

# ‘THE FACTORS INFLUENCING FARMERS TO TAKE UP UNCONVENTIONAL SELLING METHODS OF THEIR FARM PRODUCE’

AREA OF STUDY – Krishnagiri District, Tamil Nadu

RESEARCH DONE BY:

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## ABSTRACT

This is a research based on Agricultural Distribution Channel preferred by the farmers through unconventional methods over conventional methods which comes into place as per the needs of the farmers.

The main problem a farmer faces is the return that the farmers gets from selling their produce. The traditional selling channels like the *mandi* or wholesale market are not giving them much returns. This pushed them forward to take up with unconventional selling methods like food processing units, independent auction market and so on. Mostly the farmers look for these methods only with the financial factor but more than that there are some other factors as well which pushes them.

At present the farmers are actually looking for alternate ways to sell their produce to get a better price. So there are trying to change to unconventional selling channels like selling their produce to processing industries, a separate regulatory auction market or FPO's instead of tradition channels like Mandi, wholesale markets. Therefore the researcher had a study on the subject whether these economic factors alone force the farmers to change to unconventional methods or is there any social or political factors as well?

For the process, the researcher had visited the villages in *Krishnagiri* district to understand the aspects in the mango farmers. The researcher had done a questionnaire method with a sample of 25 farmers. Also interacted with the FPO and the Mandi owners. This helped me to understand the Price fluctuating market and the behaviour of the farmers towards the issue. The research is kind of understanding the market and also how the market is influenced according to the needs of the farmers.

The study has come out with a high recommendations to FPOs, GoI, Government of Tamil Nadu and different District Forums.

**Key Words:** Farmers Producers Organization (FPO), Distribution Channel, *Mandi*, Wholesale market, Unconventional selling channels, Price fluctuations etc.

## 1. Introduction:

Krishnagiri district is a district in the north western part of the state of Tamil Nadu, in India. This district is carved out from Dharmapuri District by 2004. Krishnagiri district is well known for mango production. The mango farmers, the *mandi* owners and the Farmer Producer Organizations (FPO) trustees were met and surveyed to understand the returns of the mango farmers and also their search

for some new avenues to make good returns. This gave a good snap to the researcher to explore the different selling methods of mango through processing units or through FPO. This gave a good amount understanding the factors that affect the farmers to choose these different avenues.

## 2. Objective of the study:

- To study the different avenues that the farmers choose to sell their produce other than the existing traditional selling methods.
- To evaluate whether the economic factors are the priority push towards these unconventional selling methods through price controlling mechanism.
- To postulate the importance of FPOs in the enhancement farmers' life.
- To understand the real influencers in the villages in due course of distributing farm produces.

## 3. Review of Literature:

About FPO (2018): Farmer Producer Organisation (FPO) is an entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen. An FPO can be a Producer Company, a Cooperative Society or any other legal form which provides for sharing of profits/benefits among the members.

The main aim of an FPO (2018) is to ensure better income for the producers through an organization of their own. Small producers do not have the large marketable surplus individually (*both inputs and produce*) to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays.

According to the study of Koome Dennis Karani and John Wanjohi (2017) in the study of 'Factors influencing marketing of agricultural produce among the small-scale farmers: A case of Sorghum in Giaki Location – Kenya', "that majority of the respondents use middlemen to market their sorghum produce though it's not profitable selling to middlemen as they would wish. It was also reviewed that they sell to middlemen because it's the most convenient means available for them; this is according to majority of respondents. The respondents use middlemen as market link because they assume that middlemen are better informed than them. The results also shown that despite the respondents dealing with middlemen as market link they view middlemen as exploitive. Surprisingly is that even though the respondents viewed middlemen as exploitive towards them, majority of them also think that middlemen are important as market link. This is because middlemen have resources to transport sorghum produce in bulk and also they create connection between manufacturers and famers in the village".

