

## **Farmers' Markets in Tamil Nadu: increasing options for rural producers, improving access for urban consumers**

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### **Background**

This research project was conducted between June 2000 and April 2002 in three districts (Madurai, Tirunelveli and Virudunagar) in the State of Tamil Nadu, South India. The state-initiated Farmers' Markets policy was launched in November 1999, and by November 2000, 95 such Markets were established in most of the State's towns and cities and over 75,500 farmers were issued cards authorising them to sell their produce in the Markets. The stated objectives of the initiative are:

- To eliminate middlemen and traders from the marketing of vegetables in the Farmers' Markets
- To establish direct contact between farmers and consumers
- To maintain stability in the prices of fresh vegetables and fruit
- To increase coordination between the Agriculture and the Horticulture Departments
- To act as information centres for the marketing of fresh vegetables and fruit
- To promote awareness and provide training in relation to the preservation and packaging of perishable fresh vegetables and fruit

The initiative implicitly assumes that the main target groups (producers and consumers) are homogenous, and that they will equally benefit from it. However, differences within the groups, especially in terms of access to assets, are likely to affect the ways in which Farmers' Markets can positively contribute to the livelihoods of producers and to urban consumers' access to affordable fresh vegetables and fruit.

In addition, while Farmers' Markets are set up as a separate entity from the conventional marketing system, there are important overlaps between the two for both producers and consumers. These need to be better understood to maximise the positive impact of Farmers' Markets.

Finally, traders are excluded from the initiative since they are perceived as playing an exploitative role. But traders are also not a homogenous group, and there are significant differences between large operators and petty vendors, both in terms of the nature of the services they provide and in the ways in which they may be affected by the Farmers' Markets initiative.

This paper summarises the impact of Farmers' Markets on the livelihoods of the most vulnerable key groups: small and marginal farmers and farming women, low-income urban consumers and vegetable headload vendors. It also examines the role of the institutions involved in the management of the initiative, and formulates recommendations to improve the efficiency and the positive impact of the policy on vulnerable groups.

## **Vegetable markets and Farmers' Markets in Tamil Nadu**

Vegetable marketing systems in Tamil Nadu traditionally revolve around central markets, where commission agents and wholesale traders collect produce from farmers and distribute it to retailers. Commission agents retain ten percent of all transactions, which means that they have a low margin of risk since they do not make a direct financial investment. These material exchanges of goods are also embedded in a complex web of social relations, in which power differences, especially in terms of access to information on markets and to financial assets, are significant.

Producers are highly dependent on commission agents. While larger farmers usually sell directly to central markets' commission agents, small farmers who produce lower volumes of vegetables may be forced to sell to local traders, especially during the dry season. However, local traders are often 'assemblers' for commission agents, and it is the latter who fix prices. Price fixation is not done in open competition between agents, but as a common decision. Prices vary throughout the night and the early morning, depending on the volume of arrivals, leaving room for commission agents to pay farmers at the lowest price of the day, regardless of the actual price at which their vegetables are sold. This increases the official ten percent profit of commission agents, and is especially frequent when sales go towards the repayment of loans they have extended to farmers.

The Farmers' Markets initiative specifically excludes all traders, who are perceived as inherently exploitative. The Markets are under the administration of the local Agricultural Marketing Committee, and eligible farmers are selected by officials of the Agriculture and Horticulture departments in feeder villages located within a 40 km radius from each Market. Officials seconded to the Markets are responsible for ensuring that only genuine farmers attend them. In collaboration with farmers' representatives, they are also charged of fixing the maximum prices (15 to 20 percent above the central market prices and 20 percent below the retail prices). The Markets are constantly supervised to ensure that the price ceiling is respected. Business hours of the Markets are usually between 6.30 am and 2 pm, with the exception of one of the study Markets in Tirunelveli which is opened until 8 pm following the decision of the local Market administrator.

