

Conceptualizing a National Market for Agri-Produce

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INTRODUCTION

The structure and activities of a market evolve in response to changes taking place in the external environment. Evolution of agricultural marketing system in India is manifested in changes in structure, functions and physical boundaries of operation brought about by the through measures like regulations and reforms. Markets may be viewed as a complete conglomerate portfolio of activities (Chattopadhyay, 1981) encompassing rents, fees, storage, transportation, processing, etc. Recently a Scheme on National Agricultural Market has been introduced by the Government which envisages networking of selected markets of country to a common electronic platform. In the paper, an attempt has been made, to discuss the relevance of a unified agricultural market operating across states boundaries. This paper discusses various dimensions of the unified national market in agricultural sector like evolution of agricultural markets in the country, the concept and development stages, pre-requisites for its implantation and its impact on various stakeholders.

EVOLUTION OF AGRICULTURAL MARKETS IN INDIA

The policy and implementation strategy for markets in any sector have to adjust to the changes taking place in the external environment. Coinciding with Green Revolution wherein productivity enhancement was achieved, country witnessed an emergence of farmers friendly state regulated markets. Regulations were introduced during 1960s by different states with total public control on the markets and marketing activities through enactment of Agricultural Produce Market Regulation (APMR) Act. The growth in regulated

markets kept pace with crop production and marketable surplus till 1991 and at a moderate level till 2008 (Chand, 2012) (Fig. 1).

With the liberalization of Indian economy since 1991, structural reforms also were required to be introduced in agricultural marketing sector for its better fusion with rest of the economy and avail advantage by integrating with global economy. Reforms were introduced in the sector with the preparation of Model Act in consultation with states in 2003. The Act suggested some forward looking provisions like direct marketing, contract farming, development of markets under private/cooperative sectors, single license, single point levy of market fee, e-trading and farmers markets and many more with an ultimate aim to have a uniform system operating throughout the country. The reforms have ushered in some desirable changes in few states but private investment in agricultural marketing has not been commensurate with the commercialization and diversification that have taken place in the agriculture sector (Chand, 2012). Also, the amendments by states in their respective APMR Act were made on pick and choose basis curtailing the objective of creating uniform trade environment across state. The need for a common market at national level was strongly felt to have uniformity in trade environment by 2015.

