

**Final Report**  
**of**  
**Committee of State Ministers, In-charge**  
**of Agriculture Marketing to Promote Reforms**



**Ministry of Agriculture**  
**Department of Agriculture and Co-operation**  
**Government of India**

# Final Report of the Committee of State Ministers, in-charge of Agriculture Marketing to Promote Reforms

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## ***Abbreviations***

<b>AMA</b>	Agricultural Marketing Adviser to the Government of India
<b>AMIGS</b>	Agricultural Marketing Infrastructure Grading and Standardization
<b>APMC</b>	Agricultural Produce Marketing Committee
<b>APMC Act</b>	Agricultural Produce Marketing Committee Act
<b>BOO</b>	Build Own Operate
<b>BOT</b>	Build Own Transfer
<b>CAP</b>	Covered and Plinth
<b>CEO</b>	Chief Executive Officer
<b>CII</b>	Confederation of Indian Industries
<b>CMD</b>	Chief Managing Director
<b>CST</b>	Central Sales Tax
<b>CWC</b>	Central Warehousing Corporation
<b>DAC</b>	Department of Agriculture and Co-operation
<b>DMI</b>	Directorate of Marketing and Inspection
<b>EC Act</b>	Essential Commodities Act
<b>ECB</b>	External Commercial Borrowing
<b>EU</b>	European Union
<b>FAIDA</b>	Food and Agriculture Integrated Development Action
<b>FCI</b>	Food Corporation of India
<b>FICCI</b>	Federation of Indian Chamber of Commerce and Industry
<b>FMC</b>	Forward Markets Commission
<b>FTA</b>	Free Trade Agreement
<b>GDP</b>	Gross Domestic Product
<b>GHP</b>	Good Harvest Practices
<b>GIS</b>	Geographical Information System
<b>GMP</b>	Good Marketing Practices
<b>HMNEH</b>	Horticulture Mission for North East and Himalayan States
<b>ICAR</b>	Indian Council of Agricultural Research
<b>ICT</b>	Information and Communication Technology
<b>IFFCO</b>	Indian Farmers Fertilizer Co-operative Limited
<b>IIM</b>	Indian Institute of Management
<b>IRR</b>	Internal Rate of Return
<b>IKSL</b>	IFFCO Kisan Sanchar Limited
<b>ISO</b>	International Standards Organization
<b>ITC</b>	Indian Tobacco Company
<b>KCC</b>	Kisan Credit Card
<b>MD</b>	Managing Director
<b>MRIN</b>	Marketing Research and Information Network
<b>NABARD</b>	National Bank for Agriculture and Rural Development
<b>NABCONS</b>	NABARD Consultancy Services
<b>NCDC</b>	National Co-operative Development Corporation
<b>NERAMEC</b>	North East Regional Agricultural Marketing Corporation Limited
<b>NHB</b>	National Horticulture Board
<b>NHM</b>	National Horticulture Mission
<b>NIAM</b>	National Institute of Agricultural Marketing
<b>NIC</b>	National Informatics Centre

<b>NSEL</b>	National Spot Exchange Ltd.
<b>NWRS</b>	Negotiable Warehousing Receipt System
<b>PPP</b>	Public Private Partnership
<b>PPPIAD</b>	Public Private Partnership for Integrated Agricultural Market Infrastructure Development
<b>RAL</b>	Regional Agmark Laboratory
<b>RKVY</b>	Rashtriya Krishi Vikas Yojana
<b>RPM</b>	Rural Primary Market
<b>SGL</b>	State Grading Laboratory
<b>SMS</b>	Short Messaging Service
<b>SOPA</b>	Soybean Processors Association of India
<b>SWC</b>	State Warehousing Corporation
<b>TBT</b>	Technical Barriers to Trade
<b>TMC</b>	Terminal Market Complex
<b>UT</b>	Union Territory
<b>VAT</b>	Value Added Tax
<b>VGf</b>	Viability Gap Funding
<b>WDRA</b>	Warehousing (Development and Regulation) Act
<b>WTO</b>	World Trade Organization

## Preface

Agricultural marketing in India has made notable progress since independence but many challenges still remain. A dynamic and vibrant marketing system with adequate supply chain infrastructure has been felt necessary to keep pace with the changing agricultural production and growing marketable surplus. Moreover, efforts should be made at all legal and policy levels to strengthen the rural economy and create rural employment, which will surely augment production and productivity leading to food security and inclusive growth of the country. There is also increasing pressure on agriculture produce economy to respond to the challenges and opportunities that the global markets pose in the era of globalization and liberalization.

2. Organized marketing of agricultural commodities has 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 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 7,190 (as on 31.3.2012). Most of these regulated markets are wholesale markets. Besides, the country has 22,505 rural periodical markets also, about 20% of which function under the ambit of regulation.

3. In order to overcome the limitations and constraints of present agricultural marketing system such as lack of sufficient number of markets and adequate marketing infrastructure, high incidence of market fee/charges and lack of competition with long chain of intermediation, an immediate need has arisen to reform agricultural marketing. Accordingly, Ministry of Agriculture, Govt. of India formulated a Model APMC Act/Rules on agricultural marketing in consultation with the State Governments and circulated to the States/UTs for their adoption during 2003 and 2007 respectively. Several States have initiated steps for amending their APMC Acts/Rules, but there was variation in adoption of the contents and coverage of reforms to the APMC Acts/Rules across the States/UTs. Further, during discussions and consultations at various levels, there has been persistent demand for expediting reforms in agricultural marketing in order to facilitate private sector investment in this important area. Accordingly, the Ministry of Agriculture, Govt. of India took this major initiative to set up an Empowered Committee of State Ministers in-charge of Agricultural Marketing on 2<sup>nd</sup> March, 2010 under my Chairmanship to persuade various States/UTs to implement the reforms in agriculture marketing through adoption of Model APMC Act and Model APMC Rules, suggest further reforms necessary to provide a barrier free national market for the benefit of farmers and consumers and also suggest measures to effectively disseminate market information and to promote grading, standardization, packaging, and quality certification of agricultural produce.

4. The Empowered Committee by holding nine meetings at different places viz. New Delhi, Mussoorie (Uttarakhand), Khajuraho (Madhya Pradesh), Bhubaneswar (Odisha), Sasan Gir (Gujarat), Chandigarh (Haryana), Guwahati (Assam), Tirupati (Andhra Pradesh) and Shirdi (Maharashtra) made tremendous efforts to cover issues identified in the Terms of Reference (TOR). A series of presentations by experts, practitioners, FICCI, CII, ITC,

Adani, Premier Farm Fresh, etc.were made to facilitate the deliberations of the Committee. Farmers also contributed in the deliberations.

5. The Committee submitted its Interim Report on 8<sup>th</sup> September, 2011 to the Hon'ble Union Agriculture Minister. The Committee is grateful to Hon'ble Union Agriculture Minister, Shri Sharad Pawar, the MOS, Shri Tariq Anwar and the then Minister of State for Agriculture, Shri Harish Rawat, Shri Ashish Bahuguna, Secretary , Deptt. Of Agriculture &Cooperation. Shri P.K. Basu, former Secretary, DAC and Shri Anup Kumar Thakur, Additional Secretary to Govt. of India for their guidance and contribution from time to time.

6. The Committee wishes to place on record its appreciation to the State Governments who successfully organized the meetings and extended all support for their smooth conduct. I personally express my gratitude to Hon'ble Members of the Committee for sparing their valuable time and rendering full support and guidance during the deliberations in the meetings. The Committee would like to thank all Senior State Government Officers, Experts and representatives from FICCI, CII, Premier Farm Fresh, Adani, ITC, SOPA and Processing Associations for their valuable contribution to the deliberations and towards framing of the policy recommendations.

7. I would like to extend my special thanks to Shri Rajendra Kumar Tiwari, Member Secretary of the Committee and Joint Secretary (Marketing)/then AMA to the Government of India and his team of officers. Shri Tiwari was an invaluable asset for the Committee and brought with him tremendous knowledge and understanding of the dynamics of the sector and also ably supported all the proceedings of the Committee in a focused and incisive manner. The conduct of the meetings within the time frame and its final outcome were made possible largely owing to his zeal and painstaking efforts.

8. The Committee also commends Shri Prasanta Kumar Swain, Director (Marketing), Department of Agriculture & Cooperation, Shri Lallan Rai, Consultant and Dr. S.K. Singh, Marketing Officer, DMI, Faridabad for coordinating the meetings and drafting of the agenda, minutes of the meetings of the Committee and its Interim and Final Report. Shri Swain was also instrumental in preparation of Market Survey Questionnaires and conduct of the survey in various States. The Committee expresses its gratitude to DMI, NIAM and State Agricultural Marketing Boards for extending wholehearted cooperation and support to the Committee.

9. I hope that the report will be useful to agricultural marketing policy planners and practitioners in the Centre and the States in initiating measures to strengthen and develop agricultural marketing in the country by bringing reform initiatives in the Market Laws to meet the challenges of the new economic order.

**(HarshvardhanPatil)**  
**Chairman**

Dated: the 22<sup>nd</sup> January, 2013

## Acknowledgement

The Committee of State Ministers, In-charge of Agricultural Marketing has had the privilege of interacting with many individuals and institutions, viz., State Agricultural Marketing Boards/ Directorates, academicians, Central/ State Government officials, NABCONS, FMC, WDRA, NERAMAC, NSEL, IIM, Ahmadabad, representatives of CII, FICCI, ITC, Premier Farm Fresh, SOPA, processors and progressive farmers . The Committee would like to thank them for their contributions in various ways, which has helped in shaping of this Final Report of the Committee.

2. I consider it my proud privilege to be associated as the Member-Secretary of this Committee of very eminent and learned Hon'ble Ministers of Agricultural Marketing of various States. It was a huge learning experience for me to interact with Hon'ble members , senior officers of Central and State Governments and State Agricultural Marketing Boards and other stakeholders. Their positive contributions and constructive critical inputs greatly helped in putting the various issues involved in the right perspective. I am personally grateful to Shri Harshvardhan Patil, Chairman of the Committee and Hon'ble Minister for Cooperation and Parliamentary Affairs, Govt. of Maharashtra for his able guidance and leadership without which this Project could never have been possible. Dr. Sudhir Kumar Goel, Additional Chief Secretary (Agriculture and Marketing), Govt. of Maharashtra deserves my special thanks for his unqualified and invaluable support and his personal commitment to take the agenda of agricultural marketing reforms forward.

3. I am deeply indebted to the Hon'ble members, co-opted members and Hon'ble Agricultural Marketing Ministers of non-member States for sparing their valuable time and for their insightful suggestions in the deliberations of the meetings of the Committee. I am personally thankful to the senior officers from State Governments, FMC, NABCONS and representatives of CII, NSEL, FICCI, ITC, Premier Farm Fresh and SOPA and Processors/Millers Association for their valuable inputs to the deliberations of the meetings of the Committee.

4. Special thanks are due especially to the respective member States who provided facilities and platform for successfully holding the various meetings of the Committee at New Delhi, Mussoorie, Khajuraho, Bhubaneswar, Sasan Gir, Chandigarh, Guwahati, Tirupati and Shirdi.

5. I would like to place on record my appreciation of Shri Prasanta Kumar Swain, Director (Marketing), Department of Agriculture and Cooperation, Ministry of Agriculture for coordinating very well with the member States and resource persons for organizing the meetings and imaginatively planning and compiling the materials. He was instrumental in preparation of Market Survey Questionnaire and conduct of the survey in various States as well as for drafting the "Interim Report" of the Committee. Shri Lallan Rai, Consultant and Dr. S.K. Singh, Marketing Officer, DMI, Faridabad deserve my special appreciation for providing full support to the Committee in the preparation of agenda notes and both the "Interim Report" and "Final Report" of the Committee.

6. The Committee would also like to appreciate the National Institute of Agricultural Marketing, Jaipur, Technical Adviser to the Committee, for undertaking the study of

Assam, Odisha, Kerala and Bihar and providing important and informative inputs for the deliberations.

7. Finally, on behalf of the Committee, as Member Secretary, I would like to thank all those who directly or indirectly helped the Committee in preparation of this Final Report.

**(Rajendra Kumar Tiwari)**  
**Member Secretary**

Dated: the 22<sup>nd</sup> January, 2013

## Executive Summary

### 1. Introduction

1.1 The agriculture sector in India has undergone significant structural changes in the form of decrease in its share of GDP from 30 % in 1990-91 to 13.9 % in 2011-12 indicating a shift from the traditional agrarian economy towards a service dominated one (Fig 1). However, this decrease in agriculture's contribution to GDP has not been accompanied by a matching reduction in the share of agriculture in employment.

1.2 During the X and XI Five Year Plans, many Mission Mode Schemes have been launched with the target that agriculture should grow at least by 4 % per annum to enable Indian economy to grow at 9 %. These targets could not be achieved for variety of reasons. It is felt that greater focus needs to be given on the areas which have not received adequate attention in the past. "Agricultural Marketing" happens to be one such area, having huge potential to add value to agriculture produce, which however, needs major reforms.

1.3 Agricultural marketing especially needs to be given more thrust in view of the fact that, public expenditure on this sub-sector ranges at 4-5 % of the total public expenses on agriculture, while expenditure on marketing infrastructure development has been less than 1 % thereof. According to the report of Planning Commission for the XII Plan, requirement of investment in agriculture marketing is estimated at Rs. 56,000 crores. This investment would have to come both from the public sector and the private sector by adopting right policies and creating conducive environment for this.

1.4 Private sector participation can be further encouraged by reforming various legislations which regulate agriculture marketing particularly the Agricultural Produce Marketing Committee (APMC) Acts, by removing all deterrent provisions therein and dismantling barriers to agriculture trade.

1.5 Most of the State Governments, during the sixties and seventies introduced several mandatory regulations in agriculture marketing. 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.

1.6 The regulation of markets, however, achieved limited success in providing an efficient agricultural marketing system in the country because, over the years, these development oriented institutions (e.g. the State Agriculture Marketing Boards, APMCs etc.) turned out to be more of revenue generating institutions than facilitating efficient marketing practices to benefit the farmers and other market participants. Apart from the market regulation programme, the Essential Commodities Act and plethora of Orders promulgated under this Act by the Centre and States prevented development of free and competitive marketing system in the country

## 2. Challenges to Agricultural Marketing

2.1 Fragmented supply chain with inadequate marketing infrastructure, long intermediation and lack of accurate and timely market information/ intelligence system have posed challenges to the agricultural marketing system in the country, which needs to be strengthened and revitalized. Some of the basic challenges in present agricultural marketing system are:

(i) **Limited Access of Agricultural Produce Markets:** There is a huge variation in the density of regulated markets in different parts of the country, which varies from 118 sq km. in Punjab to 11,214 sq km. in Meghalaya, while ideally a regulated market should be available to farmers within a radius of 5 Km.

(ii) **Licensing Barriers:** The compulsory requirement of owning a shop/godown for licensing of commission agents/traders in the regulated markets has led to the monopoly of these licensed traders acting as a major entry barrier in existing APMCs for new entrepreneurs thus, preventing competition. Many market yards established long back do not have adequate space for construction of shops, godowns, etc., thus, the issue of new license for traders is discouraged/banned in such 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. The system of licensing is quite restrictive and has outlived its utility. There is a need for a transparent and simple system of registration of market functionaries to simplify and revitalize the present marketing system.

(iii) **Lack of Market Infrastructure in Agricultural Markets:** 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 less than one tenth of the markets and grading facilities in less than one-third of the markets. Electronic weigh-bridges are available only in a few markets.

(iv) **High Incidence of Market Charges:** APMCs are authorized to collect market fee ranging between 0.50 % to 2.0 % of the sale value of the produce. In addition, commission charges vary from 1 % to 2.5 % in foodgrains and 4 % to 8 % in fruits and vegetables. Further, other charges, such as, purchase tax, weighment charges and hamal charges are also required to be paid. In some States, this works out to total charges of about 15 % which is excessive.

(v) **High Wastages in Supply Chain:** Study conducted by ICAR (2010) shows that the post-harvest losses of various commodities range from 3.9-6.0 % for cereals, 4.3-6.1 % for pulses, 5.8-18.0 % for fruits and 6.8-12.4 % for vegetables. The total post-harvest losses of agriculture commodities have been estimated at about Rs 44,000 crores at 2009 wholesale prices.

(vi) **Long Gestation Period of Infrastructure Projects and Seasonality of Agri. Produce:** Agriculture marketing infrastructure projects have a long gestation period. The seasonality and aggregation of small surpluses of agricultural produce further affect the economic viability of the projects, which deters investments.

There is a strong need of Viability Gap Funding/subsidy and easy availability of finance to attract investment for such projects and also easy availability of concessional funding to attract investment for marketing infrastructure projects.

**(vii) Lack of National Integrated Market:** Under the present system, the marketable surplus of one area moves out to consumption centers through a network of middlemen and traders, multiple market areas and institutional agencies. Although, there exists a national level physical market, there is no national level regulation for the same and the existing regulation does not provide for a barrier free market in the country. Therefore, there is a need to develop a national level single market for agricultural commodities by removing all the existing barriers of licensing, movement and storage.

**(viii) Less Farmers' Price Realization:** The share of farmer in consumer's price is very low particularly in perishables due to a number of intermediaries, lack of infrastructure and poor holding capacity. In order to provide remunerative prices to the farmers, there is a need to reduce intermediation by providing alternative marketing channels like direct marketing, contract farming, etc. for which reforms in agricultural marketing system are necessary.

