Brief History of Agricultural Marketing Regulation, its Constraints and Reforms in the Sector

1. Brief History of Agricultural Marketing Regulation-

1.1 Agriculture is one of the most critical sectors of the Indian economy. Growth and development of agriculture and allied sector directly affect well-being of people at large, rural prosperity and employment; and it forms an important resource base for a number of agro-based industries and agro-services. While the total production and productivity is being constantly augmented, it is essential to provide the farming community with better marketing facilities with suitable infrastructures in order to enable them in getting remunerative prices for their produce. Value addition in agriculture holds huge potential for enhancing the living standard of majority of the people.

1.2 Prior to independence, the major concern of the Government policy related to agricultural marketing was to keep the prices of food for the consumers and agro-raw materials for the industry in check. However, after independence, the need to protect the interest of farmers and to provide them incentive prices to augment the production of agricultural commodities was also felt. Recognizing the defects like losses to the farmers in terms of undue low prices, higher costs of marketing and considerable physical losses of the produce in the agricultural marketing system which the farmers had to face, the Government, with a view to establishing a mechanism to monitor the market conduct, introduced from time to time several mandatory regulations. Regulation and development of primary agricultural produce markets was taken up as an institutional innovation and construction of well laid out market yards was considered as an essential requirement for regulating the practices in primary wholesale markets.

1.3 History of agriculture produce market regulation programme in India dates back to British period as raw cotton was the first farm produce to attract the attention of the Government due to anxiety of British rulers to make available the supplies of pure cotton at reasonable prices to the textile mills of Manchestor (UK). Consequently, first regulated market (Karanja) under Hyderabad Residency Order was established in1886 in the Country and the first legislation was the Berar Cotton and Grain Market Act of

1887, which empowered British Resident to declare any place in the assigned district a market for sale and purchase of agricultural produce and constitute a committee to supervise the regulated markets. This Act became the model for enactment in other parts of the country. An important landmark in the agricultural marketing scene in the country has been the recommendation of the Royal Commission on Agriculture, 1928 for regulation of marketing practices and establishment of regulated markets. of the measures taken to improve the situation was to regulate the trade practices and to establish market yards in the countryside. In pursuance, Government of India prepared a Model Bill in 1938 and circulated to all the States but not much headway was made till independence. Later, most of the States enacted Agricultural Produce Markets Regulation (APMR) Acts during sixties and seventies and put these in operation. All primary wholesale assembling markets were brought under the ambit of these Acts. Well- laid out market yards and sub-yards were constructed and for each market area, an Agricultural Produce Market Committee (APMC) was constituted to frame the rules and enforce them. Thus, the organized agricultural marketing came into existence through regulated markets.

1.4 Organized marketing of agricultural commodities has now been promoted in the country through a network of regulated markets. The basic objective of setting up of network of physical markets has been to ensure reasonable gain to the farmers by creating environment in markets for fair play of supply and demand forces, regulate market practices and attain transparency in transactions. To cope up with the need to handle increasing agricultural production, the number of regulated markets has been increasing in the country. While by the end of 1950, there were only 286 regulated markets in the country, today the number stands at 6746 (as on 31.3.2015). These regulated markets are wholesale markets. Besides, the Country has 20,580 Rural Periodical Markets.

2. Major Constraints of Present Agricultural Marketing System-

2.1 **Markets highly fragmented**: APMC Act of the State divides the entire area of the State into various notified Market Committee areas and has delegated the responsibility of regulating agricultural marketing practices in such areas to the specific APMCs. The market of agricultural produce thus has become highly fragmented, not only across the country but even at the level of the State itself, which hinders both, proper market access for farmers and also the development of required infrastructure for handling the produce. Multiple license requirements for trading in a State and levy of market fee at multiple point points along with high incidence of fee and charges further have an incremental impact

2.2 **Insufficient Number of Markets**: There is a huge variation in the density of regulated markets in different parts of the country, which varies from 118.78 sq km. in Punjab to 11215 sq km. in Meghalaya. The all-India average area served by a regulated market is 487.40 sq km, against the recommendation of the National Farmers Commission (2004) that a regulated market should be available to farmers within a radius of 5 Km (corresponding market area of about 80 sq. km.). This indicates that extant system has failed to provide adequate number of markets to handle ever increasing marketed surplus efficiently and easy market access to farmers

2.3 **Inadequate Marketing Infrastructure:** The benefits available to the farmers from regulated markets depend on the facilities/amenities available therein. Studies indicate that covered and open auction platforms exist only in two-thirds of the regulated markets, while only one-fourth of the markets have common drying yards. Cold storage units exist in only nine per cent of the markets and grading facilities in less than one-third of the markets. Electronic weigh-bridges are available only in a few markets.

