

## NATIONAL AGRICULTURE MARKET: NEW HORIZON FOR AGRI-BUSINESS

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The Government's decision to create National Agriculture Market (NAM) e-platform for farmers will remove inter-state barriers in moving farm produce and can be a game changer provided the prerequisites are fulfilled by states. These two most important prerequisites include amendment of the state Agricultural Produce Marketing Committee Act (APMC) Acts and physical logistic support to farmers which would enable them to move their crops. e-NAM has the potential to transform Indian agriculture from traditional to an entrepreneurial and a profit making venture. But this will only be possible with supplementary additions in infrastructure, easy credit disbursement and vigilant inspection and implementation.

The Government realizes the importance of agricultural sector for the growth and development of the Indian economy. With nearly 58 per cent of its population continuing to depend upon agriculture for their livelihood, the critical role of the sector cannot be repudiated. Agriculture sector is highly vulnerable to the uncertainties of nature that impact the crop enterprise at its production. Further, the sector is also exposed to the current weaknesses of the agriculture marketing system. The annual income of a farmer depends upon both yield and the price that his produce fetches. Government has rolled out a large number of programmes to improve yield levels on sustainable basis, it recognizes the need for creating a competitive market structure in the country that will generate marketing efficiency. Only when the market is integrated over time and space, can market efficiency be realized. This year's Union Budget has increased rural credit to Rs 10 lakhs crores for the next fiscal (2017-18) with the

aim at doubling the income of the farmers in the next five years.

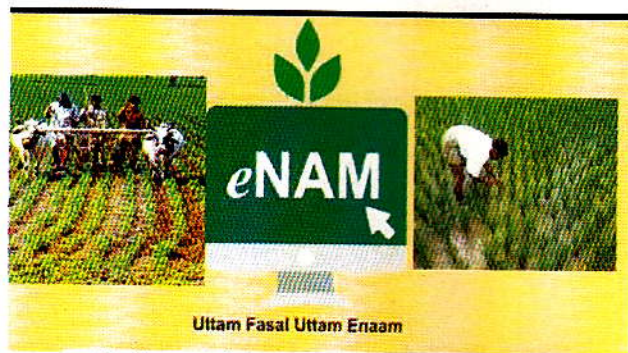
Integration of agriculture markets across the country through the e-platform is seen as an important measure for overcoming the challenges posed by the present agri-marketing system namely - fragmentation of State into multiple market areas, each administered by separate APMC (Agricultural Product Marketing Committee), multiple levy of mandi fees, requirement for multiple license for trading in different APMCs, licensing barriers leading to conditions of monopoly, poor quality of infrastructure and low use of technology, information dissymmetry, confound process for price discovery, high level of market charges, movement controls, etc. The need to unify the markets both at State and National level is, therefore, clearly the requirement of time, in order to provide better price to farmers, improve supply chain, reduce wastages and create a unified national market.



With nearly 58 per cent of the population depending upon agriculture sector for their livelihood, the unification of markets both at State and National level is indispensable. Thus, last year Prime Minister launched National Agriculture Market portal (eNAM) on April 15, 2016, to connect e-mandis in several States. eNAM is an online inter-connectivity of e-mandis, aimed at marshalling the much needed agriculture marketing reforms to enable farmers to get better price of their produce.

**National Agriculture Market (NAM)** is a pan-India electronic trading portal which networks the existing APMC mandis to create a unified national market for agricultural commodities. NAM Portal provides a single window service for all APMC related information and services. This includes commodity arrivals & prices, buy & sell trade offers, provision to respond to trade offers, among other services. While material flow (agriculture produce) continue to happen through mandis, an online market reduces transaction costs and information asymmetry.

Agriculture marketing is administered by the States as per their agri-marketing regulations, under which, the State is divided into several market areas, each of which is administered by a separate Agricultural Produce Marketing Committee (APMC) which imposes its own marketing regulation (including fees). This fragmentation of markets, even within the State, hinders free flow of agri-commodities from one market area to another and multiple handling of agri-produce and multiple levels of mandi charges ends up escalating the prices for the consumers without commensurate benefit to the farmer. NAM addresses these challenges by creating a unified market through online trading platform, both, at State and National



### **e- National Agriculture Market (NAM)**

level and promotes uniformity, streamlining of procedures across the integrated markets, removes information asymmetry between buyers and sellers and promotes real time price discovery, based on actual demand and supply, promotes transparency in auction process, and access to a nationwide market for the farmer, with prices compatible with quality of his produce and online payment and availability of better quality produce at more reasonable prices to the consumer.

