ISSN 0976-3120

JOURNAL OF AGRICULTURAL EXTENSION MANAGEMENT

Vol. XV July - December 2014 No. 2

(28)

NATIONAL INSTITUTE OF AGRICULTURAL EXTENSION MANAGEMENT
Rajendranagar, Hyderabad - 500 030
INDIA

JOURNAL OF AGRICULTURAL EXTENSION MANAGEMENT

Vol. XV	July - December 2014	No.2

CONTENTS

1 Impact of Farmer Field Schools on Soil and Crop Management among Smallholders in North Rift, Kenya 1
D.K Bunyatta, C.A Onyango and J.K Kibett

2 Agricultural Marketing Reforms – a Conspectus 15
B.K. Paty and K.C. Gummagolmath

3 Constraints in Role Performance of Gram Panchayat in Agriculture 37
Anuradha Ranjan Kumari and Laxmikant

4 The Perception of Climate Change: the Hill Ecology and the People in India 45
S.K. Acharya

5 Evidence of Encouraging Adoption through Frontline Demonstrations (FLDs): Indian Hybrid Rice Program 55
Shaik N. Meera, P. Muthuraman, S. Arun Kumar and V. Ravindra Babu

6 Input use, cost structure and return analysis of sugarcane crop in South Gujarat 71
V. N. Parmar, K. S. Patel and C. D. Pandya

7 Technological Gap in Adoption of Recommended Practices of Maize Cultivation among the Farmers of Buldana district in Vidarbha 81
M. K Rathod and J. M. Jayabhaye

8 Reaching Farmers through the Cyber Corridor 93
R.K Sohane, Aditya and U.S Jaiswal

9 Overview of Commodity Interest Groups (CIGs) in North Eastern States 101
Pradip.K.Neog, D.Bortamuly, P. Das and B.L.Khuhly

10 Relational Analysis between Profile Characteristics and Extent of Conflict among Agricultural Officers 109
P.Venkata Rao, S. Neelaveni and P. Punna Rao

Agricultural Marketing Reforms – a Conspectus

B.K. Paty[1] and K.C. Gummagolmath[2]

Abstract

The predominant form of Agricultural Marketing in India is Regulated Marketing. The major objectives of regulated marketing are ensuring correct weighment for the farmers' produce, prompt payment to the farmers and avoidance of exploitation in the hands of middlemen. The system of regulated marketing has, no doubt, served the purpose in many ways. However, the system has gone through its life cycle and a number of discrepancies have crept into the system in course of time. The system proves to be counterproductive to Processing, Value-addition, Export Promotion, Price Formation, creation of Infrastructure, Private Investment and free movement and storage of Agricultural Produce. It is against this backdrop that in line with the Provisions of Model Act, 2003 of Govt. of India, many states have incorporated a number of changes in their respective State Market Regulating Acts. These reforms have enabled setting up of Private Markets, Contract Farming and Direct Marketing. Other reform measures like Futures Market, empowerment of farmers through wider dissemination of Market Information, Direct Marketing, Retail Chain Linkage, Group Marketing & Farmer Producer Organizations (FPOs) etc. are other timely interventions to make the marketing system vibrant, in harmony with the overall economic environment of liberalisation, privatisation and globalisation. This article is a conspectus and a critique of the reform measures initiated in the Agricultural Marketing Sector of the country, with a focus on bringing about a Marketing perspective in the Agricultural Extension System.

Introduction

The marketing aspect of agricultural produce is all poised to be the key driver of the growth of the agriculture sector in India. Market-driven production of agricultural produce, rather than production-propelled marketing, is the order of the day now. Our focus on production, over the years, has pushed the marketing aspect of the sector to the backburner. In order to achieve the target growth rate of 4% of the sector, the existing glitches of the agricultural marketing system of the country need to be faced squarely, and the requisite reforms introduced with the proactive involvement of all the stakeholders. The new market realities of the post-WTO regime with increasing

1 Director (OSPM), National Institute of Agricultural Extension Management (MANAGE), Hyderabad

2 Deputy Director (Monitoring & Evaluation), National Institute of Agricultural Extension Management (MANAGE), Hyderabad

accent on liberalization, privatization and globalization call for improvement in the internal marketing system to enable the Indian farmers to face the challenges as well as reap the trade opportunities of the international market. In this new paradigm, the different components of agricultural marketing viz. grading, standardization, packaging, storage, transportation, financing, wholesaling, retailing etc. need to be redefined.

While upscaling the infrastructure such as tele-density, road coverage, cold storages, grading and packing lines etc. to give a leg-up to the above agricultural marketing activities, there is a need for appropriate systemic changes such as ensuring economies of scale for small/marginal farmers, ensuring proper market information system, putting in place a responsive price discovery mechanism, an integrated supply chain management system etc. through requisite reform measures.

This new paradigm calls for safety and quality management with the help of quality management instruments like Hazard Analysis and Critical Control Points (HACCP), Good Agricultural Practices (GAP), GHP, traceability, and other measures like assured marketing, existence of a vibrant futures market with integration of futures prices with spot prices etc.

Table 1. Area & Production of Agricultural Products (Production in Million tones)

Particulars	India	India's Rank[@] in World Production
Wheat	93.90	2
Rice, Paddy	104.32	2
Coarse grains	42.01	3
Milk	127.9	1
Fruits	74.80	1
Vegetables	146.5	2
Edible Oilseeds	30.01	2
Pulses	17.21	1
Sugarcane	30.3	2
Tea	0.95	1

PIB, GOI, 2012
National Horticulture Board, 2011

A look at the production figures in respect of different agricultural produce reveals a heartening picture of India's position in the world (Table1), but unfortunately, this is not reflected in our share in the world trade, which is a measly 1.6%. The reasons for this are, of course, not far to seek. The bulk of the world trade has now shifted to processed food from the traditional unprocessed ones and processing constitutes the proverbial Achilles heels of the agriculture sector in India which is less than 2% of fruits & vegetables produced in India, as against 65% in USA, Brazil, Philippines, South Africa and 83% in Malaysia. Similarly the extent of value addition is 7 % in India as against 23% in China and 88% in UK. The reasons for the poor performance in processing and value addition are mainly:- a) absence of assured supply of processible agri-commodities in right quality and quantity from the farmers' field (e.g. only particular varieties of tomato are processible for ketchup purpose), b) restriction on movement and storage of the produce, c) restrictions in different states on contract farming for facilitating buyback arrangement from the farmers and overcoming the diseconomies due to small holdings (80% of farmers are small and marginal) in the sector, d) restriction on direct purchase from farmers' field, as mandatorily all transactions of sale and purchase should take place in the market yard as per the provision of the respective APMR Act of many states. Thus, there are legal and systemic hurdles on the marketing front, hobbling the long term growth of the agriculture sector.