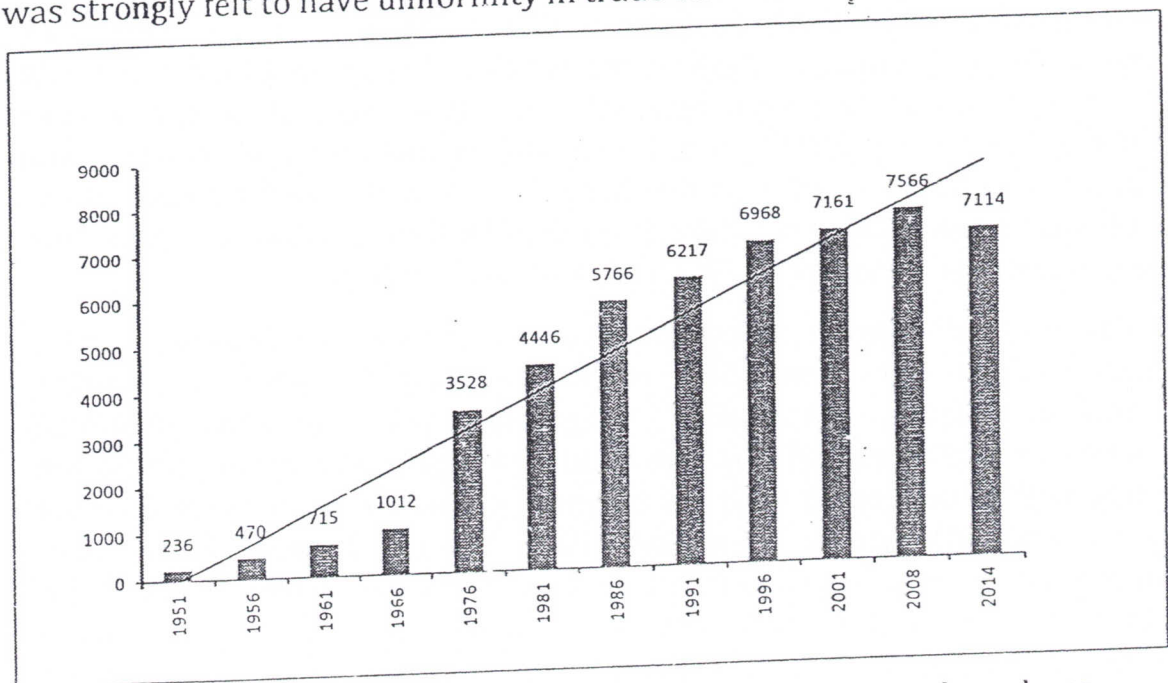


Fig. 1: The Number of Wholesale Regulated Markets in India Since Independence

Source: agmarknet.nic.in

NATIONAL AGRICULTURAL MARKET THE CONCEPT

Implementation of a National Agricultural Market has been conceived as a scheme which envisages networking of selected existing APMCs and other market yards operating under different states/UTs to a common electronic platform to be developed by the Central Government. It will facilitate

smooth, speedy and efficient movement of agricultural commodities and information at national level. The national market is a virtual market envisaged to operate on an electronic trading portal but supported by physical markets (APMCs and other yards) at the backend. It is a comprehensive model envisaged to take care of other physical and facilitating functions of the market like storage, grading, packing, finance, insurance, promotion, etc.

A total of 585 regulated markets would be networked through the e-portal during the next three years. The software will be supplied by the Ministry of Agriculture and Farmers Welfare (MOAFW) to state/UTs free of cost. A one-time grant of Rs 30.00 lakhs will be given per Mandi/agricultural market by the MOAWF for installation of hardware/ infrastructure. Any expenditure above this amount will have to be borne by the state Government/ APMC.

The concept aligns with the overall all objective of the Government to have a national market operating across all sectors as has been reflected by initiative like GST. The regional cooperation to take economic advantage has also been observed world over through initiatives like Common Market for Eastern and Southern Africa (COMESA), East Africa Community Common market (EAC Common Market), Common Agricultural Policy of European Union, etc. It will help India in integrating with regional group like Regional Comprehensive Economic Partnership (RCEP), etc. It will lead to containing the inflation and ensuring remunerative price to the farmers as it is the inefficiencies of the system that result in farmers getting low prices for their produce and consumer paying more than the fair price (Ponliano and Ranit, 2001).

The national market is expected to help farmers overcome various obstacles faced by them like market availability (distance), price, marketable surplus, information, weighment, time invested (National Commission on Farmers, 2006). The identified regulated markets across the country will be integrated with the common e-platform to provide farmers and traders with access to opportunities for purchase/ sale of agri-commodities at optimal prices in a transparent manner across the country. Besides, private markets will also be allowed access to the e-platform thereby enhancing its outreach. The idea is to help evolve an integrated National Agricultural Market with harmonized regulations with respect to various provisions under APMR Act, product quality standards, market information systems, improve income realization and food security, and public-private partnerships and predictable trade policies. The NAM does not provide an alternative to the existing APMCs and other markets operating under different states but attempts only to integrate the existing markets through an ICT based application to enhance the size of trade to induce competitiveness, transparency and efficiency in the system.

The concept has the potential to be eventually developed into a comprehensive model leading to efficient flow of commodity and information facilitated by the integration of markets, functionalities, services like warehousing, banking, insurance, finance, promotion, etc. A comparison of different components of a market in traditional market and as envisaged in national agricultural market is presented in the Table 1. The national market will enhance regional cooperation among states and bring efficiency and competitiveness in the system. The common market is expected to have an advantage over existing markets in terms of transparency, competition, efficiency, market information, risk, price signal, etc due to operation on e-portal, participation of large number of traders and integration of various services.