Construction costs for the Markets are covered by the local Agricultural Marketing Committee and by the District Rural Development Agency. Land is provided mainly by local government, sometimes resulting in opposition from local administrators. Waste management is provided by voluntary organisations, which recover their costs through parking fees, the Market's canteen profits and the recycling of green waste. It is estimated that the average monthly costs of a Farmers' Market, including salaries of seconded and dedicated staff, interest repayment for construction costs and utilities costs, are between 80,000 and 90,000 rupees.

In addition, farmers benefit from free transport for their vegetables from State Transport Corporation buses, which were re-routed to provide an early-morning direct connection between feeder villages and their designated Market. This facility has been discontinued since the change in government in May 2001 and 18 Markets have also been closed down in the wake of criticisms of the Markets in terms of their cost-effectiveness, and of questioning of whether they actually benefit their primary target groups (producers and consumers).

### **The impact of Farmers' Markets on producers**

Access to markets is increasingly considered essential to increase agricultural production and farmers' incomes. This is especially the case for small producers who, because of limited volumes and seasonal fluctuations in their production, often face difficulties in entering marketing systems dominated by large traders. However, access to markets is not the only factor affecting farming. Other assets, such as land, water, labour and access to roads and transport, are just as important. The study's findings show that:

- Agricultural production patterns in the study area have changed in the past decade following semi-drought conditions and increases in migration and non-farm employment. Due to limited water availability, worsened by the lack of public investment in irrigation tanks and canals since 1991, even large landholders have switched to horticulture on a reduced portion of their farmland. Farmers' Markets are thus an initiative which responds to current changes in farming practices.
- Labour availability is reduced following changes in household structure and organisation, with joint households being replaced by nuclear households. Migration and local non-farm employment opportunities have also contributed to reduce the availability of family labour.
- The study areas, like most of rural Tamil Nadu, have good access to roads and transport. The main benefit from the Farmers' Markets initiative was that, up to October 2001, free transport for vegetables was provided up to the Market gates, unlike other public and private means of transport.
- Producers use different market outlets (commission agents, local traders and Farmers' Markets) at different times of the year as a strategy to maximise profits. Farmers' Markets are especially beneficial for small producers, who have difficulties selling small volumes during the dry season on the conventional market system. However, the limited volume of vegetables which can be sold in the Markets means that they cannot be an exclusive outlet for medium and large producers.
- Farmers' Markets have significantly influenced producers' practices in two main ways: diversification of production, to include a wider variety of vegetables, and intensification, to maximise the use of water and land resources throughout the year.
- Farmers' Markets have also stimulated producers' adoption of marketing strategies, through a better understanding of consumers' needs and preferences based on incomes, dietary habits, religious celebrations. Experience sharing and communication between farmers has also increased, and many of them have set up Market-based chit (rotating savings) groups.
- Factors which affect producers' capacity to adapt to changes include access to credit and financial assets, and institutional support. These are key in ensuring that farmers fully benefit from the Farmers' market initiative, and deserve to be better addressed.

## **Women's status and Farmers' Markets**

The Farmers' Markets initiative aims to increase farmers' incomes by eliminating middlemen from marketing; in doing so, it also implicitly expects smallholder vegetable production to increase. Little attention is given to the gendered impact of the initiative; however, since women are more likely to be involved in the production and marketing of fresh vegetables, it is important to examine the different impacts of Farmers' Markets on women and men.