**(ix) Large Number of Marketing Channels with Long Supply Chain:** Traditionally, the normal agricultural marketing chain in the country is fairly long with a large number of intermediaries between the producers and the consumers, adding up more of costs without adding significant value.

**(x) High Marketing Cost Affects Small and Marginal Farmers:** High marketing costs have direct bearing on the efficiency of marketing of agricultural produce. This affects the actual price realization particularly by the Small and Marginal farmers in the country owing to their lower marketable surplus, higher transaction costs and least bargaining capacity vis-à-vis organized traders and big buyers.

### **3. Market Reform Initiatives**

3.1 The issue of reforms in agriculture marketing has been under continuous scrutiny since last decade. On the basis of the report of Expert Committee during 2001 and further on the recommendations of Inter-Ministerial Task Force in 2002, the Govt. of India in consultation with State Governments, trade and industry formulated a Model APMC Act during 2003 and circulated it for their adoption. Ministry of Agriculture also framed Model APMC Rules and circulated to States/U.Ts in 2007 to facilitate amendment of the existing Rules. So far, only sixteen States have amended their Act and only six states have notified the amended Rules. There are some States which do not have APMC Act and some have partially amended their Act.

3.2 Though various States/ UTs have taken initiatives to bring reforms in their existing APMC Acts, the pace of reforms has been slow and uneven resulting in lukewarm response from private sector for making investment in development of marketing infrastructure. In order to pursue and expedite the pace of reforms in the country, Ministry of Agriculture set up a Committee of State Agricultural Marketing Ministers under the Chairmanship of

Shri Harshvardhan Patil, Minister for Cooperation and Parliamentary Affairs, Govt. of Maharashtra, which has deliberated on different issues related to marketing reforms, investment in development of post-harvest infrastructure and barrier free supply chains, etc. The Committee has deliberated on different items of agenda on market reforms by holding nine meetings with Hon'ble Ministers of State Agricultural Marketing, farmers, and other stakeholders, representatives of trade industry, experts and practitioners in the field. The present report is the outcome of deliberations held in the aforesaid meetings of the Committee.

#### **4. Recommendations of the Committee**

##### **A. Reforms to Agriculture Markets**

- (i) The States should amend their APMC Acts on the lines of Model Act and notify Rules at an early date. In order to derive full benefits of reforms by small and marginal farmers, States may promote formation of Self Help Groups, Farmers/Commodity Interest Groups, etc;
- (ii) The present system of licensing of traders/commission agents must be substituted with a modern and progressive system of registration with open and transparent criteria for registration;
- (iii) The amended APMC Act and Rules should specify clearly the provisions for setting up of Private Wholesale Markets and Terminal Market Complex (TMC). The reformed States may come forward for development of TMC at various locations to facilitate the backward and forward linkages;
- (iv) There should be unified single registration for main market (Hub) and Collection Centers (Spokes) for Wholesale and Terminal Market Complex and the Collection Centers may be treated as sub-yard under the Act;
- (v) The validity period of unified single registration for private wholesale markets including Collection Centers should not be less than five years. It is desirable to keep it for 10 years or even more;
- (vi) The CEO of the Market Committee may be appointed either from outside the cadre or existing personnel may be given professional training to manage the APMCs efficiently;
- (vii) The post of Director of Marketing as regulator may be segregated from the post of M.D. of State Agricultural Marketing Board as the Operator/service provider;
- (viii) States may de-link the provisions of compulsory requirement of shop/space for registration of traders / market functionaries for increasing the competition;
- (ix) The private markets should be treated at par with the existing APMCs and licensing/ registration procedure should be simplified. The developmental fee to be charged from private markets should be at par with APMCs and it

should be deposited with respective State Government / Marketing Board and be spent on infrastructure development outside the Mandi;

- (x) There is a need for an appropriate legal and institutional structure with a developmental type of regulation to ensure orderly functioning of agriculture markets and attract investment for infrastructure development in States having no regulation.

#### **B. Promotion of Investment in Marketing Infrastructure Development**

- (xi) Under Essential Commodities Act, there is a need to have distinction between genuine service provider and black marketers/hoarders;
- (xii) There should be a stable and long term national policy on storage and movement of agricultural produce. The contract farming sponsors and direct marketing licensees may be exempted from the stock limits up to six months of their requirement in the interest of trade;
- (xiii) States/Union Territories should waive off market fee on fruits and vegetables to encourage private investment and Government of India may also consider compensating the losses of revenue during initial period to the States on this account;
- (xiv) Investment in marketing infrastructure under RKVY may be increased to minimum 10-15 % of State RKVY spending in reformed States;
- (xv) In order to enhance the private sector investment in market infrastructure development projects, there is a need to provide subsidy/Viability Gap Funding to make these viable and treat them as “infrastructure project” so as to help attract FDI and ECB for their development;
- (xvi) States may promote PPP Model for infrastructure development and consider exempting market fee on trade transaction taking place inside the private market yard. However, States can levy minimal user charges preferably not exceeding 0.5 % of the value of produce transacted. State Governments should also explore the areas for private investments and PPP projects;
- (xvii) Government of India should constitute a ‘corpus fund’ for development of marketing infrastructure. A separate agriculture marketing strategy for North Eastern Region and Hilly areas may be adopted;

#### **C. Rationalization of Market Fee/ Commission Charges**

- (xviii) Market fee/cess including rural development fund, social development fund and purchase tax, etc. should be maximum 2 % of the value and the commission charges should be not more than 2 % for food grains/oilseeds and 4 % for fruits and vegetables;
- (xix) If the direct marketing entrepreneur provides minimum specified infrastructure facility to the farmers, the concerned States/APMCs should waive off market fee on such direct marketing;

- (xx) If a person has already paid mandi fee in a State where it procures agriculture produce and brings the same to another State for processing, no mandi fee should be charged;
- (xxi) Mandi fee should be levied on primary agricultural produce only and secondary agriculture produce (processed food articles) like Besan, Maida, and Ghee should not be treated as eligible agricultural produce for the purpose of levying Mandi fee. However, user charges can be levied based on the use of infrastructure and services;

#### **D. Contract Farming**

- (xxii) (a) District level authority may be set up for registration of contract farming and no market fee should be levied under it. The APMC should not be the authority for registration / dispute settlement under contract farming; and
  - (b) The disputes may be settled within fifteen days and the decretal amount of appeal should not be more than 10 % of the amount of goods purchased under contract farming. Appeal should be disposed off within 15 days. No solvency certificate / bank guarantee may be required from private sponsors/operators, if payment is made to the farmers on the same day of procurement of their produce;
- (xxiii) States should promote small and marginal farmers groups/associations or their company/society to encourage contract farming in the States.

#### **E. Barrier Free Markets**

- (xxiv) There should be provision for a single window unified single registration for traders/market functionaries in the State to facilitate free trade;
- (xxv) Market fee may be levied only for the first transaction between farmer and trader and in subsequent sales between trader to trader/consumer, there may be only service charge related to service provided in the State and no market fee be levied for the subsequent transactions;
- (xxvi) States should take Initiative to remove physical barriers like check gates, etc., if any, and should notify the type of documents required for the producer-seller to be a farmer, so that his consignment is not halted at the check posts / barriers;
- (xxvii) Proposed Agricultural Produce Inter-State Trade and Commerce (Development & Regulation), Bill may, to start with, be applied for a few perishable agriculture commodities and it may be expanded for other commodities depending upon the experience of its working.

#### **F. Market Information System**

(xxviii) Efforts may be made to ensure proper and regular data entry in AGMARKNET nodes provided in the Regulated Markets in the State for the benefit of the farmers;

(xxix) In order to ensure transparent transactions of agriculture produce and to get the best price for the produce, there is a need for electronic trading in the mandi which should be at least at district level;

#### **G. Grading and Standardization**

(xxx) States should provide Directorate of Marketing and Inspection (DMI), necessary inputs such as name of commodity, quality parameters important for formulation of grade standards for producers' level grading under Agricultural Produce (Grading & Marking) Act, 1937, which are relevant and specific to their State;

(xxxi) To promote the grading and testing of agricultural produce, States are required to take initiative for establishing grading units with trained manpower in the market to attend to the work of grading and to promote private laboratories for testing of agricultural produce on user-charge basis.

#### **H. Other Recommendations**

(xxxii) "Final Report" of the Committee may be presented to the Govt. of India with the request to convene a National-level Conference on agriculture marketing at New Delhi under the Chairmanship of Union Agriculture Minister for consideration of the report;

(xxxiii) Organize Farmers' Groups to enhance their bargaining power to improve price realization and shorten the food value chain by introducing direct marketing/ sourcing of agriculture produce from the farmers to the consumers and processors;

(xxxiv) Central Government needs to have a more consistent stand in their import-export policy as any sudden switch-on and switch-off in policy impacts the farmers adversely.

## **Constitution of the Committee of State Ministers of Agricultural Marketing**

During the Conference of State Ministers of Agriculture/Agriculture Marketing organized by Department of Agriculture and Cooperation (DAC) on 23<sup>rd</sup> April, 2008, it was resolved that Ministry of Agriculture may constitute an Empowered Committee of State Ministers of Agricultural Marketing to guide the implementation of agricultural market reform initiatives. The Empowered Committee would persuade the State Government to adopt market reforms and give suggestions and recommendations to the Central and State Governments for making suitable amendments in the Acts/Rules to facilitate development of efficient and competitive markets, rationalization of market fee, promotion of grading, standardization, packaging and quality certification and dissemination of market information and market intelligence. The Committee may also be asked to take up any other matter as may be required by the Government of India.

The Committee had Ministers-in-Charge of Agricultural marketing as members from each of the six zones representing different States of the country. Besides these six regular members, two Ministers-in-Charge of Agricultural Marketing/Food and Public Distribution from two other States on an annual rotation basis, as decided by the DAC were to be members. Agricultural Marketing Adviser to the Government of India may also be the ex-officio official member of the Committee.

Accordingly, the Committee of State Ministers of Agricultural Marketing was constituted by the Government of India, Ministry of Agriculture vide resolution No 16011/7/2007-M.II, dated 2<sup>nd</sup> March, 2010 (**Annexure-I**). The members of the Committee were changed as and when a new Minister for Agriculture Marketing took over in any of the member States. The present membership of the Committee is as follows:-

1. Shri Harshvardhan Patil  
Minister of Cooperation & Parliamentary Affairs,  
Government of Maharashtra .....**Chairman**
2. Shri S.K. Bellubi  
Minister for Agriculture Marketing,  
Government of Karnataka .....**Member**
3. Shri Narendra Singh  
Minister of Agriculture,  
Government of Bihar .....**Member**
4. Shri Nilamani Sen Deka  
Minister of Agriculture,  
Government of Assam .....**Member**
5. Dr. Harak Singh Rawat  
Minister of Agriculture,  
Government of Uttarakhand .....**Member**
6. Shri Babubhai B. Bhokhairiya

- |     |   |                       |
|-----|---|-----------------------|
|     | Minister of Agriculture and Cooperation,<br>Government of Gujarat   | .....Member           |
| 7.  | Shri M. Mukesh Goud<br>Minister for Marketing and Warehousing,<br>Government of Andhra Pradesh  | .....Member           |
| 8.  | Dr. Rama Krishna Kushmariya<br>Minister of Agriculture Marketing,<br>Government of Madhya Pradesh   | .....Member           |
| 9.  | Shri Paramvir Singh<br>Minister of Agriculture,<br>Government of Haryana  | .....Member           |
| 10. | Shri Bikram Keshari Arukh<br>Minister of Cooperation,<br>Government of Odisha   | .....Member           |
| 11. | Shri Adaish Pratap Singh Kairon<br>Minister of Food, Civil Supplies,<br>Consumer Affairs & Information Technology,<br>Government of Punjab                          | ...Co-opted Member    |
| 12. | Sri Rajendra Kumar Tiwari<br>Joint Secretary to the Govt. of India,<br>Dept. of Agriculture & Cooperation,<br>Ministry of Agriculture,<br>Govt. of India, New Delhi | -----Member Secretary |

The Terms of Reference of the Committee are as follows:

- (i) To persuade various State Governments/Administration of Union Territories (UT) to implement the reforms in agriculture marketing through adoption of Model APMC Act and Model APMC Rules;
- (ii) To suggest further reforms necessary to provide a barrier free national market for benefit of farmers and consumers; and
- (iii) To suggest measures to effectively disseminate market information and to promote grading, standardization, packaging, and quality certification of agricultural produce.

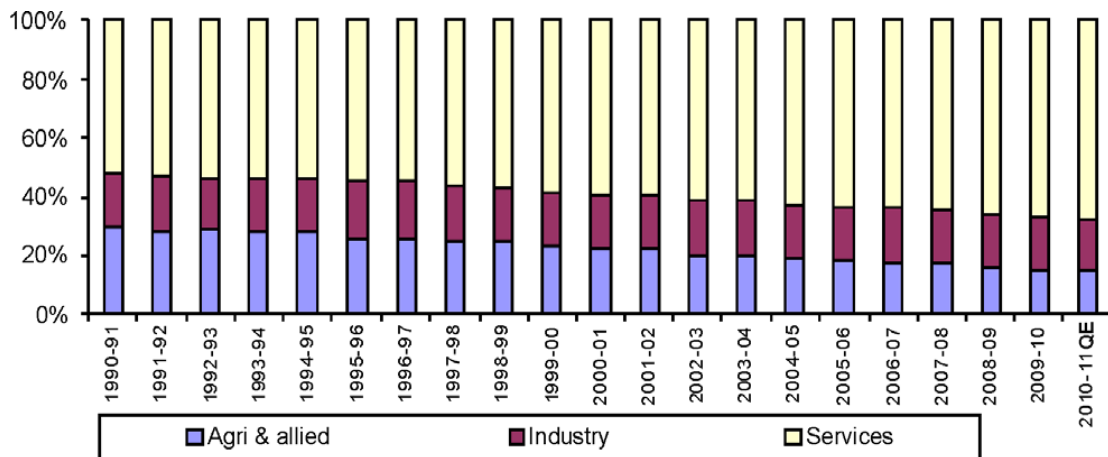
# CHAPTER – I

## Introduction

### Agricultural Growth and Investment Scenario

1.1 Agriculture is one of the most critical sectors of the Indian economy. Growth and development of agriculture and allied sector directly affects well-being of people at large, rural prosperity and employment and forms an important resource base for a number of agro-based industries and agro-services. The agriculture sector in India has undergone significant structural changes in the form of decrease in share of GDP from 30 % in 1990-91 to 13.9 % in 2011-12 indicating a shift from the traditional agrarian economy towards a service dominated one (Fig 1). However, this decrease in agriculture's contribution to GDP has not been accompanied by a matching reduction in the share of agriculture in employment. About 52 % of the total workforce is still employed by the farm sector which makes more than half of the Indian population dependent on agriculture for sustenance (NSS 66th Round). Value addition in agriculture, thus, holds huge potential for enhancing the living standard of majority of the people. Improved agriculture marketing offers a major opportunity to achieve this objective.

**Fig 1: Sectoral Composition of GDP**



Overall Growth trend

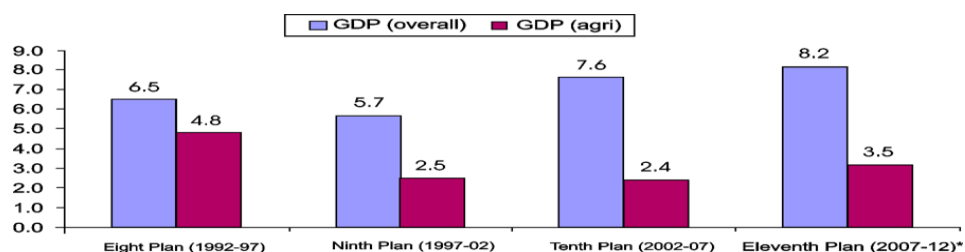
Source: State of Indian Agriculture, 2011-12

### Overall Growth and Contribution of Agriculture

1.2 The growth performance of the agriculture sector has been fluctuating across the Plan periods (Fig 2). It witnessed a growth rate of 4.8 % during the Eighth Plan period (1992–97) and saw a downturn towards the beginning of the Ninth Plan period (1997–2002) and the Tenth Plan period (2002–07). This crippling growth rate of 2.4 % in agriculture as against a robust annual average overall growth rate of 7.6 % for the economy during the Tenth Plan period was clearly a cause for concern. The trend of growth rate during the period 1992-93 to 2010-11 is 2.8 % while the average annual rate of growth in agriculture and allied sectors-GDP during the same period is 3.2 %. Further, during the last two Five Year Plans, many Mission Mode Schemes have been launched

with the target that agriculture should grow at least by 4 % per annum to enable Indian economy to grow at 9 %. These targets could not be delivered for variety of reasons. However, it is felt that greater focus needs to be given on the areas which have not received adequate attention in the past. “Agricultural Marketing” happens to be one such area, having huge potential to add value to agriculture produce, however, needs major reforms.

