chillies to customer at the price of Rs.26 per kg which i.e. 2600 per Qt. So the margin of Heritage Fresh is around Rs.941 and price spread was Rs.1100 per Qt means Rs.11.00 per kg. The producer's share in consumer rupee is 54.25 %.The marketing efficiency by Shepherd's approach was 5.66 while marketing efficiency by Acharya approach was 1.18.

In case of cauliflower in the Heritage Fresh, the net price received by farmer is Rs. 1917, the total marketing cost (cost incurred by farmer and cost incurred by Heritage Fresh) was Rs.245. Heritage Fresh sale cauliflower to customer at the price of Rs 28 per kg means Rs.2800 per Qt. So the margin of Heritage Fresh is around Rs. and price spread was Rs.800 per Qt means Rs.8 per kg. The producer's share in consumer rupee is 68.46 %.The marketing efficiency by Shepherd's approach was 7.82 while marketing efficiency by Acharya approach was 2.17.

In case of brinjal in the Heritage Fresh, the net price received by farmer is Rs.1262,the total marketing cost (cost incurred by farmer and cost incurred by Heritage Fresh) was Rs.54 .Heritage Fresh sale brinjal to customer at the price of Rs.23 per kg means2300 per Qt. So the margin of Heritage Fresh is around Rs. 784 and price spread was Rs.950 per Qt means Rs.9.50 per kg. The producer's share in consumer rupee is 54.86%.The marketing efficiency by Shepherd's approach was 5.31 while marketing efficiency by Acharya approach was 1.23.

In case of onion in the Heritage Fresh, the net price received by farmer is Rs. 1311; the total marketing cost (cost incurred by farmer and cost incurred by Heritage Fresh) was Rs.265 Heritage Fresh sells onion to customer at the price of Rs.30 per kg which accounts to 3000 per Qt. So the margin of Heritage Fresh is around Rs. 1424 and price spread was Rs.1600 per Qt which is Rs.16 per kg. The producer's share in consumer rupee is 43.70 %.The marketing efficiency by Shepherd's approach was 5.00 while marketing efficiency by Acharya approach was 0.77.

Hence it noted from the analysis of marketing costs, margins, price spread and marketing efficiency that Reliance Fresh and Heritage Fresh make lot of margin from selling their vegetables at a higher price to customer on the basis of providing good quality, hygienic condition, brand image and facilities like parking, water, air condition and entertainment. In Mehdipatnam Rythu Bazaar producers' share of consumer rupees was 89.81%,89.53%,86.40%,90.94% and 90.11% respectively for tomato, chilli, cauliflower , brinjal and onion and producers' share of consumer rupees was 89.25%,88.42%,88.57%,90.18% and 89.29% respectively in case of tomato, chilli, cauliflower ,brinjal and onion in Falaknuma Rythu Bazaar .Where as in Reliance Fresh producer share in consumer rupees was 38.65%,53.72%,56.83%,52.50% and 50.04% of consumer rupee in case of tomato, chilli, cauliflower, brinjal and onion. In Heritage Fresh 46.20%,54.23%,68.46%,54.86% and 43.70% of consumer rupee in case of tomato, chilli, cauliflower ,brinjal and onion. That means in every vegetable producer benefits by selling in Rythu Bazaar as they get higher share in consumer rupees. Generally the modern retail vegetable outlets are preferred by higher and new emerging middle class especially in a developed city like Hyderabad who prefers quality over the price. But for a country like India where still majority of people belong to poor and middle class the Rythu Bazaar is source of vegetable at cheap rate compare to modern vegetable retail outlets.

