

Agricultural Marketing

CONCEPT PAPER ON REFORMS IN AGRICULTURAL MARKETING (APMC Act)

1.0 AGRICULTURAL SCENARIO

Indian agricultural has set new mile stones in its progress. Tremendous strides have been made in recent past . All time high record of production of 209 million tonnes of food grains in 1999-2000 and 137 million tonnes of fruits and vegetables etc reminds us of reviewing the past and the strategies to be conceptualized keeping in view the future and fast changing scenario. The increased trend in production has brought in its wake new challenges to handle in terms of huge marketable surplus. A strong and efficient marketing systems is the core content of agricultural Marketing in the country keeping in view thee management of Marketable surplus. It is also noteworthy to find the markets overseas keeping in view the policy of liberalization .

2.0 NEED FOR GROWTH OF MARKETING INFRASTRUCTURE

Marketing infrastructure is most important not only for the performance of various marketing functions and for expansion of the size of market but also for transfer of appropriate price signals leading to improved marketing efficiency.

2.1 The projection production and marketable surplus of farm produce show that the volume of the commodities to be handled will be quite large . The paddy output available for milling will be around 155 million tonnes. The marketed surplus of cereals will be 102.74 million tonnes and pulses will be 15.20 million tonnes . Row cotton output is projected to be 3.2 million tonnes. The marketable surplus of perishable (fruits vegetables and livestock products) is anticipated to go up for present 172.69 million tonnes by 2006-07. The capacity to clean grade process store transport etc. to have to expand correspondingly to handle the additional marketed quantities.

3.0 PRESENT STATUS OF AGRICULTURAL MARKETING

Government organized marketing of agriculture in the country through the network of regulated markets established under the provisions of the Agricultural Produce Market Act enacted by the states and union territories. As on 31/3/2001 the markets covered under regulation is 7177. In addition there are 27924 rural periodical markets or hats. About 15 % of these in markets have been brought under the ambit of the regulation.

3.1 The regulated markets have helped in mitigating the market handicaps of producer's sellers. These have also provided physical facilities and institutional environment to the wholesalers commission agents. Traders and other functionaries for conducting activities.

3.2 It was envisaged that these regulated markets will provide facilities and services which would attract the farmers and buyers creating competitive trade environment thereby offering best of prices to the producer- sellers.

3.3 Studies of regulated markets show that they have achieved limited success in providing need based facilities and services conducive to achieving greater marketing efficiency. Most of these markets lack requisite facilities for handling the produce arriving in the yard. Rural markets in general and tribal hats in particular remained out of the ambit of the development.

3.4 Over a period of time these markets have acquired the status of institution with control and restrictions providing no help in direct marketing organised marketing organised retailing smooth supply of raw material to agro-processing units competitive trading information exchange adoption of innovative marketing system and technologies etc. as was envisaged under the provision of the Act (Chapter on conduct of business powers and duties of the market committee). Monopolistic tendencies and practices have prevented development of free and competitive trade in primary markets future markets (or secondary markets) use of new tools and techniques in pre harvest management and post harvest management in handling exports agro based industries ware housing etc . The prominent activities like grading standardization scientific storage linked with finance search for suitable markets for excess of marketable surplus education of farmers in pre and post harvest management and facilities in

the markets have become secondary activities . Marketing development funds have been siphoned to public ledger account by the state authorities adversely effecting modernization and infrastructure development vital for operational efficiency.

3.5 The world wide Governments have recognized the importance of liberalizing agricultural markets. In South Africa Agricultural Marketing is changed from controlled marketing to a free system . In Holland the growers co-operatives are acquiring new companies a specialized in commodity export and Import to achieve high degree of professionalism in marketing.

3.6 The ever increasing production spread of latest technologies changing socio economic environment increasing demand for downsizing the distribution chain reducing the marketing margins between the producers and the ultimate consumers challenges emerging out of liberalization and globalization in the post WTO period required a vibrant dynamic and assimilative marketing structure and system .