Small Farmers' Agribusiness Consortium (SFAC) is the lead promoter of NAM. SFAC is a registered society of Department of Agriculture, Cooperation & Farmers' Welfare (DAC&FW) under Ministry of Agriculture and Farmer Welfare. SFAC through open tender selects a Strategic Partner (SP) to develop, operate and maintain the NAM e-platform. SFAC implements NAM with the technical support of SP and budgetary grant support from DAC&FW. DAC&FW meets the expenses on software and its customization for the States and is providing it for free. DAC&FW is also giving a grant as one time fixed cost up to Rs.30 lakhs per Mandi (other than to the private mandis) for installation of the e-market platform. Around 6500 APMCs operate throughout the country of which 585 district level mandis in States/UTs desirous of joining are planned to be linked by NAM. The Cabinet Committee on Economic Affairs had approved a Central Sector Scheme for Promotion of National Agricultural Market through Agri-Tech Infrastructure Fund (ATIF). The government has allocated Rs. 200 crore to the ATIF. With this fund, SFAC will implement NAM for three years from 2015-16 to 2017-18

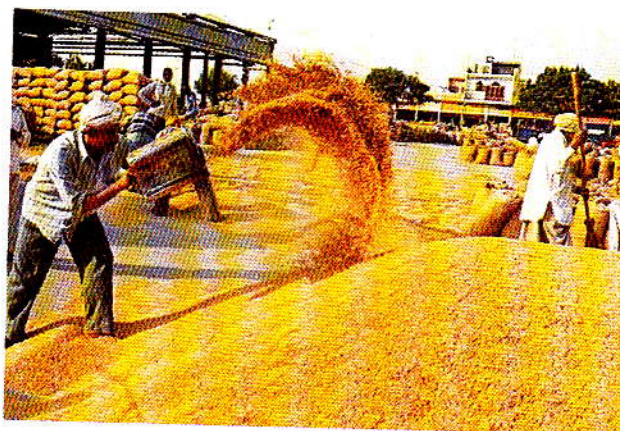
#### **Objectives of NAM:**

- A national e-market platform for transparent sale transactions and price discovery initially in regulated markets. Willing States to accordingly enact suitable provisions in their APMC Act for promotion of e-trading by their State Agricultural Marketing Board/APMC.
- Liberal licensing of traders/buyers and commission agents by State authorities without any pre-condition of physical presence or possession of shop /premises in the market yard.
- One license for a trader valid across all markets in the State.

- Harmonization of quality standards of agricultural produce and provision for assaying (quality testing) infrastructure in every market to enable informed bidding by buyers. Common tradable parameters have so far been developed for several commodities.
- Single point levy of market fees, i.e on the first wholesale purchase from the farmer.
- Provision of Soil Testing Laboratories in/ or near the selected mandi to facilitate visiting farmers to access this facility in the mandi itself. The broad role of the Strategic Partner is comprehensive and includes writing of the software, customizing it to meet the specific requirements of the mandis in the States willing to integrate with NAM and running the platform
- The Scheme is applicable on All-India basis. There is no State wise allocation under the Scheme. However, desirous States would be required to meet the pre-requisites in terms of carrying out necessary agri-marketing reforms.

#### Benefits of NAM:

- For the farmers, NAM promises more options for sale. It would increase his access to markets through warehouse based sales and thus obviate the need to transport his produce to the mandi.
- For the local trader in the mandi / market, NAM offers the opportunity to access a larger national market for secondary trading.
- Bulk buyers, processors, exporters etc. benefit from being able to participate directly in trading at the local mandi / market level through the NAM platform, thereby reducing their intermediation costs.
- 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, Union Cabinet expects significant benefits through higher returns to farmers, lower transaction costs to buyers and stable prices and availability to consumers.
- The NAM will also facilitate the emergence of value chains in major agricultural commodities



across the country and help to promote scientific storage and movement of agri goods.