In the "Agriculture Marketing: An Overview and Way Forward" authored by Mr. Pravesh Sharma, Mr. Jasmeet Singh, and Mr. Aashish Argade (2017) expresses that, "A huge marketed surplus calls for efficient marketing system to enable fast and effective movement of goods from producers to consumers. Farmers and consumer segments not only need marketplaces, but also facilities for storage, transportation, market information, financing and risk mitigation". The also urges that, "Urgent need to strengthen marketing linkages in Eastern and North Eastern States".

#### 4. Problem Statement: Null Hypothesis

1. H0: There is NO dominance of a particular distribution channels and NOT biased towards influencing the farmers' livelihood.
2. H0: There is NO differences among the stakeholders of price controlling mechanisms.

#### 5. Research Design and Methodology:

- **Sample size:** 86; **Sampling Method:** Convenient Sampling Method
- **Classification:** 82 farmers (46 FPO members, 4 FPO Trustees and 32 non-members of FPO) and 4 Mandi owners.
- **Area of study:** 8 Villages in *Krishnagiri* District (*viz., Santoor, Pochampalli, Kaveripattinam, Paiyur, Sappanipati, Thogarapali, Nakkalpatti and Smalpatti*).
- **Data collection method:** Primary Data through a structured questionnaire and formal interactive with the farmers and *Mandi* owners.
- **Analysis Tools:** Pie-chart, Percentage Analysis, Ranking Method and Chi-square Test.

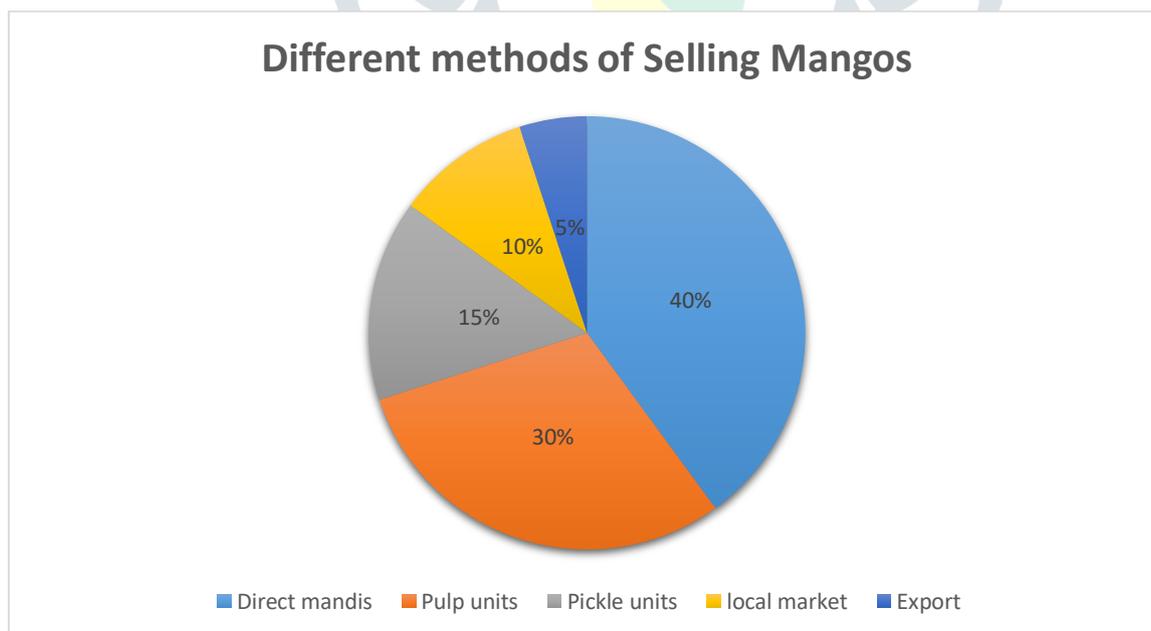
#### 6. Analysis and Interpretations:

##### 6.1 Analysis of different distribution channels:

The classification of farmers through different selling methods in Fig. 1 generally shows the division of different channels that are used by the farmers to sell their produce during season time as well as off-season time.