4.0 REFORMS REQUIRED :-

4.1 In order to have vibrant competitive marketing systems the Government had to bring about reforms in existing policies rules and regulations with a view to remove all legal provisions inhibiting free marketing system . This is necessary to explore market access opportunities provided by liberalization.

4.2 Some of the legal provision inhibiting development of vibrant dynamic and assimilative marketing structure and systems is the Agricultural Produce Marketing (Regulation) Act.

4.3 The expert committee on strengthening and Development of Agricultural Marketing suggested various reforms in the statutory arrangements relating to agricultural Marketing as well as policies and programmes for development and strengthening of agricultural Marketing with a specific reference to needed investment package of incentives easy and adequate marketing credit.

4.4 This committee also recommended a review of the existing legal frame work removal of restrictive provisions to promote competitive marketing structure to promote direct marketing

by the farmers to improve price realization to encourage forward and future trading to reduce price risk to induce increase the flow of funds to agricultural sector to support pledge financing by treating it as a direct priority sector lending and to promote market led extension to use of information technology for improving marketing services to the farmers .

4.5 A interministerial task force under the Chairmanship of Additional Secretary Department of Agriculture and Co-Operation Govt. of India deliberated on these recommendations and identified nine areas. To work out action plan nine interministerial sub groups were constituted . The sub groups on legal reforms in Agricultural Marketing under the Chairmanship of the Joint Secretary (Marketing) . The specific areas identified for reforms in the State Agricultural Produce Marketing Regulations Acts (APMC) are :- (a) Promotion of integrated markets in Private /Co-Operative sector :-

Under the existing Act it is the state Govt. who are alone empowered to initiate the process of setting up a market for certain commodities to be regulated for a defined area . in which regulation is to be enforced under the provision of APMC Act . As a result of this provision (under the chapter :- establishment of markets) the process of initiation of a market the service providers of agricultural marketing do not have any role . Thus the service providers and / or any other individual or body of individuals can not take initiatives for evaluation of viability and feasibility for setting up of a well developed market with amenities and facilities required at a competitive cost . A ball has been set rolling in Karnataka by providing additional chapter (XIII-A) in the Karnataka Agricultural Produce Marketing (Regulation) Act 1966 to provide for the establishment of ' National Integrated Produce Market' owned and managed by the NDDB for the marketing of fruits vegetables and flowers. It is high time that all other States follow suit by amending the APMC Act in their respective states for providing establishment of alternate marketing structures in the shape of ' National Integrated Produce Market ' to be owned and managed in the private sector or co-operatives sectors or farmers self help groups farmers associations private entrepreneurs or joint ventures . The service provider may be allowed to levy and collect service charge from the users who may be the producers – sellers or from the market users .

The integrated market infrastructure services will in addition to the physical infrastructure include: -

- i. Assembling
- ii. Cleaning Sorting Grading packaging and quality certification
- iii. Storage and finance
- iv. Transport
- v. Retailing and Wholesaling
- vi. E- trading
- vii. Warehousing and pledge financing
- viii. Value addition and
- ix. Market information exchange service.

b) Direct Marketing: -

The direct marketing enables farmers to meet the specific demands of wholesalers or traders from the farmers inventory of graded and certified produce on one hand and of consumers based on consumers preference on the other hand helps the farmers to dynamically take advantage of favorable prices reduce marketing cost and thus their net margins. This encourages farmers to under take cleaning sorting grading and quality marking at the farm gate. This will obviate the need to haul the produce to the regulated markets which are not necessarily equipped with all required services and facilities affecting the marketing efficiency adversely. It is reported that the consumers prices declined by the 20 to 30 % and producers received the prices rose by 10 to 20 % in South Korea as a consequence of expansion of direct marketing of Agricultural Products

This model has been experimented in Punjab and Haryana (APNI MANDIS) Andhra Pradesh (Rythu Bazar) and Tamil Nadu (Uzhavar Santhaigal) . All the provision exists in various states market regulation act for direct marketing (chapter : Establishment of Markets)