#### Current Status of NAM:

It initially aimed at integrating 21 mandis in eight states; Uttar Pradesh, Gujarat, Telangana, Rajasthan, Madhya Pradesh, Haryana, Jharkhand and Himachal Pradesh. Launched with a budget allocation of Rs 200 crore, 25 key commodities, including wheat, paddy, maize, onion, jowar, bajra, groundnut, potato, soyabean and mustard seed, were selected for e-trading.

As per Press Information Bureau, Government of India, Ministry of Agriculture, 07-April-2017, so far, 417 markets from 13 states have been integrated with e-National Agriculture Market (e-NAM) against the set target of 400 markets by March. And as per the approved e-NAM Scheme, 585 regulated mandis across the country are to be integrated with the portal by March, 2018.

#### Challenges:

- Although the system looks simple, for farmers, it may not be as simple as expected. Most of the farmers have the habit of selling their yield to a local produce aggregator than taking their crops to the mandis.
- Even if some farmers take them to mandis, their yield would be very small to excite distant buyers bidding online. In this context, the possibility for better price discovery is quite limited.
- Quality variations in commodities at both the state and national level pose a challenge. For example, wheat in Punjab and Haryana is of medium quality whereas those from Madhya Pradesh and Gujarat are of superior quality.

- Electronic platforms like NAM would be a right platform only for trade standardized commodities and for the rest it may not be.

The Farmers can still resolve the above problems and reap benefits if they can find ways to aggregate their produce on their own bypassing local produce aggregator. In this, the cooperatives and farmer produce organizations can play a facilitating role to aggregate commodities. Reforms are also needed covering all facets of agricultural sector such as soil health, traditional farming, irrigation, extension services, fertilizers among others to make the sector attractive. This will create a large number of employment opportunities; ensure surplus production of all commodities and effective functioning of NAM. Reforming agricultural markets requires sincere efforts and effective participation of all the stakeholders.

**Obligation of States for Successful Implementation:** The states must ensure that reforms in their APMCs are carried out both in letter and spirit. To make the initiative successful, the states must undertake the following reforms:

- Provision for electronic auction for price discovery.

- Provide a single license to be valid across the state.
- Provision for a single point levy of market fee.

It should also be noted that only those states/UTs which fulfill the above three prerequisites will be eligible for assistance under this scheme. The Government's decision to create National Agriculture Market (NAM) e-platform for farmers will remove inter-state barriers in moving farm produce and can be a game changer provided the prerequisites are fulfilled by states. These two most important prerequisites include amendment of the state Agricultural Produce Marketing Committee Act (APMC) Acts and physical logistic support to farmers which would enable them to move their crops. e-NAM has the potential to transform Indian agriculture from traditional to an entrepreneurial and a profit making venture. But this will only be possible with supplementary additions in infrastructure, easy credit disbursal and vigilant inspection and implementation.

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### **New Central Sector Scheme SAMPADA approved**

The Cabinet Committee on Economic Affairs, has approved a new Central Sector Scheme – SAMPADA (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters) for the period 2016-20 coterminous with the 14th Finance Commission cycle, for re-structuring the schemes of the Ministry of Food Processing Industries (MoFPI).

With an allocation of Rs. 6,000 crore, the scheme is expected to leverage investment of Rs. 31,400 crore, handling of 334 lakh MT agro-produce valuing Rs. 1,04,125 crore, benefit 20 lakh farmers and generate 5,30,500 direct/ indirect employment in the country by the year 2019-20.

SAMPADA is an umbrella scheme incorporating ongoing schemes of the Ministry like Mega Food Parks, Integrated Cold Chain and Value Addition Infrastructure, Food Safety and Quality Assurance Infrastructure, etc. and also new schemes like Infrastructure for Agro-processing Clusters, Creation of Backward and Forward Linkages, Creation / Expansion of Food Processing & Preservation Capacities. The objective of SAMPADA is to supplement agriculture, modernize processing and decrease agri-waste. It also aims to develop modern infrastructure to encourage entrepreneurs to set up food processing units based on cluster approach, provide effective and seamless backward and forward integration for processed food industry by plugging gaps in supply chain and creation of processing and preservation capacities and modernization/ expansion of existing food processing units.

The implementation of SAMPADA will help in providing better prices to farmers and is a big step towards doubling of farmers' income. It will create huge employment opportunities especially in the rural areas. It will also help in reducing wastage of agricultural produce, increasing the processing level, availability of safe and convenient processed foods at affordable price to consumers and enhancing the export of the processed foods.