# Chapter IV: Marketing Aspect of Floriculture:

## 4.1: Role of Middlemen

A middleman is an intermediary who buys goods from the producer and resells them to the retailer or consumers. Middlemen can play a key role in providing information about the market to the grower. Developments like changes in customer demography, psychology, media habits and the entry of a new competitor or a new brand and changes in customer preferences are some kind of information that all growers want. Since the middlemen are close to the customer and well aware of the market, they can provide such information to better the bargaining power. Sometimes they may take the grower's produce, give his brand name and then sell it. This helps in diffusing the risks between the grower and the middlemen and also enables the middlemen to be in physical possession of the goods which empowers them to meet customer demand at the very moment it arises.

Like every other business venture, the role of the middlemen in the floriculture sector may prove to be harmful. Floriculture is purely based on the market forces of demand and supply during a particular period of time. In certain regions of East and North-Eastern Himalayas, it has been observed that the flower season vis-à-vis the marriage season is primarily in the winter months and on particular occasions such as Valentine's Day, Mother's Day, Father's Day to name a few. It is during such times that the middlemen suddenly appear and lure away the farmers, guaranteeing them higher returns. These middlemen indulge in unfair practices such as going and collecting the flowers from the farmer's field and giving them a return which is higher than the one offered by the service providers. This practice continues till the season ends only for them to disappear after that leaving the farmers high and dry and with no other option but to go back to the service providers who for obvious reasons do not purchase their flowers anymore. These affected farmers are left with a dilemma of what to do with their flowers during the off-season. Gradually their interest in the new venture of hi-tech floriculture diminishes and the endeavour dooms towards a failure.

The manner in which the middlemen infringes into the domain of the service provider and takes away the produce during season time promising higher returns to the hapless farmer and dumping them thereafter during the off season, creates a conflict between the service provider and the farmer. The breach of trust that exists between a farmer and the service provider, who is armed with a MOU with the concerned department and the farmers, is also affected in a big way together with causing immense financial loss. The Government is a mere spectator of such events and unable to take stringent action against such errant farmers which delivers a harsh blow to this system of commercial floriculture.

The way forward from such a scenario would be to educate the farmer/farmers' association about the pros and cons of such short term gains. It should be the farmers' association's responsibility to strictly monitor the activity of its members and reprimand any farmer who indulges in such undesirable trade practices.

Farmers sometimes get misguided by the potential buyers/middlemen regarding the varieties of flowers they want and time of the year when they are required. Such demands from these so-called buyers/middlemen can spell disaster to these marginal farmers. The most common scenario is when these farmers start preferring these suggested varieties in their units with disastrous consequences. Most of these preferred varieties cater to tastes and preferences which do not commonly prevail in these regions. So when these so-called buyers sometimes refuse to purchase these varieties due to less demand, the farmers are left with the only option of trying to sell it locally where the tastes/preferences are quite different, thereby leading to huge losses of these farmers.

To escape from such an alarming situation, the farmers try to return to the cultivation of the original varieties that they were growing and more often than not they miss the planting season which adds to the woes of the farmers as these flowers often start blooming in the off season. The farmer is then further pushed into a debt trap from which it is extremely difficult to escape. Hence, the role of such middlemen being so vital for these farmers, care has to be taken by the District Level Officers of the Department of Horticulture to ensure that they be the only guiding factors to these farmers and not the middlemen.

### 4.2: Cold Chain

A cold chain is a temperature-controlled supply chain. An unbroken cold chain is an uninterrupted series of storage and distribution activities which maintain a given temperature range. It is used to help, extend and ensure the shelf life of products like fresh agricultural produce including horticulture and floriculture, seafood, frozen food, chemicals and pharmaceutical drugs etc.