The absence of a common market in India for agricultural produce due to different trade restrictions and barriers is another formidable systemic challenge to be overcome. A common market is characterized by absence of restrictions/entry barriers (legal or infrastructural), transparency in transactions, free flow of information, congenial policy regime to promote competitiveness and equal market access to the citizens etc.

The degree to which a common internal agricultural market exists in India may be analysed in terms of these characteristics. An assessment of the agricultural marketing scenario of the country reveals that it is fraught with a number of restrictions and trade barriers constricting the development of common market across the country. Some of the glaring examples of these barriers (besides the aforesaid ones) are across the states variations in market fees/ development cess/ rate of commission of commission agents, sales tax etc., imposition of entry tax and octroi inflating the cost of produce and the wide gap between consumer and producer price and lack of infrastructure. All these problems / barriers need to be addressed for evolving a common market in India through suitable reform measures with the concerted efforts of all the states/U.Ts, agricultural marketing being a state subject. Facilitating free trade and movement of agricultural commodities through a common market would enable farmers to get best possible prices for their produce, ensure price stability and availability of goods at reasonable prices in the deficit areas. This will also lead to regional specialization based on resource endowments, thereby increasing efficiency in the production process. For evolving a common market in

India, some reform measures have already been initiated, while some others are in the pipeline.

Constitutional Status of Agricultural Marketing

The absence of a common market for agricultural produce in India can be attributed mainly to, intera alia, the constitutional status of the subject of Agriculture Marketing. Agriculture, including agricultural education and research, protection against pests and prevention of plant diseases is a State subject as provided for in Entry No. 14 of list II under Article 246. Entry 18 of the same list provides for "Land i.e. , to say, right in or overland, land tenures including the relation of land lord and tenant, and the collection of rents, transfer and alienation of agricultural land, land improvement and agricultural loans, colonization. Entry 30 of the same list deals with "Money lending and money lenders, relief of agricultural indebtedness". Entry 28 of the same list deals with 'Markets and fairs'. These entries, taken together, mean that agricultural education, management, production, marketing and capital mobilization arc all state subjects. Agricultural Marketing, being a state subject, has a lot of variations across the states in its content and approach.

Without going into the controversial issue of whether the subject of Agriculture should be placed in the concurrent or union list of the constitution, the paper makes a critical appraisal of the need for reforms in agricultural marketing in India, the steps taken so far, the roadblocks faced for the same and the road ahead.

Constraints

The following are some of the conspicuous constraints for evolving a common market in India.

1. Dysfunctional aspects of regulated markets

State Governments have been promoting organized marketing of agricultural commodities in the country through a network of regulated markets owned, operated and managed by **Agricultural Produce Market Committees** (APMCs). Except for Union Territories of Dadra Nagar Haveli, Lakshadweep, Andaman Nicobar islands and states of Kerala, Manipur and Jammu & Kashmir, Bihar (repealed), all the states and UTs have enacted their respective Agricultural Produce Marketing (Regulation) Act for setting up an orderly agricultural marketing system under their jurisdiction

Table 2: Growth of Regulated Markets		
Year	No. of Regulated Markets	% of Whole sale Markets
1945	146	2
1959	286	4
1974	1777	24
1990	6217	85
2001	7161	98
As on 31.03.2012	7566	98
Source: Dirctorate of Marketing and Inspection, Government of India		

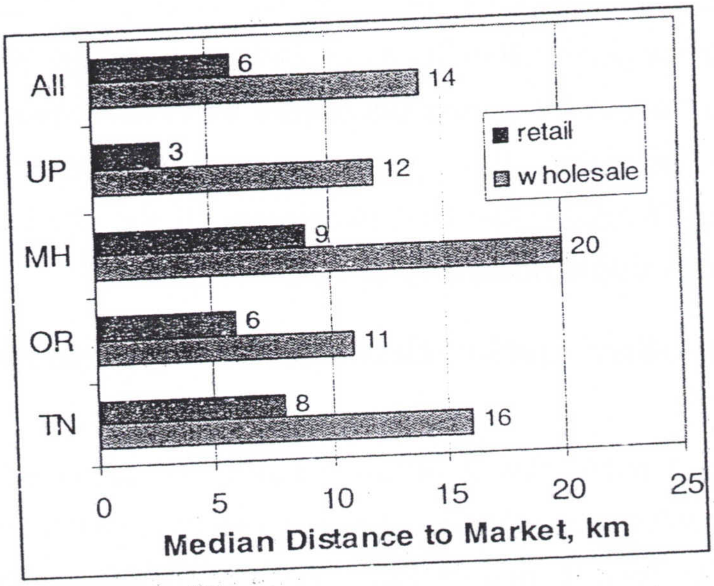
The country today has 7566 markets covered under regulation (Table 2). There is also an array of 21,223 rural periodical markets, about 15% of which function under the ambit of regulation. Regulated markets have, to some extent, helped mitigate the market handicaps of producer-sellers at the wholesale assembling level. These have also provided physical facilities and an institutional environment to the traders, processors and other market functionaries for conducting trading activities. It was envisaged that physical markets with facilities and services would attract the farmers and the buyers creating competitive trade environment and thereby, offering the best prices to the producer-sellers.

