

Identifying The Need For Rural Markets

Dr. Neelima Nagar

Department of Sociology, Government Degree College, Unnao.

Abstract

Farmers are also at a disadvantage because they are more or less forced to accept the price the trader offers. They cannot compare the price they are offered with the prevailing local price because there is no local market. Even if they have access to information about the prices in urban markets they cannot really use that knowledge to negotiate with traders because they have no realistic idea of the costs faced by the traders in travelling to their farm or village.

For these reasons “assembly” markets have tended to develop in rural areas. They provide a convenient location for traders to meet with farmers. In some cases these markets operate seasonally or on only one or two days of the week. In others, they operate more or less continuously, with large-scale traders sometimes employing agents in several such markets to buy on their behalf.

INTRODUCTION

An efficient marketing system can provide better prices to producers and improve the availability of competitively priced produce to consumers. In some cases new markets or improvements to existing markets in rural areas can help overcome many of the marketing problems faced. However, before considering whether to carry out improvements to markets and what type of improvements to introduce, it is important to

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be sure that markets, or lack of them, represent the main problem. Other causes of inefficient marketing could be:

- poor roads;
- a lack of knowledge about marketing among farmers;
- an inadequate quantity of products to attract sufficient traders.

The benefits of markets

Formal markets in rural areas play an important role in improving agricultural marketing. They can:

- provide a location at which farmers can meet with traders;
- increase retail competition by providing a convenient place where farmers can meet with consumers;
- improve hygiene, if existing marketing activities are carried out in an insanitary manner;
- reduce post-harvest losses by providing protection for produce from direct sunlight, rain, etc.;
- make marketing a more pleasurable activity; and
- provide a focal point for rural activities.

Location for trade. Traders who buy produce from farmers for transport to urban markets experience significant costs in travelling from farmer to farmer to buy small quantities. This is not a major problem if farmers are situated close to major roads and traders simply drive along the road buying from each farmer. When farmers are at the end of poor quality local roads, however, traders lose considerable time. Costs are also high because traders often use the same large vehicles that they use for journeys to urban areas, and poor road conditions may damage those vehicles.

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Retail facilities. In some countries farmers travel from door to door to sell their produce. This can be time consuming and exhausting and may require investment in transport, such as a bicycle. Door-to-door selling also makes price setting difficult because farmers have little information regarding prices being charged by other sellers. Markets, on the other hand, provide a location where all buyers and sellers can meet. Consumers can see the range and prices of produce on offer and make choices based on their preferences and income. Sellers can take their produce to one location rather than having to go from door to door. They can see how much of a particular product is on offer, compare the quality of their produce with that of other sellers, and set their prices accordingly.

In order to achieve such benefits, however, markets must be situated in locations acceptable to both sellers and buyers. This is emphasized strongly in this guide. There have been many examples of new markets being constructed in unsuitable locations and never being used! Existing market sites, or places where buyers and sellers meet informally (e.g. a plot of land at the side of the road), are usually the best places to

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construct new markets because they are clearly at locations favoured by the users.

Improve hygiene. Existing “markets” are often just areas of available land that buyers and sellers find convenient to use. They may be well established in the sense that they have existed at the site for a long time, or they may be temporary, for example, a vacant plot of land used until it is reclaimed by the owner for some other purpose. Either way, hygienic conditions are usually very poor. In most cases there are no toilet facilities or running water and probably no arrangements for waste disposal. In the rainy or monsoon season the market area may be extremely muddy, but sellers may display their produce on the ground, with a risk of contamination from the soil or mud. Many municipal markets are like this, even though users are often charged a fee. Improved markets should minimize all of these problems. Apart from providing a healthier overall market environment, such improvements can reduce the danger of food contamination.