**Fig. 2: Growth Rates**



**GDP (overall) and GDP (Agriculture & Allied Sectors)**

*Note: \* Figures for the Eleventh Plan show growth rates for the first four years of the Plan.*  
*Source: CSO.*

1.3 After independence, the major concern of the Government policy related to agricultural marketing was to protect the interest of farmers and to provide them remunerative prices to augment the production of agricultural commodities. Recognizing the problems like low price realization by the farmers, higher marketing costs and considerable post-harvest losses in agricultural produce in the entire value chain, State Governments, mostly during sixties and seventies introduced several mandatory regulations. One of the important regulatory initiatives was taken up for Regulation and Development of Agricultural Produce Markets for regulating the marketing practices in primary wholesale markets. The strategy for development of agricultural marketing system centered on an Agricultural Produce Marketing Committee (APMC) constituted under the State Agricultural Produce Marketing (Regulation) Acts (popularly known as APMC Act) with agriculturists at the helm of affairs to facilitate efficient marketing of agricultural and allied commodities. The democratically constituted Market Committees with representation from all stakeholders and farmers in the driver’s seat was conceived to be an ideal and cohesive model for the farmers and other market participants to prosper. The regulatory provisions were to be enforced by Agricultural Produce Marketing Committee, established under the respective State APMC Acts. Except Union Territories of Andaman and Nicobar Islands, Dadra-Nagar-Haveli, Daman and Diu, Lakshadweep and States of Bihar, Kerala and Manipur, all the States and UTs have Agricultural Produce Marketing (Regulation) Acts enacted to enforce the orderly marketing of agricultural and allied commodities in their jurisdictions.

1.4 The agricultural marketing in the country is serviced through a network of 22,505 Rural Primary Markets (RPMs) and 7,190 wholesale assembly and terminal markets set up under various State Marketing Legislations in the country (**Annexure-II**). Over the years, a number of organizations and institutions have also been established with a developmental mandate for one or more areas of agricultural marketing such as procurement, storage and warehousing, credit, co-operative marketing, exports, food processing, agricultural prices, marketing training, research and extension. Resultantly, marketing responsibilities

for agricultural products have become diffused among several departments and agencies which need to work in more tandem.

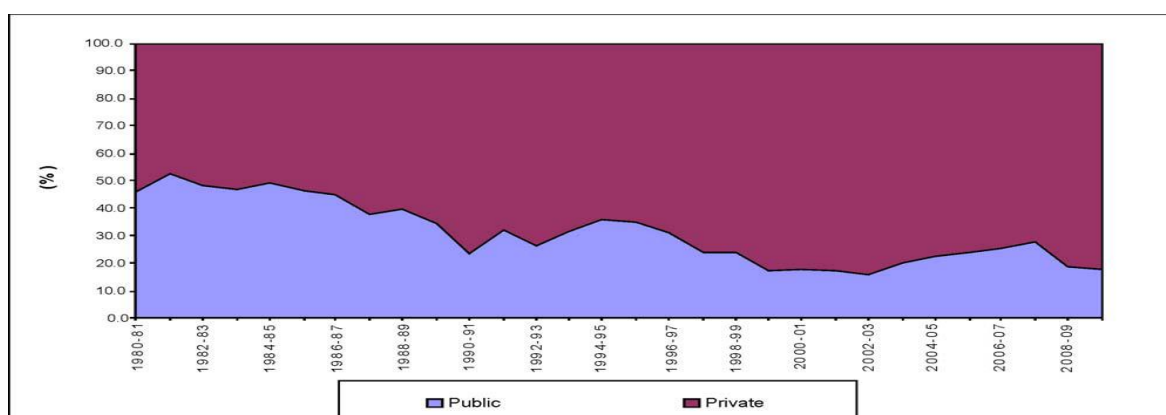
### Efficient Marketing System and Productivity

1.5 The Country needs to enhance production and productivity of agricultural produce in sustainable manner in order to ensure food security of the country. Creation of an efficient domestic agricultural marketing system providing real time information and right signal for prices is pre-requisite to achieve this. This alone can incentivize the farmers to adopt scientific package of practices for enhancing the productivity. The marketing systems also needs to address the challenges of high post-harvest and storages losses, high marketing costs, inadequate market/procurement centers and efficient storage and distribution of produce across the country. Domestic market integration with the overseas markets to derive its benefits for our farmers is another area of challenge. It is not enough for the agricultural production to just show an increasing trend in volume but it has to keep pace with the population growth, consumers' preference and demand in the domestic and international markets by adoption of appropriate policies of market-led production.

### Investment in Agriculture and Agriculture Marketing

1.6 Investment in agriculture is made mainly by Public sector but over time, private investment has also picked up. Ministry of Agriculture has launched several schemes to bridge the viability gap and encourage private investors and has also created legal and policy atmosphere to augment private investment in creation of agriculture and agriculture marketing infrastructure. Because of Government efforts, private investment in agriculture sector is on the rise which is a good sign for the development of infrastructure in this sector. In the early 1980s, the share of the public sector and private sector (including household sector) in gross capital formation in agriculture was roughly equal, but by the early 2000s, the share of the private sector was four times larger than the share of the public sector at 2004-05 prices. Moreover, the private sector responds much better and faster to the incentive structures in agriculture (Fig. 3). The agricultural marketing sub-sector especially needs to be given more thrust, as public expenditure on this sub-sector ranges 4-5 % of the total public expenses on agriculture, while expenditure on marketing infrastructure development has been less than 1 %.

**Fig. 3: Share (%) of Public and Private Investment in Agriculture & Allied Sectors**



## **Regulation of Agricultural Produce Markets**

1.7 The regulation of markets achieved a limited success in providing an efficient agricultural marketing system in the country because, over the years, these development oriented institutions turned out to be more of revenue generating institutions than facilitating efficient marketing practices to benefit the farmers and other market participants. Moreover, this legislation has been drafted mainly with reference to the customs and practices prevalent in the secondary wholesale markets and did not meet the needs of Primary Rural Markets (RPMs), seasonal commodity specific markets or Terminal Markets. It also kept retail market out of its purview and failed to promote good marketing practices, integrated marketing chains linking producers with consumers, direct marketing, contract farming and retailing. Under the present APMC Act, only State Governments are permitted to set up markets. Monopolistic practices and modalities of the State-controlled markets have prevented private investment in the sector. The licensing of traders in the regulated markets has led to the monopoly of the licensed traders acting as a major entry barrier for new entrepreneurs. 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.

1.8 Apart from the market regulation programme, the Essential Commodities Act, 1955 (EC Act) and plethora of Control Orders promulgated under this Act by the Centre and States prevented development of free and competitive marketing system in the country. Due to the restrictive provisions of the EC Act and various Control Orders issued there under, private investment in large scale storage and marketing has virtually become nonexistent. These Control Orders also give rise to inordinate delay in haulage of agricultural produce at the border check points creating artificial barriers on the movement and storage of agricultural commodities and to that extent the formation of common market. Further, as different departments administer these aspects, there has been considerable loss of marketing efficiency. The regulatory framework needs to undergo a change by providing free hand to private sector to own, operate and manage markets/alternate marketing system with backward and forward linkages. The Government may at best formulate rules of the game for the market players rather than controlling the system. The role of the Government should be that of facilitator only. The internal marketing system, thus, requires to be revitalized by undertaking reform process to facilitate development of the existing supply chain infrastructure in the country.

## **Need for Market Reforms**

1.9 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 farmer's 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 and other Laws proving barriers to storage and smooth supply of produce in the country.

## CHAPTER –II

### Challenges to Agricultural Marketing

2.1 Fragmented supply chain with inadequate marketing infrastructure, long intermediation and lack of accurate and timely market information/ intelligence system have posed major challenges to the agricultural marketing system in the country, which needs to be strengthened and revitalized. Further, the economic liberalization and globalization has brought new challenges and opportunities for which there is a need to strengthen the internal marketing system and infrastructure, formulate enabling policies by suitably amending the market and other laws to facilitate efficient marketing of agricultural produce and compete with the overseas markets. Some of the basic issues/challenges faced in the present agricultural marketing system are discussed in the subsequent paragraphs.

(i) **Limited Access of Agricultural Produce Markets:** There is a huge variation in the density of regulated markets in different parts of the country, which varies from 118 sq km. in Punjab to 11,214 sq km. in Meghalaya (Fig-4). The all-India average area served by a regulated market is 457 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 existing system has failed to provide adequate number of markets nearer to the farmers' field to handle ever increasing marketable surplus efficiently.

Fig.-4: Limited access to Agricultural Markets



(ii) **Licensing Barriers:** The compulsory requirement of shop/godown for licensing of commission agents/traders 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. Many market yards established long back don't have adequate space for construction of shops, godowns, etc., thus, the issue of new license for such traders is discouraged/banned in such 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. The system in licensing is quite restrictive and has outlived its utility. There is need to have a transparent and facilitative system of registration of market functionaries to simplify and revitalize the present marketing system.

**(iii) Lack of Market Infrastructure in Agricultural Markets:** 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 % of the markets and grading facilities in less than one-third of the markets. Electronic weigh-bridges are available only in a few markets.

**(iv) High Incidence of Market Charges:** Agricultural Produce Market Committees are authorized to collect market fee ranging from 0.50 % to 2.0 % of the sale value of the produce, from the buyers/traders on the sale of notified agricultural produce in lieu of the services provided by APMCs. Further, commission charges are to be paid to commission agents ranging from 1 % to 2.5 % in food grains and 4 % to 8 % in case of fruit and vegetables. In some states, this works out to total charges of about 15 % which is excessive. For example in Punjab, the total market charges on transactions of foodgrains are around 15.50%. (market fee 2%, Development charges 2%, Purchase Tax 4%, Commission charge – 2%, Infrastructure cost 1.5%, VAT 4% ad valorem apart from the charges for weighing – Rs.0.55, loading – Rs.0.40, Brokerage – Rs.0.16, Hamal Rs.1.00 and cleaning Rs.0.65/bag/qtl.). Similarly in the State of Gujarat, the incidence of market charges for fruit and vegetables goes up to 8.5 % (Market fee-0.50 %, Commission- 6 %, Sales Tax-2 %).

**(v) High Wastages in Supply Chain:** Further, there are considerable post-harvest losses of agricultural commodities due to fragmented supply chains for marketing of agricultural commodities. Study conducted by ICAR (2010), indicates that the extent of post-harvest losses of various commodities ranges from 3.9-6.0 % for cereals, 4.3-6.1 % for pulses, 5.8-18.0 % for fruits and 6.8-12.4 % for vegetables. The total post-harvest losses of agriculture commodities have been estimated at about Rs 44,000 crore at 2009 wholesale prices.

**(vi) Long Gestation Period of Infrastructure Projects:** Agriculture marketing infrastructure projects have a long gestation period. The seasonality and aggregation of small surpluses of agricultural produce further affect the economic viability of the projects, which deters investments. There is a strong need of Viability Gap Funding/subsidy and easy availability of finance to attract the investment for such projects and also easy availability of cheaper rate funding to attract the investment for marketing infrastructure projects.

**(vii) Lack of National Integrated Market:** State Governments often issue Control Orders promulgated under the Essential Commodities Act, 1955 adversely affecting trading in agricultural commodities such as foodgrains, edible oils, pulses and sugar. These Control Orders broadly relate to licensing of dealers, regulation of stock limits, restrictions on

movement of goods and compulsory purchase under the system of levy. Due to the restrictive provisions of the Essential Commodities Act and various Control Orders issued thereunder, private investment in large scale storage and marketing infrastructure including in the areas of contract farming, direct marketing have not been very encouraging. Under the present system, the marketable surplus of one area moves out to consumption centers through a network of middlemen and traders and institutional agencies. Thus, there exists national level physical, though, there is no national level regulation for the same and the existing regulation does not provide for a barrier free market in the country. There are many significant Inter-State barriers to trade, viz. (a) Taxation Related Barriers (variation in rates, applicability of VAT, levy of market fee at multiple point, etc.); (b) Physical Barriers (Essential Commodities Act, Check Posts, APMC Regulations, etc.); and (c) Statutory Barriers relating to licensing and registration of traders, commission agents. Therefore, there is a need to develop a national level single market for agricultural commodities by removing all the existing barriers of licensing, movement and storage. Facilitating free trade and movement of agricultural commodities would enable farmers to get best prices for their produce, achieve price stability and ensure their availability at reasonable prices in deficit areas.

(viii) **Less Farmers' Price Realization:** At present, the share of farmer in consumer price is very low particularly in perishables due to large number of intermediaries, lack of infrastructure and poor holding capacity. Traditionally, the normal agricultural marketing chain in the country is fairly long with a large number of intermediaries between the producers and the consumers, adding up more of costs without adding any significant value. The Millennium Study conducted by Ministry of Agriculture indicates that the share of producers in consumers' rupee varies from 56 to 89 % for paddy, 77 to 88 % for wheat, 72 to 86 % for coarse grains and 79 to 86 % for pulses, 40 to 85 % in oil seeds and 32 to 68 % in case of fruits, vegetables and flowers. 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.

(ix) **High Marketing Cost Affects Small and Marginal Farmers:** High marketing costs have direct bearing on the efficiency of marketing of agricultural produce. This affects the actual price realization particularly by the Small and Marginal farmers in the country owing to their lower marketable surplus, higher transaction costs and least bargaining capacity vis-à-vis organized traders and big buyers.

## CHAPTER – III

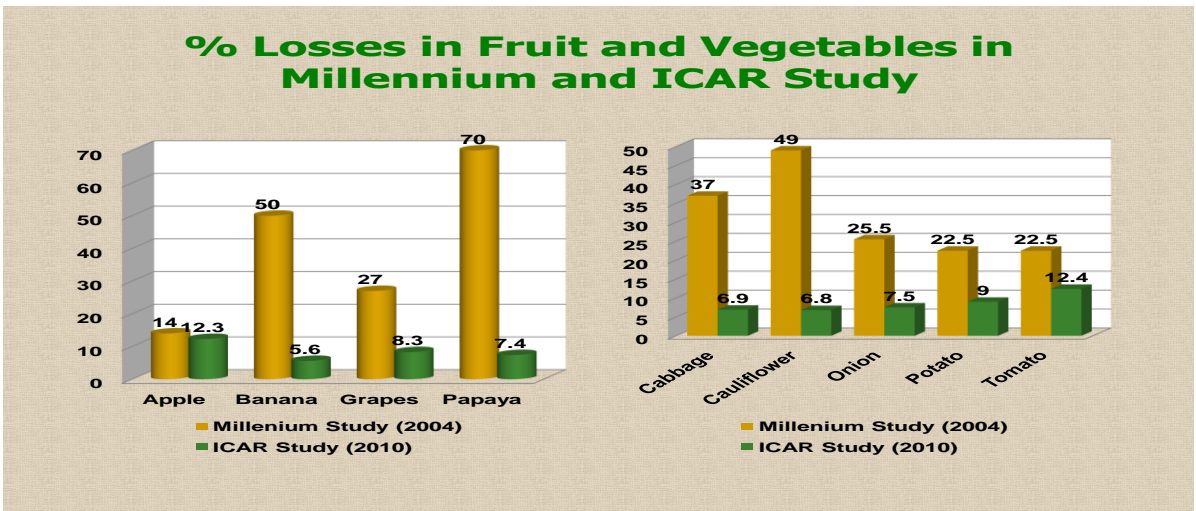
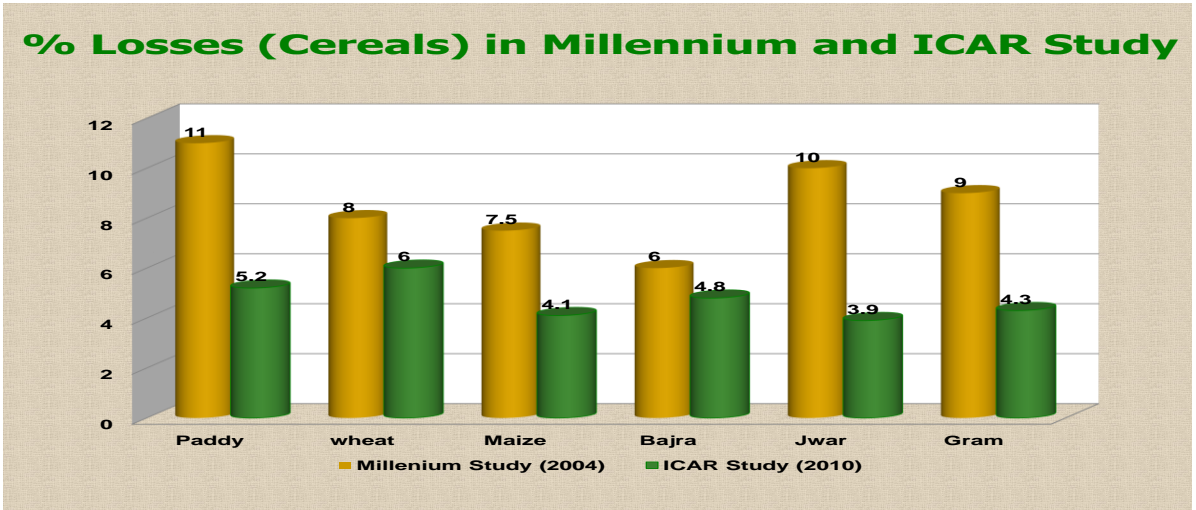
### Estimates of Post-Harvest Losses

3.1 Agricultural commodities produced on the farmers' field have to undergo a series of operations such as harvesting, threshing, winnowing, bagging, transportation, storage, processing and exchange before they reach the consumer and there are appreciable losses in crop output at all these stages. Due to the glaring gaps in marketing infrastructure, existing markets operate very inefficiently and the transaction costs are high. Multiple handling by various players in the fragmented supply chain and the lack of warehouse and cold storage facilities also result in high post-harvest losses. The post-harvest losses impact at both the micro and macro levels of the economy. It has been found that about 75 % of the total post-harvest losses occur at the farm level and about 25 % at the market level.