- Women's traditional role in farming includes major responsibility for vegetable production. Since this has become a cash crop generating a good income, men have taken over control, especially in larger farms. However, women are still responsible for much of the farm work, particularly non-mechanised activities such as hand weeding.
- Marketing in the conventional system is not considered a suitable activity for farming women, as the night start of markets and the close contact with male strangers in the marketplace is not socially appropriate. By contrast, Farmers' Markets provide a safe and respectable environment for women. However, few women from producer households attend Farmers' Markets on a regular basis because of their other domestic and farming responsibilities, which have often increased with the introduction of Farmers' Markets.
- Closer contact with urban middle-class consumers and with institutions in Farmers' Markets has expanded women's skills and self-confidence, and earned them recognition from family and community.
- Farming households' traditional division of labour is highly skewed, with women taking responsibility for all domestic chores and a large part of vegetable production. If Farmers' Markets are to affect production levels and improve farmers' incomes in the long term, it is essential that men contribute a more substantial amount of work. This is especially important in view of the limited availability of family labour in the study areas.
- It is difficult to single out the impact of Farmers' Markets on women's status, as other social, cultural and economic factors play important roles. However, women's accounts show that the Market can offer a space for independent experience and respite from daily drudgery.

## **Farmers' Markets and vulnerable retailers**

Due to the relatively small volumes traded and their limited number compared to that of central and retail markets, Farmers' Markets do not represent a significant threat nor serious competition to conventional marketing systems. While this is especially true for wholesale traders and large retailers, including grocery shops, the situation is somehow different for small retailers, and especially mobile vendors who sell small quantities and whose profit margins are often minimal.

- Headload vegetable vendors are mainly middle-aged, often widows and deserted women who, because of limited assets and skills, find it difficult to enter better-paid occupations.
- Farmers' Markets have negatively affected headload vendors especially immediately after the opening of the first Markets, as sales volumes for vendors decreased. After some time, however, the situation seems to have stabilised, due to two main types of

reasons. First, demand for vegetables is varied, and some customers, for example those with limited storage facilities, limited mobility or living in areas with no retail markets, still rely on daily purchases from headload vendors.

- Second, headload vegetable vendors face threats from a number of other competitors, and have developed strategies to retain their client base. A main strategy is to expand the area of sales, to cover neighbourhoods more distant from Farmers' Markets and other retail outlets. However, this increases vending time and the effort to carry vegetables.
- Other strategies aim to retain the customers by offering better quality and correct weighting, as well as incentives in the form of gifts and unpaid services.
- Some headload vendors can benefit from Farmers' Markets: this includes vendors residing in Markets' feeder villages and holding land, who can apply for identity cards to sell in the Market. Headload vending is relatively common among low-income village women, and access to Farmers' Markets helps them return to farming or, when their assets are insufficient, provides them with a better place to sell produce they purchase from their farming neighbours.
- Other vendors benefit by purchasing their goods in the Farmers' Markets, but this is only possible where Markets are larger, as in Tirunelveli, where longer business hours encourage farmers to bring in produce twice daily instead of once. Vendors based outside the gates of Farmers' Markets and selling items which are not sold there may also benefit, but only marginally.

### **Low-income urban consumers and Farmers' Markets**

Most Farmers' Markets are located in high- or middle-income neighbourhoods. This, together with the importance given to adequate parking facilities in the construction of all Markets, suggests a certain bias in favour of higher and middle-income consumers. It is certainly true that attracting and retaining this type of consumers is important for the continuing success of the Markets. At the same time, it is legitimate to ask whether public policy and subsidised initiatives such as Farmers' Markets should not explicitly target low-income urban groups as a matter of priority. The reason for this is that the nutritional status of poor groups is more likely to benefit from the initiative than higher income groups who already have a wider range of options.

- Food practices of residents of the low-income settlements are not homogenous. Differences depend on overall income but also on income security. Residents who rely on daily earnings spend more on food than those relying on weekly earnings, since they cannot save on bulk purchases. This affects the quality and quantity of their food.
- The Public Distribution System has played an important role in establishing rice as the staple food of low-income urban groups. This in turn has increased consumption of vegetables as an accompaniment to rice meals. Consumption of non-vegetarian food, especially chicken and eggs, has also increased as they have become more affordable.
- Some households complement their requirements by growing their own vegetables, but this is limited by lack of space in the densely populated low-income settlements. Vegetable cultivation in the few available open spaces is constrained by competing uses, especially open defecation in the settlements with no sanitation facilities.
- Accessibility of Farmers' Markets depends first of all on their location, which must be within a short walking distance from the settlements. Residents must also be able to

combine visiting the Market with the demands of their jobs, which often leave them no free time during the relatively short opening hours of the Market. In this case, they must rely on local shops which normally have longer business hours.

