FAR REACHING REFORMS IN NATIONAL AGRICULTURE MARKET

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National Agriculture Market is envisaged as a starting point for far reaching reforms in the agriculture sector. It not only promises transparency but has an in-built price discovery mechanism which allows a farmer to get better value for his produce. With the initiation of the electronic National Agriculture Market, the government has signaled its intention to move away from the exploitative market structure. Only, the States will have to work in unison.

A farmer in Karnal brings his yield of wheat—his toil and labour of over six months-- to the mandi (market) yard and offloads the produce from a hired tractor. An *artiya* (commission agent) steps in and sets up an auction. Six or seven buyers (traders) surround the mounds of wheat. All of them by turns lift a fistful of wheat and assess the quality physically. And then begins the "*boli*" (bid) which is a silent affair conducted in sign language between the *artiya* and the buyers.

A handkerchief is spread over the artiya's fingers which the interested buyer (trader) holds to indicate his price, which could well be below the Minimum Support Price set up by the Government. If the buyer holds a lone finger under the kerchief it indicates a lower price while a fist is the sum of all five fingers. The artiya whispers the amount offered to the hapless farmer, who normally agrees. Alternatively, the payment to farmer is postponed and he is given a sale patti (in-voice). Sometimes a trader does not even give that to avoid mandi taxes and keeps it pending to the utter distress of the farmer who then has no other way but to turn to the artiya for an advance or a loan.

After a deal has been struck between the artiya and the trader for the farmer's produce, the artiya deducts his commission, which by law is around two per cent but can go up to six per cent. He also deducts other charges which usually include unloading the wheat from the tractor and cleaning the produce. And then after deducting these charges, as well as, also any loan that he has extended to the farmer, the artiya pays the farmer.

An artiya, it must be remembered, also doubles up as the village money lender to the farmer and anyone in need. The farmer cannot break this cycle because the artiya, unlike a bank, is available round the clock trap for lending money--albeit at a high interest rate--for every need such as medical, marriage, education and so on. It is a generational relationship that does not allow farmers to come out of debt as was lucidly expressed in the old Bollywood classic *Mother India*. The artiya is neither a buyer nor a seller. He is a moneyed class of middle-man or intermediary who lives off the commission that he earns from both parties and the interest he draws on loans extended to farmers or any needy villager.

For years this unseemly but deeply entrenched system of buying a farmer's produce has been going on in regulated mandis where only licensed commission agents and traders can function. A small and marginal farmer—and 80 per cent of Indian farmers are in this category with a land holding of less than a hectare-- who has travelled from his village, hired a tractor and has taken a loan for inputs cannot but sell off his produce in the mandi. Since rabi wheat is produced once a year, this is his income from which he runs his household expenses and cultivates the next kharif or inter-crop. There is no other way for him but to take loan for his livelihood and mortgage his land as collateral.

The operations in the mandis have been regulated under the Agriculture Produce Marketing Committee (APMC) Act which is restrictive as buyers cannot buy directly from farmers. Successive governments have made attempts to get out of this labyrinth by urging States to amend the APMC Act or to at least de-list some of the notified items such as fruits and vegetables so that farmers get their due and consumers get the products at reasonable prices. But fear of losing revenue earned, as mandi fees and taxes, has made many a State turn a deaf year to this crucial reform that the sector was crying out for. Apart from that, farmers, who have been illiterate and unorganized, lack the political clout to tilt the scales in their favour. Despite recommendations of several committees and commissions, they fail to get the right price for their produce and almost always end up with getting lesser than their input costs. And yet, with pulses still ruling at an average of Rs. 150 to Rs. 200 per kilogram in the retail markets, the consumer at the other end is paying through his nose. Obviously the markets were distorted by vested interests.

Now, to remove stagnancy and bring transparency in the system with digitization as the means, the present Government has taken a major step to reform this marketing system. It has decided to set up a National Agriculture Market (NAM) through the Agri-tech Infrastructure Fund with an initial budget of Rs. 200 crore. Only States that amend the APMC Act will be able to participate in this reform measure which will be implemented in phases till 2018 by the Small Farmers Agribusiness Consortium.

So far the States that have amended the APMC Act and are moving towards reforms include Andhra Pradesh, Chhattisgarh, Goa, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Mizoram, Rajasthan and Telangana. Haryana has amended the Act through an administrative order, while Uttar Pradesh is in the process of doing so, official sources informed. The resistance from state governments is for the fear of losing the mandi revenues from fees and taxes, which in Punjab, for instance range as high as 14 per cent.

Interestingly Bihar abolished the APMC Act but did not replace it with any other instrument which also is not such a desirable thing. Kerala too does not have an APMC Act.

One of the major drawbacks, in the APMC Act—which is a legacy of the colonial rule—is that a trader had to take separate trading license for functioning in different mandis even within a State. By one estimate, in about 7000 mandis there are about 14 lakh artiyas. The mandi commerce can be assessed by the fact that Azadpur mandi in Delhi alone has an estimated turnover of Rs. 100 crore. Every mandi has a marketing board which is supposed to oversee the services such as infrastructure development of the notified mandis and provide facilities like clean toilets and yards to farmers and traders. They are meant to look after farmer welfare including entertaining complaints of under invoicing and other exploitation. But farmers often indicate that their voices are the weakest in the system. All they want to do is, sell their produce within the day and collect their money.

With the initiation of the electronic National Agriculture Market, the government has signaled its intention to move away from the exploitative market structure. Only, the States will have to work in unison.