Table 1: Different Components in Traditional Market vis-a-vis National Market

Components of Market	Traditional	National Agri Market
Scale of operation	Small	Large
Price discovery	Physical	Electronic
Transparency	low	High
Efficiency	Low	High
Market Information	Absent	Real time
System	Fragmented	Integrated
Risk	Moderate	Low
Price signal	Weak	Sound
Legal framework	Restrictive	Harmonized
Functions	Primary	Sec. & Tertiary

TECHNICAL PRECONDITION FOR IMPLEMENTATION OF NAM: LEGAL HARMONIZATION OF STATES

True networking of markets as envisaged under National Agricultural Market Scheme will only be possible if broadly three conditions are met namely (i) electronic integration of markets (ii) trade based on grades or other traders identified quality specifications and (iii) liberty provided to the traders to bid in any market. This will ask for certain provisions in the APMR Act of at least participating states. Three areas that would be vital for creation of agricultural market operating at national level are (i) a single license to be valid across the State, (ii) single point levy of market fee and (iii) provision for electronic trading to make mechanism of price discovery more transparent and scientific. Bringing all the states to a common platform in respect of introducing these provisions for providing a common trade area is going to be one of the biggest challenges. The states with provision for these three components in their APMR Act may get integrated with the national market. Only a few states namely Gujarat, Goa, Himachal Pradesh, Karnataka, Mizoram, Rajasthan, Sikkim, Jharkhand, Andhra Pradesh, Madhya Pradesh are legislatively/ technically ready for integrating with the national market (Table 2).

It is also important to understand that there may be differences among states in the same provision at the implementation stage. Like the mechanism of price discovery as suggested under regulation is either auction or tender. There are few states like Rajasthan, Gujarat, etc following the auction method to discover the price while in states like Karnataka; it is close tender which they have successfully shifted to electronic tendering in more than 55 markets. Such state specific issues need to be addressed while developing the model of National Agricultural Market for implementation.

In order to make National Agricultural Market operational, following provisions along with legal provisions have to be made.

Table 2: Status of Reforms in Areas Identified as Vital for Implementation of National Agricultural Market

Sr No	States	Status	e-trading	Single Point Levy	Single License
1	Gujarat, Goa, Himachal Pradesh, Karnataka, Mizoram, Rajasthan, Sikkim, Jharkhand, Andhra Pradesh, Madhya Pradesh	Ready	Yes	Yes	Yes
2	Maharashtra and Haryana	Almost there	Yes		Yes
3	Uttarakhand	Almost there	Yes	Yes	
4	Nagaland	On the right track		Yes	Yes
5	Punjab and Chandigarh	On the right track		Yes	
6	Chhattisgarh	On the right track			Yes
7	Arunachal Pradesh, Assam Tripura, Orissa, West Bengal and Uttar Pradesh	Slow			

Source: DMI (MOAFW)

LEGISLATION

1. Establishment of uniform items of trade, legal, physical and statutory norms.
2. Harmonized structure of market fee, levies, etc to facilitate free movement of trade.
3. Members states cooperating in issuing a common license to facilitate operations at national level.
4. Abolishing all barrier to trade like entry gates, etc.
5. Devising common mechanism for inter-state physical movement of agricultural commodities.
6. Provision for recognizing the unique situation of backward states and Northeastern region.

STRUCTURE

1. Establishing an organization at national level (e.g. National Agricultural Market Commission) with participating states as its members.
2. Research and training organizations to be an integral part of the institutional set-up.
3. Institutional provisions for training of different stakeholders.

PHYSICAL MOVEMENT OF GOODS

1. Making provisions for service providers for movements of commodity transacted under national market.
2. Harmonization of rules among members states to facilitate marketing and distribution of commodities.

PRESERVATION OF GOODS

1. Integrating storage and warehousing services with the market
2. Services like pledge-finance to be an integral part of the market

FACILITATING FUNCTIONS

1. Provisions to have transparent financial transactions
2. Including financial institutions with the market for direct payment to farmers and realization of market fee
3. Provision to disseminate market information generated through NAM Platform
4. Provisions to strengthen farmers in terms of knowledge, availability of inputs and technology (through the same platform), group formation, etc for better income realization through the national market

DISPUTE REDRESSAL MECHANISM

1. Dispute redressal mechanism for different stakeholders operating at national level including the member states which may have interest conflict due to differentiations

NAM DEVELOPMENT PHASES

The ambitious National Agricultural Market has so much to offer and bring under the common umbrella which will require to be taken in phased manner. The various components of the national market that may be achieved immediately in short-run, in medium-run and in long-run are depicted in the

Table 3. However, time taken to complete each component defined under different durations of implementation may vary as per the readiness of the states and stakeholders mainly traders and farmers to adapt to the new system. The different components identified under national market are not necessarily interlinked and may see different growth trajectory as per the suitability to the stakeholders and trade potential.