During the off season time the price of mango touches Rs.11,600 per ton and during the season hours it will Rs.5,000-Rs.6,000 per ton.

Figure 1 Different Methods of Selling Mangos



Majority of the distribution, about 70% (i.e., 40% and 30%), takes place through *Direct Mandis* and *Pulp units* respectively. It is surprised to see that only 10% of the products are sold in the local market despite of having district and block wise *Uzhavar Sandais* (Farmers' Market).

Hypothesis testing by using Chi-Square Value:

Table 1 Calculation of Chi-square Value

Distribution channels	OF	EF	ChiSq Value
Direct mandis	34	17.2	17.20
Pulp units	26	17.2	4.30
Pickle units	13	17.2	1.08
Local market	9	17.2	4.30
Export	4	17.2	9.68
<b>Total</b>	<b>86</b>	<b>86</b>	<b>36.55</b>

At 5% level of significance and DoF-5, the table value is 1.145. [The P-Value is < .00001. The result is significant at  $p < .05$ ]. Hence the null hypothesis gets rejected and it is concluded that there is a significant bias of a particular distribution channel and has influenced the on farmers' livelihood.

### 6.2 Price Controlling Partners in the Market:

Figure 2 Participants in Price Control Mechanism

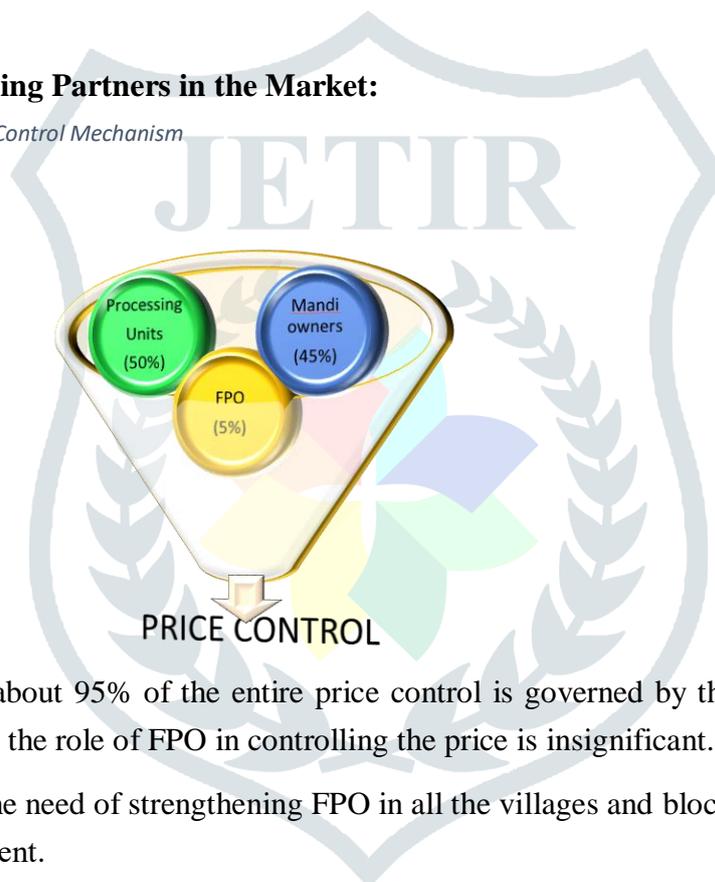


Fig. 2 expresses that about 95% of the entire price control is governed by the Processing units and Mandi owners. Hence, the role of FPO in controlling the price is insignificant.

Hence, it shows that the need of strengthening FPO in all the villages and blocks is the need of hour for farmers' development.