Reduce post-harvest losses. Unimproved markets usually lack any form of shelter. Produce is displayed and stored in the sun. Apart from conditions being very difficult for those using the markets, the lack of protection from the sun can have a major impact on the life of fresh produce and on its nutritional value. Leafy produce, for example, can be kept fresh by protecting it from the sun and by keeping it moist. This is not possible in markets that do not have either shelter or fresh water supplies.

Provide a rural focal point. Retail markets frequently play an important social function. Farmers in many countries prefer to take their own produce to market rather than sell it to traders. The visit to the rural centre provides them with the opportunity to buy items unavailable in

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their villages and to catch up with local news. In many countries markets function as more than just trading places. They are the focal point of a rural centre and provide an important place where people can meet. Markets that are attractive places to do business draw buyers and sellers alike. Competition is promoted amongst sellers and at the same time the sellers have a large number of potential customers.

Step 1.1: Identify market channels in rural areas

As a first step towards identifying requirements for new or improved rural markets it is important to understand how existing marketing functions. The most common transactions in rural areas are described below.

Farm-gate purchases. Purchase of produce may be on an individual basis at the farm gate. Buyers go to the farm, usually at a pre-arranged time. In some cases, such as with fruit crops, the produce can be sold “on the tree” or “in the field” and the buyer arranges for its harvesting. In other cases the sales may be through marketing groups or cooperatives. The farmers in this case may wait for the trader at collection centres.

Local (primary) markets. These markets are usually for direct sales of small quantities of produce by farmers to village traders and rural consumers. Rural primary markets often form part of a network arranged on a periodic basis, such as on a specific day of each week. They are commonly organized at a central place in a village or district centre or beside a village’s access road. In some instances, markets in small towns also provide an assembly function.

Assembly markets. Larger rural markets are found where greater quantities of produce are traded, either by the producers themselves or

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by traders. These “assembly” markets (gathering produce in larger quantities for onward sale to outside buyers) are often combined with local rural markets and are normally situated on main highways, other local main roads or near to ferries. Traders or collection agents working on behalf of urban wholesalers normally purchase produce. The market operations may be year-round or seasonal, depending on the types of crops being marketed.

Direct sales to urban markets. Farmers may also take their produce directly to urban areas, either to a retail market or to a wholesale market.

Note: The diagrams in Figure 2 on pages 10 and 11 show examples of how farmers market their products.

Step 1.2: Define responsibility for decision-making

There is no right way to operate a rural market. The extent to which the public sector and local communities are involved depends on who pays for the development and who maintains it. The involvement of central government in small marketing infrastructure is usually limited to capital expenditure, the maintenance being undertaken by local government or the community itself using locally generated funds such as the market fees.

A market committee (or, perhaps, a local rural development committee) would usually be the key decision-making body. The existing market users should be closely involved with decisions about whether to improve a market, or to develop new infrastructure (see Stage 3). Most development should involve a high level of local initiative. Sufficient time should be given at the start to ensure the community’s involvement in the design process and to establish ownership of the facility.

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Step 1.3: Review planning considerations