3.2 CII – McKinsey's Food and Agriculture Integrated Development Action (FAIDA) Report on Modernization of India Food Chain (1997) reported that inefficiency in the marketing system results in wastage and value loss in excess of US\$ 10 billion annually. Around 20% of the value of food produced each year gets lost due to inadequate storage and processing capabilities. To avoid these losses and add benefits to the small and marginal farmers, a massive improvement in the existing marketing system and structure has been suggested. Since public investment in Agriculture as a share of GDP has been declining/stagnating over the years, and is, therefore, unlikely to solve the problem effectively, enhanced role of private sector is identified as the need of the hour.

3.3 Estimation of post-harvest losses has been made by different studies in the past. A High level Expert Committee on Cold Storage constituted by Department of Agriculture and Co-operation has estimated that 25 to 30 % of fruit and vegetables and 8 to 10 % of foodgrains are wasted annually due to lack of post-harvest technology and non-existence of integrated transport, storage and marketing facilities, etc. The Ministry of Agriculture conducted a Millennium Study, State of the Indian farmers in the year 2004. It was estimated that about 7 % of foodgrains and 30 % of fruit and vegetables are lost due to inadequate handling facilities. Approximately, 10 % of valuable spices are also lost due to lack of proper post-harvest infrastructural facilities. A Study conducted recently by ICAR on status of post-harvest losses in 2010 indicates that the total losses of various commodities at various stages of marketing ranges from 3.9-6.0 % for cereals, 4.3-6.1 % for pulses, 5.8-18.0 % for fruits and 6.8-12.4 % for vegetables. The above post-harvest losses of agriculture commodities in monetary terms have been estimated at about Rs 44,000 crores at 2009 wholesale prices. The extent of wastages in cereals and fruit and vegetables as per Millennium Study and ICAR study is given in Figure-5.

Figure-5



## CHAPTER-IV

### Market Reform Initiatives: The Model APMC Act, 2003

4.1 The matter of reforms in agriculture marketing had been under continuous scrutiny during the last eleven years. On the Report of Expert Committee during 2001 and further on the Recommendations of Inter-Ministerial Task Force in 2002, Government of India in consultation with State Governments, trade and industry formulated a Model APMC Act in 2003 and circulated to State and UT Governments for its adoption. The Model Act provides for establishment of private yards and direct purchase of agricultural produce from agriculturist (Direct purchasing from producer), consumer/farmer market (Direct sale by the producer), public private partnership in management and development of agricultural markets, single point levy of market fee, contract farming, unified license, establishment of special markets for commodities like onions, fruit and vegetables, flowers, etc. On the request from States/U.Ts, the Ministry of Agriculture also framed Model APMC Rules and circulated to States/U.Ts during 2007 to facilitate amendments of the existing Rules. So far, only sixteen States have amended their Act and only six States have notified the amended Rules. The following vital areas of market reforms were suggested in the Model Act, 2003 to provide efficient and competitive marketing in the country. The salient features of Model Act are appended in **Annexure-III**.

#### **Promotion of Markets in Private/Cooperative Sectors**

4.2 Under the present APMC Acts, the State Governments alone are empowered to initiate the process of setting up of a market for certain commodities, which are regulated and for certain areas, in which the regulation is enforced. Private and co-operative sectors can not take initiative in setting up the markets equipped with best facilities at competitive cost. Relevant provisions in the APMC Act have to be modified by providing for setting up of alternate marketing systems in private/cooperative sectors, which can operate in addition and parallel to the existing markets. The amendment of APMC Act will facilitate private/co-operative sector in developing integrated markets in producing areas, enable direct integration of processing units with rural producers, development of marketing infrastructure, warehousing and marketing credit and integration of market intelligence, extension, production planning and marketing efforts.

#### **Contract Farming**

4.3 Contract farming is becoming an increasingly important aspect of agri-business where the products are purchased by multi nationals, smaller companies, Government agencies, farmers' co-operatives or individual entrepreneurs. In our country, this would appear to have considerable potential where small and marginal farmers can no longer be competitive without access to the services provided by the contract farming companies. This type of contractual agreement with farmers also provides access to production services and credit as well as new technical know-how. Pricing arrangements can reduce risks and uncertainty. The arrangement invariably involves the purchaser in providing a degree of production support to farmers through, for example, the supply of inputs and the provision of technical advice. The basis of such arrangements is a commitment on the

part of farmer to provide a specific commodity in quantities and quality standards determined by the purchaser and commitment on the part of the registered market intermediaries to support the farmer's production and to purchase the commodity. Contract farming is, thus, a means of distribution of risk between processor and grower. The latter assumes risk associated with production while the former assumes the risks of marketing the final produce. The informal system of contract farming is prevalent in different parts of the country. There are few success stories on contract farming by Pepsi Co India in respect of potato, tomato, groundnut in Punjab, safflower in Madhya Pradesh, oil palm in Andhra Pradesh, seed production contracts for hybrid seed companies, gherkins in Karnataka, etc. which helped the growers in realization of better returns for their produce. However, there are success and failures of contract farming due to absence of any legal and regulatory mechanism. It is, therefore, necessary to have some regulatory mechanism for contract farming agreements, etc.

4.4 The Model Act circulated to States/UTs during 2003 provides for contract farming agreement and its model specifications. So far, 20 States/UTs have adopted this provision in their APMC Acts as per their convenience and in the States of Maharashtra, Haryana, Punjab, Gujarat, contract farming has been registered in good numbers while in the States of Madhya Pradesh, Rajasthan, Assam, Karnataka, Chhattisgarh, Bihar, Uttarakhand and Odisha still need to make progress for contract farming. The State wise details of contract farming is at **Annexure-IV**

#### **Consumer/Farmer Market (Direct Sale by the Producer)**

4.5 Direct marketing by farmers to the consumers has been experimented in the country through Apani Mandies in Punjab and Haryana. In Apani Mandi of Punjab, the general policy followed is to allow the sale of commodities at rates, which are 20 % to 30 % less than the retail rates and 30 % to 50 % more than the prevailing wholesale market rates. This helps in realizing better returns to the producers and consumers get good quality produce at reasonable rates. The concept with certain improvements is popularized by different States. The details of successful Models of Direct Marketing are given in Box-I. At present, these markets are being run at the expenses of State exchequer, as a promotional measure, to inculcate habit of marketing without help of middlemen by the small and marginal producers of fruit and vegetables. Considering the vastness of the country, more and more such markets need to come up in the organized sector with private investment so that they can be developed in tune with the market requirements with backward and forward linkages.

#### **Box: 1**

*(i) Tamil Nadu-Uzhavar Sandhai: The innovative scheme "Uzhavar Sandhai" was introduced by the State Government in 1999-2000 for direct selling of fruit and vegetables by farmers to consumers at a fair price without any intermediaries. The first Uzhavar Sandhai was opened in Madurai in November 1999. At present 164 Uzhavar Sandhais are functioning in the State. In these markets, daily price for the produce have been fixed by the team of officials including agricultural officer and representative of farmers' groups. The rate fixed is about 20% more than prevailing wholesale market price and consumers are benefited by getting about 15% less than prevailing retail price. No market fee is levied for transactions in Uzhavar Sandhai. In 2010-11 (upto January 2011), fruits and*

vegetables worth Rs 3.70 crore had been sold by 9,234 farmers with a daily average throughput of 2,262 MT, thereby benefiting 4.13 lakh consumers.

**(ii) Andhra Pradesh-Rythu Bazaars:** Rythu bazaars in Andhra Pradesh have been established in the State of Andhra Pradesh in year 1999 with prime objective to provide direct link between farmers and consumers in the marketing of fruits, vegetables and essential food items. There are presently 106 number of Rythu Bazaars in the State. Both producers and consumers are benefited from Rythu bazaars as producer's share in consumer's rupee is more by 15 to 40 % as compared to other markets and consumers get fresh vegetables, fruits and food items at 25-30 % less prices than the prevailing prices in nearby markets. Further, marketing costs are at minimum level as middlemen are completely eliminated from marketing activities in Rythu bazaars. Market fee is exempted for the transactions in Rythu bazaars. The maintenance expenditure of Rythu bazaars is being met from financial sources of Agricultural Produce Marketing Committee nearer to Rythu bazaars.

**(iii) Punjab-Apni Mandi:** In Apni Mandi in Punjab, there is a direct contact between the farmers and ultimate consumers for sale of the produce. These mandies are called Apni Mandi, as farmer-producers bring the produce for sale directly to the buyers or consumers. Apni Mandi system does away with the middlemen. The Agricultural Produce Marketing Committee of the area where Apni Mandi is located provides all necessary facilities like space, water, shade, counters and balances.

**(iv) Orissa-Krushak Bazaars:** Krushak bazars have been established by State Government and are managed by APMCs. Farmers generally trade paddy, maize and cotton and fruits and vegetables. There are no commission agents/traders operating in these markets.

**(v) Maharashtra-Shetkari Bazar:** The scheme named Shetkari bazaar (farmers/consumers market) is being implemented by Maharashtra State Agricultural Marketing Board since 2003. Term loan upto Rs. 10.00 lakh is advanced to the APMCs for erection of Shetkari bazar. There are 12 Shetkari bazaars operating in the state and 33 additional markets have been sanctioned.

**(vi) Karnataka: Raitha Santhe** - There are 730 Rural Primary Markets where foodgrains and fruits and vegetables are sold mainly by small and marginal farmers directly to the consumers. These markets are managed by the local authorities/ Gram Panchayats.

### **Direct Sale by Producers to Processing Industries/Exporters/ Bulk Buyers**

4.6 The present Act restricts the farmers from selling their produce to processor/manufacturer/bulk processor outside the market yard as the produce will have to channel through regulated market according to provisions of the APMC Act. In the changed scenario, the producer should be free to enter into direct sale without the involvement of other middlemen outside the market yard in the market area under the relevant provision of the concerned Act. This will facilitate direct marketing between the producers and processing factories with monetary gains to the producer-seller through improving competitiveness and to the consumers by way of reasonable prices.

### **Mandatory Utilization of Market Committee Fund**

4.7 The State APMC Acts provide for creation of Market Committee funds to meet the establishment and development expenses. There is no specific provision which prohibit not spending Committee fund on purposes other than marketing infrastructure

development. This should be specified in the Act. It should be mandatory for every Marketing Committee to utilize its funds for providing market infrastructure and marketing related service only, for the commodities in respect of which market fee is levied and collected.

### **Notification of Commodity for Regulation upon Provision of Requisite Infrastructure**

4.8 At present, the State Government is empowered to notify any agricultural produce under the provisions of the Act for the purpose of regulation of marketing activities. This has resulted into anomaly such as notifying commodities, which do not even pass through the market yard and for which no services are provided by the Market Committee (like timber, bamboo, dalda, etc.). It is, essential that only that commodity should be notified in respect of which the concerned Marketing Committee has requisite infrastructure to provide marketing services under the Act.

### **Single Point Levy of Market Fee**

4.9 By and large, market fee is collected on a particular lot whenever it is transacted in different markets. This amounts to multiple point collection of fee adding to the avoidable cascading of tax and higher marketing costs in other places. It is, therefore, necessary to introduce single point levy of fee in the entire process of marketing in the country. The collection of market fee outside the yard/sub-yards amounts to recovering the fee without providing any services and facilities to the seller as well as purchasers. The collection of market fee should be based on the degree of services provided. At present, the States/UTs are charging market fee from below 1 % to 2 % at *ad-valorem* basis. It varies from commodity to commodity. In addition to above, development cess are also collected from the purchaser in the States like Punjab, Haryana, Madhya Pradesh, etc. which is adding to marketing costs. It is, therefore, necessary that single point levy of market fee may be introduced in transaction of agricultural produce as suggested in the Model APMC Act by the States/UTs.

### **Tax Simplification**

4.10 There is considerable variation in the structure of taxes and fee on the agricultural produce in various States which also distorts the operation of domestic market, gives wrong signals to the producers and also affects the efficiencies of the operation of the private trade vis-à-vis co-operatives and public agencies. For example, there are high taxes and other market charges levied by the State Government of Haryana and Punjab (Table-I) on procurement of wheat which disturbs the natural process of market evolution. There is a need for bringing uniformity in the State level tax structure in agricultural commodities for improving the marketing efficiency.

**Table-I****Mandi Charges (incl. of purchase tax, market fees, arthia commission etc) in various States**

(as percentage of MSP)

State/UT	Purchase/sales Tax/Trade Tax/VAT	Market fee	Arthia Commission	Other charges	Total
Bihar	1.0+3.0	-	2.0	-	6.0
Gujarat	-	1.0	2.0	-	3.0
Haryana	4.0	2.0	2.5	2.0(RD Cess)	10.5
Madhya Pradesh	4.0	2.0	2.0	0.2 (Nirashrit Shulk)	8.2
Punjab	5.0	2.0	2.5	5.0 (RD Cess @2% + ID fee @3%)	14.5
Rajasthan	-	1.6	2.0	-	3.6
Uttar Pradesh	4.0	2.5	2.0	-	8.5
Uttarakhand	4.0	2.5	-	-	6.5

Source: Price Policy for Rabi crops, the Marketing season- 2012-13

### Registration in place of Licensing and Unified Registration for Trade in more than one APMC

4.11 Every person who, in respect of notified agricultural produce, desires to operate in the market area as commission agent, trader, processor, weighman, surveyor, broker, hammal, contract farming buyer, owner or occupier of processing factory, etc. are required to obtain a license. In this situation, new entrants are normally not permitted at the behest of respective associations and unions or on the basis of restrictive rules governing the grant of such licenses. The monopolies in marketing and handling have added to marketing cost detrimental to both producers and consumers. Instead of license, registration with APMC should be enough for anybody to trade/operate in the market. It is, therefore, suggested that State Governments may amend their Acts as suggested in the Model APMC Act to provide for one time registration of market functionaries in place of licensing for free and fair trade.

### Status of Implementation of Agricultural Marketing Reforms as per Model APMC Act

4.12 The progress of market reforms in different States/UTs in various areas as suggested in the Model APMC Act have been given at **Annexure-V**. The State-wise detailed report is appended at **Annexure-VI**.

## CHAPTER-V

### Other Reforms and Developmental Initiatives

#### Warehousing in India

5.1 Warehousing is an integral part of an efficient marketing system of agricultural produce, which is necessary not only to prevent the loss arising out of unscientific storage and to equip the farmers with a convenient instrument of credit but also to provide storage place in the production area at the time of surplus (harvesting) and to the consumption area during the lean period (off season). Now-a-days, warehouses also function as a spot market and as delivery points for commodities traded on commodity exchanges. In view of the ever increasing production and implementation of the proposed National Food Security Bill, storage capacity needs to be enhanced considerably to cope with the increased requirement of supplying the agricultural produce to the targeted people. In addition, warehouses are also required to provide the space for inputs and processed food products. At present, there are three main agencies viz. Food Corporation of India (FCI), Central Warehousing Corporation (CWC), and State Warehousing Corporation (SWC) in the public sector which are engaged in building large scale storage/warehousing capacity in the country. The storage capacity in the private sector is about 18.97 million MT which is 17.44 % of the total capacity in the country. It is expected that major increase in the storage capacity in this decade shall be from the private sector for which a conducive policy and legal framework and adoption of agriculture marketing reforms are a pre-requisite.

#### Gramin Bhandaran Yojana

5.2 With the objectives to develop the storage capacity near the farm gate, reduce the losses, enhance the economic strength of small and marginal farmers to retain the produce, avail the marketing credit and avoid distress sales, Government of India launched w.e.f 01/04/2001, Capital Investment Back Ended Subsidy Scheme for Construction/Renovation of Rural Godowns in the country. The Scheme is being implemented through NABARD/ NCDC. Since inception of the scheme from 01/04/2001 up to 30/09/2012, a total of 29,067 projects with 335. 61 Lakh MT capacity have been sanctioned.

5.3 The total covered storage capacity in the country with all the storing agencies including private is 108.75 million tonnes while plinth/CAP is 7.20 million tonnes and the capacity gap for long term storage is 35 million tonnes (2011). Therefore, there is urgent need to attract the private sector investment in addition to public sector investment for creation of storage capacity in the country.

#### Implication of Provisions of State APMC Acts on Warehousing

5.4 Under the State APMC Acts, warehousing is a regulated activity. Its implication is that no person can carry out warehousing activity in notified agricultural produce without holding license from the respective APMC, in whose market notified area the warehouse is located. It implies that a warehouseman is required to obtain license from each and every APMC, where his warehouse is located. However, such licenses are required only in case (a) warehousing services are offered by a person to others, not for his captive warehousing; (b) only in respect of notified agricultural produce, hence not required for warehousing relating to non-agri industrial goods.

5.5 Warehousing (Development and Regulation) Act, 2007 (WDRA) does not clearly specify that warehouses registered with the authority will not need license from the APMC authorities. Its implication is that a person willing to set up warehouses has to obtain (a) registration with the Warehousing Authority (b) accreditation from the accreditation agency; and also (c) license from the APMC authority. Negotiability of Warehouse Receipts is one of the important objectives of this Act. Negotiability, transferability and transfer by endorsement are synonymous to trading in warehouse receipts and trading in warehouse receipt pertaining to agricultural produce, graded and stored in a recognized warehouse is nothing but agricultural marketing, which is strictly regulated under the State APMC Acts. It is, therefore, necessary to remove inconsistencies between the Warehousing (Development and Regulation) Act and the existing APMC Acts. The reason is that while the WDRA makes the Warehouse Receipts fully transferable, the APMC law states that nobody can buy or sell notified agri-produce, unless he holds a license from the respective APMC. The State should take pro-active steps to provide enabling provisions for implementation of WDRA in the interest of trade and more so in the interest of farmers for competitive and transparent marketing of agricultural produce.