Mehdipatnam Rythu bazaar market efficiency by used Shepherd's approach was 9.82, 9.47, 7.38, 11.03 and 10.11 and by used Acharya approach were 8.82, 8.48, 6.37, 10.03 and 9.11 respectively for tomato, chilli, cauliflower, brinjal and onion. Falaknuma Rythu bazaar market efficiency by used Shepherd's approach was 9.30, 8.64, 6.19, 10.18 and 9.34 and by used Acharya approach it was 8.30, 7.64, 5.48, 9.18 and 8.34 respectively for tomato, chilli, cauliflower, brinjal and onion. On the other hand the marketing efficiency of Reliance Fresh by shepherd's approach was 4.19, 6.13, 6.87, 4.44 and 4.33 and by acharya approach 0.63, 1.16, 1.31, 1.10, and 1.00 respectively for tomato, chilli, cauliflower, brinjal and onion. The marketing efficiency for Heritage Fresh by shepherd's approach was 4.83, 5.66, 7.82, 5.31 and 5.28 and by acharya approach was 0.85, 1.18, 2.17, 1.23 and 0.77 for tomato, chilli, cauliflower, brinjal and onion respectively .From the comparism of market efficiency calculated using Shepherd's and Acharya approach it was clear that Mehdipatnam and Falaknuma Rythu Bazaar marketing efficiency is higher than modern retail outlet Reliance Fresh and Heritage Fresh.

Fig. 4.13 Producer-seller selling chillies in Mehedipatnam Rythu Bazaar

Fig. 4.14 Side view of Falaknuma Rythu Bazaar

Table 4.24 Constraints faced by producer-seller selling vegetable in the Mehedipatnam and Falaknuma Rythu Bazaar

S.NO	Constraints	Mehedipatnam	Falaknuma
1	Absence of credit avalibity	10 (67)	9 (60)
2	Absence of weighment	7 (47)	5 (47)
3	High commission rate	5 (34)	6 (40)
4	Malpractices in auction	6 (40)	5 (34)
5	Absence of storage facility	13 (86)	12 (80)
6	Packaging problem	10 (67)	8 (53)
7	Lack of market information	13 (86)	14 (93)
8	High price fluctuations	9 (60)	11 (73)
9	High bargaining	8 (53)	12 (80)
10	Parking availability	7 (47)	9 (60)