2.4 **High Incidence of Market Fee/ Charges**: Market Committee is authorized to collect market fees ranging 0.30% to 2.0%, from the buyers/traders on the sale of notified agricultural produce. In addition, commission charges are to be paid to commission agents which varies from 0.5% to 4.5% in food grains, and 3.0% to 7.0% in case of fruit and vegetables. In addition to these, other charges, such as, various types of development cess, entry tax, purchase tax, weighment charges and hamal charges, etc are also required to be paid resulting in to higher transaction cost and low price realization by the farmers in a regulated market.

2.5 **High Post—Harvest Wastages**: Study conducted by ICAR (2015), indicates that the range of post-harvest losses of various commodities ranges from 4.65-5.99% for cereals, 6.36-8.41% for pulses, 3.08- 9.96 for oilseeds , 6.7-15.88% for fruits, 4.8-12.44% for vegetables, 0.92% for milk, 7.19 % for eggs and 6.74% for poultry meat . The total post-harvest losses of agriculture commodities have been estimated at about Rs 92,651 crores at average prices value of 2014. Losses data indicate need for further survey. The monopoly of Government controlled markets, infrastructure gaps and high incidence of market charge have cascading effect on present marketing system and limit private sector to invest in development of required marketing infrastructure in the country.

2.6 **Restrictions in Licensing**: The licensing of commission agents in the regulated markets has led to the monopoly of these licensed traders acting as a major entry barrier in existing APMCs for a new entrepreneur thus, preventing competition. New licensing of commission agents requires space for shops within the market yards. As many of the market yards being established long back don't have adequate space for construction of shops, the issue of new license is not encouraged in many cases. The traders, commission agents and other functionaries organize themselves into associations, which generally do not allow easy entry of new persons, stifling the very spirit of competitive functioning. Many States do not permit setting up of private markets, direct marketing and contract farming which hinder competition and do not allow access to alternative marketing channels for the farmers.

2.7 **Less Remuneration to the Farmers and High Intermediation Cost:** The Millennium study conducted by Ministry of Agriculture in 2004 indicates that the share of producers varies from 56 to 89 per cent for paddy, 77 to 88 per cent for wheat, 72 to 86 per cent for coarse grains and 79 to 86 per cent for pulses, 40 to 85 per cent in oil seeds and 32 to 68 per cent in case of fruits, vegetables and flowers. Long supply chain (normally 5-6) incurs disproportionate marketing cost and margin In order to provide the remunerative prices to the farmers, there is a need to reduce the intermediation by providing alternative marketing channels like direct marketing, contract farming etc. for which reforms in agricultural marketing system is necessary

2.8 **Market Information Asymmetry**: It is often not possible for the farmers to obtain information on exact market prices in different markets. So, they accept, whatever price the trader offer to them. With a view to tackle this problem the Government is using the radio and television to broadcast market prices regularly. The news papers also keep the farmers posted with the latest changes in the prices. However the price quotation are sometimes not reliable and sometimes have a great time-lag. The trader generally offers less than the price quoted by the Government news media.

2.9 **Inadequate Credit Facilities**: Indian farmer, being poor, tries to sell his produce immediately after the crop harvesting though prices at that time are very low. The safeguard of the farmer from such "forced sales" is to provide him credit so that he can wait for better times and better prices. There is a need to strengthen the formal credit network in rural areas.

3. Reforms in the Sector-

3.1 Need of Reforms in Agricultural Marketing-

'Agriculture Marketing' laws have been regulated by the State Governments. In order to remove restrictive provisions in the State marketing laws and monopolistic approach of APMCs , provide better price realization to the farmers through improved and alternative marketing channels, enhance investment in development of post-harvest marketing infrastructure, reforms in the sector are required. Central Government has been engaging with the States for more than a decade to implement reforms in the sector. Department of Agriculture, Cooperation &FW formulated a Model APMC Act in 2003 and also Model Rules in 2007 which were shared with the States/UTs for their guidance and implementation. Further, through advisories issued to the States from time to time, DAC has been requesting the States to reform their marketing regulations and align these with the provisions in the Model Act. The pace of reforms however, has been far from satisfactory.

3.2 Ministry of Agriculture has recently identified following 7 vital areas of market reforms to pursue with the States/Union Territories.–

3.2.1 Direct wholesale purchase from farmers outside the market yards at farm-gate by Processors/ Exporters/ Bulk Retailers/ End user, etc ;

3.2.2 Establishment of private market yards / private markets managed by a person other than a Market Committee;

3.2.3 Establishment of farmer / consumer market by a person other than Market Committee (Direct Sale by the producer to the consumers);

3.2.4 Provision for Contract Farming;

3.2.5 Provision for unified single registration / license for trade transaction in the mandis across the State ;

3.2.6 Provision for e- trading; and

3.2.7 Provision for single point levy of market fee at first transaction.