The Institution of regulated market has, however, achieved limited success. These markets were supposed to ensure smooth and orderly development of agri-marketing by ensuring fair play of trade practices and market forces. These markets, once conceived as panacea of all ills for the farmers in marketing their produce, have simply ended up as revenue generating institutions for the state exchequer putting the farmers' interests on the backburner. The purpose of creation of APMCs was to protect farmers from the exploitation of intermediaries and traders and also to ensure better prices and timely payment for his produce. On the contrary the regulation of Market Committees has curtailed the scope for competition in the area of marketing of agricultural produce. A farmer cannot sell his produce directly in bulk except on retail basis to the consumers. Farmers have to bring their produce to the Market yard. Under the circumstances, exporters, processors and retail chain operators fail to get the desired quality and quantity of produce they need for their business due to ban on direct marketing. Since the processor cannot buy the produce at the processing plants or through any trader at the warehouse and the produce has to be transported from the farm to the market yard and then only it can be purchased by the processor and taken to the plant this increases the cost of marketing and the farmers end up receiving a low price for their produce. This has led to substantial loss to the farmers allowing only 25 to 30% of the amount paid by the buyer to reach his hands. If a farmer wishes to sell his produce to a processor situated in another State, there is no provision in the law for such direct sale.

Thus, over a period of time, these state-owned markets have acquired the status of restrictive markets, providing no help in direct and free marketing, organized retailing, smooth raw material supplies to agro – processing, competitive trading, information exchange and adoption of innovative marketing systems and technologies. For example, the Tamil Nadu Agricultural Produce Markets Act has a provision that market fee will not be levied on produce brought into a notified market area for the purpose of processing or for export. However, if the same is not exported or processed within 30 days, the same will be subjected to levy of market fees. This provision is harmful for ago-processing industries, which deal in seasonal agricultural commodities. In order to run the factory throughout the year enough stock has to be maintained and levy of any such fee by the market committees is a violation of the spirit of development of market/marketing infrastructure. Again the levy of fee on commodities brought from outside the notified market area for the purpose of processing or for export, which does not require any service from the regulated market authority, does not go well with the spirit of free and competitive marketing system. As if this is not enough, there is a provision that the processor has to approach the regulated market authorities for obtaining movement permit every time he decides to move the commodities (say cashew nuts or kernels) from one factory to another or to port centers for export.

Such a permit system stands as a barrier on free movement and storage. Furthermore, under the APMR Acts (unamended) of the states, only State Governments are permitted to set up markets. Monopolistic practices and procedures of the state-controlled markets have prevented private investment in the sector and development of free and competitive trade in agri- marketing. The monopoly of the Government in setting up of markets is a hurdle in meeting the norms for availability of markets for the farmers. In order to give the farmers access to the physical markets, the National Commission on Agriculture, 1976 has recommended that a market should ideally cover at the most 80 sq km of area. However, the present network of physical markets of the country reveals that on an average a market is serving 459 sq km of area, Assam being the state with markets covering the highest per market average area, i.e 2257 sq km and the state of Punjab with markets serving per market average area of 74 sq km.

The following figure shows the long distance a farmer has to travel to reach a wholesale market in some of the states (World Bank, 2008).



Distance of Wholesale Markets

The licensing of traders in the regulated markets has led to the monopoly of the licensed traders acting as a major entry barrier for a new entrepreneur. The traders, commission agents and other functionaries organise themselves into associations which generally do not allow easy entry of new persons, stifling the very spirit of competitive functioning.

Several studies indicate that APMC add to the cost without adding proportionate value. Regulation of selling the produce in regulated markets by the state governments prohibit development of value chains, direct marketing, contract farming, thereby keeping the producers and the consumers apart from each other, keeping the producer ignorant about market requirements in terms of quality, grade, packaging and consumers about ground realities in the use of Good Agricultural Practices as well as Good Hygiene Practices etc.

2. Variation in Market Fees and other market charges

Agricultural Produce Market Act of the states provides for collecting market fee for notified commodities by every Agricultural Produce Market Committee/(Krishi Upaj Mandi Samiti) at such rate as specified by the State government. The number of commodities brought under the ambit of regulation varies from State to State. However, these include almost all the important agricultural commodities produced in the market hinterland. There exists substantial variation in the rates of market fees among the States of India. The variation in respect of livestock is more pronounced, e.g. it is 0.50 per cent in Gujarat and 2.00 per cent in UP and Uttarakhand.

Thus absence of uniformity in the system of market fees collection, e.g. levy of market fees as fixed and variable rate and variation in the rate of market fees for different commodities across the States of India is a major barrier for the common market. A uniform market fee across the border will enable price stabilization, reduce price difference between the producer and consumer markets, improve competitiveness and facilitate the free movement of the produce inside a State. It is also pertinent to have single point levy of market fee.

3. Variations in other market charges, development fund/cess and rate of commission

Agricultural and horticultural produce has to be cleaned, sorted and weighed, loaded, unloaded before it is sold. In a market various market functionaries providing such services charge fees in lieu of their services and the producer-sellers bear this burden. There exists variation in the rates of such charges commodity-wise across markets sometimes in the same state and often across the states. These variations introduce distortions and work as an antidote to the concept of common market. There are also other market charges like brokerage charges, hamal, and development fund/cess varying from market to market across the states.

The Commission agent is an important market functionary who renders valuable services to the producer-sellers and buyers for smooth trade in the commodity in the market. In lieu of the services provided, the commission agent charges commission on a specified rate as mentioned in the Agricultural Produce Market Act of the state. There exists variation in the rate of commission charged across the states in the country. The Commission charges vary from 1% to 2.5% in foodgrains, and 4% to 8% in case of fruits and vegetables. Commission is levied on the seller in the states of Andhra Pradesh, Karnataka and Tamil Nadu, whereas in other states it is borne by the buyer of the produce. Such variations in the rate of commission on agricultural / horticultural produce go against the very spirit of an integrated market in India.