Table 2 Calculation of Chi-Square Value

Price controlling partners	OF	EF	ChiSq Value
Processing unit	43	28.66667	7.17
Mandi owners	39	28.66667	3.51
FPO	4	28.66667	20.71
<b>Total</b>	<b>86</b>	<b>86</b>	<b>31</b>

At 5% level of significance and DoF-2, the table value is 0.103. [The P-Value is < .00001. The result is significant at  $p < .05$ ]. Hence the null hypothesis gets rejected and it is concluded that there is a significant dominance of price controlling mechanisms in the farmers' goods.

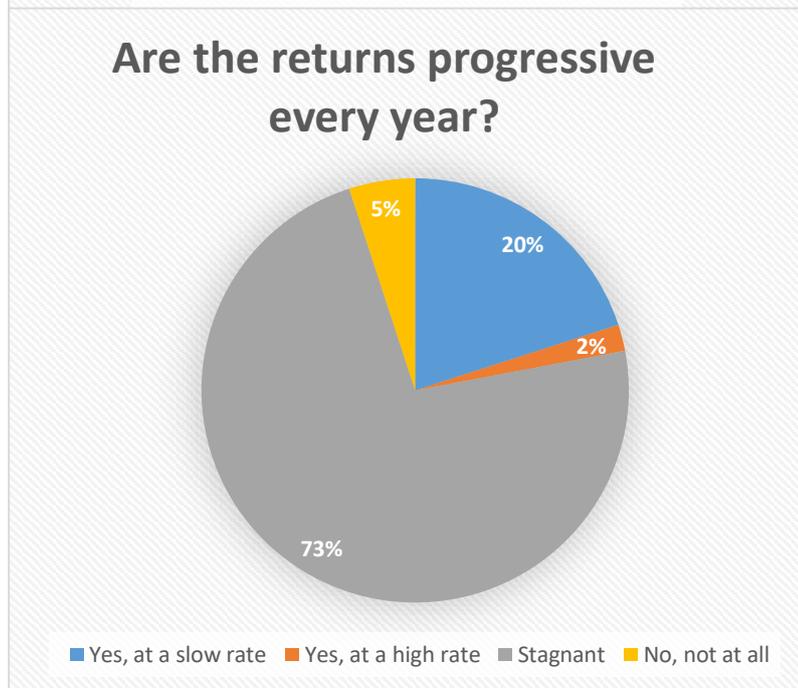
### 6.3 Market price behaviour and status of price modernism:

Figure 3 Pricing Behaviour



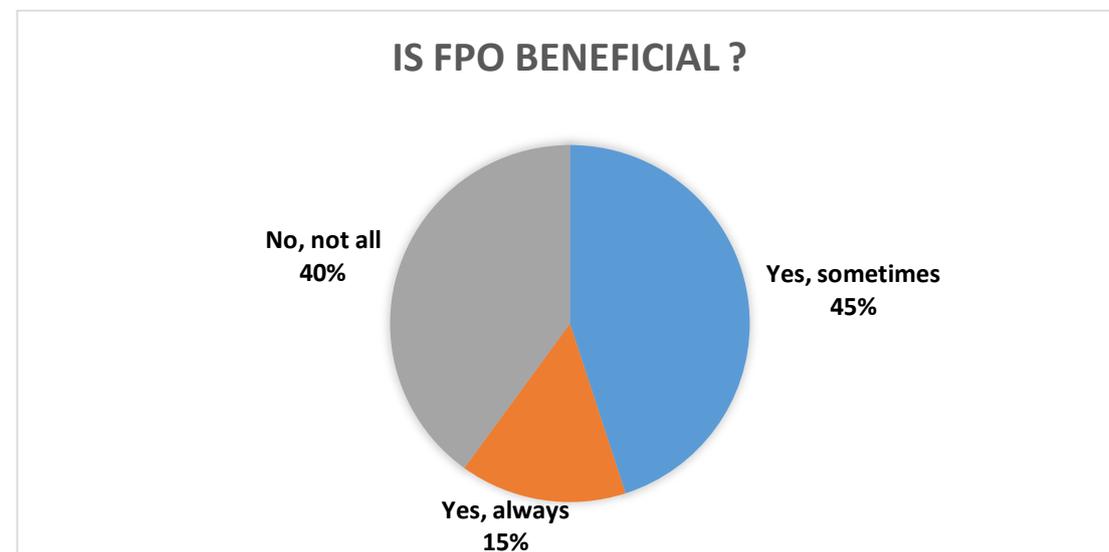
- The Fig. 3 and 4, shows that the farmers are not getting proper returns from the existing market and they are getting better returns from the processing units but not very good.
- About 65% of the respondents pointed out that they gets very less margin for the products.