Figure in parenthesis, indicate percentage to total

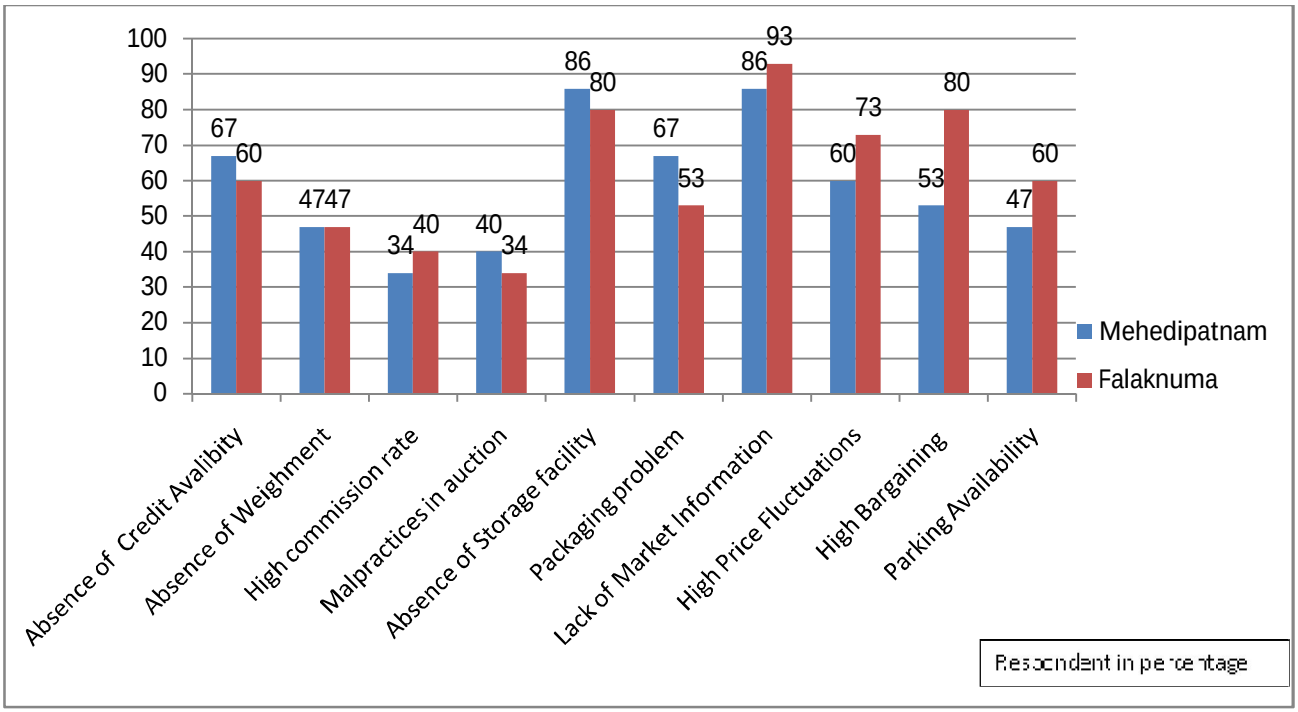


Fig. 4.15 Constraints faced by producer-seller selling vegetable in the Mehedipatnam and Falaknuma Rythu Bazaar

The farmers face variety of constraints when they sell their produce in Rythu Bazaar with regard to Mehedipatnam Rythu Bazaar, the major problems faced by producer-seller were lack of market information and lack of storage facility (each 86 percent) The minor problems farmers faced were malpractices in auction (40 percent), In Falaknuma Rythu Bazaar, the major problem faced by producer-seller were lack of market information (93 percent) followed by absence of storage facility and high bargaining (both 80 percent) while the least problem was malpractices in auction (34 percent).

Table 4.25 Constraints of modern vegetable retailers Reliance Fresh and Heritage Fresh

S.No	Constraints	Reliance Fresh (Scale Score)	Heritage Fresh (Scale Score)
1	Faulty Weighment	1	1
2	Practice of bribing at the market	2	2
3	Perishability	8	7
4	Insufficient cold storage	7	10
5	Traffic police problem	8	8
6	Lack of market information	9	8
7	Management problem	9	5
8	Packaging problem	8	6
9	Price fluctuation	10	8
10	Storage	7	8
11	Competition with other Retailer	7	8
12	Electricity problem	6	5
13	Transport problem	8	9

On a scale of10. 10– Extreme High ,9 Very High,8- High,7- Moderate high,6 – High medium ,5-Medium ,4- less medium , 3 – low , 2 -very low and 1- No problem.

Fig. 4.16 Reliance Fresh in Banjara hills

Fig 4.17Inside view of Reliance Fresh in Banjara hills

In Reliance Fresh outlet in Banjara hills on the basis of scale of 10 the major problem was lack of marketing information and management problem (both 9 point) and the least problem is faulty weighment only given 1point.

Fig.4.18 Heritage fresh in Panjagutta

Fig 4.19 Inside view of Heritage fresh in Panjagutta

While in Heritage Fresh, the major problem was insufficient cold storage (10 point) followed by transport problem (9 point) and the least problem is faulty weighment (1point).

Chapter V

SUMMARY AND CONCLUSIONS

5.1 SUMMARY

Hyderabad city was selected as the study area for studying vegetable marketing as the city is the hub of retail revolution having many fruit and vegetable markets operating from a long period of time. Also, many retail formats have opened their outlets recently in the city at many places. The retail formats have made Hyderabad as their focal point of the managerial operations. Many vegetable growing districts surround the Hyderabad city. Farmers growing vegetables in these districts bring their produce to wholesale vegetable markets and to emerging organized retail stores established in Hyderabad.

