

ONLINE NATIONAL AGRICULTURE MARKET

Empowering Farmers and Stabilising Food Prices

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India has made many strides in agricultural production but a lot needs to be done in the field of agricultural marketing. With significant changes taking place in agri-food systems of domestic and overseas markets, attainment of competitiveness has become increasingly dependent on the capacity of the country to develop effective and efficient agricultural marketing.

Presently, agricultural marketing system in India has a number of constraints which are related to infrastructure, regulations, technology, poor information on opportunities and domestic/overseas markets, unstable and uncertain produce prices, delayed payment to producers and lower price realization by producers. The existing marketing infrastructure like Rural Primary Markets, regulated wholesale and assembling markets, grading and quality control systems, retail markets, is not at par with the desired level, both in terms of capacity as well as quality of the facilities. Other infrastructural facilities for cold chain storage, linking of the commodity futures with the farmers, perishable cargo centres, rural farm road, market information and quality assurance of various agricultural commodities are also not up to the mark. This infrastructure is also inadequate for realizing the potential competitiveness of multiple commodities for taking them to the global markets.

In order to overcome these challenges, a proposal to set up online National Agriculture Market (NAM) was approved by the Cabinet Committee on



Economic Affairs on July 01, 2015 through Agri-Tech Infrastructure Fund. Government has allocated Rs. 200 crore for three years to set up an online NAM by integrating 585 wholesale market across India. The plan is to cover 250 mandis in current fiscal year, 200 more mandis in 2016-17 and rest of the 135 mandis in 2017-18. The main objectives of the scheme are :

(a) Reforming the existing marketing system by redesigning the market structure, ushering in transparency, leveraging technology in operations,

providing a well-functioning regulatory framework, encouraging private participation along with regulated markets so that the seller has a real choice. It also aims at making banking an inherent part of the marketing function by collecting the sale consideration from the buyer and remitting the same to the bank account of the seller which would put an end to pay-

ment related issues faced by the seller.

- (b) Resolving issues of information asymmetry by encouraging analysis of the commodity and displaying quality parameters of the commodity to benefit buyers. It also aims at providing price details to the seller to enable him to decide the time and price of sale.
- (c) Having a more transparent auction process through leveraging of technology by providing a well-designed electronic auction platform and redefining rules of auction to improve transparency.
- (d) Promoting increased participation of buyers by reforming conditions of grant of trader licence and opening up licences to any person in the state/country. This would encourage participation from other locations and improve price discovery.
- (e) Resolving post-auction difficulties by integrating weighing of produce with the auction process and communicating details of the weight recorded and the amount payable/receivable to the buyer/seller.
- (f) Increasing market access by creating warehouses proximate to the farm to receive the goods, account it against individual producers, testing the same for predetermined quality

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parameters and making available all details to the electronic platform of the nearby market. This will obviate the need to reach the market physically. Funding of commodities stored in warehouses would increase the holding power of the farmer.

In the proposed online agri-market place, the farmers bringing their produce to local Agricultural Produce Market Committee (APMC) would have choice to sell their produce to local traders or buyers registered with online platform but stationed outside the APMC locality or even the physical boundary of the state. Currently, the farmers are restricted to sell their produce only at APMC market that often charge high levies or taxes on the produce. Now there will be one licence for entire state, there will be single point levy. There will be electronic auctions for price discovery. The impact will be that the entire state will become a market and the fragmented markets within the state would be abolished. Seamless transfer of agriculture commodities within the state can take place and market size for farmers would increase as he won't be limited to a captive market. Often farmers do not get remunerative prices for their produce due to lack of access to alternate marketing mechanism.

While the physical transaction would continue to be conducted through concerned APMC, the online platform would allow the bulk buyers, processor and exporters to participate directly in trading at the local mandi-level through NAM, which would reduce cost of transaction.