Table 3: Different Components of Unified Market to be Considered during different Phases of Development

Phases/ Components	Phase I (Short-Run)	Phase II (Medium-Run)	Phase III (Long-Run)
Enabling environments	Legal (single license, unified license, e-trade and others)	Complete reforms	Facilitating role
Infrastructure	Hardware and software	Up-gradation of Mandies	Creation of physical delivery centres and collection centre
Grades	Selected commodities	Comprehensive coverage	All commodities
Functions	e-price discovery	Bank settlement, NWR and logistics	MIS, promotion, demand creation
Farmers participations	Individual/groups	Farmers groups/FPO	Producers company
Skill development	Mass awareness (extensive)	Specialized	As per global requirements
Institutions	Establishing national level agencies Identification of Special Purpose Vehicle	Institute for functions like training, research, defining grades and international trade	
Promotion	NAM Portal	Product	Branding
Finance and insurance	Direct payment	Payment and credit	Complete risk coverage
Input and extension	Information dissemination	Advisory	Delivery of physical and technical inputs
Focus	Regional	National	Global

SWOT ANALYSIS

NAM infused with technology and infrastructure will have its impact on wide range of stakeholders of agricultural value chain. Farmer will have better market access, ease of payment and better return but at same time lack of understanding and poor preparation of produce may actually lead to their exclusion as has been observed in case of e-auction of cardamom in Kerala. Consumers will benefit by having a wide product range, stable prices and regular supply of quality produce. Traders will benefit by reduced transaction cost due to integration of different service, business expansion and level. The state APMCs may be apprehensive of loss of revenue, new environment for service delivery, unavailability of skilled manpower, managing change both internal and external.

Table 2

Stakeholders	Strength	Weakness	Opportunity	Threat
Farmers	<ul style="list-style-type: none"> ❖ Market access ❖ Competition ❖ Transparency ❖ MIS-Information flow ❖ Ease of payment ❖ Proportionate share of value in value chain 	<ul style="list-style-type: none"> ❖ Understanding of new concept ❖ Grading ❖ Cost 	<ul style="list-style-type: none"> ❖ High value realization ❖ Value addition ❖ Access to global market 	<ul style="list-style-type: none"> ❖ Social relation with traders as money lender ❖ Skewed development towards selected commodity/ market of trade importance
Consumer	<ul style="list-style-type: none"> ❖ Price stabilization ❖ Curtail inflation ❖ Consumer satisfaction ❖ Choice of wider product range ❖ Better supply 		<ul style="list-style-type: none"> ❖ Consumer rights ❖ Quality product 	
Traders	<ul style="list-style-type: none"> ❖ Reduction in transaction cost ❖ Transparency ❖ Access to alternative market 	<ul style="list-style-type: none"> ❖ Understanding of the new system 	<ul style="list-style-type: none"> ❖ Business expansion ❖ Equal opportunity environment 	<ul style="list-style-type: none"> ❖ Competition ❖ Entry barriers
State/ APMC	<ul style="list-style-type: none"> ❖ Investment ❖ Efficiency ❖ Check evasion of market fee ❖ Facilitator services to citizen 	<ul style="list-style-type: none"> ❖ Legal environment ❖ Standardized legal provisions ❖ Inadequate infrastructure 	<ul style="list-style-type: none"> ❖ Regional cooperation ❖ Employment ❖ Technology driven efficiency ❖ Speedy reforms 	<ul style="list-style-type: none"> ❖ Control of centre ❖ Inclusiveness ❖ Revenue sharing ❖ Availability of skilled manpower ❖ Organization and management of change

A MODEL FOR NATIONAL AGRICULTURAL MARKET

An attempt in this section has been made to define an operation model of National Agricultural Market. The important pillars identified for successful implementation of national market are illustrated briefly as under:

INSTITUTIONS

The national market is meant to provide national level integration to the existing market through an electronic platform. The organizations apparently visible are State Governments through networking of APMCs and the private service provider for electronic integration. In addition there, it is important to have a national level organization which will have participating states as the members. The national level organization will be responsible to infrastructure development, regulation harmonization, balanced participation taking into

consideration the unique conditions of different states, developing a customized road map for participation of different states and integration of various other services in a phased manner. The national level organization may also deal with the disputes arising if any.