#### **Negotiable Warehousing Receipt System (NWRS)**

5.6 In order to reduce public spending for agricultural marketing, transaction costs and to improve price risks management, it is necessary to introduce Negotiable Warehouse Receipt System in marketing of agricultural produce to make it more attractive for banks to lend to the agricultural sector / depositors. The advantages of Negotiable Warehouse Receipt System are to (i) increase liquidity in rural areas for farmers; (ii) encourage scientific warehousing of agricultural and other goods; (iii) lower cost of financing by banks; (iv) shorten and make more efficient supply chains; (v) enhance rewards for grading and quality; (vi) assure better price risk management; and (vii) ensure higher returns to farmers and better services (quality) to the consumers. The Warehousing (Development and Regulation) Act 2007 has already been enacted and its provisions have been made effective from 25<sup>th</sup> October, 2010. The Negotiable Warehouse Receipts (NWRs) issued by the warehouses registered under this Act would help farmers to seek loans from banks against NWRs to avoid distress sale of their agriculture produce. It will also be beneficial for a number of other stakeholders such as banks, financial institutions, insurance companies, trade, commodities exchanges as well as consumers, the accredited warehouses by providing for trading of Negotiable Warehouse Receipts. This Act will pave the way for removing the constraints of warehousing system in India and facilitate farmers to get pledge loan facilities.

#### **Essential Commodities Act, 1955 (EC Act)**

5.7 Central legislation dealing with Essential Commodities (EC Act) Act has been liberalized to remove all controls on the movement, storage and marketing of agricultural commodities including abolition of licensing system. The list of commodities covered under the Act has been reduced from 54 to 7 at present. However, in order to contain the inflationary pressure on prices of essential commodities, the Government has been imposing stock limits on paddy, rice, pulses, sugar, edible oils and edible oil seeds, etc as and when required to contain the inflationary pressure. The ad hoc approach on imposition of control on stock limits and movement of produce goes against the spirit of reforms and hinders investment and free trade in the country.

## **Implications of Storage Control Orders, Dealers Licensing Orders and Other Orders issued under Essential Commodities Act**

5.8 Storage, holding and hoarding of stock are different words having the same meaning, but are used differently in different context. The Government promotes warehousing for storage of goods. Storage of goods in warehouses is sometimes construed as hoarding, which is considered to be a social evil. Hence, any order issued by the Government against hoarding of stock directly affects the warehousing business in the country. It is, therefore, necessary that Government favorably considers the stock requirement of genuine direct marketeer/processor. Further, such orders are impediments to promotion of warehousing business and will also affect adversely the negotiability of warehouse receipts, because only license holders are able to buy and sell such warehouse receipts. It is, therefore, necessary that such warehouses may be exempted from coverage under the above control orders in the interest of trade.

## **Forward and Futures Markets**

5.9 Volatility and instability in the prices of agricultural produce has always been a major concern of the producers, processors, traders as well as the consumers in the country. Farmers' direct exposure to price fluctuations makes it too risky for many farmers to invest in otherwise profitable activities. Agricultural products, unlike others, have an added risk of being seasonal in nature and attract lower price during the harvest season. Apart from increasing the stability of the market, various market players in the farm sector can better manage their activities in the event of unstable prices through commodity exchanges. These Exchanges serve a risk-shifting function and can be used to lock -in futures prices instead of relying on uncertain price fluctuations. Apart from being a vehicle for risk transfer among hedgers and from hedgers to speculators, futures markets also play a major role in price discovery. The forward and futures contracts are efficient risk management tools which insulate buyers and sellers from unexpected changes in future price movements. In view of the above, Central Government has lifted ban in respect of the important commodities for futures trading and granted 'National' status to three commodity exchanges in the country. The Forward Markets Commission (FMC), the regulator for commodity futures trading under the provisions of the Forward Contracts (Regulation) Act, 1952 continues its efforts to broad base the market. Furthermore, a price dissemination project was initiated by the FMC, under which spot and futures prices of agricultural commodities would be made available to farmers on real time basis on Electronic Price Ticker Boards at Agricultural Produce Marketing Committees (APMCs) in association with AGMARKNET Project.

## **Integrated Food Law**

5.10 At present, multiplicity of Food Laws and Standard setting and enforcement agencies pervade different sectors of food, which create confusion in the minds of producers, manufacturers, traders, consumers, etc. The Standards are often rigid and non-responsive to scientific advancement and enforced by multiplicity of inspectors under various laws. Moreover, thin spread of manpower, food laboratories and other resources under various authorities administering these laws, is not conducive to effective fixation of food standards and their enforcement. Such a situation is detrimental to the growth of the nascent food processing industry, which is so vital to creating employment, and enhancing income of farmers in our country. A pressing need for having a modern

integrated Food Law has been articulated by various stakeholders viz. industry, R&D institutions, State Governments, etc. from time to time. India being signatory to Agreements on SPS measures and TBT of the WTO, efforts are required to harmonize and achieve equivalence to standards framed by *Codex Alimentarius* Commission and other international organizations. Food Safety and Standards Act is in place and Food Authority has been set up as this will provide an effective mechanism for our farmers and food producers to comply with quality and food safety requirements to compete in the global trade.

### **Initiatives to Promote Horticulture Sector by Waiving of Market Fee**

5.11 Indian agriculture is witnessing a shift towards horticulture diversification and growing high value crops. With the result, the country has become the second largest producer of fruit and vegetables in the world, next only to China. One of the biggest constraints in the horticulture sector has been the extent of post-harvest losses which is about 5.8-18 % with monetary value amounting to around Rs. 44,000 crores based on wholesale prices of 2009 (ICAR Study 2010). The high wastages occur due to multilayered marketing channels, lack of marketing infrastructure, fragmented cold chains, absence of sufficient cold storage and associated logistics as well as organized distribution system. The short shelf life of fruit and vegetables and poor post-harvest practices negate the gains achieved in production by the producers. High wastages and constantly shifting consumers preference towards horticultural perishables have been creating demand-supply mismatch resulting in uneven price fluctuations. In addition, the present system of marketing practices is not offering remunerative prices to the growers while consumers are paying 1.75 to 3 times more over the wholesale price causing food inflation in the country. There is an urgent need to develop adequate post-harvest marketing infrastructure easily accessible to the growers to reduce the wastages substantially and shorten the supply chain of perishables. Private investment in the sector is much required and State Governments should create conducive atmosphere for private investment. Generally, less than 30 % of the marketable surplus passes through APMCs. The share of market fee from fruit and vegetables contributes a minor percentage of the total revenue realized by the States toward market fee except in hilly States like Himachal Pradesh and North-Eastern States.

5.12 In order to encourage adequate investment in development of suitable marketing infrastructure, it has been decided by the Government that assistance for creation of marketing infrastructure under Schemes of National Horticulture Mission (NHM) and Development / Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization (AMIGS) for projects promoted by the State Government agencies including APMCs would be released only to the States / UTs which, at least in respect of perishable horticulture commodities have waived market fee and permitted direct marketing by farmers to consumers, processing units, bulk buyers, providers of cold chain facilities / storage / contract farming, etc. However, reasonable user charges can be levied for use of market facilities and infrastructure (**Annexure-VII**).

## **Strengthening of Market Information**

5.13 Market information plays a crucial role in production, planning and taking marketing decisions regarding agricultural produce. The States/UTs have their institutionalized system of providing market information to the farmers including through State extension machineries. These prevailing systems are mostly based on conventional methods due to which communication of information to target groups usually gets delayed losing its relevance. The system is also limited to collecting data on market arrivals and prices on transactions in the regulated market yards and disseminating through various media like radio, television, newspapers, blackboard display, commodity exchange websites and public address system at market places. However, the accuracy, timely dissemination and accessibility of agricultural market information have remained prime issues. There are more than 7,000 regulated markets and more than 22,000 rural primary markets in the country. The information on arrival, quality and price of the commodity needs to be disseminated correctly and in timely manner.

5.14 In order to take advantage of rapidly evolving ICT based communication system, the Ministry of Agriculture launched a Central Sector Scheme of Marketing Research and Information Network (AGMARKNET) in the year 2000-01 and as on date more than 3,200 markets from all over the country have been linked to a central portal. It provides for quantity, quality and price related data collected by auction officers on the portal on daily basis. It also provides for market related information such as accepted standards of grades, labeling, sanitary and phyto-sanitary requirements, physical infrastructure of storage and warehousing, marketing laws, fee payable, etc. Information is provided in 12 different languages besides English. The Scheme is being continued during XII Plan. The organizations involved in project execution are Directorate of Marketing and Inspection (DMI) and National Informatics Center (NIC) at Central level and State Agricultural Marketing Boards/Directorates and Agricultural Produce Marketing Committees at State Government level. It is observed that some of the States are not reporting data regularly at AGMARKNET portal. On an average, about 2,000 markets report data on prices and arrivals regularly. There are also issues about entry of accurate data, especially in respect of arrival of produce in the markets. The States must ensure that market nodes covered under the network report data correctly, qualitatively and regularly at AGMARKNET portal. There is also a need to expand market information system to markets covered under Municipality/Panchayats and other private markets where a significant quantity of perishable are being transacted so as to enable both the sellers and buyers of these markets for getting timely market signals through prices and arrival trends of commodity prevailing therein. The States should take proactive steps to cover such markets under State sponsored schemes.

## **National Market Atlas**

5.15 To facilitate both the Government as well as the private sector in planning, development of an appropriate marketing strategy in agriculture sector, a dynamic Atlas of agricultural markets on GIS platform has been designed and data entry made with the help of NIC to map various parameters such as infrastructure and facilities available for each of the regulated market, average prices and arrivals therein, in accordance with the

AGMARKNET project. The data collected by National Institute of Agricultural Marketing (NIAM) with the help of State Agricultural Marketing Boards have been loaded for 23 States. Amongst the Member States, Bihar is yet to be covered as no data has been provided by State of Bihar so far. However, all the States need to provide dynamic data. National Agricultural Marketing Atlas under MRIN scheme is a continuous exercise of collecting and updating database of Agricultural Marketing and markets of country. The States whose database was collected and completed in 2005 and onwards will be required to update both datasets.

### **Dissemination of Market Information through SMS**

5.16 The penetration of mobile telephone is increasing rapidly and is an effective tool which can be made use by the users in getting market information through SMS. There are a number of queries from the service providers for providing market data of AGMARKNET portal for dissemination of the same through SMS to farmers and other market users. M/s Nokia Pvt. Ltd, IFFCO Kisan Sanchar Limited, Reuters, etc. in addition to other service providers in the field of newspapers, Doordarshan, etc. are also approaching for the data disseminated on arrivals and prices at AGMARKNET portal for further dissemination at grass-root level. To quote an example, Indian Farmers Fertilizer Cooperative Limited (IFFCO), together with telecom giant Bharti Airtel and Star Global Resources limited, has promoted IFFCO KISAN SANCHAR LTD (IKSL) as a joint venture to provide free voice messages daily (presently 5) in local language on subjects related to agriculture, animal husbandry, weather, market and rural development. Subscribers can access Helpline 534351 seeking information of their relevance. IKSL is operating in 15 telecom circles covering 18 States of the country. Similarly Nokia India Ltd. under its service Nokia Life Tools has been providing a range of agriculture related information to its subscribers including market information on arrival and price in a graphical interface based platform. A paper by NOKIA India Ltd on mobile telephony based information dissemination is enclosed at **Annexure-VIII**.

### **Electronic Spot Exchange**

5.17 The Government has allowed the National Commodity Exchanges to set up three spot exchanges in the country, namely the National Spot Exchange Ltd (NSEL), NCDEX Spot Exchange Ltd (NSPOT) and National Agriculture Produce Marketing Company of India Ltd. (NAPMC). During 2009, there was significant expansion of spot exchanges' trading facilities in India. These spot exchanges have created an avenue for direct market linkage among farmers, processors, exporters and end users with a view to reducing the cost of intermediation and enhancing price realization by farmers. They will also provide the most efficient spot price inputs to the futures exchanges. The spot exchanges will encompass the entire spectrum of commodities across the country and will bring home the advantages of an electronic spot exchange-trading platform to all market participants in the agricultural and non-agricultural segments. On the agricultural side, the exchanges would enable farmers to trade seamlessly on the platform by providing real time access to price information and a simplified delivery process, thereby ensuring the best possible price. On the buyer side, all users of the commodities in the commodity value chain would have simultaneous access to the exchanges and be able to procure at the best possible price. Therefore, the efficiency levels attained as a result of such seamless spot

transactions would result in major benefits for both producers and consumers. The Government of Maharashtra, Karnataka, Gujarat, Madhya Pradesh, Odisha and Rajasthan have granted license to set spot exchange for electronic trading. These spot exchanges will also provide a platform for trading of warehouse receipts.

### **Limitations in present APMC Act for e-Trading**

- The APMC Act divides the entire State into various notified areas and delegates the regulatory powers to the respective APMC;
- The Act regulates sale of farm produce by the farmers to the traders licensed by the APMCs;
- Jurisdiction of an APMC is confined to the notified area only; it cannot create any facility for sale of farm produce at national level;
- On the contrary, it prohibits the end users, exporters and processors located elsewhere in the country to buy from the farmers directly, unless they hold license under APMC Act;
- After harvesting, farmer tends to sell his entire produce in bulk while for his own requirements, he buys in retail. Hence, he sells low and buys high;
- The farmer does not have any alternative platform to sell his produce, he is compelled to sell through mandis only and so, he lacks bargaining power;
- The farmer does not have access to formal credit system; and
- On the other hand, Banks are willing to extend agricultural credit, but they do not have vehicle to reach out to farmers spread in remote villages.

5.18 Therefore, there is need for development of a platform, whereby the banks and farmers can transact efficiently in a cost effective manner and institutional credit can reach out to the farmers. A detailed paper from CMD- National Spot Exchange Ltd is at **Annexure-IX**.

### **Promotion of Grades and Standards**

5.19 Promotion of standardization and grading of agricultural commodities is an important aspect of agricultural marketing. The agricultural commodities are heterogeneous and hence it is very essential to grade these commodities as per standards to command better price either at domestic or international market.

### **Agencies involved in framing of standards**

- (i) Department of Food and Public Distribution;
- (ii) Food Safety and Standards Act, 2006 implemented by Food Safety and Standards Authority of India;

- (iii) Department of Agriculture and Cooperation through Directorate of Marketing and Inspection under the provisions of Agricultural Produce (Grading & Marking) Act, 1937;
- (iv) Bureau of Indian Standards under the provisions of Bureau of Indian Standards Act, 1986;
- (v) Various commodity exchanges; and
- (vi) At the international level-
  - (a) *Codex Alimentarius* Commission.
  - (b) International Organization for Standardization (ISO).

5.20 The Directorate of Marketing and Inspection (DMI) has been implementing the provisions of the Agricultural Produce (Grading and Marking) Act, 1937 and has formulated and notified Grade Standards in respect of different agricultural and allied produce. The Act provides for the grading and marking of agricultural and other produce and empowers the Central Government to notify rules for framing grade standards and certification of agricultural commodities.

5.21 General Grading and Marking Rules, 1988 are notified as per provision in the Section 3 of the Act. These Rules provide procedures for grant of Certificate of Authorization, setting up of laboratories, issue of Certificate of Agmark Grading, action on irregularities, consumer protection measures, etc. Specific Commodity Grading & Marking Rules provide information on commodity specific requirements related to hygienic aspects, packaging, labeling and grade standards based on quality parameters. As on date, 105 specific Commodity Grading and Marking Rules have been notified.

5.22 Grade/Standard notified as per the provisions of the Act are popularly called AGMARK Standards. Grades and Standards for 213 commodities covering all major items under cereals, pulses, oilseeds, spices etc have been notified. These standards differentiate between quality and 2-3 grades are prescribed for each commodity. Grades help farmers/traders to get prices for agricultural commodities commensurate with the quality produced by them. Consumers get the produce of the quality desired by them. The grades provide confidence to trade and also form the basis of credit appraisal of any commodity.

### **Certification for Domestic Market**

5.23 The scheme for certification of agricultural commodities under AGMARK for domestic market is voluntary except for blended edible vegetable oils and fat spread. Certification under AGMARK is mandatory for these commodities as per provisions in the Prevention of Food Adulteration Rules, 1955. The parties desirous of certifying an agricultural commodity under AGMARK should have hygienic premises, necessary infrastructure to process and pack the commodity and have access to a well-equipped laboratory for the estimation of prescribed parameters. Check samples drawn by DMI officers are analyzed in the Regional Agmark Laboratories (RAL) for ascertaining their conformity with the prescribed standards. The accreditation of RALs of DMI is being undertaken on priority. There are more than five thousand seven hundred Certificate of

Authorization holders throughout the country. These Certificate of Authorization holders grade and mark the agricultural commodities through more than 1,100 laboratories approved for the purpose.