Figure 4 Status of Price Modernization



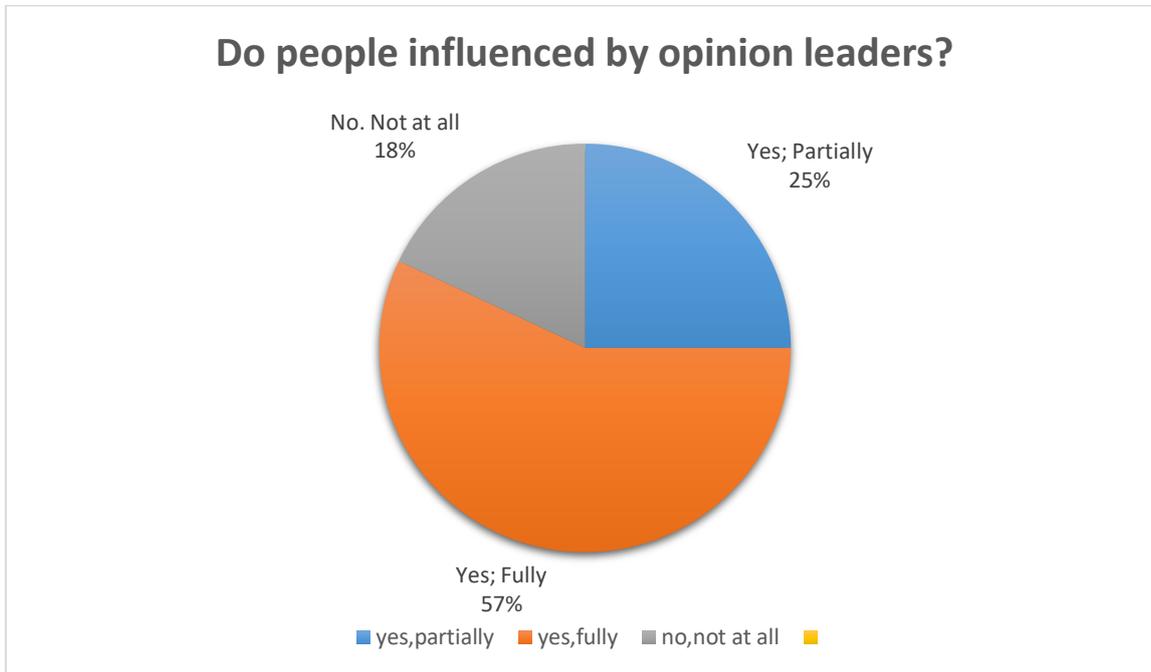
- Also there is no growth in the prices in existing system. About 73% respondents said that they have stagnant price in the last two years period, despite there is remarkable change in the inflation rate and so on. Only 20% of the respondents conveyed that there is a slow growth rate in market prices of mangoes.
- Even though there is no good returns provided by these unconventional selling methods, still farmers chose them over the traditional methods.