In two major organized retailers are Reliance Fresh and Heritage Fresh outlets at respectively Banjara hills and Panjagutta areas. Rythu Bazaar's in Mehdipatnam and Falaknuma are major farmers markets hence these Rythu Bazaar chosen for survey. For the study, the total sample size of 30 farmer –producers in two Rythu bazaar,15 samples were chosen for survey and 1-1 modern vegetable retail .Out of these 30 samples, 15 samples are collected from the each Rythu Bazaar in the selected markets and modern vegetable retailer each namely Reliance Fresh and Heritage foods surveyed in city.

5.2 **The specific objectives of the investigation are:**

1.To study the business structure, conduct and performance of the farmer - producers selling vegetables in the selected Rythu Bazaar in Hyderabad city.

2. To study the business model pursued by the modern retail outlet namely Reliance Fresh and Heritage Fresh in Hyderabad City.

3. To compare the producer's share, marketing margins, marketing efficiency and price spread for selected vegetables in rythu bazaar vis- a-vis modern vegetable retail outlet.

4. To explore the constraints faced by Rythu Bazaar farmer –seller and managers in modern vegetable retail outlet.

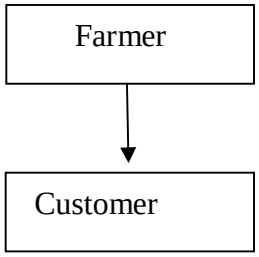
Shepherd's approach: By this approach marketing efficiency is calculated by dividing the gross price received by the farmer with the total marketing cost.

Acharya approach: By this approach marketing efficiency is calculated by net price received by the farmers is divided by the total marketing costs plus net marketing margins.

5.3 MAJOR FINDINGS OF THE STUDY

Business structure, conduct & performance of the farmer – producers selling vegetables in the selected rythu bazaar in Hyderabad city.

Rythu bazaar business model

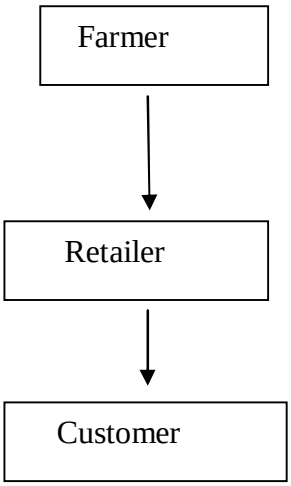


In Rythu Bazaar, small-scale farmers can sell directly to the consumers, thereby eliminating middlemen, who were exploiting both farmers and consumers alike. Thus, the produce available is economical and farm fresh. It is cultivated on the farmer's yard. It has helped in reduction of prices in other vegetable markets and vendors.The farmers benefited by this kind of business since they sell directly to the customers and do not pay any commission to the agents. The customers are also getting good quality produce at lower prices. Thu they have become popular, creating a demand for the produce of small farmers.

Business model pursued by the modern retail outlet namely Reliance Fresh and Heritage Fresh in Hyderabad City.

Business model of modern vegetable retail outlet

The business model is that the retailer buys directly from farmer and individual customer purchase vegetables from that retailer. The modern vegetable retail outlet makes profit from high margin, efficient supply chain and selling quality vegetable.



Marketing margins, marketing efficiency and price spread for in select vegetables in Rythu Bazaar vis –a- vis modern vegetable retail outlet.