5.24 Organic Agricultural Produce Grading and Marking Rules, 2009 have been notified which provide for certification of organic agricultural commodities under AGMARK. The Rules provide for product certification as per Specific Commodity Grading and Marking Rules in addition to the process certification as per the standards prescribed in National Programme for Organic Production notified by the Director General of Foreign Trade, Ministry of Commerce and Industry, Government of India, vide notification No.72(RE-2003)/2002-2007 dated the 21st July, 2004.

### **Certification for Exports**

5.25 DMI is attending to certification of many agricultural commodities for exports. Essential oils and fruit and vegetables are important. European Commission has approved the conformity checking operations of DMI for pre shipment inspection for export of fresh Fruit and Vegetables to EU countries. Agricultural Marketing Adviser to the Government of India has been notified as Official Authority and DMI as inspection body for the purpose. Inspection and certification is voluntary. DMI is attending to certification for exports through approved laboratories. Grapes, onions and pomegranates are being certified for exports.

### **Grading at Producers' Level**

5.26 It is an accepted fact that grading of the produce at producers' level benefits the producers as they will be in a better bargaining position against the traders / buyers in realizing prices commensurate with the quality of their produce and it also helps the consumer as they can get good quality certified products of their choice at a reasonable price. In addition to the producer and the consumer, it also helps the traders in efficient movement of the produce from the producing centers to the consuming centers. There are 1,637 grading units in various States set up by regulated markets, co-operatives, etc. for the purpose.

### **Issues for the State Governments**

5.27 Grading may be undertaken by the farmer/farmer association or trade/market functionaries at the market. Grading at farmers' level can be achieved when farmers constitute a group and have grading facilities. The grading of perishable commodities ideally should take place at the farm level. The grading of oilseeds, cereals, pulses, spices, etc., may take place at the market level. The existing infrastructure for grading at the market places is not sufficient. There are only 1,368 grading units in various regulated markets. These too are not fully functional. Efficient trained manpower is also not available to attend to grading. There are only 111 State Grading Laboratories (SGLs) in various States attending to certification of agricultural commodities under AGMARK for domestic trade. The SGLs are also not properly equipped and adequate manpower is also not there. The number of SGLs is also not adequate. Some of the States such as Maharashtra, Chhattisgarh, etc. do not have any SGLs. Grading and certification of produce under 'AGMARK' has remained at very modest levels. There is a need to increase such certification by increasing awareness and ensuring value addition commensurate to the efforts and cost involved in such certification.

5.28 The Warehousing (Development and Regulation) Act, 2007 provides for issue of Negotiable Warehouse Receipt (NWR). It will help the farmers/traders to sell the NWR without actually delivering the consignment hence resulting in better realization of prices for the agricultural commodities. It will also help farmers/traders to take loans, where the NWR will act as collateral. The grades are an important aspect of the NWR because price of the commodity will be decided based on it only. Infrastructure will have to be created throughout the country to provide grading facilities to the farmers/traders.

5.29 The Food Safety and Standards Act, 2006 lays emphasis on food safety issues which include GHPs, GMPs, ISO-22000 Standards, etc. in the entire food chain. State Governments have to play an important role in educating all stakeholders in the farms, pack houses, transportation, market places, etc., to ensure safe food for the consumers.

### **Need for Public Private Partnership (PPP) for Integrated Agricultural Market Infrastructure Development (PPPIAD)**

5.30 The Public Private Partnership in agriculture is intended to not only bring much needed financial resources but also aimed at to bring greater efficiency in the entire production value chain. As regards agricultural marketing, the opportunities for PPP were facilitated much later in early 2000s, when different States of India amended their respective State APMR Acts on the lines of Model Act. The key rationale for introduction of PPP model in agri-infrastructure projects is a combination of private sector efficiency and public budget constraint. It is being argued similarly here that scale of investment needed for agribusiness infrastructure are too huge to be adequately met by public sector alone. Moreover, it is agreed that most of the projects in agribusiness suffer from large number of inefficiencies and a PPP structure may, therefore, bring in much needed efficiency in both construction and operation of proposed agribusiness infrastructure.

5.31 Agricultural Marketing projects due to requirement of relatively larger capital with lesser or uneven returns are less attractive for private entrepreneurs for large ticket projects. The long gestation period of the project further creates the problem of economic viability. Due to these reasons, such projects' financial ratios especially IRR works out to be lower indicating the non-viability of the project, which is proving deterrent for the private entrepreneurs. Therefore, there is a need for public participation for such projects by offering cheaper land and Viability Gap Funding on a suitable model of BOO/BOT. Terminal Market Complex is one such PPP based scheme promoted by Ministry of Agriculture.

5.32 Government of India has also conceived PPPIAD as an alternative mode of implementation under RKVY, using the technical and managerial capabilities of the private sector in combination with public funding, to achieve integrated and sustainable outcomes, as also to achieve value chain integration and additional private investment in agriculture.

### **Main features of PPP-IAD**

- Corporate to propose integrated agricultural development projects across spectrum of agriculture and allied sectors, taking responsibility for delivering all the

interventions through a single window. Each project to target at least 5,000 farmers, spread over the project life.

- Complete flexibility in design, but ensuring an integrated value chain approach, covering all aspects from production to marketing. Projects can have a span of 3-5 years.
- Average investment per farmer during project must be quantified, though an average of Rs. 1.00 lakh per farmer will be a desirable benchmark. Government support will be restricted to 50% of the overall per farmer investment proposed, with a ceiling of Rs. 50,000 per farmer through the project cycle. The remaining investment will be arranged by the corporate through institutional financing and its own and farmer contributions. All subsidies will be directly routed to farmers or reimbursed to project leaders after verification of asset distribution to farmers.
- Key interventions which must feature in each project are: a) mobilizing farmers into Producer Groups and registering them in an appropriate legal form or creating informal groups as may be appropriate to the area and project (Joint Stock or Producer Companies, Co-operatives, Self-help Group, Federations, etc.); b) technology infusion; c) value addition; d) marketing solutions; and e) project management.

5.33 State Governments must encourage PPP in agriculture marketing. The State APMC Rules must be framed to facilitate the same. State Governments may earmark at least 20% of their fund under RKVY for development of agriculture market infrastructure during XII Plan.

## CHAPTER-VI

### **Proposed Agricultural Produce Inter-State Trade and Commerce (Development and Regulation) Bill**

6.1 In the era of globalization and liberalization farmers need competitive and alternative marketing channels, efficient market information to facilitate sale of their produce at remunerative prices. This requires seamless and barrier free market for smooth movement of agricultural produce in the country so as to achieve the concept of an Integrated National Market.

6.2 Government of India has laid emphasis on bringing reforms in the present system of agricultural markets. However, the level of reforms and its implementation by various State Governments has not been upto required level. There is a felt need of barrier free efficient and competitive agricultural marketing system in the country which should integrate all the stakeholders of food marketing chain on the one hand and provide competitive price to the farmers, good quality produce to consumers, reduce wastages and minimize marketing cost on the other.

6.3 Agricultural Produce Marketing Regulation Act and Essential Commodities Act need to be amended to ensure barrier free Storage and Movement of agricultural commodities across the States as storage and movement are very important marketing functions for maintaining regular supply and distribution of food products in the country from the point of production to the consumption centers. This will help to contain uneven price fluctuations and ensure optimum management of the supply chain.

#### **Intra-State Barriers**

6.4 Trade transaction of agricultural produce within the State passes through multiple channels and traders are required to obtain multiple licenses based on the procurement of the produce in the market area of the APMC. These results not only in high transaction cost but hinders the smooth flow of the commodity in the State.

##### **(a) Taxation Related Barriers**

6.5 The APMC markets impose substantial taxes on buyers, in addition to market fee and commission charges taken by the intermediaries, like entry tax, procurement/purchase tax enhancing the marketing cost and consequently resulting in food inflation. There should be single point levy of market fee and it should be in the form of graded fee/ service charge commensurate with the degree of services provided to the users.

##### **(b) Physical Barriers**

6.6 The Check Posts under different regulations and undue administrative orders impede the smooth supply and distribution of agricultural produce across the country. In order to provide the optimum value of the farmers produce, physical auctioning should compulsorily be replaced with digital system.

##### **(c) Statutory Barriers**

6.7 In order to regulate and control the supply and distribution of foodgrains from surplus to deficit areas, the Government of India implements Essential Commodities Act to control and regulate production, manufacturing and distribution of essential commodities in the country in the event of short supply. The Act itself does not lay the Rules and Regulations but allows the States to issue Control Orders in the event of malpractices like hoarding and black marketing i.e. “Licensing of Dealers/Retailers for trade in foodgrains”; “Restrictions on movement of foodgrains”; and “Regulation of Storage limits”. Since 1993, the Central Government has decided to treat the entire country as a single food zone, but the States are still imposing such orders and restrict movements now and then.

6.8 There should be an independent authority for issue of single unified License/Registration to operate in all the APMCs in the State for market functionaries, specifying therein activities/ services, who can buy and trade notified agricultural commodities in the entire State. All the States should allow for setting up of private markets and ensure the investment in the sector. These markets may provide the backward linkages with the farmers and forward linkages with the wholesalers/processors/retailers, etc. Private markets should be treated at par with APMC market yard.

6.9 With the implementation of Free Trade Agreements (FTAs) and WTO policies, to harness the opportunities of free and liberalized trade, the concept of electronic connectivity between different markets of the country can be proposed through a network of electronic exchanges with a national market. A market mediated by electronic system to link buyers and sellers will improve the efficiency in marketing of agricultural produce and also reduce the cost that a market would incur to bring buyers and sellers together physically. Clear dissemination of information in case of electronic markets will result in reduction of search costs and ensure maximum price realization to the producer-sellers. Not only this, India under the concept of a Single Market can electronically participate in trade with International Markets. The producers/ sellers will have access to on-line price information and arrivals in different markets across the globe for better understanding of market trends which would facilitate them in proper production planning.

#### **Removal of Inter- State barriers**

6.10 There is a need to develop a National Level Single Market for agricultural produce by removing all the existing physical, legal and statutory barriers through the following initiatives:

- (i) There should be provision of single unified License/ Registration system issued by independent authority for traders/commission agents operating in agricultural markets to facilitate trade at country level through a Unique Identification Code given to each operator (Trader/Commission Agent). A receipt issued by one market should be valid at all other terminals/markets under ‘Equivalent Receipt System’. This will enable them to expand their activities to multiple locations and commodities;
- (ii) There is a need to have uniform market fee across the country allowing level playing field throughout the markets of the country. Provision of CST while moving the produce from one State to another should be waived off. Once, the commodity is purchased and moved to other State, the tax of new State should not be imposed again, which increases the price of the commodity; and

- (iii) Inter-State Check post should not unnecessarily halt/delay the movement of the commodity especially perishables so as to avoid wastages and reduce the marketing cost.

### **Inter-State Agricultural Marketing, promotion of Agribusiness, Trade and Commerce at National level**

6.11 The State APMC Act divides the entire State into various notified areas and delegates the responsibility for regulating agricultural markets in respective areas to the specific APMCs. Essentially, the Act treats agricultural marketing to be a localized subject confined to a specific notified area and therefore, it endeavors to create a mechanism to regulate sale of farm produce grown in that area by the farmers to the traders located within such notified area. In fact, it goes to the extent of prohibiting end users and processors located elsewhere from buying directly from the farmers in the absence of license from respective APMC. Whereas, agricultural commodity produced in one area is consumed across the country. Such commodities already have a national level physical market. The marketable surplus of one area moves out to consumption centers through a network of middlemen and traders. Such trades are neither reported nor regulated under the existing APMC Act. In case of dispute or defaults in such trade, there is no administrative or regulatory mechanism available for redressal of grievances. In order to regulate and develop such national level market for agricultural produce and also to provide the farmers an access to such national level market for better price realization, there is a need for a Central Legislation to deal with “Inter-State Agricultural Marketing, promotion of agribusiness, trade and commerce at national level”. This can be achieved even without creating any conflict with the provisions of existing State APMC Acts.

6.12 Under item no. 42 of the Union List, the Central Government is empowered to pass a legislation regarding “Inter-State Trade and Commerce” of agricultural produce at National level. In order to promote inter-State trade and commerce of agriculture produce, the Central Government may legislate a Central Act to serve the above purpose. This proposed Act would facilitate the following:

- Central level Licensing/ Registration of the market functionaries, which will entitle them to deal in commodities anywhere in the country;
- Such Licensed/ Registered market functionaries will be entitled to buy agricultural produce from the farmers directly anywhere in the country; and
- The Act will provide for setting up of alternative forms of agricultural marketing and will have enough flexibility to ensure different forms of markets including electronic markets.

6.13 The intent and objectives of having a Central Act for barrier free movement of agricultural produce throughout the country is a good proposition. However, it may in the beginning be implemented only for 2-3 produce and it could be expanded further on the basis of its experience in actual implementation on the ground.

## CHAPTER-VII

### States Initiatives in Promoting Reforms

#### License for Direct Marketing

7.1 Direct marketing enables farmers to meet the specific requirements of wholesalers from the farmer's inventory of graded produce and of retail consumers based on consumers' preferences, thus, enabling farmers to take advantage of the dynamics of prices and improve their net margin. It encourages farmers to undertake grading of farm produce at the farm gate and obviates the necessity of farmers to haul produce to regulated markets. Direct marketing thus, enable farmers and buyers to economize on transportation cost and to improve price realization considerably.

7.2 Direct marketing by farmers to the consumer has been experimented in the country through Apani Mandies in Punjab and Haryana. The concept with certain improvements has been popularised in Andhra Pradesh through Rythu Bazaars and in Tamil Nadu as Uzhavar Sandhai. Considering the vastness of the country, more and more such markets need to come up in the organized sector with private investment so that they can be developed in tune with the market requirements with backward and forward linkages. The corporate sector has been gradually entering this sector, which facilitates excellent backward linkages to the farmers and producers thus, reducing many hassles for them including lowering of marketing cost. Many of the States have issued licenses for Direct Marketing to private companies and Firms for sourcing the agricultural produce directly from farmers. Progress of Farmers-Consumer markets and direct marketing licenses in different States is provided at **Annexure-X**. A paper received from Business Head –Adani Agri Fresh on Direct Marketing of Apple in Himachal by their Company is at **Annexure-XI**.

#### Registration for Contract Farming

7.3 The concept of Contract Farming refers to a system of farming in which agro-processing or trading units enter into a contract with farmers to purchase a specified quantity of any agricultural commodity at a pre-agreed price. By entering into a contract, the company reduces the risk of non-availability of quality raw materials or commodity and the farmer reduces the risk of fluctuating market demand and price of his produce. Contract farming, in sporadic way, has been in practice in many of the States which needs to be institutionalized in big way to derive its real benefits. The State Governments need to take proactive steps and incorporate the provisions of contract farming agreements on the lines of Model Act and frame Rules. The States have made progress in this direction but not to the desired level. The detail progress of institutionalized Contract Farming in the country is given at **Annexure-IV&X**.

#### License for Setting up of Private Markets

7.4 Wholesale markets remain as an essential link between production and consumption, which is being developed by State Governments and private participation but in the true sense of wholesale trade, has not been encouraging. However, the characteristics of wholesale markets have changed considerably over time and the preference has been for the establishment of modern food supply centers where

wholesaling activities for a range of food commodities, together with associated repacking, assembly and other food distribution activities are concentrated in one complex. State/UT Governments are required to provide investment friendly regulatory framework with enabling policy and also facilitate provision of utility services and land. Govt. of India should provide VGF in the best suited form to make such projects economically viable. However, some of the States like Maharashtra have issued licenses for establishment of wholesale markets in their State. Progress made in this alternative marketing initiative is at **Annexure-X**.

#### **Unified single License/Registration for Trading in more than one market**

7.5 Usually traders require License/ Registration from each APMC for trading in market yard and notified market area, which forces the trader to obtain many licenses depending upon the trading requirements to be carried out in number of APMCs. Therefore, there is a need for unified License/Registration for efficient marketing of agricultural produce. The Model APMC Act suggests that the States adopt this provision in their APMC Act. Such provision already existed in some of the States like Andhra Pradesh and some of them have adopted it after Model APMC Act. Many States have issued single licenses for trading in more than one market (**Annexure-X**).

#### **License for e-Trading**

7.6 Electronic Spot Exchanges empower farmers by providing them marketing support, linkage with pan India market, providing direct access to end users and providing access to institutional credit through Warehouse Receipt financing. States of Maharashtra, Karnataka, Rajasthan, Odisha, Madhya Pradesh and Gujarat, have permitted National Spot Exchange of India Ltd. for e-trading in different agricultural commodities. The State Government of Haryana has also permitted e-trading in agricultural commodities on Pilot basis.

#### **Exemption of Market Fee on Fruit and Vegetables**

7.7 The State of Madhya Pradesh has exempted fruit and vegetables from compulsion to be brought and sold in the market yards, providing thereby an additional option to the farmers to sell their produce outside the market yards. The produce sold outside the market yard would not attract any mandi fees or the provisions of the APMC Act. The State of West Bengal has excluded vegetables (except potato, onion and bitter gourd) from the Schedule of the Act for the purpose of not levying the market fee in the State. Government of Maharashtra has also initiated action to exempt market fee on 30 fruit and vegetables and has sought comments from the respective APMCs in the State. These initiatives will not only enhance marketing efficiency of perishable horticultural produce and promote private investment but also reduce the marketing cost resulting in relief from food inflation.