Conserted efforts have not been made to promote the direct sales by the farmers to consumers or retailers without involving any intermediary in between . In a country like ours there are large numbers of places where such markets could come up in organised sectors with private investment and can be developed in tuned with the time for forward and backward linkages.

c) Contract Farming: -

Contract Farming may be defined as an agreement between processing & /or marketing firms for production support at production support at predetermined prices. This stipulates a commitment on the part of the farmers to provide a specific commodity in terms of quality & quantity as determined by the purchaser & commitment on the part of company to support the farmer for production through inputs & other technical support contract farming is becoming popular in recent years & there are number of success stories like Maul NDDDB PEPSI Co. etc. The Contract farming needs to be further developed after identifying areas commodities & markets for market oriented & demand driven production planning. However while providing for this system of alternate marketing under the APMC Act it is necessary to draft any appropriate legislation separately for ensuring definition of terms & conditions of the agreement keeping in view the objectives.

d) Direct Contract between Producers & Processing Factories: -

Presently the farmers are not in position to enter into direct contract with the processors/ manufacturers located outside the market area as the commodity has to channels through regulated markets. Or in other words producer is not free to sale his produce by entering in to direct contract without attracting the provisions of this act whether inside or outside the market area. The direct contract between the producers & processing factories or bulk processors will provide monitory gains to the producers through improved competitiveness & the consumers by

way of reasonable prices. The provision has to be made through an amendment in the present market act.

e) Direct Purchase from farmers without any license: -

As per the provisions of the present Act once a market area is notified no person can set up establish or use any place for the purchase sale storage and regiment curing pressing or processing of any Agril. Produce or products of livestock or for the purchase or sale of livestock except in accordance with the condition of a license granted by the market committee. This provision prohibits free sale & purchase of agril. Commodities thereby adversely affecting the competitive pricing adds to marketing costs to the produces in the event of bringing the produce to the market yard for improving competitiveness & greater marketing efficiency & pricing edge the producer may be allowed to sell the produce at the farm gate or threshing floor. This will promote direct contract between the producers & the processing factories with monitory gains to the producers processors & finally to the consumers in the free market.

f) Notification of Commodities: -

Under the APM Act the State Govt. is empowered to notify agril. Commodities under the provisions of the Act for the purpose of regulation of marketing. This has resulted into anamoly. Even commodities not passing through the market yard or for which no services are provided are also notified. It is logical that only such commodities be notified which pass through the market yard or for which marketing infrastructure has been provided & the market fee should be in proportion to the infrastructure & facilities provided.

(g) Single Point Levy of Market Fee:

At present by and large market fee is collected on a particular lot whenever it is transacted. These amounts to multiple point collection Simplification of market fee and thus adding to the cost therefore it is necessary to introduce single point levy of market fee in the entire process of marketing in the country.

(h) Tax:

There is considerable variation in the structure of taxes and fees on The agricultural produce in various states. This distorts the operation of the domestic market giving wrong signals to the farmers adversely affecting the operational efficiency of the private trade farmer's co-operatives and public sector agencies. It is necessary to bring uniformity in the state level tax structure in agricultural commodities for improving the marketing efficiencies.

As stated earlier in introductory remarks Para the ever-increasing marketable surplus will require matching infrastructure and facilities more so in the light of globalization and liberalization. The Working Group has estimated the potential investment of Rs. 11000 crores during the span of next 10 years a major part of which has to come from the private sector. For attracting the private sector investment of this order it is necessary to have proper orientation. This will require:

- (1) Reducing the regulatory controls and simplifying the procedures;
- (2) Active stance by the Central Government in some initiatives;
- (3) Making complementary investment by the State Government and Central Government;
- (4) Subsidizing a few activities to enable the private sector initiatives to attain viability; and
- (5) Ensuring adequate credit flow to agricultural marketing activities.

Government of India in the Planning Commission had constituted a working Group to examine these issues. The present concept paper highlights the issues which need consideration for review so that necessary action is initiated. A draft Model Act incorporating the above proposals for amendment will be taken up if so desired.