



National Agriculture Market: Game changer policy for Agriculture Indian marketing

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ABSTRACT

Agricultural marketing in India suffers from inefficiency, difference between the prices received by producers and the prices paid by consumers, fragmented marketing channels, poor infrastructure and policy distortions. The fragmentation of markets hinders free flow of agricultural commodities from one market area to another, resulting in higher prices for the consumer without any commensurate benefit to the farmer. Further, revenue earned by APMCs does not go to the state treasury and hence is exempt from legislative and auditing oversight. In order to address this, on April 14 2016, the National Agriculture Market was officially launched with the inauguration of the pilot policy of the electronic trading platform for agricultural produce known to be e-NAM. e-NAM makes use of ICT to network existing APMC Mandis into an online trading platform at the national and state level. This promotes transparent sale transactions and real time price discovery that is based on actual demand and supply. Over the long term and with the nation-wide implementation of the NAM, it is expected that there will be a transfer of knowledge and inputs across states. Another crucial area where the e-NAM will be useful is controlling food losses and increase efficiency of market.

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INTRODUCTION

Agricultural markets or 'mandis' as they are commonly known, are usually where sale and purchase of agricultural products takes place. In India these are administered through Agricultural Produce Market Committees (APMCs) through various state APMC Acts. Under this, the geographical area of the state is divided into different market areas with each falling under the jurisdiction of a market committee. The first sale of agricultural commodities such as cereals, pulses, vegetables, fruits and even products like chicken, fish can be conducted only through commission agents, who have been licensed by the APMCs. By way of the Act, different taxes and charges end up being levied on the trade conducted in Mandis.

Despite amendments to make the act less restrictive, such as allowing non-state actors to set up market areas (as opposed to it being the prerogative of state governments alone, as was the case earlier), amended provisions have been implemented to different degrees by states. Consequently APMCs wield considerable monopoly power and under various categories end up charging multiple fees of substantial magnitude. These vary widely between states, inducing distortions in the market due to a cascading effect on the final price of the commodity. Even within a state, the fragmentation of markets hinders free flow of agricultural commodities from one market area to another, resulting in higher prices for the consumer without any commensurate benefit to the farmer. Further, revenue earned by APMCs does not go to the state treasury and hence is exempt from legislative and auditing oversight.

The APMC operations exhibit non – transparency, and lack of accountability, and have created substantial local (and sometimes regional) monopoly power, which often translates into political power. The resulting distributional coalitions whose interests lie in rent-seeking rather than in the well-being of farmers, have led resistance to substantive reforms of the current inefficient agricultural marketing practices.

Operational Aspects of NAM:

In order to address this, on April 14 2016, the National Agriculture Market was officially launched with the inauguration of the pilot of the electronic trading platform for agricultural produce or e-NAM. e-NAM makes use of ICT to network existing APMC Mandis into an online trading platform at the national and

state level. This promotes transparent sale transactions and real time price discovery that is based on actual demand and supply. At present M/s. Nagarjuna Fertilizers and Chemicals Ltd. has been designated as the Strategic Partner (SP) responsible for development, operation and maintenance of the platform.

In addition to e-NAM, the other components of NAM include a more liberal licensing regime for traders, buyers, commission agents, that do not require physical presence or shop premises in the yard. This promotes greater competition and limits the monopoly power of existing agents. Other features of NAM include validity of a single license for a trader across markets in the state, a single point of levy of the market fees and harmonisation of agricultural produce standards. This is expected to lead to uniformity and streamlined procedures across integrated markets.

In the current set-up, due to the perishable nature of goods and the need for liquidity, farmers often sell at low prices, with most of the gains accruing to redundant middlemen and retailers. This in turn affects the level and rate of food inflation in an adverse way for the consumers. For farmers, the establishment of NAM and e-NAM would mean more options for selling their products and receiving prices commensurate with quality. Consumers too benefit from better quality produce, available at more reasonable prices. Traders and bulk buyers gain from access to a larger national market for secondary trading. Finally, for Mandis a freely accessible ICT platform reduces manpower, book-keeping and reporting requirements, while at the same time eliminating the potential for manipulation in tendering and auctioning.

Economic Rationale: The economic rationale behind the NAM thus, is to reduce asymmetries of information that farmers and traders face in marketing their produce and to lower transactions' cost that accrue from high levels of market charges and movement controls. Moreover, by moving trade to an open access electronic platform, the monopoly power exercised within APMCs and by them is curbed. Transparency in operations is also promoted. Over the long term and with the nation-wide implementation of the NAM, it is expected that there will be a transfer of knowledge and inputs across states. Another crucial area where the NAM may be useful will be in controlling food losses. Post-harvest losses in a developing country such as India result from a combination of poor infrastructure, technical and managerial practices. In 2013, almost 7 million tonnes was discarded as vegetable waste, which constituted about 5.8% of total vegetable production. While better infrastructure and storage facilities are essential, as recommended by the High Level Committee on restructuring of the Food Corporation of India (FCI), setting up such systems will take time. Thus simultaneously, faster movement of produce through lower movement control and immediate price realisation as enabled by NAM, will help contain some of these food losses.

NAM addresses these challenges by creating a unified market through online trading platform, both, at State and National 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 commensurate with quality of his produce and online payment and availability of better quality produce and at more reasonable prices to the consumer.

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.
- Harmonisation 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 69 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. M/s. Nagarjuna Fertilizers and Chemicals Ltd. is the Strategic Partner (SP) who is responsible for development, operation and maintenance of the platform. 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

As of April 2017, 21 Mandis from eight states (Gujarat, Telangana, Rajasthan, Madhya Pradesh, Uttar Pradesh, Haryana, Jharkhand, and Himachal Pradesh) have been linked to the NAM, with common tradable parameters being developed for 25 commodities. In-principal approval has been granted to four other states -Maharashtra, Chhattisgarh, U.T. of Chandigarh and Andhra Pradesh.

The final target is to link 585 markets to the NAM by march2018. Given that there are 7,000 regulated markets (principal markets and sub-markets), there is still substantial effort needed until a truly unified national agricultural market is fully realised.

Benefits of eNAM

- A reduction in book keeping and reporting system (reports were previously prepared viz. daily minimum, maximum and modal prices and arrivals of commodities) which are now generated automatically
- Better monitoring and regulation of traders and commission agents (CA's).
- Completely transparent system which eliminates any scope of intentional/un-intentional manipulation of tendering / auctioning process.
- Improvement in the market fee collection by means of accounting all the transactions that are taking place in the market.
- Reduction in manpower requirements as tendering / auctioning process takes place through the system.
- Analysis and forecasting of the arrivals and prices become easier and more accurate.
- Availability of the activities of each APMC on the website directly.

Stakeholders

In traditional marketing system there are so many intermediaries and the profit of farmers unnecessarily distributed among them and sometimes exploits farmers, but in NAM farmers only will be able to directly sell their product to the traders and even to the direct consumer through facility provided by e-NAM. Now a chance to the farming community to become stakeholder along with some traders. Some specialists also participate in to the port to describe price policy which is acceptable based demand and supply of the real market.

CONCLUSION

It would be useful to create a feedback loop mechanism to refine NAM on time basis as it progresses by developing an appropriate dashboard to monitor its quantitative and qualitative significance in agricultural markets, value addition and farmers' incomes. Such measures will be consistent with making agricultural sector activities, and its inter-linkages with other sectors more professionally managed, informed by technological and other knowledge inputs. A key criterion for measuring the success of NAM would be how far NAM in conjunction with other initiatives assists in improving India's agricultural surplus in merchandise trade, and strengthens the linkages between the agriculture, industry and services sector.

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