Cold chains are essential for extending the shelf life, period of marketing, avoiding over Capacity, reducing transport bottlenecks during peak period of production and maintenance of quality of produce. The development of cold chain industry has an important role to play in reducing the wastages of the perishable commodities and thus providing remunerative prices to the growers. Developing an integrated supply chain, including cold chain can reduce the wastage of perishable horticulture and floriculture produce.

The cold chain involves the transportation of temperature sensitive products along a supply chain through thermal and refrigerated packaging methods to protect the integrity of these shipments. There are several means in which cold chain products can be transported, including refrigerated trucks and railcars, refrigerated cargo ships as well as by air cargo. But airlines do not prefer to carry cargo which is seasonal, perishable, voluminous yet not in such large quantity.

Various industries covered under cold chain are agriculture, horticulture & floriculture, dairy, confectionery, pharmaceuticals, chemicals, poultry, etc. India has around 6300 cold storage units, but can only store less than 11percent of the country's total produce.[1]

India is bestowed with a varied agro climatic conditions which are highly favourable for growing a large number of horticulture crops such as vegetables, fruits, aromatic plants, herbs and spices, etc. India is among the foremost countries in horticulture production, just behind China. However, despite the rise, India is way behind its nearest rival in per-hectare yield and processing of horticulture products. India stores only two percent of its horticulture products in temperature-controlled conditions, while China stores 15 percent and Europe and North America stores 85 percent of their products in such conditions. Adequate cold storage facilities are available for just about 10 percent of India’s horticulture production. Of the total annual production, 30-40 percent is wasted before consumption. During the peak production period, the gap between the demand and supply of cold storage capacity is approx. 25 million tonnes.[2]

Although cold storage capacity of over 30 million tonnes has been created in the country, the concept of cold-chain is still in its infancy in India. Considering the fact that India is producing about 270 million tonnes of horticulture produce every year, the development of cold-chain networks assumes high priority. Owing to the tremendous pressure on improving supply chain and reducing losses during produce handling and movement, the need for creation of a cold chain network is crucial for perishable food commodities.

Regionally, the existing cold storage capacity is concentrated in terms of both number and capacity in the northern region. Uttar Pradesh and West Bengal contain over 65 percent of the cold storage units in the country and the rest are spread across India.

**Table 4.2.1 : Region wise Number and Capacity of Cold Storages in India (2011)**

| | **CENTRAL** | **EAST/NORTH EAST** | **NORTH** | **SOUTH** | **WEST** | **ALL INDIA** |
|---|---|---|---|---|---|---|
| **NUMBER** | 430(7%) | 975(15.8%) | 2895(47.0%) | 866(14.1%) | 990(16.1%) | 6156(100%) |
| **CAPACITY (Millon MT)** | 1.71(6.0%) | 7.82(27.3%) | 14.95(52.1%) | 1.95(6.8%) | 2.25(7.9%) | 28.68(100%) |

Source: Ministry of Agriculture, Government of India (2011)

Cold storage in India has been largely adopted for long-term storage of potatoes, onions and high value crops like apples, grapes and flowers. 75 percent of the cold storage capacity is used to store potatoes, while only 23 percent fall in the multi-product category. Cold storages for meat, fish and dairy items and for other items such as chillies and other spices account for only 1 percent of total cold storage capacity. These cold storages are also usually smaller in capacity. Much of this multi-purpose cold storage capacity is located in the states of Karnataka, Maharashtra, West Bengal, Tamil Nadu and in the National Capital Region (NCR).

**Table 4.2.2 : Commodity Wise Break-up of Cold Storages (as on 31st Dec 2009):**

| COMMODITY | CAPACITY (MILLION MT) | % OF TOTAL | NO. OF COLD STORAGES |
|---|---|---|---|
| POTATO | 18.43 | 75.4 | 2862 |
| MULTIPURPOSE | 5.64 | 23.1 | 1584 |
| FRUITS & VEGETABLES | 0.10 | 0.4 | 160 |
| MEAT & FISH | 0.19 | 0.8 | 497 |
| MILK/ MILK PRODUCTS | 0.07 | 0.3 | 191 |
| OTHERS | 0.03 | 0.1 | 87 |
| TOTAL | 24.46 | | 5381 |

Source: Ministry of Agriculture, Government of India (2009)

Further enhancement in the cold storage capacity would be very beneficial to both the farmer and the consumer as it minimizes wastages and provides fresher and off-seasonal food.