The success of the concept depends on participation of different market functionaries and farmers along with many other factors. The initiative in Karnataka observed some unwillingness initially on the part of traders. These issues will need to be handled through regular training of farmers and other stakeholders.

The farmers rich in terms of human capital are more likely to participate in new emerging supply chains (World Bank, 2006). This suggests the importance of capacity building of farmers.

Proper capacity building and research may help immensely in enhancing production and quality leading which will complement the overall objective of the market. Institutes like CCS National Institute of Agriculture Marketing, Jaipur with their experience in working with farmers and other agricultural marketing stakeholders may be roped in for filling training and research gaps.

INFRASTRUCTURE DEVELOPMENT

Another important area of focus has to be the infrastructure development required for electronic integration of market, market development, various infrastructural requirements of a market, warehousing, transport, etc. Infrastructure for dissemination of market information and other advisory to the farmer and other stakeholders is vital for the impact of the market at ground level.

The indicative operation model of National Agricultural Market has been depicted in Fig. 2.

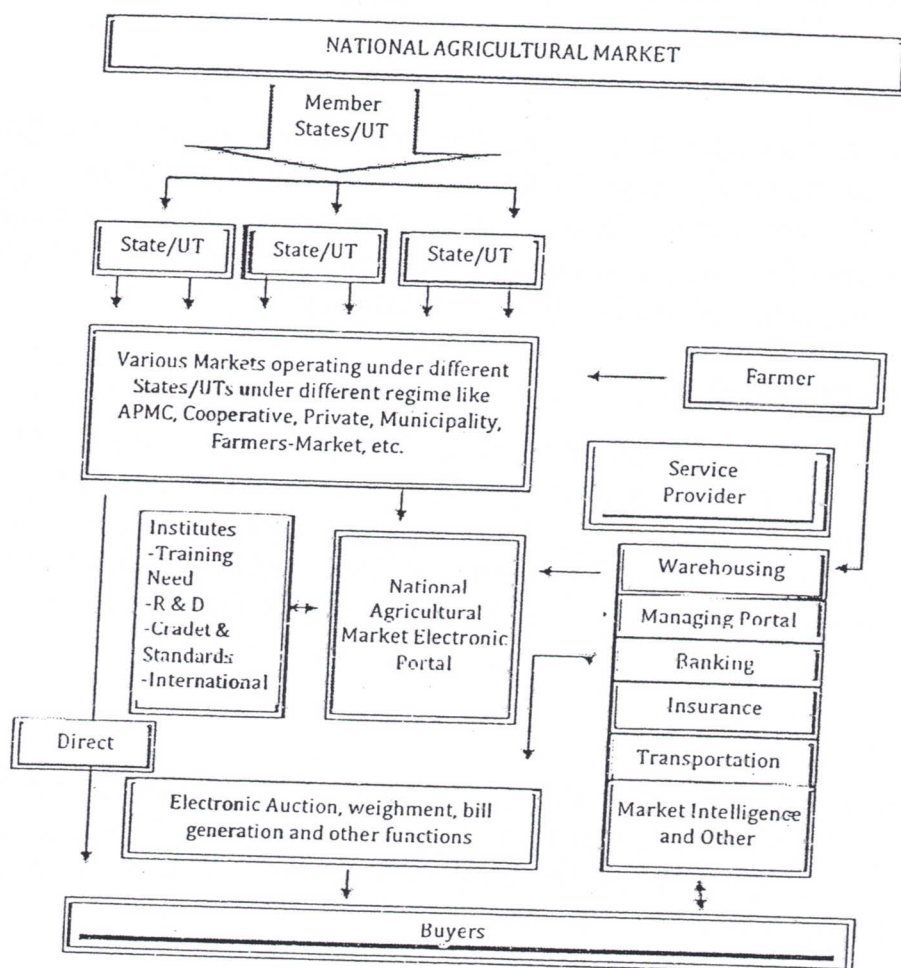


Fig. 2: Operational Model of National Agricultural Market

CHALLENGES ENCOUNTERED IN IMPLEMENTATION OF NAM

Some of the challenges to be faced in the implementation of a national agricultural market are discussed below:

Legal Issues

There are a number of legal barriers to the inter-state trade and physical movement of goods like common license, check gates, provision for electronic trade, Essential Commodity Act, etc. Establishing a national market will need uniform legal environment.