4. Long and Multiple marketing channels

Traditionally, a normal agricultural marketing chain in the country is fairly long with a large number of intermediaries between the producer and the consumer, adding more of costs than value. This reduces the farmer's share in the consumer's rupee. As per different studies in the Millennium study of Ministry of Agriculture, it is 32-68% for fruits and vegetables, 56-89% for paddy, [illegible] 88% for wheat, 72-86% for coarse grain and 79 to 86% for pulses. Marketing and costs and margins account for 30 to 35 % of consumer's price in food grains, 45 to 55% in fruits and vegetables and 12 to 36% in oilseed crops. Statutory charges are assessed between 12 to 18% and net margins account for 15 to 30%. Hidden marketing costs and margins are also common. Typical marketing channels in the agricultural marketing system of the country are as follow:

1. Farmers ⇒ Village Traders ⇒ Commission Agents ⇒ Wholesaler ⇒ Retailer ⇒ Consumer
2. Farmers ⇒ Commission Agents ⇒ Wholesaler ⇒ Retailer ⇒ Consumer
3. Farmers ⇒ Pre-harvest contractor ⇒ Commission Agents ⇒ Wholesaler ⇒ Retailer ⇒ Consumer

5. Fledgling rural markets

There are more than 20,000 rural primary markets or periodic market places, which have remained outside the ambit of development (Dirctorate of Marketing and Inspection, Government of India). These markets are the first contact point between the producer-sellers and the commercial circuit. Most of these markets lack even the basic amenities like drinking water, toilet, platforms etc. Provision of some minimum infrastructure in such market places and linking them with primary assembling markets will go a long way in the development of the agricultural marketing system in the country (Sharma, 2012).

6. Multiple food laws and absence of a common trade language

Different set of standards/specifications for agricultural commodities are followed by different organisations in the country. The standards laid down in the PFA (Prevention of Food Adultration Act) are the National Standards. Besides this, there are Agmark standards, BIS standards, standards followed by the Army for procurement of its supplies, standards by warehousing corporations and those by Food Corporation of India for procurement purposes. Multiple food laws and regulators with multiple administering authorities at the central and the state level has led to inefficient management, often culminating in unnecessary harassment and distortion and in India's representation in the International forums. The traders of different commodities have got their own trade standards in different localities of the country. Thus the absence of a common [illegible] language and a common [illegible] law is a major deterrent for evolving a common market in the country. A list of the Multiple Food Laws now in vogue is placed at Box-1. The Food Safety and Standards Act, 2006 is a step in the right direction integrating eight food laws of the country. An Authority called Food Safety and Standards Authority of India has been formed under the Act. The Authority will frame science based food standards, assisted by a Central Advisory Committee, a Scientific Committee and a number of Scientific Panels. The Commissioner of Food Safety of each state through Designated Officers and Food safety officers will enforce the standards set by the Authority.

Box-1: Details of Multiple food laws

Ministry	Acts
Ministry of Health and family Welfare	Prevention of Food Adulteration Act 1954 and Rules 1955
Ministry of Food, Agriculture and Consumer Affairs	Agricultural Produce (Grading and Marking) Act 1937, Essential Commodities Act 1955 and orders thereunder, Standard Weights and Measures Act 1976, Packaged Commodity Rules 1977, Consumer Protection Act 1986, Vegetables Oil Products Order 1947, VOP (Std. Of Quality) 1975
Ministry of Commerce	Imports and Exports Regulation, Export (Quality Control and Inspection) Act 1963, Export Inspection Agency, Commodity Boards Acts and Rules, eg.Tea, Coffee etc
Ministry of Food Processing Industries	Fruit Products Order 1955, Meat Food products Order 1973, Milk and Milk Products Order
Ministry of Forest and Environment	Trade in Endangered Species Act Ecomark, Environment Protection Act
Ministry of Science and Technology	Atomic Energy Act 1962, Control of irradiation of Food Rules 1991, GM and Organic Foods

7. Variations in entry tax/octroi and sales tax

In many states of India, entry tax/ octroi is levied on the produce entering the markets. There exists large variation in the rates of octroi from state to state. There are States where this tax has been abolished as in Rajasthan, Orissa and some other states. The imposition of octroi not only increases the cost of marketing for the seller - farmer/ trader but also results in loss of time of the transport vehicle as sometimes the loaded vehicles are inordinately held up at the check - posts. Since sometimes the producer-seller reaches the market yard after the auction hours; he has to wait for the auction time of the following day. The result ... increase in transaction ... and causes inconvenience to sellers also. The imposition of octroi / entry taxes and also the variation in their rates act as deterrents for free flow of goods within the country

Table 3. Market Fee charged in various States

State	Purchase/Sales Tax/Trade Tax/VAT	Market Fee	Commission	Other Charges	Total
Bihar	1.0+3.0	-	2.0	-	6.0
Gujarat	-	1.0	2.0	-	3.0
Haryana	4.0	2.0	2.5	2.0	10.5
Madhya Pradesh	4.0	2.0	2.0	0.2	8.2
Punjab	5.0	2.0	2.5	5.0	14.5
Rajasthan	-	1.6	2.0	-	3.6
Uttar Pradesh	4.0	2.5	-	-	6.5
Uttarakhand	4.0	2.5	-	-	6.5