Inaugurating a conference on NAM in New Delhi a few months ago, Union Agriculture Minister Radha Mohan Singh said that NAM will be a pan-India electronic trading portal which seeks to network the existing APMC mandis and other markets to create a

unified national market for agricultural commodities. In a sense, NAM is a 'virtual' market where price discovery and bids will be conducted online, but it has a physical mandi (market) at the back-end. For now, the commission agents will continue to play a role but in a transparent manner without surprising farmers with hidden costs. Through the NAM portal, a buyer in Kolkata, for instance, will be able to do spot bidding and access a commodity in Haryana. The commission agent (artiya), in his new avatar as a service provider, will facilitate physical delivery and transportation of the commodity. He will be active in the front-end as well as the back-end.

To participate on the online portal, each state will have to set up its own e-marketing portal. The Central Government has set three basic criteria for a State to plug-in into the Centre's NAM. First, the State will have to amend the APMC Act to provide for electronic trading. Secondly, the State APMC Act must provide for issuance of licenses to anyone in India including private players to trade through NAM in local mandis. Thirdly, and, most importantly, there must be a single license for each State that covers all mandis within the State with a single-point levy of transaction fee. Under the existing APMC Act, a trader had to procure different licenses for different mandis and pay transaction fee in each mandi for moving, for instance, a produce from one mandi to another which went against the economies of scale. States have been given a grant of Rs. 30 lakh to align their mandis to the new reformed structure.

With the introduction of NAM, the farmer will have a choice to bring his produce to the local mandi or to become a bigger player by seeking online buyers (traders) operating in other markets. This does away with the restriction of a State to not sell in another one. At the same time, processors, multi-national giants like Cargill and ITC will enter the market. Flour millers who were reportedly big beneficiaries of the foodgrains diverted from the Public Distribution System, can go in for transparent trading.

In such a transaction, the quality of the produce may become an issue. But, according to Agriculture

Ministry sources, States will have to set up and notify testing laboratories in mandis whose certificates will have to be uploaded for a buyer to be satisfied about the farmer's produce.

Alternatively, the warehouse which will store the produce till it is transported, will upload Warehouse Depository Receipt (WDR) about the certified quality tested in the warehouse laboratory.

As the system is envisaged, capacity building will be done for artiyas or their nominees to become an active and informed player in this digitised system. A farmer, or on his behalf an artiya, a cooperative or even a local trader, will upload the quantity of the lab certified quality produce and quote the seller's (farmer's) price expectation. The registered buyer/ traders/company/flour miller etc. will see online the quotation and quote their price. The highest bid will be sent through SMS to the farmer or his representative. At the close of the day, if the farmer agrees, he will send a 'Y' indicating yes or a 'N' rejecting the offer and put up his produce for sale the next day.

If the deal is struck, then a primary invoice will be generated after usual deductions by the artiya and sent to the buyer who will make online payment through any of the regional and cooperative bank that are likely to participate in the process. Only after the buyer deposits the amount in the Settlement Account of the clearing bank, will physical delivery will be made.

The SFAC has identified strategic and consortium partners and will launch a pilot e-platform by April this year with five to six mandis under the national portal. The target is to cover in phases 250, 200 and 135 mandis during 2015-16, 2016-17 and 2017-18 respectively.

Amongst the States, Karnataka, Gujarat, Maharashtra, Telangana, Jharkhand, Chhattisgarh, Madhya Pradesh, Rajasthan and Chandigarh have taken the lead and come up with proposals for setting up e-marketing portals to link up their mandis. Karnataka, for instance, has connected with 73 markets across 24 districts and has transacted about 939 lakh quintals in the last few months. Several other states have shown their willingness to become a part of this reform process.

NAM is envisaged as a starting point for far reaching reforms in the agriculture sector. It not only promises transparency but has an in-built price discovery mechanism which allows a farmer to get better value for his produce. For the local trader in the mandi, NAM offers a wider market. Bulk buyers, private players, processors, exporters etc. will be able to do direct trading at local mandi level. The integration of all mandis of the States into NAM will ensure common procedures for issuance of licenses, levy of transaction fee and free movement of produce. Gradually, it is expected that farmers will get remunerative price for their produce and will not have to wait for payment. Of course, in the back-end they will have to be trained, skilled and educated in the new processes. The process has the potential to build on the strength of a local mandi at the back-end and create, at the front-end a national network of physical mandis that can be accessed online.

It is expected that this spot trading involving long-distance transportation of goods will facilitate the emergence of integrated value chains and scientific and modern storages. The artiyas will slowly have to evolve into efficient service providers. Transparent and direct buying and selling will cut costs and eventually benefit consumers, it is presumed.

Combined with the Soil Health Card Scheme that indicates the health of a farmer's field, the newly launched village-based Crop Insurance Scheme and the Pradhan Mantri Krishi Sinchai Yojana, the National Agriculture Market is a reform that will invigorate the agriculture sector and increase food production by 2020 considerably from the current average level of 250 million tonnes.

The National Agriculture Market is a promising initiative but it will have to be seen how it pans out and what role the artiyas/middle-men come to occupy. A farmer wondered if there was the possibility of a local trader/artiya buying his produce from the local mandi at below Minimum Support Price and selling it online in another mandi online at a higher price or of traders forming cartels to suppress prices. Indeed the government will have to think of in-built mechanisms to safeguard the interests of farmers.

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