Infrastructure Availability

The integration of the existing markets with the national electronic portal, in addition to legal provisions, will require large amount of physical and institutional infrastructure. The development of infrastructure will be responsibility of the state government with the support of central government.

Revenue Sharing

The national market operating on an electronic platform is envisaged to be developed in partnership with the private players and an agency operating at the national level. There will be need to develop a sound mechanism for the distribution of income among the different stakeholders. The member states may show reluctance to lose their monopoly.

Grades and Standards

The integration of markets, participation of large number of buyers, online settlement, clearance facilities through warehouses, expansion of commodity and pledge financing, etc will be possible when trade will take place on the basis of grades. Developing uniform trade accepted grade and standards across all the member states is going to be one of the biggest challenges.

Aggregation

The integration of farmers with the system may be enhanced by aggregating farmers. In spite the Government's numerous initiatives to bring farmers together; it is going to be challenging to organize such a large size of smallholders operating across the country.

Regional Variation

There is lots of diversification across states.

Participation of Stakeholders

The participation of farmers in the national market is important for the success of the initiative and also for farmers to avail the benefits of the scheme. The farmers need to be exposed to the new system, its benefits and procedure for participation. The small farmers with poor risk taking ability may be apprehensive of rejection of the produce in the absence of compliance to the standards required in terms of quality, certification, packing, etc for participation.

Getting all the stakeholders on the same platform and providing a level playing field.

SUMMING UP

The national agricultural market symbolizes the liberalized agricultural markets operating at national level. The pace of development of national market will depend on the pace at which the legal and physical barriers are

eliminated to harmonize policy measures applied by states to trade in agricultural products.

The national market has the potential to offer better price to the farmer subject to the product is properly graded, certified and packed. The inability of the farmers to supply produce as per the requirement of the national market may be one of the biggest barrier for participation by them in the new system. There is need to adopt sufficient measures to integrate farmers with the system. The farmers working in a social matrix dominated by commission agents and traders also need to be provided some sustainable financial solution to encourage them to participate directly in the system. The success of national market may be ensured by integrating farmers with the market through taking care of their needs like training, finance, prompt payment, input supply and transfer to technology, etc.

Development of marketing infrastructure, both physical and institutional, should be pivot of focus. Physical infrastructure is a pre-requisite for effective integration of market and various other functions like storage, transport and information dissemination. While the institutions are required to provide technical assistance to producers and other stakeholders with respect to marketing research and analysis, marketing management and promotion, distribution of product, pricing strategy, risk management, and regulatory and control mechanisms. The provision of a support of Rs 30.00 lakhs per market irrespective of the size of the market may need revision. There are market of different size handling different amount and kind of arrivals. The availability of support has to be in tune with the volume of trade being handled by them.

A large number of markets may have fund requirements above the limit prescribed under the scheme. The implementing agencies may explore the possibility of integrating with other market infrastructure development schemes of the Government or linkages with financial agencies like NABARD to arrange funds requirements above the prescribed limit.

The national market promotes issuing of single license for trade across state/country. This may lead to a situation of the entire arrivals or a sizable portion of it being handled by a single buyer influencing the supply and demand balance. There is a need to adopt appropriate measures to avoid such possibility.

The success of the National Market to a great extent will depend on the ability of the existing Agricultural Produce Market Committee (APMCs), enjoying the complete control on the system, to accept the concept and manage the changes introduced by the system in role and functions of the market. The fear of business loss will also be taken care of by more arrivals due to better participation of farmers. For this to happen, the market will have

to redefine their role and functions by shifting gradually from regulator to facilitator in terms of banking, insurance, product promotion, etc.

The scheme in its existing format does not alter the existing basic structure of the market. It is introduced only to facilitate regional cooperation, accelerate the pace of reforms and to bring transparency, competitiveness, efficiency and enhance farmer's participation. However, the existing markets not only need to equip themselves in terms of infrastructure availability to get integrated with the national platform but to redefine their functions to act as a facilitator for farmers so as to make the entire concept inclusive.

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