Unit 46. Agricultural Marketing Reforms- Model APMC Act and NAM

India is an agrarian economy with 70% of its population dependent on agriculture. Over the years we have improved our agricultural production which has been a boon. But finding a market for the marketed surplus and getting fair prices have always been a major challenge. This clearly points out the need of agricultural marketing in the present times.

What is agricultural marketing?

Agricultural marketing covers all the activities in the movement of agricultural products from the farms to the consumers.

Why is agricultural marketing so important?

- Advanced agricultural practices resulted in the surplus production which changed the subsistence face of Indian agriculture.
- Approximately 33% of the output of food grains, pulses and nearly all of the productions of cash crops like cotton, sugarcane, oilseeds etc. are marketed as they remain surplus after meeting the consumption needs of the farmers.
- As agriculture sector produces raw materials for many of the other industries, marketing of such commercial products assumes significance.
- Increased efficiency of the marketing mechanisms would result in the distribution of products at lower prices to consumers having a direct bearing on national income.
- An improved marketing system will stimulate the growth in the number of agro-based industries mainly in the field of processing.

History of Agricultural Marketing in India

For a long time, a traditional market system was existent in India. It was characterized by the village sales of agricultural commodities, post-harvest immediate sale by farmers etc. In 1928, the Royal commission has pointed out the problems of traditional marketing such as high marketing cost, unauthorized deductions, and prevalence of various malpractices. This led to the demand of having regulated markets in India.

What is a regulated market?

The regulated market aims at the elimination of unhealthy and unscrupulous practices, reducing market costs and providing benefits to both producers as well as the sellers in the market.

Post the independence period in the sixties and seventies, most of the states enacted the Agricultural Produce Market Regulation Acts (APMR Acts). It authorized the States to set up and regulate marketing practices in wholesale markets. The objective was to ensure that farmers get a fair price for their produce.

Drawbacks of regulated markets

However, regulated markets had some drawbacks such as:

- Under this regulation, no exporter or processor could buy directly from farmers. It discouraged processing and exporting of agricultural products.
- Under the act, the state Government could only set up markets, thus preventing private players from setting up markets and investing in marketing infrastructure.
- Formation of cartels with links to caste and political networks resulting in price variations.
- An increased number of middlemen formed a virtual barrier between the farmer and the consumer.

- The licensing of commission agents in the state regulated markets has led to the monopoly of the licensed traders acting as a major entry barrier for new entrepreneurs.
- The fragmentation of markets within the State hinders the free flow of agro-commodities from one market area to another and multiple handling of agri-produce and multiple levels of mandi charges end up escalating the prices for the consumers without commensurate benefit to the farmer.

Solution: Amendments in APMC Acts

- Consequently, the inter-ministerial task force on agricultural marketing reforms (2002) recommended the APMC Act be amended to **allow for direct marketing and the establishment of agricultural markets by the private and co-operative sector** to provide more efficient marketing and creating an environment conducive to private investment.
- In response, the Union Ministry of Agriculture proposed **a model act** on agricultural marketing in consultation with State governments for adoption by the States. (Here, you should note that agriculture is a state subject and hence Central government can only give guidelines. It is within the powers of state government to decide whether to make amendments or not.)

Model APMC Act 2003 – Salient features:

- As per the act, the State is divided into several market areas, each of which is administered by a separate Agricultural Produce Market Committee (APMC) which impose its own marketing regulation (including fees).

- Apart from that, legal persons, growers, and local authorities are permitted to apply for the establishment of new markets for agricultural produce in any area.
- There will be no compulsion on the growers to sell their produce through existing markets administered by the Agricultural Produce Market Committee (APMC).
- Separate provision is made for notification of 'Special Markets' in any market area for specified agricultural commodities.
- Provision for Contract Farming, allowing direct sale of farm produce to contract farming sponsor from farmer's field.
- Single point levy of market fee on the sale of notified agricultural commodities in any market area.
- Provision made for resolving disputes arising between private market/ consumer market and Market.
- Provides for the creation of marketing infrastructure from the revenue earned by the APMC.

National Agriculture Market (NAM)

The motivation for a unified market platform can be traced to the Rashtriya e-Market Services (ReMS), an initiative of Karnataka State Agricultural Marketing Board with National e-Markets Limited (NeML), erstwhile National Commodity and Derivatives Exchange (NCDEX) Spot Exchange.

NAM, announced in Union Budget 2014-15, is a pan-India electronic trading portal which seeks to connect existing APMCs and other market yards to create a unified national market for agricultural commodities.

Features of NAM:

- NAM is a "virtual" market but it has a physical market (mandi) at the back end
- NAM creates a unified market through online trading platform both, at State and National level and promotes uniformity.
- The NAM Portal provides a single window service for all APMC related information and services.
- While the material flow of agriculture produce continues to happen through mandis, an online market reduces transaction costs and information asymmetry.

However, in order for a state to be part of NAM, it needs to undertake prior reforms in respect of

- A single license to be valid across the state.
- Single point levy of market fee.
- Provision for electronic auction as a mode of price discovery.

Persisting Challenges

- The model APMC act that promoted the participation of private sector has not been implemented by all the states and the monopoly of APMC continues.

Summary

In current days of mass production and marketing which is being replaced by customer-based or market-driven strategies, an effective marketing extension service is the need of the hour. This has added significance in the light of post-WTO scenario. If the Indian farmers have to withstand the possible onslaught of international competitors, both in domestic as well as overseas markets, agricultural marketing services have to be strengthened.