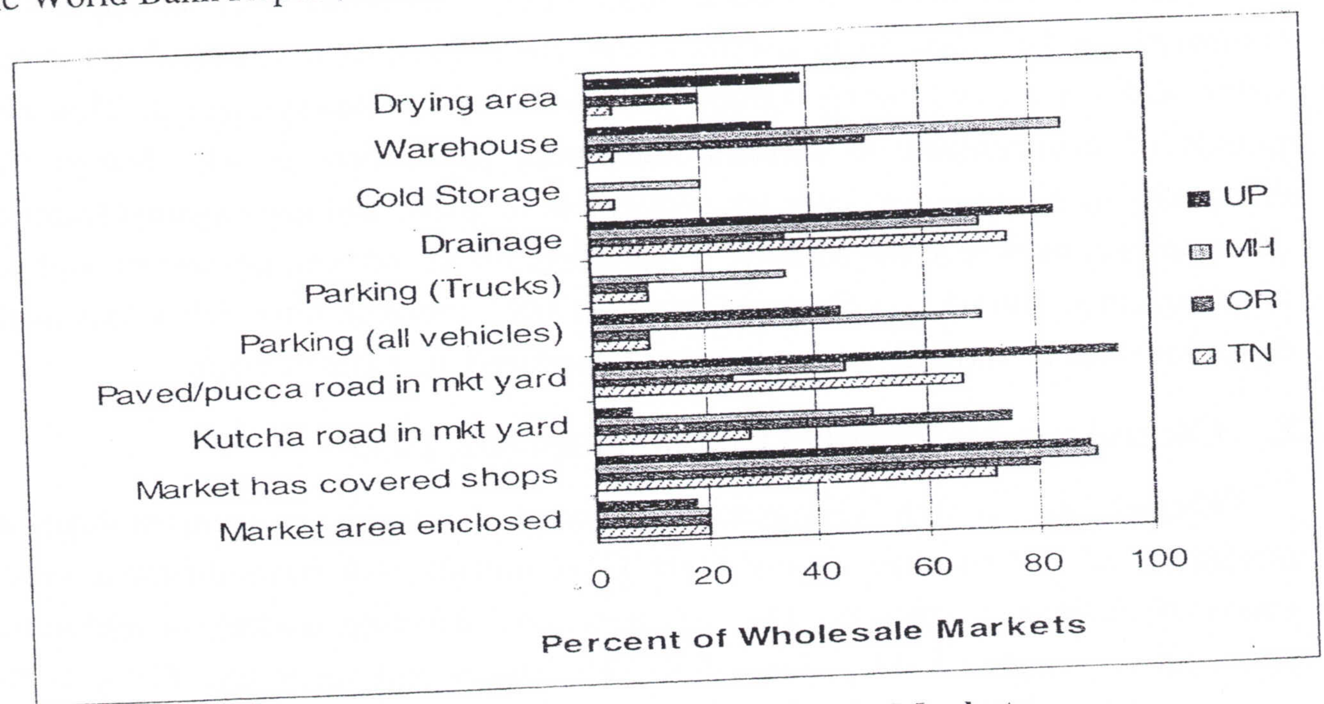
The rates of sales tax/ VAT levied on different agricultural commodities vary from state to state (Table3). Due to high rate of sales tax/VAT in some states compared to other states, there is a rise in the cost price of these commodities in these states, indirectly reducing the farmer's share in the consumer's price. This gives signals of disincentives to farmers hampering production growth, brings trade distortions by discouraging interstate movement of goods and goes against formation of a common market in the country. If the recent efforts of both the central and state Government to introduce GST and Inter state GST translate into reality, the market distortions due to variation in taxation can be reduced to a great extent.

8. Controls under Essential Commodities Act, 1955

Though the Central Government removed all restrictions on storage and movement of commodities, many State Governments still have different control orders promulgated under the EC Act, adversely affecting trading in agricultural commodities such as food grains, edible oils, pulses and sugar etc. These control orders broadly relate to licensing of dealers, regulation of stock limits, restrictions on movement of goods, compulsory purchase under the system of levy. Due to the restrictive provisions of the Essential Commodities Act and various control orders issued there under, private investment in large scale storage and marketing has virtually become nonexistent. These control orders also give rise to rent-seeking by the enforcement functionaries at the border check points creating artificial barriers on the movement and storage of agricultural commodities and to that extent the formation of common market.

9. Infrastructure barriers

Lack of infrastructure in general and regional variations in infrastructure, in particular, is the greatest barrier for evolving a common market in India. Besides conspicuous inadequacy of general infrastructure in terms of teledensity, rural roads, specific marketing infrastructure like physical facilities in the markets, specialised markets, farmers markets, Rural periodic markets, storage and warehousing facilities, cleaning, grading and packaging facilities, processing and value addition etc. leaves much to be desired. Studies reveal that the basic marketing infrastructure such as auction platform are there only in 2/3rd of the markets, drying platform in only ¼th of the markets, grading facilities in 1/3rd of the markets, cold storages in only 9% of the markets etc. The incidence of huge post-harvest losses estimated by different studies at about 30% for fruits and vegetables, 7% for Foodgrains, 10% for spices can be attributed directly to absence of appropriate infrastructure only. The graph below, shows the situation of marketing infrastructure in four states of India as reported in the World Bank Report, 2008.



Market Infrastructure in wholesale Markets

The Inter-Ministerial Task Force (2002) set up by the Ministry of Agriculture had made an estimation of investment requirement of Rs.12400 crore for agricultural marketing by the end of the year 2011 12. As it is impossible to arrange so much of funds from the Government exchequer, the private sector has to be mobilized to invest in the sector. Though this is a formidable task before the policy - makers, the same has to be made possible by evolving an investor-friendly economic environment by introducing requisite reform measures in the sector. It is against this backdrop that the XII plan target for investment in agricultural marketing infrastructure is envisaged at Rs.56,000 crore.

The Inter-Ministerial Task Force on Agricultural Marketing Reforms (May 2002) observed that a marketing system backed by strong, adequate infrastructure is at the core of agricultural marketing. Market infrastructure is important not only for the performance of various marketing functions and expansion of the size of the market but also for transfer of appropriate price signals leading to improved marketing efficiency. High investments and entrepreneurial skills are required for creation and management of the agricultural marketing infrastructure. This demands ushering in of Public, Private partnership in developing competitive, free and farmer friendly domestic market.

In this context, a number of back-ended subsidy-based schemes of the Government of India are very much in place in the Ministry of Agriculture (run by DMI, NHB etc), Ministry of Food Processing Industries, Ministry of Commerce (schemes of APEDA) to mobilize private investment in setting up agricultural marketing infrastructure. In this connection, there have been noteworthy achievements through two of the major schemes, namely, Grameen Bhandaran Yojana and the other, namely, Scheme on Agricultural Marketing Infrastructure, Grading and Standardization.

10. Other barriers

Availability of right information at the right place, price risk management and price formation through integration of spot prices with future prices, pledge financing through a chain of accredited storages and warehouse receipt system, foolproof cool chains, market-led extension, conducive policy framework for promotion of contract farming are some of the other important constraints for evolving a common internal market in India.

With the ushering in of WTO, efficiently produced, attractively packaged, reasonably priced commodities from different countries are being made available in urban markets across the country. It is an irony that while the indigenous food industry is threatened by the onslaught of imports from the developed world, which meet parameters of quality and safety, the domestic market of primary agricultural products is riddled with market unfriendly rules and regulations. Hence these constraints need to be addressed through requisite reform measures.