- Low-income users of Farmers' Markets agree that prices are affordable and cheaper than most, but not all, local outlets. Despite this, the poorest households relying on daily and/or irregular earnings are tied to local shops which, unlike Farmers' Markets, offer credit facilities.
- Produce sold in the Farmers' Markets meets low-income consumers' demand, especially for local, 'country' vegetables which are cheaper and are prepared in traditional ways. Because of the wider choice of varieties than in the local shops, consumers relying on weekly wages can afford to purchase vegetables every 2-3 days rather than on a daily basis, and save on shopping time.

### **Broader objectives of the initiative**

Two further objectives of the Farmers' Markets initiative deal with broader vegetable markets. The first aims to stabilise prices in vegetables and fruit. Farmers' Markets have not fulfilled this objective for three main reasons.

First, the quantity of vegetables sold in Farmers' Markets is extremely small compared to that transacted in the conventional market system. Because of this difference in size, it would be very difficult for Farmers' Markets to exert any influence on the conventional markets.

Second, prices in Farmers' Markets actually depend on prices in the conventional market system, since daily price fixation in the Markets is made on the basis of prices in the central market and in the retail markets. Hence, Farmers' Markets prices merely reflect any fluctuation in the conventional system.

Third, the nature of the produce and especially its extreme perishability, are a serious obstacle to more effective measures to ensure price stabilisation, and it would be very costly if not impossible to maintain stocks to release on the market if prices increase too much. In summary, the objective of stabilising prices is too ambitious for a relatively small initiative such as Farmers' Markets. Moreover, it ignores the specific problems of vegetable marketing.

The second objective is to act as information centres for the marketing of fresh vegetables and fruit. Officials posted in the Farmers' Markets have provided useful information on variations in urban consumers' demand for specific vegetables in connection to festivals and religious occasions. This is important, as the same dietary restrictions are not necessarily followed in the same way in the villages. Officials have also provided mini-kits with seeds for vegetables better suited to urban marketing. However, information related to production was not always followed-up by extension workers, therefore limiting its impact.

### **Institutional objectives**

The two final stated objectives of the initiative relate to institutional arrangements and functions. The first is to increase coordination between the Agriculture and Horticulture

departments, and to promote awareness and provide training in relation to the preservation and packaging of perishable fresh vegetable and fruit.

Prior to the Farmers' Markets initiative, the Agriculture and Horticulture departments used to work independently and have separate targets fixed at the state and district levels. Under the initiative, the departments were brought together in the selection of participating farmers, and in the daily running of Farmers' Markets. However, little coordination has been shown at the farm level.

In most cases, training in preservation and packaging of fresh vegetable and fruit focuses on modern technologies related to cold storage of produce, such as plastic packaging. However, cold storage facilities are used by a very small minority of farmers, and certainly not by small producers who constitute the majority of those attending Farmers' Markets. Moreover, while traditional techniques and materials, such as handwoven baskets made of leaves, are commonly used in all vegetables markets including central markets, training does not usually include how to improve such traditional packaging. This would probably be more effective and affordable for most vegetable producers.

As in the case of price stabilisation, the two institutional objectives seem too ambitious for the Farmers' Markets initiative, and require a much more comprehensive approach focusing on the specific issues involved.

## **Recommendations**

Since the change in government in Tamil Nadu in 2001, the Farmers' Markets initiative has lost its prominence on the policy agenda, and administrative, institutional and political support is dwindling. This report highlights the numerous shortcomings in the way the initiative was conceived and implemented. However, it has also shown its sometimes significant benefits for vulnerable categories of producers and consumers, and for some traders. The recommendations below draw on this understanding and aim to support and promote the positive impact of Farmers' Markets while reducing or eliminating the negative aspects.