#### **Central Sector Reform Linked Schemes to promote Infrastructure**

7.8 The present agricultural marketing infrastructure is not sufficient for handling the burgeoning marketable surplus in the country. In order to attract investments in development of infrastructure, Ministry of Agriculture has launched Central Sector Schemes which are implemented in those States/UTs which have amended their APMC Act. The salient features of the Schemes are given at **Annexure-XII**. However, it needs to be studied how far such linkage of schemes to reforms has actually ensured adopting of reforms by the States.

## CHAPTER – VIII

### Committee Deliberations and First Report

8.1 The Committee had deliberated different items of agenda on market reforms by holding Nine Meetings with Hon'ble Ministers of State Agricultural Marketing, other stakeholders, including farmers, representatives of trade and industry, marketing experts and practitioners in the field. The details of agenda discussed in the different Meetings are as under:

- (i) **The First Meeting of the Committee** was held on 27<sup>th</sup> March, 2010 at Maharashtra Sadan (New Delhi) and the issues related to (i) Completion of market reforms by completing the amendment of the APMC Act by the member States; (ii) Development of Terminal Markets; (iii) Regular reporting of market data at AGMARKNET portal; (iv) Preparation of papers on market reforms; (v) Questionnaire on market reform by National Institute of Agricultural Marketing (NIAM), Jaipur; (v) Amendment of EC Act; and (vi) Waiver of market fee for creation of market infrastructure under NHM and AMIGS Schemes for projects promoted by State Government Agencies including APMCs were discussed.
- (ii) **The Second Meeting of the Committee** was held on 5<sup>th</sup> July, 2010 at Mussoorie (Uttarakhand) and the agenda items on (i) Waiver of market fee for horticultural perishables; (ii) Approval of questionnaire prepared by NIAM, Jaipur; (iii) Direct marketing and contract farming; (iv) Electronic Spot Exchange; and the additional agenda on the issues raised by the local Chamber of Commerce and Industry, consumers associations, etc and the successful model of ITC e-chaupal were discussed in the meeting. In order to simplify the registration of contract farming and dispute settlement mechanism, on the recommendation of the Committee, a Sub-group on Contract Farming was set up under the Chairmanship of Principal Secretary (Co-operation), Government of Maharashtra with the members from Haryana and Gujarat to review the issues related to Contract Farming and prepare a draft Agreement on Contract Farming for consideration of the Committee before recommendation for compulsory registration of Contract Farming sponsors with the farmers and waiver of market fee under contract is considered. The Sub-group submitted its recommendations to the Committee for consideration. The report of Sub-group is appended at **Annexure-XIII**.
- (iii) **The Third Meeting of the Committee** was held on 6<sup>th</sup> September, 2010 at Khajuraho (Madhya Pradesh) and the agenda items on (i) Workshop on survey questionnaire on market reforms for member States to solicit the information on reforms and also on setting up of Terminal Market Complex; (ii) Appointment of consultant for analysis and preparation of report on reforms; (iii) Report on Contract farming; (iv) Stock Limit; (v) Need for an independent Market regulator; Role differentiation between Director of Marketing and State Agricultural Marketing Boards; (vi) Setting up of market by Private and Co-

operative sector; and (vii) Notification of amended Rules were discussed in the meeting.

- (iv) **The Fourth Meeting of the Committee** was held on 11<sup>th</sup> November, 2010 at Bhubaneswar (Odisha) and the agenda items on (i) Action taken on questionnaire on market reforms prepared by NIAM, Jaipur; (ii) Strengthening of market information; (iii) Unified license for direct marketing, contract farming and setting up of markets in private and co-operative sector; (iv) Development of marketing infrastructure; and (v) Promotion of grades and standards were discussed.
- (v) **The Fifth Meeting of the Committee** was held on 12<sup>th</sup> February, 2011 at Sasan Gir (Gujarat). The main agenda items were (i) Barrier free marketing system; (ii) Waiver of market fee on fruit and vegetables; (iii) Enhancing investment in marketing infrastructure; (iv) Interim report of the Committee; and (v) All India survey on marketing reforms conducted by NIAM, Jaipur.
- (vi) **The Sixth Meeting of the Committee** was held on 25<sup>th</sup> April, 2011 at Chandigarh (Haryana). The agenda items covered (i) Framing of Rules by member States ; (ii) Survey on marketing reforms; (iii) Compensation of market fee on account of waiver of market fee on horticultural perishables ; (iv) Linking of Govt. of India schemes (RKVY ,NHM, NHB, HMNEH and Mega Food Park ) with reforms; (v) Warehousing Development and Warehousing Receipt System; (vi) Development of barrier free National markets (Draft Agricultural Produce Inter State Trade and Commerce (Development and Regulation) Bill were deliberated.
- (vii) **The Seventh Meeting of the Committee** was held on 28<sup>th</sup> May, 2012 at Guwahati (Assam). The agenda items were (i) Submission of First Report of the Committee on 8th September, 2011 to Government of India; (ii) Waiver on market fee on fruit and vegetables; (iii) Issues and challenges for agricultural marketing in North Eastern region; (iv) Consideration of Questionnaire of marketing reform; (v) Consideration of Agricultural Produce Inter-state Trade and Commerce (Development and Regulation) Bill; (vi) Need for Public Private Partnership (PPP) for Integrated Agricultural Market Infrastructure Development (PPPIAD); and (vii) Consideration of study report of Assam, Odisha, Bihar and Kerala conducted by the National Institute of Agricultural Marketing (NIAM), Jaipur.
- (viii) **The Eighth Meeting of the Committee** was held on 30<sup>th</sup> October 2012 at Tirupati in Andhra Pradesh. The agenda items were (i) Result of survey of States on market reforms; (ii) Making the contract farming and private market work-issue, challenges and way forward; (iii) Taking futures markets to door steps of farmers –issues, challenges and way forward in India; (iii) Need of integration of domestic and overseas markets for better returns to the Indian farmers and agri commodity price stabilization; (iv) Financing of agricultural marketing and agriculture marketing infrastructure projects ; and (v) Need for market reforms and market development in States without APMC Act- A case study of Bihar and Kerala were discussed.
- (ix) **The Ninth Meeting of the Committee** was held on 22<sup>nd</sup> January, 2013 at Shirdi (Maharashtra). The agenda items were (i) Linkage of agri processing projects

with marketing reforms – issues, challenges and way forward; and (ii) A new model of agricultural marketing in integrated value chain – issues, challenges and way forward. The final report of the Committee was also considered and approved by the members of the Committee.

8.2 The major decisions taken in the Minutes of above Meetings are appended at **Annexure-XIV**.

### **Submission of First Report of the Committee**

8.3 The Committee of State Ministers, In-charge Agricultural Marketing deliberated in detail the issues related to agricultural marketing reforms, investment in development of post-harvest infrastructure, wastages and barrier free supply chains of agricultural produce in the country. Based on deliberations and conclusions drawn, the First report of the Committee was submitted to the Hon'ble Union Minister of Agriculture on 8<sup>th</sup> September, 2011. Copy of the report was sent to all the States/UTs for their comments and taking further necessary action on the Recommendations made in the Report. The First Report has now become a part of the Final Report.

## CHAPTER – IX

### Recommendations of the Committee

9.1 The Committee has drawn the Policy Recommendations by holding Nine Meetings with Member States and other stakeholders viz State Governments, State Agricultural Marketing Boards, farmers, representatives of trade and industry, marketing experts and practitioners in the field of agricultural marketing. The major recommendations of the Committee are as follows:

#### A. Reforms to Agriculture Markets

- (i) The States should amend their APMC Acts on the lines of Model Act and the reforming States may also notify Rules, and States may complete the process early. In order to derive full benefits of reforms by small and marginal farmers, States may promote formation of Self Help Groups, Farmers/Commodity Interest Groups, etc;
- (ii) The present system of Licensing of Traders/Commission Agents must be substituted with a modern and progressive system of Registration with open and transparent criteria for Registration;
- (iii) The amended APMC Act and Rules should specify clearly the provisions for setting up of Private Wholesale Markets and Terminal Market Complex (TMC) for smooth development of infrastructure. The reformed States may come forward for development of Terminal Market Complex (TMC) at various locations in their States so that facilities of backward and forward linkages could be provided to the farmers and other entrepreneurs involved:
- (iv) In order to simplify the procedure and promote private sector investment in development of Wholesale and Terminal Market Complex in the country, there should be a Unified Single Registration for main market (Hub) and the Collection Centers (Spokes). The Collection Centers may be treated as sub-yard under the Act to provide for a unified Registration system;
- (v) The validity period of Unified Single Registration for private wholesale markets including Collection Centers should not be less than five years. It is desirable to keep it for 10 years or even more. The private agriculture markets should be given exemption on land ceiling for smooth development of market infrastructure in the country;
- (vi) Professionals are required for efficient management of existing markets for which either CEO of the Market Committee may be appointed from outside the cadre or existing personnel may be given professional training to manage the APMCs efficiently;

- (vii) There is a need for independent regulator for market operation for which the post of Director of Marketing as regulator may be separated from the post of Managing Director of State Agricultural Marketing Board as the Operator/Service provider and Director of Marketing should not draw salary and allowances from the State Agricultural Marketing Board. Thus, the role of service provider and regulator should be demarcated;
- (viii) States may de-link the provisions of compulsory requirement of shop for registration of traders / market functionaries for increasing the competition;
- (ix) The private markets should be treated at par with the existing APMCs and there should be simplified procedure for registration/ licensing. The requirement of the security and bank guarantee should be reasonable to facilitate entrepreneur for development of need based market infrastructure in the country. The minimum parameters for setting up of Private Market may be prescribed and farmers from any market area may come to sell their produce in the market of their choice. The developmental fee to be charged from private markets should be at par with APMCs and it should be deposited with respective State Government / Marketing Board which should be spent on infrastructure development outside the Mandi;
- (x) Complete deregulation of markets in the States has actually increased transaction costs rather than reducing it, and it has not helped in attracting any investment from private sector. Therefore, there is a need for an appropriate legal and institutional structure with a developmental type of Regulation to ensure orderly functioning of agriculture markets and attract investment for infrastructure development in such States.

#### **B. Promotion of Investment in Marketing Infrastructure Development**

- (xi) Under Essential Commodities Act, there is a need to have distinction between genuine service providers and black marketeers/hoarders to encourage investment and better service delivery to the farmers;
- (xii) There should be a stable and long term National Policy on storage and movement of agricultural produce to achieve the objective of Unified National Market. It is recommended that Contract Farming Sponsors and Direct Marketing licensees may be exempted from the stock limits up to six months of their requirement in the interest of trade and facilitating long term investment.
- (xiii) In order to reduce wastages, promote investment for development of marketing infrastructure and to ensure smooth movement of perishable horticultural produce across the country, States/Union Territories should waive off the market fee on fruit and vegetables and Government of India may also consider compensating the losses of revenue during initial period to the States on this account;
- (xiv) Investment in marketing infrastructure under RKVY may be increased to minimum 10-15% of State RKVY spending in reformed States. Efforts should be

made to encourage private investment in marketing infrastructure outside the APMCs also;

- (xv) In order to enhance the private sector investment in marketing infrastructure development projects, there is a need to provide subsidy/Viability Gap Funding for such investments, being long gestation period projects and treat them “as infrastructure project” so as to attract FDI and ECB for their development;
- (xvi) States may promote PPP Model for infrastructure development and exempt market fee on trade transaction taking place inside the private market yard. However, States can levy minimum user charges(in lieu of market fee) for developing general infrastructures like connecting/ rural roads, etc preferably not exceeding 0.5 % of the value of produce transacted for the use of any facilities created by the States/APMCs. State Governments should also explore the areas for private investments and PPP projects for market and marketing infrastructure development;
- (xvii) The requirement of marketing infrastructure in the North-Eastern region and Hilly areas is different than rest of the country. Government of India should constitute a ‘corpus fund’ for development of marketing infrastructure in their areas. A separate agricultural marketing strategy for North Eastern Region and Hilly areas may be adopted;

#### **C. Rationalization of Market Fee/ Commission Charges**

- (xviii) Market fee/cess including Rural Development Fund, Social Development Fund and Purchase tax, etc. should be maximum 2% of the value of the produce and the commission charges should be not more than 2% for food grains/oilseeds and 4% for fruit and vegetables;
- (xix) It is necessary to link the mandi fee with the services and infrastructure being provided for transaction in agricultural commodities. If the direct marketing entrepreneur provides minimum specified infrastructure facility to the farmers, the concerned State/APMC should waive off market fee on such direct marketing;
- (xx) If a person has already paid mandi fee in a State where it procures agriculture produce and brings the same to another State for processing, no mandi fee should be charged;
- (xxi) Mandi fee should be levied on Primary Agricultural Produce only and not on Secondary Agriculture Produce (processed agricultural produce) like Besan, Maida and Ghee etc. However, user charges can be levied based on the use of infrastructure and services;

#### **D. Contract Farming**

- (xxii) To encourage contracting parties and simplifying and rationalizing the registration process:

- (a) District level authority may be set up for Registration of Contract Farming and no market fee should be levied under it. The APMC should not be the authority for registration / dispute settlement under Contract Farming; and
  - (b) The disputes may be settled within fifteen days and the decretal amount of appeal should not be more than 10 % of the amount of goods purchased under Contract Farming. Appeal should be disposed off within 15 days. No solvency certificate / Bank guarantee may be required from private sponsor/operator, if payment is made to the farmers on the same day of procurement of their produce;
- (xxiii) States should promote small and marginal Farmers' Groups/Associations or their Company/Society to encourage Contract Farming in the States. Successful template of Contract Farming may be developed after studying the successful Models adopted in other countries;

#### **E. Barrier Free Markets**

- (xxiv) There should be a provision for a single window Unified Single Registration for traders/market functionaries in the States to facilitate free trade. The Unified Registration Form and Certificate are appended at **Annexure-XV & XVI**;
- (xxv) In order to move towards barrier free National market, market Fee/Cess may be levied only for first transaction between the farmer and trader and in subsequent sales between trader to trader/consumer, there may be only service charge related to services provided in the State and no market fee be levied for subsequent transaction;
- (xxvi) In some of the States, there are check-gates for recovery of market fee, which hinder smooth movement of agricultural commodities and leads to wastages especially in perishables like fruit and vegetables. States should take Initiative to remove such physical barriers, if any;
- (xxvii) States should notify the type of documents required for the producer-seller to be a farmer, so that his consignment is not halted at the check posts / barriers;
- (xxviii) Proposed Agricultural Produce Inter-State Trade and Commerce (Development & Regulation), Bill may, to start with, be applied for a few perishable agriculture commodities and it may be expanded for other commodities depending upon the experience of its working;

#### **F. Market Information System**

- (xxix) Efforts may be made to ensure proper and regular data entry in AGMARKNET nodes provided in the Regulated Markets in the State for the benefit of the farmers;
- (xxx) In order to ensure transparent transactions of agriculture produce and to get best price for the produce, there is a need for electronic trading in the mandi which should be at least at District level;

## **G. Grading and Standardization**

- (xxxi) There is a need for grading of agricultural produce before it is sold to facilitate the farmers to fetch the prices commensurate with the quality. States should provide Directorate of Marketing and Inspection (DMI), necessary inputs such as name of commodity, quality parameters important for formulation of grade standards for producers' level grading under Agricultural Produce (Grading & Marking) Act, 1937, which are relevant and specific to their State;
- (xxxii) To promote the grading and testing of agricultural produce, States are required to take initiative for establishing grading units with trained manpower in the market to attend to work of grading and to promote private laboratories for testing agricultural produce on user-charge basis.

## **H. Other Recommendations**

- (xxxiii) "Final Report" of the Committee may be presented to the Govt. of India with the request to convene a National-level Conference on agriculture marketing at New Delhi under the Chairmanship of Union Agriculture Minister for consideration of the report;
- (xxxiv) Organize Farmers' Groups to enhance their bargaining power to improve price realization and shorten the food supply chain by introducing Direct Marketing/ Sourcing of agriculture produce directly from the farmers to the consumers and processors; and
- (xxxv) Central Government need to have a more consistent stand in their import-export policy as any sudden switch-on and switch-off in policy impacts the farmers adversely.

**Note:** Hon'ble member from State of Haryana was of the view that Haryana already has sufficient marketing infrastructure and perhaps, there may be no need for the private market to come into the State. That notwithstanding, Haryana would like to see the successful working model of private market in other States before deciding in this regard.

## **Comments/Suggestions of Stakeholders**

The Committee during the course of deliberations in different meetings invited papers and presentations on vital areas of market reforms, investment in development of marketing infrastructure and barrier free supply chain, etc from the stakeholders. The views and suggestions of stakeholder including representatives of trade industry, experts and practitioners in the field of agricultural marketing are given at **Annexure-XVII**.