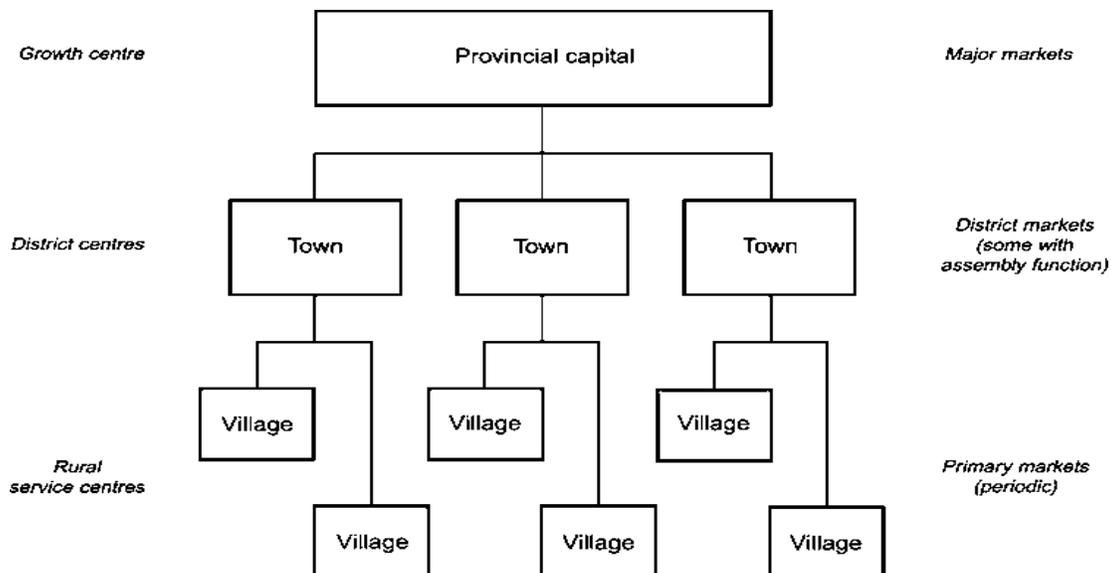
Not all villages have permanent markets and the distance to market can vary a lot. A key concept in rural development is how rural settlements relate to the overall pattern of towns and villages.

Relationship of markets to settlement patterns.

Some settlements act as “central places”, providing the population of the surrounding “catchment” area with goods and services. They may also function as points for assembly of local farm produce for onward movement to urban areas. There are usually three levels of “central places” in rural areas (see Figure 3):

- growth centres;
- district centres; and
- rural service centres.

Figure 3. Central places in a rural area



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1. *Growth centres*: major regional or provincial towns. The centre contains a range of services such as a college, a hospital, banks, a major market (often with some wholesaling functions) and specialized shopping facilities.

2. *District centres*: rural settlements whose primary function is to provide administration and to deliver public services. These centres might contain a secondary school, a health clinic and a market, which could perform assembly functions for the district. The market is often found close to a bus station and a number of permanent shops.

3. *Rural service centres*: normally located in the centre of a village (and associated smaller villages) serving a population of around 5 000 people and an area not usually exceeding a 10-kilometer radius. Services provided at such a centre could include a primary school, a health post or dispensary, a police post and a primary market, often operating periodically. Market “catchment” areas are often defined by bus routes (or sometimes by short river journeys) and by walking distance. This could be up to one hour (i.e. 5 to 6 kilometres) or even more.

Planning policies. Local planning authorities may have clear plans as to which settlements should be developed and which should not. Ranking systems are sometimes used to determine which settlements are to be given priority. This is often based on rural road development policies. The guidance of local planning authorities on how to interpret such policies should always be obtained when planning markets.

Step 1.4: Identify market improvement options

Justification for new markets. The basic choice is usually between choosing a new site or upgrading an existing market or trading area. The better option is normally to improve conditions on an existing site,

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particularly if this can be accompanied by improvements in the market's management.

Deciding on rural market improvements. It is necessary to adopt some objective criteria in considering options for market improvement. This will depend on need (see Stage 3) and the market's financial or economic viability (Stage 8). However, at an early stage, some overall criteria must be adopted to allow a preliminary selection of markets to be made. The following are some criteria that could be used:

- Improvement or construction of only those markets that have an assembly function and can promote agricultural production could be considered.
- The improvement of primary markets that have only a local retail function, or the construction of new markets, might be linked to those areas with an expanding population.
- Market improvements might be planned where there are poor public health and sanitation conditions in existing markets because of inadequate space and facilities available in the market area.
- Improvements could depend on the willingness of market traders to improve the efficiency of existing market operations and to accept higher rents and charges to cover the costs.
- Emphasis could be placed on those markets where the private sector takes responsibility for improving individual sheds and stalls, allowing the improvement programme to concentrate on upgrading "common" infrastructure (i.e. roads, paving, fencing, drainage, toilets, etc.).

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