### *General recommendations*

Two main recommendations go beyond the scope of the Farmers' Markets initiative and are relevant to most policy initiatives. They are:

- ensure that any definition of target groups for specific policies accurately reflects the sometimes wide variations within these groups in terms of their needs and priorities. This means understanding the characteristics of the livelihoods of different groups (including those not specifically targeted by the initiative but likely to be affected by it), the direct and indirect impacts of the policy initiative on their livelihoods, and incorporating in the policy elements which address potential negative impacts on specific groups
- policy-makers should consider that people require time to adapt to changes brought about by policies, and any abrupt policy change can increase insecurity, especially for poor and vulnerable groups who cannot rely on alternative assets and

comprehensive safety nets. It has taken farmers some time to adapt to the Farmers' Markets initiative and make full use of its potential benefits. If the initiative was terminated and no equivalent alternatives were offered, farmers' livelihoods would suffer and their trust in policy-making bodies would be negatively affected.

### *Specific recommendations*

The recommendations below specifically relate to ways to improve the effectiveness of Farmers' Markets. They draw on the various stakeholder workshops held throughout the course of the project, as well as from the wider recognition arising from the research findings that, overall, the initiative responds to the needs of several groups and especially poor and vulnerable ones, and as such deserves to be supported.

#### **1. Reduce subsidies and increase farmers' participation**

In the current set-up, each Farmers' Market costs between 80,000 and 90,000 rupees per month. The majority of this goes to cover government officials' salaries, whose functions are essentially to enforce controls on farmers and on prices. Farmers are now well aware of the importance of a regulatory framework in attracting consumers, but this can be done in a more bottom-up way and at a reduced cost. Farmers in two of the Farmers' Markets in this study are prepared to cover the running costs of the Markets currently covered by the Marketing Committee, and they have calculated that this would amount to a daily fee for each farmer of around 10 rupees (less than renting a stall in the retail markets). Officials seconded from the Agriculture and Horticulture departments would be able to return to their parent departments (which in many cases is already happening), and their functions in the day-to-day running of the Market would be taken over by the Marketing Committee composed by representatives of farmers and consumers, under the supervision of the Agricultural Marketing Committee.

The remaining key functions of government officials are training and the provision of inputs. These would be carried out in the Market as a form of extension activities with a specific focus on farmers participating in Farmers' Markets.

#### **2. Link Farmers' Markets with transport services planning**

With the current re-routing of State Transport Corporation buses to their original pre-Farmers' Markets routes, a number of feeder villages are being cut off and farmers have to walk a long distance or pay for private transport to reach the bus stop. The location of feeder villages should be a key element in the decisions concerning bus routes, and direct connections with Farmers' Markets should be made a priority. Availability of transport is essential for genuine farmers selling their produce in the Farmers' Markets. Not recognising this implicitly favours the 'farmers in disguise' attending the Markets, who are urban-based and buy their vegetables from the central market.

#### **3. Increase flexibility**

The example of the study Farmers' Market in Tirunelveli shows that longer business hours and openness to sell to buyers of larger quantities such as headload vendors and hotel owners is beneficial to both producers and consumers. Low-income consumers would also find it easier to combine visits to the Markets with their working hours. In many instances, opposition to extended business hours came primarily from



government officials who feared a workload increase. Under the management of the local Marketing Committee, such decisions would be made by farmers and consumers, under the supervision of the Agricultural Marketing Committee. This would ensure sufficient flexibility to meet local needs.

#### **4. Explore links with other markets**

The Farmers' Markets initiative has shown the importance of direct access to markets for small vegetable producers. This could be expanded beyond Farmers' Markets. For example, in many countries it is compulsory for retail markets to reserve a small proportion of their stalls for farmers, who pay rent for them. Similar possibilities should be explored in retail markets and weekly markets, if necessary incorporating this as a clause in any market sub-letting contract issued by local authorities.