Measures and Suggestions

Reform Measures: -The following reform measures in agricultural marketing have been identified by the Expert Committee (June, 2001) and the Inter- ministerial Task Force (May, 2002) set up by the Ministry of Agriculture. The implementation of these reform measures will go a long way towards doing away with the trade barriers for evolving a common market in India.

1. **Status of market reforms**: The domestic market reforms predominantly envisage amendment of the State Agricultural Produce Marketing (Regulation) Acts and removal of restrictions and control orders under the Essential Commodities Act, 1955. Issues/areas for necessary amendments in the existing State Marketing legislations are:

i) There should be replacement of grant of license by simple 'registration' as mandatory licensing for all functionaries working in the area of the market committee, (trade, commission agent, surveyor, weighmen, labour, etc.), as licensing system leads to inefficiency, corruption and monopoly in the functioning of the markets.

ii) Levy of fees by the Market Committee should be commensurate with services provided by it to the concerned producers. Moreover, APMC(s) should notify under regulation only such commodities in respect of which it has the requisite infrastructure to provide marketing services.

iii) There should be mandatory utilization of Market Committee funds for providing market infrastructure and marketing related services for such farmers & commodities in respect of which market fee is levied and collected.

iv) There should be single point levy of market fee in the entire process of marketing of an agricultural produce, by replacing present system of levy of fee on every market functionary dealing with the same commodity at each and every stage of transaction, even in the same area.

v) Direct purchase from farmer at his field, house or at the point of harvest without the requirement of a license should be allowed. Direct contract between producers and processing factories should be encouraged /allowed so that farmers can market the produce at places profitable to them.

vi) 'Contract Farming' should be encouraged by exempting it from payment of market fees. A dispute redressal mechanism should be provided for in the state APMC Act.

vii) 'Forward Contracts' should be allowed in the market yard.

The matter of reforms in agricultural marketing had been under continuous scrutiny during the last eleven years. On the recommendation of the Expert Committee of Agricultural Marketing (Government of India. 2001), the Inter-Ministerial Task Force (Government of India. 2002) recommended formulation of Model Act for this purpose. Accordingly the Department of Agriculture and Cooperation Ministry of Agriculture, Government of India in consultation with State

Governments, trade and industry formulated a Model APMC Act and circulated to the States during 2003 for its adoption. The following table gives a chronological picture the initiatives taken so far to motivate the states to amend their respective state APMR Acts and rules in the line of the Model act and rules circulated by the Government of India with a road map of the following reforms:

- Promote competitive agricultural markets in private and co-operative sector.
- Encourage Direct Marketing and Contract Farming programmes
- Promote dissemination of market information, grading and standardization by setting up a bureau for the purpose at state level
- Promote marketing extension by setting up a cell for the purpose at state level Facilitate procurement of agricultural produce directly from farmer's fields.
- Establish effective linkages between farm production and Retail Chains.
- Facilitate Private Investment in owning, establishing and operating markets.
- Public-Private-Partnership to promote professionalism in existing markets.
- Stepping-up of Pledge Financing and Marketing Credit.
- Introduction of Negotiable Warehousing Receipt System in Rural Storage Projects.
- IT to Promote Trade and Market led Extension Services.

2. Initiatives for reforming state APMR Act - a chronology (Various Government of India Reports)

- Amendments in APMC Acts suggested by Expert Committee on Market Reforms constituted by the Ministry of Agriculture (Report June, 2001).
- Expert Committee recommendations discussed in the National Conference of State Agriculture Marketing Ministers on 27.09.2002.
- Standing committee of State Agricultural Marketing Ministers constituted under the chairmanship of Union MOS (A) that met and resolved to implement reforms on 29.01.2003.
- Committee headed by Additional Secretary (AM), GOI including state representatives set up to draft a Model law for Agri-Marketing.
- Model APMR Act finalized on 9.9.2003 by the committee and circulated to states by Central Government.
- Under the auspices of NIAM, two National Conferences of State Ministers were conducted, one at Delhi (7.1.2004) and the other at Bangalore (19.11.2004) for evolving a national level consensus about reforms.
- Model rules drafted by NIAM and finalised by MOA in consultation with the states. Model Rules based on the Model Act circulated to states by the Ministry in November, 2007.
- NDC resolved on 29th May 2007 for completion of amendments in APMR Acts and notification of Rules by March 2008.
- Committee of State Agricultural Marketing Ministers submitted its report in 2010.

A separate Chapter has been included with regard to legal issues in contract-farming arrangements in the country. It redefines the role of the present Agricultural Produce Market Committee to promote alternative marketing systems like contract farming, direct marketing and farmers/consumers markets. It also redefines the role of State Agricultural Marketing Boards to promote standardization, grading, quality certification, market led extension and training of farmers and market functionaries in marketing related areas. Provision has also been made in the Act for constitution of State Agricultural Produce Marketing Standards Bureau for promotion of Grading, Standardization and Quality Certification of agricultural produce. This would facilitate pledge financing, e-trading, direct purchasing, export, forward/futures trading and introduction of negotiable warehousing receipt system in respect of agricultural commodities. A brief description of each of the provisions are discussed as under.

Table 4. Position of different states regarding agricultural marketing reforms as on September 2012 (Report of Committee of State Ministers, In-charge of Agriculture Marketing to Promote Reforms)

Sl. No.	Provisions	States which have adopted the suggested provision	States which amended the Act but have not adopted this provision
1	Establishment of private market yard & Direct purchase from farmers	A.P., Arunachal Pradesh, Assam, Goa, Gujarat, H.P., Karnataka, M.P.{not for private market - direct sale can be permitted under the bye-laws – Sect 36(2)}, Maharashtra, Nagaland, Orissa (excluding for paddy/ rice), Punjab/ UT of Chandigarh (not for direct purchase), Rajasthan, Sikkim, Tripura, T.N. and Jharkhand.	Chhattisgarh
2	Establishment of Consumer/ Farmer market	Arunachal Pradesh, Assam, Goa, Gujarat, H.P., Karnataka, Maharashtra, M.P.(can be permitted under the bye-laws), Nagaland, Punjab /UT of Chandigarh (only enabling provision) Rajasthan, Sikkim, Tripura and Jharkhand	A.P. (being set up under Exemption Clauses), Chhattisgarh, Orissa, T.N. (being set up under Executive Orders)
3	Contract Farming Sponsor shall get the contract farming agreement recorded with the prescribed officer	A.P., Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Haryana, Karnataka, M.P., H.P., Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura and Jharkhand	Punjab/ UT of Chandigarh, T.N.

