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Unaddressed Issues In Agri Marketing

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(The editorial is based on the article “Unaddressed Issues In Agri Marketing” which appears in BusinessLine. It analyses the issues related to Agriculture Marketing.)

Agriculture is the backbone of Indian economy. Even, with the growth of other sectors, **agriculture still continues to play a dominant part in the overall economic scenario of India.** But, is plagued with many problems. The problem of agri marketing tops the list of issues related to agriculture. Agricultural marketing plays a pivotal role in promoting and sustaining agricultural production and productivity, leading to food security and inclusive growth of the country.

The reform of agricultural markets is a long pending policy issue in India. Like many other issues related to agriculture, which is a State subject, this one too is caught in a tussle between the Central and State governments.

Agricultural marketing is mainly a state entitlement with the Central Government providing support under central sector schemes. Starting from the year 1951, various Five-Year Plans focused on the price support programs through **Minimum Support Price (MSP)**, development of physical markets, on-farm and off-farm storage structures, facilities for standardization and grading, packaging and transportation. However, these can only succeed if states are willing and active partners.

Minimum Support Price (MSP) is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices. The minimum support prices are announced by the Government of India at the beginning of the sowing season for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP).

Background

The first attempt for reforms in agricultural markets was made by the Central government by designing a model **Agricultural Produce Market Committee (APMC) Act in 2003**. It provides for new market channels other than the APMC market- such as direct purchase, private wholesale markets, and contract farming for farmers and buyers alike.

Under the APMC acts, farmers are required to sell a large number of commodities in the vast majority of the states in a local mandi where intermediaries often manipulate the price. These same intermediaries then sell the produce to the next layer of intermediaries. Because mandis lack good storage and warehousing facilities especially when it comes to fruits and vegetables, substantial wastage occurs undermining the price received by the farmer. Mandis also charge multiple entry, exit, and other fees. Therefore, it is essential that states genuinely reform their APMC acts.

Then came, **Agricultural Produce and Livestock Marketing (promotion and facilitation) Act, 2017 (APLMA, 2017)**.

Why Agri Marketing issues are still unaddressed?

- **Only some States have adopted the APLMA Act fully.** Lack of coverage is one of the main hindrances in addressing the issues of agri marketing.
Maharashtra tried to bring this into its APLM Act but had to withdraw this provision due to a traders' strike.
- What is needed for **more effective MSP implementation** is the effective provision of procurement by the State and its agencies with the involvement of local institutions like PACS (Primary Agricultural Credit Societies) and producer companies.
- **The Contract farming has been taken out of the APMC domain**, citing conflict of interest. Traders and commission agents oppose it due to their business getting adversely affected; the contracted produce does not have to come to the APMC mandi or pass through the mandi agents.

Contract farming can be defined as agricultural production carried out according to an agreement between a buyer and farmers, which establishes conditions for the production and marketing of a farm product or products.

- **Not many private markets** could come up during the last 15 years as the local APMCs felt threatened by them and scuttled them, by not allocating land, placing other conditions and even charging a fee from them- despite many of them being granted licenses.
- **Flawed MSP provision** forces the private traders to buy produce at or above MSP or penalizing for not doing so, can kill the private markets for agricultural produce.

- The issue is that who will regulate direct purchase outside the market yard by buyers like food supermarkets or traders or exporters. This is also contradictory to section 4(1) of the Act 2017, which declares the whole State as one unified market.
- The act does not deal with issues in the livestock sector which is a very important sector of the agribusiness economy.
- By clubbing the farm produce and livestock into one legislation, it also fails to recognize that the dynamics of these markets are very different in terms of perishability, frequency, and nature of transactions.
- The model Act asks the APLMC to ensure that traders do not hoard produce but no measures to prevent it are specified. This, therefore, is a half-hearted provision.
- Most disappointingly, the **Act ignores the vexed issue of the role of Arthiyas (commission agents or CAs)** in the APMCs and maintains them as central agents in the system.

Solutions

- **Removal of entry barriers:** Allow buyers to participate across all markets with a single license. Allow farmers to sell in any market of their choice.
- **Assist price discovery:** Auction of the produce should take place simultaneously on the electronic platform in all regulated markets all over the country.
- **Standardized scientific assaying and grading:** Reliable assaying and quality testing infrastructure have to be established in every market, and quality-based bidding must be encouraged. Standardization of quality and quantity parameters, dissemination of these parameters to buyers, clearing and settlement mechanisms and dispute resolution are key prerequisites for encouraging participation from remote locations in a pan-India market.
- **Electronic settlement of sales:** Collection of sale proceeds from the buyer and remitting it to the bank account of the seller must be facilitated by the market;
- **Removal of controls:** Restrictions on inter- and intra-state transportation of commodities should be removed.
- **Move to a warehouse-based trading system:** In the longer term, the marketing system needs to transform into a warehouse-based trading system. A farmer brings his produce to a warehouse; the produce is graded as per a standard protocol and the farmer is issued a Negotiable Warehouse Receipt (NWR). The NWR guarantees the grade quality of the product for a certain period of time.
- **Involvement of other stakeholders:** Participation of private players along with farmer producer organizations (FPOs) should be encouraged. The Maharashtra model of linking FPOs with Apni Mandi concept of providing marketing platforms to retail FPOs production to consumers should also be considered.
- **Improve market infrastructure:** Existing physical infrastructure related to logistics, supply chain, storage should be improved.

- **New institutional mechanisms:** The public-private partnership (PPP) model adopted by Karnataka with the help of National Commodity and Derivatives Exchange Limited (NCDEX), wherein an SPV was floated to create a United Market Platform (UMP) model across 65 markets offers some key lessons on some aspects of operationalizing the NAM. Additionally, besides the PPP model, the build-operate-transfer model also needs to be explored. Formation of a Special Purpose Vehicle (SPV) can be a way forward to implement the strategy.

Way Forward

- NITI Aayog three year agenda calls for reforming the APMC (Agricultural Produce Marketing Committees) acts so that farmers are empowered to sell their produce to whomsoever they wish. This will ensure that farmers receive remunerative prices.
- On the issue of fragmented agricultural markets in India, the plan recommended plugging the gaps in eNAM (electronic National Agricultural Market) where cross-market purchases are few and far between. These issues held responsible for agriculture becoming a loss-making venture.