The Department of Agriculture and Cooperation is endeavouring to strengthen the supply chain infrastructure including cold chains through various schemes. Some of the most prominent schemes are National Horticulture Mission (NHM) – a centrally sponsored scheme, Horticulture Mission for North East and Himalayan States (HMNEH) – a central sector scheme and National Horticultural Board (NHB) – central sector scheme.

**National Horticulture Mission**: The scheme would be covering following areas:

(i) Development of Commercial Horticulture through Production and Post Harvest Management of Horticulture Crops;

(ii) Capital Investment Subsidy Scheme for construction/ expansion/ modernization of Cold Storages/Storages of Horticulture Produce

(iii) Technology Development and Transfer for promotion of horticulture;

(iv) Market Information Service for Horticulture Crops; and

(v) Horticulture Promotion Service

**National Centre for Cold Chain Development**: NCCD has been mandated to

(i) Provide an enabling environment for the cold chain sector to gain prominence and Invite the much needed private sector involvement.

(ii) To establish standards and protocols related to cold chain testing, verification, certification and accreditation as per international standards.

(iii) To provide technical assistance to Financial Institutions, Government Departments/ agencies, and industry for selection of cold chain component such as refrigeration units, refrigerated transport equipment, display cabinets, milk tanker etc.

(iv) To offer HRD and technical advisory services to personnel engaged in this sector.

Extensive regions of East and North-East Himalayas have a very limited number of cold storages and only a few of them are operational. NHB has funded a few cold storages in the region; Guwahati airport also has a walk-in–cooler of 15 MT capacities, which is lying inoperative. A same kind of cold storage installed at Agartala airport was also doomed with the same fate. APEDA has provided 100% assistance for purchase of 4 refrigerated trucks in the region for promotion of export of horticulture products. The cost of hiring refrigerated trucks for transporting horticulture produces from Guwahati to the major cities in the country for further exports is very high.

At present there are no pre-cooling or cooling facilities for the produces of the region. In order to exploit the potential of horticultural crops, an efficient cold chain needs to be developed, best done by private enterprises or farmers co-operatives.

**4.3: Market structure**

The domestic floriculture industry is growing in leaps and bounds. Globalisation and urbanisation have encouraged a huge internal demand for flowers that is growing overtime, not only in size but also in variety and popularity. Thus to cater to the large domestic market, floriculture should be accepted as a viable option to satisfy the needs for domestic consumption.

Dr.S.C.Pawar of the Union Ministry of Agriculture while speaking at a function organized by the Rose Society in Pune in the year 2012 said that the Union Government would divert its focus from food grain production to floriculture and horticulture as farmers in India had produced more than enough food grains to ensure food security. He also pointed out that “Approximately 2.4 lakh hectares are under floriculture cultivation in the country at present, with a turnover of more than Rs.1 lakh crores. The return of investment is pretty high here. In even a half- acre area, the farmer can turn a profit of 4 or 5 lakhs”[3]

Narendra K. Dadlani in ‘Cut Flower Production in India’ (1998) highlights the fact that marketing of cut flowers in India is much unorganised at present. In most metropolitan cities, with large market potential, flowers are brought to wholesale markets, which mostly operate in open yards. A few large flower merchants generally buy most of the produce and distribute them to local retail outlets after significant mark up. The retail florist shops also usually operate in the open on-road sides, with different flowers arranged in large buckets. In the metros, however, there are some good florist show rooms, where flowers are kept in controlled temperature conditions, with considerable attention to value added service. The government is now investing in setting up of auction platforms, as well as organized florist shops with better storage facilities to prolong shelf life.[4]