Sl. No.	Provisions	States which have adopted the suggested provision	States which amended the Act but have not adopted this provision
4	No title, rights, ownership or possession shall be transferred or alienated or vest in the contract farming sponsor or his successor or his agent as a consequence arising out of the contract farming agreement	Andhra Pradesh, Arunachal Pradesh, Assam, Goa, Haryana, Karnataka, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura and Jharkhand (Nomenclature as Market oriented Farming)	A.P., Chhattisgarh, Gujarat, H.P., M.P., T.N., Punjab and Chandigarh
5	Dispute Settlement Mechanism	A.P., Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Haryana, H.P. Karnataka, M.P., Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura and Jharkhand	T.N., Punjab and Chandigarh
6	Specification of Model Agreement for Contract Farming	Chhattisgarh, Goa (as may be prescribed), Gujarat, Haryana, Karnataka (as may be prescribed), M.P., Maharashtra (Rules), Nagaland, Rajasthan, Sikkim, Tripura and Jharkhand	A.P., Arunachal Pradesh, Assam, H.P., Orissa, T.N., Punjab and Chandigarh
7	No commission agent shall act on behalf of agriculturist seller and no deduction to be made towards commission	Madhya Pradesh, Chhattisgarh, Nagaland and Sikkim	A.P., Arunachal Pradesh, Assam, Goa, Gujarat, H.P., Karnataka, M.P., Maharashtra, Orissa, Rajasthan, T.N., Tripura, Punjab, Chandigarh and Jharkhand
8	Registration (not licensing) of market functionaries and single registration for trade/ transaction in more than one market	Assam, Chhattisgarh, Goa, H.P., Maharashtra, Nagaland, Sikkim and Jharkhand	A.P., Arunachal Pradesh, Gujarat, Karnataka, M.P., Orissa, Punjab/ UT of Chandigarh, Rajasthan, T.N., Tripura
9	Market fee shall not be levied for the second time in any market area of the State by market committee/ Market fee not to be levied more	Chhattisgarh, Gujarat, Goa, H.P., M.P., Nagaland, Punjab/ UT of Chandigarh, Sikkim and Jharkhand	A.P., Arunachal Pradesh, Assam, Karnataka, Maharashtra, Orissa, Rajasthan, T.N. and Tripura

Sl. No.	Provisions	States which have adopted the suggested provision	States which amended the Act but have not adopted this provision
	than once in commercial transactions between traders or sale to consumers		
10	Setting up of separate Market Extension Cell in the Board Establishment of State Agricultural Produce Marketing Standard Bureau	Nagaland, Sikkim and Karnataka	A.P., Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, H.P., M.P., Maharashtra, Orissa, Punjab/UT of Chandigarh, Rajasthan, T.N., Tripura and Jharkhand

Table 4 reveals the position of different states in respect of different agricultural marketing reforms as suggested in the Model Act. Some states have violated the spirit of the reforms. The States of Andhra Pradesh, Arunachal Pradesh, Assam, Goa, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Maharashtra, Mizoram, Nagaland, Odisha, Rajasthan, Sikkim, Uttrakhand and Tripura (Source: DMI, Faridabad) have so far made this provision in the sense that they have provided for minimum investment prescribed. In Andhra Pradesh for eg., the license fee (Rs.50,000) and minimum investment for setting up of private market is Rs. 10 crores and discouraging for private/cooperative sector. Some states like Rajasthan and Maharashtra have provided that a private market can be set up only at particular distance from Government –owned APMCs, which is like suggesting that ICICI Bank cannot be in the same building where SBI is located. Some states like HP and Rajasthan have authorized the Market Secretary of the local APMC as the registration authority for contract farming, which is undesirable, as contract-farming system is an alternative and a potential competitor to the state-owned APMCs. In HP, the Market Secretary of the local APMC is the inspection authority for any private market coming under his jurisdiction. In Punjab and Chandigarh, there is an exemption of market fee for direct purchases of certain commodities by selected/identified processors. The States of Maharashtra, Gujarat and Karnataka have issued common license for direct procurement from farmers. Orissa has not permitted private markets for paddy/rice procurement. Though setting up of private market is permitted in Orissa, but the periodicity of license has been limited for only three years. Such stipulations are likely to hamper private investment. Hence it is necessary to provid

...ase and single window system for registration, which will help in ...private investment. These provisions in the Acts/Rules of the states are ...ory to the spirit of reforms envisaged in the sector.

3. Direct Marketing

The Model Act provides for granting licenses to processors, exporters, graders, packers etc., for purchase of agricultural commodities directly from the farmers. About 16 States so far have provided in their act for setting up of farmers market and direct purchase of agricultural produce. In Punjab and Chandigarh, there is an exemption of market fee for purchase of certain commodities by selected/identified processors. The States of Maharashtra, Gujarat and Karnataka have issued common license for direct purchase from farmers. The APMC Acts will also have to be amended to permit private and cooperative sectors to take up direct marketing of agricultural commodities from the producing areas and the farmers' fields, without the necessity of going through licensed traders and regulated markets. Such a reform will spur private initiative in building consumer oriented market infrastructure in the country.