In comparism to Rythu Bazaar producers' share of consumer rupees was 89.81%,89.53%, 86.40%,90.94% and 90.11% respectively for tomato, chilli, cauliflower , brinjal and onion in Mehedipatnam Rythu Bazaar and 89.83%, 88.89%, 84.56 %, 90.43 %, and producers' share of consumer rupees was 89.25%, 88.42%, 88.57%, 90.18% and 89.29% respectively in case of tomato, chilli, cauliflower ,brinjal and onion in Falaknuma Rythu Bazaar compare to Reliance Fresh 34.88%, 50.17%, 53.30%, 47.90 % and 47.90% of consumer rupee respectively in case of tomato, chilli, cauliflower ,brinjal and onion. In Heritage Fresh 41.62%,50.23%,64.64%,64.38% and 60.25% of consumer rupee respectively in case of tomato, chilli, cauliflower ,brinjal and onion. That means in every vegetable producer benefits by selling in Rythu Bazaar as they getting higher share in consumer rupees. Generally, the modern retail vegetable outlets are preferred by higher and new emerging middle class especially in the

developed city like Hyderabad who prefers quality over the price. However, for a country like India where still majority of people belong to poor and middle class the Rythu Bazaar is source of vegetable at cheap rate compare to modern vegetable retail outlets. Mehdipatnam Rythu bazaar market efficiency by used Shepherd's approach was 9.82, 9.47, 7.38, 11.03 and 10.11 and by used Acharya approach were 8.82, 8.48, 6.37, 10.03 and 9.11respectively for tomato, chilli, cauliflower, brinjal and onion. Falaknuma Rythu bazaar market efficiency by used Shepherd's approach were 9.30, 8.64, 6.19, 10.18 and 9.34 and by used Acharya approach were 8.30, 7.64, 5.48, 9.18 and 8.34 respectively for tomato, chilli, cauliflower, brinjal and onion. On the other hand the marketing efficiency of Reliance Fresh by shepherd's approach was 4.07, 5.97, 6.40, 4.42 and 4.25 and by acharya approach 0.53, 1.00, 1.07, 0.92, and 0.87 respectively for tomato, chilli, cauliflower, brinjal and onion. The marketing efficiency for Heritage Fresh by shepherd's approach was 4.15,5.45,7.32,4.94 and 5.00 and by acharya approach was 0.71,1.01,1.83,1.81 and 1.51.From the comparism of market efficiency both shepherd's and acharya approach it was cleared that Mehdipatnam and Falaknuma Rythu Bazaar marketing efficiency is higher than modern retail outlet Reliance Fresh and Heritage Fresh.

5.4 Constraints faced by Rythu Bazaar farmer –sellers and workers in modern vegetable retail outlet.

The farmers face variety of constraints when they sell their produce in Rythu Bazaar with regard to Mehedipatnam, the major problems faced by producer-seller were lack of market information and lack of storage facility (both 86.00%) The minor problems farmers faced were malpractices in auction (40.00%), In Falaknuma Rythu Bazaar, the major problem faced by producer-seller were lack of market information (93 percent) followed by absence of storage facility and high bargaining (both 80 percent) while the least problem were malpractices in auction (34 percent).

In the Reliance Fresh outlet in Banjara hills, major problem was lack of marketing information and management problem and the least problem is faulty weighment, while in Heritage Fresh in Panjagutta the major problem was insufficient cold storage followed by transport problem and the least problem is faulty weighment only given

5. 5 Suggestions for improvement

Vegetables marketing in India in the process of being modernized. The entry of corporate houses and other private and public sector organizations investing in this sector is indicative of the changing trend. While much has been changed and the process of creating infrastructure has begun, there is still a lot of scope for improvement.. Besides, the process of price discovery and price percolation is yet to be standardized.

5.6 Conclusions

1. Marketing efficiency was higher in case of Rythu Bazaar on compare to modern retail outlet.

2. Modern marketing networks were better off in product disposal as they had their own 'supply chains' and distribute network in operation.

3. The producer's share is higher in Rythu Bazaar compare to modern retail outlet.

5.7 Policy Implications

1. Construction of cold chain and storage facility and transport facility.

2. Management in vegetable markets, institutions and policies need to be carried out.

3. Introduction and implementation of mechanism of price support.

4. Policy and conceptual framework for regularizing the activities of exploitative middlemen along the vegetables based supply chains is needed.

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