The markets in the region are largely unorganized and dominated by the small private traders. The infrastructure, procurement practices and marketing approaches are the major constraints in development of markets in the region. Though the economy of the region is essentially agro-based with majority of population engaged in agricultural operations, the development of agricultural marketing systems has been very poor and only a very small quantity of marketable surplus is sold in the regulated markets. The basic infrastructure facilities like storage, warehousing and transportations are missing and thereby affect the storage and mobilization of goods. Only a few States have market regulation act and enacted the same and the middlemen in the process take advantage of the farmers’ poor conditions and weak bargaining power. The farmers, in general bring their surplus produce from distant villages to the nearest markets for disposal and at times, not being aware of the prevailing market trends, resort to distress sales.[5]

Disorganised and unregulated market structure looms as a giant villain in major areas of East and North-east India. In the absence of *mandis* in most of these regions, middlemen from outside the locality exploit the farmers who are denied a remunerative price. Farmers are assured with false promises to buy their entire produce. Such deals are honoured only initial few times and then the farmers are taken advantage of their simplicity and dropped like hot bricks in their hour of need. These outsiders cannot be easily tracked down and the misery of the farmers keeps mounting.

As flowers are highly perishable, their quality starts deteriorating right after harvest and continues to do so until they are consumed. To tackle this problem, elaborate and extensive marketing channels, facilities and equipments are vital. This behaviour of flowers makes it necessary for them to be not held for long periods and fresh produce from one area be often sent to distant markets without a certain buyer or price. Prices may be negotiated while the commodities are en route, and they are frequently diverted from their original destination if a better price can be found. Sellers might have little market power in determining a price. As a result, a great deal of trust and informal agreements are involved in marketing fresh flowers.

Due to the perishability and biological nature of production process, there is a difficulty of scheduling the supply of flowers to market demand. The flowers are subjected to high price and quantity risks with changing consumer demands and production conditions. Unusual production or harvesting weather or a major disease can affect the marketing system detrimentally. While food-marketing system demands stable price and supply, a number of marketing arrangements like contract farming provide stability.In the absence of control or regulation, prices of floriculture products go haywire. No one gains as on one hand the consumers have to pay very high price while on the other hand, the farmers settle for a minimal bargain.

The supply of infrastructure is neither smooth nor fair. Farmers may be further exploited by a number of counterfeit companies operating under the brand-names of international giants who promise to supply hybrid varieties of seeds, planting materials, plastic sheets for greenhouses etc. They demand high prices for these equipments but fail to deliver the desired quality. Thus the farmers' hope on seeds of plants guaranteed to produce flowers of a certain size and quality or plastic sheets to last for quite a few years, would be nipped in the bud.

Narendra K. Dadlani correctly pointed out that the packaging and transportation of flowers from the production centres to the wholesale markets at present is very unscientific. The flowers, depending on the kind, are packed in old gunny bags, bamboo baskets, simple cartons or just wrapped in old newspapers and transported to markets by road, rail or by air. The mode of transportation depends on the distance to the markets and the volume. Mostly, flowers are harvested in the evening time and transported to nearby cities by overnight trains or buses. In recent years, the government has provided some assistance for buying refrigerated carriage vans. A large number of export oriented units have built up excellent facilities of pre-cooling chambers, cold stores and reefer vans and their produce coming for domestic market sales are thus of very good quality and have longer vase life and command higher price. The government programmes for floriculture development include creating common facilities of cool chain in large production areas to be shared on cooperative basis. Formation of growers' cooperatives/associations is being encouraged.[6]

Perishable cargo complexes have come up in A-grade cities in India but mostly remain unused due to lack of coordination between the authorities and the growers.