The Small Farmers' Agribusiness Consortium (SFAC), a lead promoter of the online NAM, would offer special software to each mandi which agrees to join the national network free of cost. Besides, SFAC would ensure timely delivery and settlements of payment for agriculture produce. For registration with

NAM, the concerned state must provide single licence to traders, which would be valid across the physical boundary of the state. The APMC would have to provide for electronic trading and issue licences to traders from any region or state who would operate through online trading. Due to integration of all the APMC markets through online platform, the volume of business would significantly increase as there will be greater competition for specific agricultural produce, resulting in higher volume of transaction fees for the mandi.

There are three basic criteria for a State to propose mandis for "plug-in" to NAM:

- a) The State APMC Act must have a specific provision for electronic trading
- b) The State APMC Act must provide for issue of licences to anyone in India to trade through the NAM in the local mandis.
- c) There must be one single licence for each State to facilitate trading in all the mandis of that State and a single point levy of transaction fee.

Better understanding of the benefits from the system in terms of transparency, better price discovery, quick settlement of sale proceeds and generation of accurate and timely market information may encourage more and more number of farmers to bring their produce to the market. This will help in enhancing the efficiency of the market and position of farmers in the entire supply chain. The availability of market information enhances market performance by improving the knowledge of market players. Balance of knowledge provides a more equal distribution of gains from efficient market price formation

The gradual integration of all the major mandis in the States into NAM will ensure common procedures for issue of licences, levy of fee and movement of produce. In a period of 5-7 years we can expect significant benefits through higher returns to farmers, lower transaction costs to buy-

ers and stable prices and availability to consumers. The NAM will also facilitate the emergence of integrated value chains in major agricultural commodities across the country and help to promote scientific storage and movement of agri – goods.

Agriculture sector accounts for employment of more than 60% of the population, contributing about 16% of GDP. So far as self-employment of the sector is concerned, bulk of it is contributed by its production aspect and a vast potential on its marketing front still remains to be explored. This can be attributed partly to the paucity of infrastructure and partly to the absence of congenial regulatory regime encouraging private investment in the sector. Agricultural marketing takes care of the post-harvest activities of the crops viz. cleaning, grading, packaging, transportation, storage, processing, and development of markets for their smooth transactions and dissemination of market information. All these functions help in creation/addition of time, place, form and possession utilities to a product. The present agricultural marketing system of the country, however, leaves much to be desired, as it is facing a number of handicaps, such as lack of requisite infrastructure, long marketing channels, overriding role of middle men, low farmer's share in consumer's rupee, and unhealthy controls and restrictions discouraging private sector investment etc. Hence, there is a need to go for capacity building of all stakeholders in agricultural marketing and agribusiness is essential.

National Skill Development Council has estimated the requirements of professional manpower in agricultural marketing and agribusiness management and has come out with the assessment that the current output of professional

graduates in these areas is less than one-fifth of the current requirements of the organized sector.

Way-Forward

Agriculture sector needs well functioning markets to drive growth, employment and economic prosperity in rural areas of the country. In order to provide dynamism and efficiency in the marketing system, large investments are required for the development of post-harvest and cold chain infrastructure nearer to the farmers' field. Well developed marketing infrastructure and efficient marketing system in the country will promote competitive trade as well as facilitate farmers' access to value addition services such as grading and storage, etc. on one hand and reduce supply chain inefficiency and post-harvest losses on the other. Report of the Working Group on Agricultural Marketing Infrastructure, Secondary Agriculture and Policy Required for Internal and External Trade for the XII Five Year Plan 2012-17 has assessed investment requirements of more than Rs. 56,000 crores for development of different infrastructure during XII Plan Period. A major portion of this investment is expected from the private sector for which an appropriate regulatory and policy environment is necessary. Alongside, enabling policies need to be put in place to encourage procurement of agricultural commodities directly from farmer's field and to establish effective linkages between the farm production and the retail chain and food processing industries. Towards this end, the States need to amend their marketing laws in true spirit on the line of model APMC Act and Rules to streamline storage and supply of produce in the country, thereby, harnessing the advantages of NAM in real sense.

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