# Agriculture Produce to Agriculture Marketing

This article is based on the news "Creating the right 'market connect' for boosting farm incomes". It talks about the needs to shift the focus of agricultural policy making from increasing agricultural production to reforming agricultural markets

At the dawn of Independence, Indian policymakers faced with the daunting task of poverty alleviation. In this scenario, land reforms and state-led industrialization were sought to be the prime moving force for the economy. But both the initiatives failed and India didn't have enough food to feed its population and had to go for the USA's food assistance program under PL 480.

Post this experience, India went for Green Revolution in the 1960s and 70's to attain self sufficiency in food production. Since then, successive governments have emphasised raising agriculture production to make India self-reliant in feeding its growing population. However, agricultural marketing hasn't received the corresponding attention, despite having a direct relationship to increased crop production.

## What are the issues in agricultural marketing?

- **Indian farmers today can their sell their produce at:**
  - Farmgate or local market (haat) to village aggregators;
  - APMC (agricultural produce market committee) wholesale mandi to private traders
  - To government at the minimum support price (MSP)
  - **But all three selling options are marred by several issues.**
- **MSP**
  - Announced for 23 crops but given for only 3 crops.
  - MSP is given only on produce meeting "fair average quality" norms
  - Government procurement facilities are not available throughout the country.
  - Also, next phase to growth in agricultural income will come from high yield commodities like dairy products, vegetables, fruits etc. but the government still providing MSP in cereals
- **APMC**
  - APMCs technically have multiple buyers, but the system of open auctions for determining prices through transparent bidding is, in practice, non-existent.
  - In most APMCs, buyers have to route all purchases through licenced aadhatiyas(middlemen).
    - These middlemen charge a commission for their "services" — many times, both from the buyer and seller.
    - The aadhatiya is also often a moneylender, supplying seeds, fertilisers and pesticides to farmers on credit. They, then, are forced to sell through him and settle their dues in perpetuity.
  - Also, mandi fees ranges from 0.5% to 5% on the value of the sale, while varying across states and commodities

- Further mandi fees on inter-state trade amount to double taxation, besides violating the idea of a single national market.
- **Distress sale** due to lack of storage infrastructure
  - At mandis the lowest prices are during the 3-4 post-harvest months and highest in the immediate pre-harvest period.
  - Farmers undertake maximum sales just after harvest, as they need to purchase inputs for the next sowing season.
- To rectify this APMC issue:
  - The Union Agriculture Ministry has formulated the Model Agricultural Produce and Livestock Marketing (APLM) Act
  - The Act seeks to expand farmers' marketing choices — by allowing private markets (as against only APMCs), permitting direct bulk purchases from the farm gate, declaring warehouses or cold storages as deemed markets, and demolishing the existing concept of a **"market area"**
  - But APLM act is witnessing opposition, primarily due to the delineation of "market area", which has a bearing on the earnings of APMCs.

- **Price volatility**
  - The root cause of price volatility is the uncontrolled cycles of excesses and shortages.
  - Price projections in a particular commodity are often made based on previous years' trends that may not hold true, leading to excess or low plantings.

**What is Market Area as per APMC?**

- Currently, an APMC's purview extends to the entire tehsil and villages in that sub-district, with any trade undertaken in this so-called market area being liable for payment of mandi fee.
- The Model APLM Act recognises only the market yard, i.e the area within the boundary walls where actual trade in the mandi takes place

## What are the reforms required?

- **Uniform mandi fees:**
  - It is proposed that a uniform mandi fee of 0.25% or 0.50% be levied nationwide for foodgrains, oilseeds and fruits & vegetables.
  - The consequent losses to APMCs may be compensated by the Centre and state governments, as in the case of the Goods and Services Tax.
- **Eliminate Aadhatiya-based trading:**
  - All trade in APMCs should be through open auctioning, involving multiple bidders for each lot. Such trades should be directly between buyers and sellers, with no middlemen charging commission.
  - The aadhatiya can participate only as a trader.
- **Enable sample-based sales:**
  - The farmer today brings his whole produce to the APMC and the buyers do the physical inspection before bidding.
  - This results in double transportation — from the farm gate to APMC and from the APMC to the ultimate destination.
  - If grading and sorting facilities exist closer to the farm gate, the farmer needs to take only a sample of his produce, along with the relevant quality certification documents, to the mandi. It would save both time and cost.
- **Storage and banking facilities near APMCs:**

- Distress sales can be avoided if facilities for bagging and storage, along with loans against warehouse receipts, are available to meet immediate cash requirements. These should exist in the vicinity of APMCs.

- **Promote FPOs in marketing:**
  - Farmer producer organisations/companies should be encouraged to take up direct marketing of their members’ produce to large buyers and processors.
  - It will result in more competition and better prices at APMCs.
- **Relax/abolish Essential Commodities Act(ECA):**
  - ECA places restrictions on the movement of produce, stockholding, pricing and adoption of new technologies
  - The dismantling of such controls under ECA and other regulations would expand trade and lead to better realisations for cultivators.
  - The narrative of “ease of doing business” is necessary as much for agriculture as other businesses.
- **e-NAM:**
  - The government has created an electronic national agriculture market (eNAM) to connect all regulated wholesale produce markets through a pan-India trading portal.
  - Its effectiveness is, however, dependent on the participation of traders from these mandis.
- **Risk management:**
  - Crop Insurance schemes offer protection to farmers against weather risks.
  - The premium in the Pradhan Mantri Fasal Bima Yojana is largely borne by the Government.
  - While still a work in progress, it is a more comprehensive and farmer-friendly scheme than any other one previously rolled out.
- **Increase the number of markets:**
  - According to Ashok Dalwai Committee, India needs at least 30,000 farms produce markets, as against the approximately 6,500 now.
  - There is a need for a “mini-market” concept to bridge this wide gap.
  - Government’s announcement of GRAMs(Gramin rural agricultural market) is a step in the right direction
  - Also with ubiquitous electronic communication and reliable rural roads, GRAMs can become viable hubs for economic activity and employment generation.
- AgTech startups should be roped in for price discovery mechanism, so that price volatility can be controlled.
- **Producer consolidation:**
  - Consolidation of small and fragmented farms into more viable holdings will improve producers’ access to finance and quality inputs, besides enabling better price realisations.
  - This will also incentivize much-needed investments in land development/ improvement and farm mechanisation.

Addressing the challenges of the agricultural market is complex, yet doable, as the doubling of farmers income cannot come without developing a thriving market of agriculture. Hence, it is high time that focus must shift from agricultural production to agricultural marketing.

***Drishti Input:***

Doubling of farmers income cannot be realised without a thriving agriculture market. In this context, apart from agricultural marketing reforms. Comment.