In the flower trade, transporters cum commission agents may act as intermediaries to establish the supply linkages. Wholesale traders are directly linked with farmers or intermediaries. Flowers are despatched in cartons, crates or bags by these farmers or intermediaries along with necessary details of the wholesaler like his name, shop number etc. Transportation vans may be used for this purpose. Various channel arrangements may exist for traditional and cut-flower business. To facilitate interaction with market intermediaries, farmers may merge together either voluntarily or in the form of a cooperative or under an individual aggregator. Thereafter, direct contact is established by them with traders in the big wholesale markets within a distance equal to twenty-four hours by road/rail. It has been observed that due to the relatively low volume and high value of cut flowers, such aggregation of farmers might fail to work out. So farmers prefer to have direct contact with wholesale traders in prominent centres like Kolkata and Guwahati where flowers can be conveniently transported in simple cartons with minimum hassle. If the farmers can guarantee proper quality and volume, new linkages with greater number of wholesalers can be easily accomplished.

No special marketing efforts are employed by florists. The dominant ones are popularly known by virtue of word-of-mouth publicity. It is noticeable that internet based orders with web-advertising are steadily on the rise. Efforts at advertising or other forms of marketing being negligible, florists frequently go in for tie-ups with marriage halls, hotels and corporate offices to maintain bulk business.

Small florists generally keep the flowers in normal room conditions with two days of shelf-life. During this short span, the flowers do not experience any significant fall in price due to oldness. But when large florists hold the stock for six to seven days at times, the price might depreciate to almost 50%.

Focusing on East and North-east Himalayas, it can be observed that Siliguri, Guwahati, Shillong and Dimapur are emerging as prominent trading centres for flowers of diverse nature. The retail market in such upcoming cities may be divided into two broad classes – Product market and Services market. The Product market can be further subdivided into Retail bouquet based customers and bulk order customers and is primarily catered to by the road–side vendors across the city. Decorations at events and weddings and institution servicing form the Service market is made functional by a select group of florists who operate on a large scale. The youth and the relatively affluent class in the society constitute the individual buyers of cut-flowers. Such flowers are made more attractive with the help of value addition and sold in the form of beautifully arranged bouquets to be gifted on special occasions. The marriage halls, hotels and corporate offices serve as the institutional client base for cut-flowers with the marriage halls occupying the lion’s share. A regular level of demand on a daily basis keeps being generated by the hotels and corporate offices. Although the local city markets within West Bengal and Assam are heavily dependent on supply of flowers in volumes from the Mullickghat flower market in Kolkata, it can be concluded that with increasing number of entrepreneurs emerging in selected regions of East and North-east Himalayas, this dependency is on the decline and these areas are gradually moving towards self-sufficiency in catering to their local demand for different varieties of ornamental cut-flowers.

The flower markets at Kolkata and Guwahati exhibit strong seasonality in demand. The marriage season acts as the most important deciding factor affecting demand for flowers throughout the year. Even during the months covering the marriage season, demand can be seen to hike steeply around the dates coinciding with the dates for marriages while it slackens on other days. Demand noticeably shoots up during Christmas, New Year, Valentine's Day, Mother's Day, Friendship Day and such other special days. Rise in price at consumer levels normally occur from December to March after which it starts declining and reaches the lowest level during the monsoon period from June to August. Therefore, floriculture in the East and North-east should be planned keeping in mind this seasonality of demand if the local markets are to be utilised for the supply linkages.

With the increase in income base and consequently the purchasing power of people, the expenses on flowers for decoration in all functions and occasions have increased overtime. In addition, the choice and specificity of flowers have also experienced a considerable growth. Variety and choice of colours have come to play an important role as per community tastes. In this respect, the new variety of flowers like Carnation, Gerbera and Dendrobium are expected to hold a promising future in floriculture in this region.