4. Contract Farming

The Model Act provides for contract farming by registration of contracts with APMCs, allowing the purchase of contracted produce directly from the farmers outside the market yards and the Act provides for exemption of market fees for such purchases. So far 16 States and UTs have incorporated this provision, except the exemption of market fee. The States, which have provision for contract farming, are Andhra Pradesh, Arunachal Pradesh, Assam, Goa, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Maharashtra, Mizoram, Nagaland, Odisha, Rajasthan, Sikkim, Uttrakhand and Tripura. Only 11 States have exempted market fee on purchase under contract agreements. The State of Karnataka has only exempted 30% of the market fee for purchase of produce under contract farming. In Andhra Pradesh, APMC Act says, buyers are required to produce bank guarantee for the entire value of the contracted produce. One of the major concerns is that, APMC who is the major player in the market hinterland is the registering authority for contract farming. The arbitration process is not time bound leading to the apprehensions of delay in dispute settlement mechanism. Registration authority should be other than APMC. The dispute redressal authority has to be constituted at district or at APMC level with adequate representation of civil authorities. It is necessary to incorporate provision in the APMC Act to specifically allow setting up of registered contract farming programs by processing or marketing firms. The APMC within whose jurisdiction the area covered by contract farming agreement lies, should record the contract farming agreements and act as a protector of producer's and processor's interests with due legal support in its jurisdiction. Consequent upon recording of such agreements by the APMC, the produce covered by the agreement should be allowed to move freely from the farmers' field to any destination in the country or abroad without the necessity of going through licensed traders and regulated markets.

5. Rationalization of market fee

There is need for bringing uniformity in the state level tax structure in agricultural commodities for improving the marketing efficiencies. For example, in Punjab the total market charges on transactions of food grains are around 15.50% (Market Fee-2%, development Cess-2%, Purchase Tax-4%, Commission Charge-2%, Infrastructure Cost-1.5%, VAT-4%, apart from the charges for weighing-Rs.0.55, loading-Rs.0.40, Brokerage-Rs.0.16, Hamal-Rs.1 and cleaning Rs.0.65/bag/qtl). Besides this fee/cess, the commission agents also charge their commission (payable by the buyers) on the transaction. In many states the agricultural commodities are subjected to cascading market fees when traded in subsequent markets within the State or in other States.

The states of Chhattisgarh, Gujarat, Goa, Himachal Pradesh, Madhya Pradesh, Mizoram, Karnataka, Nagaland, Sikkim, UT of Chandigarh, Punjab, Jharkhand and Uttarakhand have made the provision for single point levy of fee.

6. Mandatory utilization of Market committee fund for Market development

The existing State APMC Acts provide for creation of market committee funds to meet establishment expenses and cost of market development. The market development fund is created at the level of SAMB with contributions from APMCs. The development heads vary from market to market depending on the volume of transactions and number of market players visiting and using the market yards. There is no specific provision in the Act, which prohibits spending of Market Committee fund or development fund on purposes other than market development. As a consequence, a considerable part of this fund built out of market fee is transferred to the general account of the State Governments. To check such practices, the Model Act provides for application of market committee fund or development fund for creation and promotion, on its own or through public-private partnership, infrastructure of post-harvest handling, cold storage, pre-cooling facilities, pack houses, etc. for modernizing the marketing system. Out of seventeen States which have [illegible] amended their Acts [illegible] such suggested [illegible]

7. Warehouse Receipts

A central law, namely "The Warehousing (Development and Regulation) Act 2007, for implementing Negotiable Warehouse Receipt System has been passed in parliament. The Warehousing (Development and Regulation) Act 2007 has already been enacted and its provisions have been made effective from 25th October 2010. A Warehouse Regulatory Authority is now in place.

The experience, over the years, shows that to complement & supplement reforms, there is a need to expand the scope and usage of public and private warehousing and warehouse receipts, taking necessary policy and legislative initiatives. The State Governments need to recognize potential benefits of better and stable prices through credit flows, hedging and high quality warehousing. If State Governments continue to levy mandi fees when traders and processors bring warehouse receipts, the system will find very little acceptance. It is also expected that gradual popularization of warehouse receipts alongwith other reforms measures may make MSP redundant in course of time.

As warehouse receipt system involves transfer of papers by endorsement through the use of a chain of accredited warehouses, the use of Information Technology is indispensable for maintaining a centralized data bank of lenders, facilitating modern communication, easy record keeping etc.

8. Futures market

The Government of India has now allowed futures trading in all the major commodities. This would enable farmers and traders to hedge their risk against price instruments. The challenge before the futures market is the issue of aggregation at the grass-root level to enable the small and marginal farmers to participate in the futures market. The real integration of the spot prices with the future prices will assume the desired depth, only when there is a network of accredited godowns backed by a strong collateral management system, a robust information system and other reform measures like direct marketing, contract farming etc. implemented.

Conclusion

Reforms initiated across States have now started giving results in the sense that some private markets have been set up in Maharashtra and Karnataka, contract farming arrangements are working without any interference, retail chain linkages are also functioning smoothly due to permission of direct marketing in the States. The progress on the use of ICT in agricultural marketing is also quite satisfactory, though the last mile linkage for agricultural marketing information needs to be further strengthened. The States, which have not reformed their Act so far, should do it without further loss of time. In the post-WTO regime, in order to leverage the external liberal trade environment, we have got to go in for internal reforms, evolving a common market for agricultural produce without any trade or entry barrier.

References:

Acharya, S.S and Agarwal, N.S (1999), Agricultural Marketing in India, Oxford & IBH Publishing House, New Delhi.

Agriculture Today, September, 2004

Paty, B.K (2002). Micro Level Group Marketing for Fruits and Vegetables – Some

Perceptions, Agricultural Marketing – April- June, 2002 Issue, Volume XLV-No.1.

GoI (2001). Report of Expert Committee on Strengthening and Developing of Agricultural Marketing, Ministry of Agriculture, Government of India, (June, 2001).

GoI (2002). Report of the Inter-Ministerial Task Force on Agricultural Marketing Reforms, (May, 2002)

GoI (2013). Report of Committee of State Ministers, In-charge of Agriculture Marketing to Promote Reforms-2013

State of the Indian Farmer, a Millennium Study (2004), Academic Foundation, New Delhi in association with Ministry of Agriculture, Government of India.

Shepherd. W and Eaton Charles (2001). Contract Farming- partnership and growth, FAO 2001.

World bank (2008). World Bank Report No. 35953-IN, October, 2008 , India: taking Agriculture to Market.

Sharma, Purushottam (2012) "A Study on Agricultural Marketing System in Odisha", A Research Study conducted at National Institute of Agricultural Marketing.