### 6.4 Strength of FPO in sharing benefits:



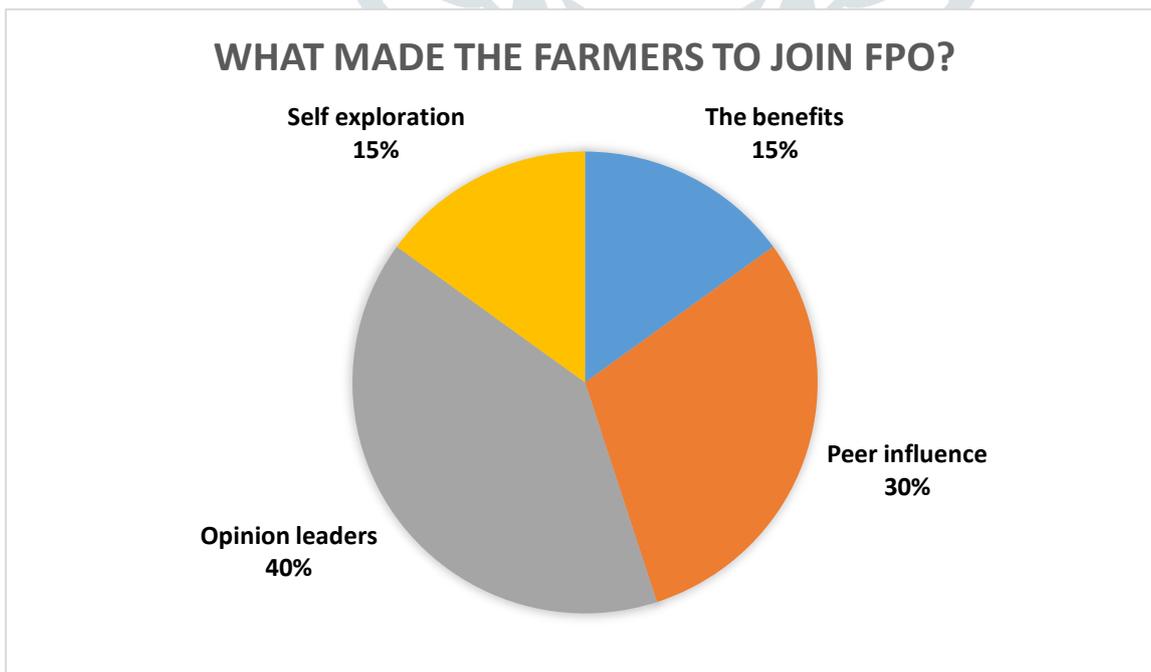
- The FPO (Farmer Producer Organization) was formed with the intention to increase the price of the produce, to get input subsidy and financial benefits. But the impact of the FPO was not much effective but still the farmers preferred to be a part of the FPO. Only 15% of the farmer respondents said that there is a remarkable benefit through FPOs. But majority of the respondents are not confident with the significant output of FPOs functioning in these villages.

**6.5 Influences of Opinion Leaders:**



- The study showed that there is a significant role played by the opinion leaders who wanted to create a better condition for farmers, influence the farmers to change to new selling avenues. Therefore, the people also have a blind faith on these opinion leaders. Also the legal factors involved are taken care by these opinion leaders.

**6.6 Motivating factors to farmers to join in FPO:**



- This speaks that even the social behavior have forced the farmers to take up these unconventional selling methods.

Therefore, even when the new unconventional selling methods didn't fetch much financial returns as expected but still the farmers were looking forward in it with the relationship and faith which they had on the peers and the opinion leaders. This proves that social, political as well as the legal factors influence the farmers equally with the economic factors to take up the unconventional selling methods.

## 7. Result of Hypothesis:

Both the Null Hypothesis gets rejected. Hence it is concluded that there is great dominance of distribution channel members and price deciding stakeholders, which obstruct the need of farmers.

## 8. Recommendations and Way-forward:

- Even though the existing unconventional selling methods are not much successful the FPO can come up with new avenues very easily since they have a very much influence on the people.
- There is a need for good export market for the produce and the opinion leaders must look upon.
- Through the interactions with the farmers, it is found that there is scope for sustainable storage units, which can be facilitated by the existing NGOs or Block Development Offices.

## 9. LIMITATIONS OF THE STUDY

- This study is limited to only among the villages in Krishnagiri district, which may not be true in other states or districts.
- This study only includes mango producers as farmers. Hence, further studies can be taken focusing on other produces too.

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