**4.4: Value Addition vis-à-vis Floriculture**

Value Addition is a means to enhance the economic value and to make a floricultural commodity more appealing in the eyes of the consumer. This can be achieved by changes in genetics, processing or diversification. By devoting more time, labour and skill than is usually required in the farms, a mundane raw commodity can be made unique thereby ensuring higher profits. Although the process not only adds value but also cost to production, proper planning and marketing helps to neutralise the apparent economic burden while significantly raising the net cash return of a small-scale Floricultural enterprise. It not only promises higher returns to the farmer but also offers more attractive quality products for the domestic and export market.

The success of value addition depends to a great extent on careful identification of goods that make use of local resources and that fulfil the gap in the market. Making use of post harvest technology and improved logistics, the idea is to market the floriculture product by luring the customers towards it. Value addition is necessary to keep pace with changing consumer preferences, to rule out the negative influence of middlemen, to adopt a progressive outlook for expanding the market and to boost ones self-confidence by being armed with an improved product. Better the marketing strategy, higher are the returns. This augmented return encourages the farmer to produce more, expand exports and also lures new entrepreneurs. Whoever adds to the value of goods, whether the farmer or processor or retailer, usually gets to enjoy the benefits. Even the growth and development of agriculture is dependent on proper value addition.

Value addition can be carried out by processing the raw materials, wrapping and packing in a novel manner, labelling the product, imparting a unique appearance to the product, increasing shelf-life, arranging in baskets and even by building good reputation and relationship. It can be in the form of essential oil extraction from flowers, cut flower production (Fresh/Dried) for occasions, live/potted plants, foliage and other parts of plants in fresh or dried state or as potpourri. Flowers being perishable goods, ways and means of packing it suitably and prolonging the cut flower life, can have far-reaching impact on expansion of both domestic as well as foreign markets. Value-added floral products ensure better commercial response, attract more consumers – both domestic and international, promote exports and enhance the earnings of the farmer along with more foreign exchange for the country.

Problems surface in catering to different varieties as per market preference, in implementing the required technology for practising value addition and in coordinating plan and approach of agencies at different levels in separate functional areas like research, extension, finance, quality assurance and certification.

Floriculture is emerging as one of the most successful branches of diversified horticultural industry. But just like any other business, the prime motive is profit. So it is necessary to make the right choice on the type of crop and location and also to move suitably with changing times and consumer tastes and preferences making way for value added floral products like essences, perfumes and other by products from flowers. This is an example of how production responds to shifts in consumption pattern.

Value addition in floral products through processing, packaging and supply chain management generates higher income and employment. Diversification in farming activities and connecting them to relevant markets together with value addition can only be made effective by directed policy actions.

However, it has been observed that in certain areas of the east and north-east Himalayas, there is huge shortage of power, particularly in the summer months which causes immense hardship to all players in value addition industry in terms of higher input prices. Appropriate and new trends in packaging material for perishable commodities like cut flowers used in value addition are not readily available to sustain transfer of these products to metropolitan cities. There are changes in trends and quality of packing in domestic and international markets. Hence, it is absolutely necessary that these changes/improvements in packaging industry for cut flowers be extended to these areas as well. A widely accepted alternative prevailing here is to firstly, procure packaging materials from larger floriculture hubs from western parts of the country which leads to higher packaging costs. Secondly, some state governments have recently started manufacturing packaging items but unfortunately lack the quality desired. A transport subsidy comes handy to the farmer for importing such materials from abroad in order to balance out the cost.

A package programme similar to the Green Revolution in India that became a reality due to the coordinated supply of inputs, technology, seeds and credit, is the need of the hour for successful value addition in floriculture. The domestic and international market demand should pave the way for diversification on high value- added floral products. Only with the guarantee of a ready and well-developed market will the farmers be willing to take the risk in this regard, keeping in mind the perishability of their produce and with the hope of getting remunerative prices and a smooth supply of inputs. Concerted efforts on the part of planners, policy makers as well as producers can bring about the desired innovation in floriculture and groom it for a better tomorrow.

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