**Committee of State Ministers In-charge of Agricultural Marketing to Promote Reforms**

**(Shri HarshvardhanPatil)**

Minister of Cooperation and Parliamentary Affairs  
Chairman

**(Shri M. MukeshGoud)**

Minister for Marketing and  
Warehousing,  
Government of Andhra Pradesh  
Member

**(Shri NilamaniSenDeka)**

Minister of Agriculture  
Government of Assam  
Member

**(Shri Narendra Singh)**

Minister of Agriculture  
Government of Bihar  
Member

**(Shri Babubhai B. Bhokhairiya)**

Minister of Agriculture and  
Cooperation,  
Government of Gujarat  
Member

**(Shri Paramvir Singh)**

Minister of Agriculture,  
Government of Haryana  
Member

**(Shri S.K. Bellubi)**

Minister of Agriculture  
Marketing  
Government of . Karnataka  
Member

**(Dr. Rama Krishna Kushmariya)**

Minister of Agriculture Marketing,  
Government of Madhya Pradesh  
Member

**(Shri BikramKeshariAruk)**

Minister of Cooperation,  
Government of Odisha  
Member

**(Dr. Harak Singh Rawat)**

Minister of Agriculture,  
Government of Uttarakhand  
Member

**(Shri AdaishPratap Singh Kairon)**

Minister of Food, Civil Supplies,  
Consumer Affairs & Information  
Technology,  
Government of Punjab  
Co-opted Member

**(Rajendra Kumar Tiwari)**

Joint Secretary to the  
Government of India/  
Member Secretary

**No. 16011/7/2007-M.II  
Government of India  
Ministry of Agriculture  
Department of Agriculture & Cooperation**

**Krishi Bhavan, New Delhi.  
Dated the 2nd March 2010**

**OFFICE MEMORANDUM**

Agriculture sector needs well functioning markets to drive growth, employment and economic prosperity in the rural areas of the country. There is need to provide market reforms to promote alternative marketing channels to facilitate the farmers in better accessibility to the markets for better price for his produce. To foster the market reforms in the interest of both producer and consumer, the Ministry of Agriculture basing on the consensus during consultation with States on this important issue had circulated a model State Agricultural Produce Marketing (Development & Regulation) Act during 2003 for adoption by respective States. However, the pace of implementation of reforms has been varied across the States. During the Conference of State Ministers of Agriculture and Agricultural Marketing held in April 2008, it was decided to constitute a Committee of State Ministers of Agricultural Marketing to guide the implementation of agricultural marketing reforms initiatives. During various stakeholders' consultations, there has been persistent demand for expediting reforms in agricultural marketing in order to facilitate private sector investment in this important area.

2. Accordingly, it has now been decided to constitute a Committee comprising of the following:-

- |       |   |          |
|-------|---|----------|
| (i)   | Shri Harshwardhan Patil,<br>Minister of Marketing & Cooperation,<br>Govt. of Maharashtra, Mumbai.     | Chairman |
| (ii)  | Dr. Damodar Raut,<br>Minister of Agriculture,<br>Govt. of Orissa, Bhubaneswar.                        | Member   |
| (iii) | Shri Paramvir Singh,<br>Minister of Agriculture,<br>Govt. of Haryana, Chandigarh.                     | Member   |
| (iv)  | Shri Dileep Sanghani<br>Minister of Agriculture & Cooperation<br>Govt. of Gujarat, Gandhinagar.       | Member   |
| (v)   | Shri Trivendra Singh Rawat,<br>Minister of Agriculture,<br>Govt. of Uttarakhand, Dehradun             | Member   |
| (vi)  | Dr. Ram Krishan Kushmariya,<br>Minister of Agricultural Marketing,<br>Govt. of Madhya Pradesh, Bhopal | Member   |
| (vii) | Shri Damodar Raja Narasimha,<br>Minister of Agricultural Marketing,                                   | Member   |

Govt. of Andhra Pradesh,  
Hyderabad.

- |        |  |                  |
|--------|--|------------------|
| (viii) | Smt. Pramila Rani Brahma,<br>Minister of Agriculture,<br>Govt. of Assam, Guwahati                              | Member           |
| (ix)   | Shri Shivraj SangappaTangadagi,<br>Minister of Agricultural Marketing,<br>Govt. of Karnataka, Bangalore.       | Member           |
| (x)    | Dr. Renu Kumari Kushwaha,<br>Minister of Agriculture,<br>Government of Bihar, Patna                            | Member           |
| (xi)   | Agricultural Marketing Adviser to the<br>Govt. of India, Ministry of Agriculture.<br>Krishi Bhavan, New Delhi. | Member-Secretary |

3. The Terms of Reference of the Committee will be: -

- (iv) To persuade various State Governments/Administration of Union Territories (UT) to implement the reforms in agriculture marketing through adoption of model APMC Act and model APMC Rules;
- (v) To suggest further reforms necessary to provide a barrier free national market for benefit of farmers and consumers;
- (vi) To suggest measures to effectively disseminate market information and to promote grading, standardization, packaging, and quality certification of agricultural produce.

4. The Directorate of Marketing & Inspection (DMI), Ministry of Agriculture, Government of India will provide the secretarial assistance to the Committee.

5. The Committee may invite the Ministers In charge of Agriculture/Agricultural Marketing/Food/Consumer Affairs of any State or UT to participate in its meetings and may also invite specialists, industries and other stakeholders for consultation, if required.

-sd-  
(Rajendra Kumar Tiwari)  
Joint Secretary to the Govt. of India

**Distribution:**

1. Shri Harshwardhan Patil,  
Minister of Marketing & Cooperation,  
Govt. of Maharashtra, Mumbai.
2. Dr. Damodar Raut,  
Minister of Agriculture,  
Govt. of Orissa, Bhubaneswar.
3. Shri Dileep Sanghani  
Minister of Agriculture & Cooperation  
Govt. of Gujarat, Gandhinagar.
4. Dr. Ram Krishan Kushmariya,  
Minister of Agricultural Marketing,  
Govt. of Madhya Pradesh, Bhopal.

5. Shri Damodar Raja Narasimha,  
Minister of Agricultural Marketing,  
Govt. of Andhra Pradesh, Hyderabad.
6. Shri Paramvir Singh,  
Minister of Agriculture,  
Govt. of Haryana, Chandigarh.
7. Shri Trivendra Singh Rawat,  
Minister of Agriculture,  
Govt. of Uttarakhand, Dehradun
8. Smt. Pramila Rani Brahma,  
Minister of Agriculture,  
Govt. of Assam, Guwahati
9. Shri Shivraj SangappaTangadagi,  
Minister of Agricultural Marketing,  
Govt. of Karnataka, Bangalore.
10. Dr. Renu Kumari Kushwaha,  
Minister of Agriculture,  
Government of Bihar, Patna.

**Copy to:-**

1. PS to AM
2. PS to MOS (A)
3. PPS to Secretary (A&C)
4. PS to AS & FA, DAC
5. Agricultural Marketing Advisor, Directorate of Marketing and Inspection, Faridabad
6. Director General, National Institute of Agriculture Marketing, Jaipur to provide necessary technical assistance to the Committee
7. Joint Secretary (Administration), Department of Agriculture & Cooperation, Krishi Bhavan New Delhi

## Annexure-II

## Statement Showing Details of Regulated Markets in Different States/UTs as on 31.03.2012

Sl. No.	Name of the States/UTs	NUMBER OF MARKETS			REGULATED MARKETS		
		Wholesale	Rural Primary	Total	Principal	Submarket Yards	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Andhra Pradesh	331	574	905	331	574	905
2	Arunachal Pradesh	22	63	85	16	115	131
3	Assam	405	735	1140	20	206	226
4	Bihar	325	1469	1794	APMR ACT REPEALED		
5	Jharkhand	201	603	804	28	173	201
6	Goa	4	24	28	1	7	8
7	Gujarat	205	129	334	199	201	400
8	Haryana	284	194	478	106	178	284
9	Himachal Pradesh	42	35	77	10	40	50
10	Jammu & Kashmir	16	8	24	APMR ACT NOT YET IMPLEMENTED		
11	Karnataka	507	730	1237	153	354	507
12	Kerala	348	1014	1362	APMR ACT NOT ENACTED		
13	Madhya Pradesh	246	1321	1567	246	275	521
14	Chhattisgarh	2	1132	1134	73	112	185
15	Maharashtra	881	3500	4381	300	581	881
16	Manipur	24	94	118	APMR ACT NOT ENACTED		
17	Meghalaya	35	88	123	2	0	2
18	Mizoram	10	105	115	APMR ACT NOT IMPLEMENTED		
19	Nagaland	19	174	193	18	0	18
20	Odisha	398	1150	1548	45	269	314
21	Punjab	425	1346	1771	149	276	425
22	Rajasthan	434	312	746	129	305	434
23	Sikkim	7	12	19	1	0	1
24	Tamil Nadu	300	677	977	277	15	292
25	Tripura	84	554	638	21	0	21
26	Uttar Pradesh	584	3464	4048	249	364	613
27	Uttarakhand	36	30	66	25	33	58
28	West Bengal	279	2925	3204	44	641	685
29	A & N Islands	0	28	28	NIL	NIL	NIL
30	Chandigarh	1	0	1	1	0	1
31	D & N Haveli	0	8	8	APMR ACT NOT ENACTED		
32	Daman & Diu	0	2	2	APMR ACT NOT ENACTED		
33	Delhi	30	0	30	8	10	18
34	Lakshdweep	0	0	0	APMR ACT NOT ENACTED		
35	Puducherry	4	5	9	4	5	9
<b>Total</b>		<b>6489</b>	<b>22,505</b>	<b>28,994</b>	<b>2456</b>	<b>4734</b>	<b>7190</b>

Note:- Based on Information received from various States/UTs Authorities.

**Salient Features of Model State Agricultural Produce Marketing  
(Development & Regulation) Act, 2003**

1. The Title of the Act is changed to highlight the objective of development of agricultural marketing in addition to its regulation under the Act. Accordingly, the Preamble of the Act is redrafted to provide for development of efficient marketing system, promotion of agri-processing and agricultural exports and to lay down procedures and systems for putting in place an effective infrastructure for the marketing of agricultural produce. (Section-1)
2. Legal persons, growers and local authorities are permitted to apply for the establishment of new markets for agricultural produce in any area. Under the existing law, markets are setup at the initiative of State Governments alone. Consequently, in a market area, more than one market can be established by private persons, farmers and consumers. (Section-3)
3. There will be no compulsion on the growers to sell their produce through existing markets administered by the Agricultural Produce Market Committee (APMC). However, agriculturist who does not bring his produce to the market area for sale will not be eligible for election to the APMC. (Section-14)
4. Separate provision is made for notification of 'Special Markets' or 'Special Commodity Market' in any market area for specified agricultural commodities to be operated in addition to existing markets. (Section-20)
5. The APMC have been made specifically responsible for:
  - a) ensuring complete transparency in pricing system and transactions taking place in market area;
  - b) providing market-led extension services to farmers;
  - c) ensuring payment for agricultural produce sold by farmers on the same day;
  - d) promoting agricultural processing including activities for value addition in agricultural produce; and
  - e) publicizing data on arrivals and rates of agricultural produce brought into the market area for sale.
  - f) Setup and promote public private partnership in the management of agricultural markets. (Section -26 & 27)
6. Provision made for the appointment of Chief Executive Officer of the Market Committee from among the professionals drawn from open market. (Section-36)
7. A new Chapter on 'Contract Farming' added to provide for compulsory registration of all contract farming sponsors, recording of contract farming agreements, resolution of disputes, if any, arising out of such agreement, exemption from levy of market fee on produce covered by contract farming agreements and to provide for indemnity to producers' title/ possession over his land from any claim arising out of the contract farming agreement. (Chapter-VII)
8. Model specification of contract farming agreements provided in the Addendum to the model law.

9. Provision made for direct sale of farm produce to contract farming sponsor from farmers' field without the necessity of routing it through notified markets. (Chapter-VII)
10. Provision made for imposition of single point levy of market fee on the sale of notified agricultural commodities in any market area and discretion provided to the State Government to fix graded levy of market fee on different types of sales. (Section-42)
11. Licensing of market functionaries is dispensed with and a time bound procedure for registration is laid down. Registration for market functionaries provided to operate in one or more than one market areas. (Section-44)
12. Commission agency in any transaction relating to notified agricultural produce involving an agriculturist is prohibited and there will be no deduction towards commission from the sale proceeds payable to agriculturist-seller. (Section-44(6))
13. Provision made for the purchase of agricultural produce through private yards or directly from agriculturists in one or more than one market area. (Section-45)
14. Provision made for the establishment of consumer / farmer market (direct sale by the producer) to facilitate direct sale of agricultural produce to consumers. (Section-46)
15. Provision made for resolving of disputes, if any, arising between private market/ consumer market and Market Committee. (Section-50)
16. State Governments conferred power to exempt any agricultural produce brought for sale in market area, from payment of market fee. (Section-56)
17. Market Committees permitted to use its funds among others
  - i) to create facilities like grading, standardization and quality certification;
  - ii) to create infrastructure on its own or through public private partnership for post harvest handling of agricultural produce and development of modern marketing system. (Section-59)
18. For the Chairmanship of State Agricultural Marketing Board, two options provided namely Minister in-charge of Agricultural Marketing as ex-officio or alternatively to be elected by the Chairman/ members of Market Committees. (Section-63)
19. The State Agricultural Marketing Board made specifically responsible for:
  - i) Setting up of a separate marketing extension cell in the Board to provide market-led extension services to farmers;
  - ii) Promoting grading, standardization and quality certification of notified agricultural produce and for the purpose to set up a separate Agricultural Produce Marketing Standards Bureau.(Section-73)
20. Funds of the State Agricultural Marketing Board permitted to be utilized for promoting either on its own or through public private partnership, for the following:
  - i) market survey, research, grading, standardization, quality certification, etc.;
  - ii) Development of quality testing and communication infrastructure.
  - iii) Development of media, cyber and long distance infrastructure relevant to marketing and e-trading of agricultural and allied commodities. (Section-79)
21. Provision for enabling and regulating e-trading of agricultural commodities (Section-110).

**Annexure-IV**

**STATEWISE DETAILS OF CONTRACT FARMING BEING INSTITUTIONALLY PRACTISED**

<b>S.No.</b>	<b>Name of the State/ UT</b>	<b>Name of crops</b>	<b>Area Covered in acres</b>	<b>Name of the Company</b>	<b>No. of farmers covered</b>
1.	Punjab	Malting Barley	4784	M/s United Beverages Ltd. , Bangalore	3750 (Market fee is waived off on barley crop)
2.	Haryana	Barley, Basmati, Paddy	10837	Haryana State Cooperative Supply & Marketing Fed Ltd (HAFED) in cooperative sector.	2700
		Barley , Basmati Paddy, Wheat	2300	M/s SKOL Breweries Pvt Ltd, Gurgaon/ Bangalore.	
		Barley	10,000	M/s United Breweries Pvt Ltd, Patiala.	
		Potato	-	M/s Techno Agri Sciences Ltd, New Delhi.	
		Barley	-	M/s. Malt Company Pvt. Ltd., Gurgaon	
		Potato	-	M/s Pepsico India Holding(P) Ltd., Punjab	
3.	Gujarat	Banana	900 (estimated proposed area)	Desai Cold Storage	900
		Potato	600 (estimated proposed area)	McCain India Ltd, a foreign company in collaboration with an Indian company has applied to register their agreement of contact farming with State Marketing Board. State Govt. has given permission.	700
4.	Madhya Pradesh	Cotton	3314	M/s Pratibha Sintex Ltd., Indore	2168
5.	Odisha	Cotton	No sponsor has renewed contract farming.		
6.	Maharashtra	Cotton	4829	Shri Ganpat	2065
		Cotton	29689	Shri Matoshri Cotton Pvt.Ltd, Malkaur	13620
		Cotton	6299	NCC Shree Cotton Pvt.Ltd, Hiverkhed	2352
		Cotton	9020	M/s Arvind	4716
		Cotton	5452	NCC Jaylaxmi FibresPvt.Ltd., Dhule	2488
		Cotton	6050	NCC Narsinh Pvt.Ltd., Pathri	170
		Banana	1822	M/s Pepsico India	1461
7.	Andhra Pradesh	Cotton	3.2 lakhs Hectare	NSL Cotton Corporation Ltd. and M/s NSL Textiles Ltd, Guntur	2.5 lakhs

Source: Information received from States / UTs (2012)

**Area wise Progress of Market Reforms as per major areas identified in Model APMC ACT  
as on 31/12/2012**

Sl. No.	Area of Reforms	States adopted the suggested area of market reforms
1.	Setting up of Special Markets and Special Commodity Market	Andhra Pradesh, Gujarat, Maharashtra, Kamataka, Nagaland, Sikkim, Tamil Nadu, Tripura, Jharkhand, Mizoram and Uttarakhand
2.	PPP in Market Extension activities of Market Committee	Andhra Pradesh, Himachal Pradesh, Kamataka, Mizoram, Nagaland and Sikkim.
3.	To promote and encourage e-trading, Market Committee may establish regulatory system, create infrastructure and undertake other activities and steps needed thereto	Gujarat, H.P., Karnataka, Rajasthan, Nagaland, Sikkim, Goa and Maharashtra (under Rule 5 license granted to Commodity Exchanges registered under FMC), Uttarakhand and Haryana (On pilot basis).
4.	Secretary to be Chief Executive Officer of Market Committee. CEO shall be appointed by the Market Committee from the panel maintained by the Director/Board which may include professionals from open market.	Nagaland, Sikkim
5.	Contract Farming Sponsor shall register himself with the Marketing Committee or with a prescribed officer in such a manner as may be prescribed.	Andhra Pradesh, Arunachal Pradesh, Assam, Goa, Himachal Pradesh, Karnataka, Haryana, Maharashtra, Madhya Pradesh, Nagaland, Orissa, Rajasthan, Chhattisgarh, Sikkim, Tripura, Jharkhand*, Uttarakhand
6.	The contract Farming Sponsor shall get the contract farming agreement recorded with the prescribed officer.	Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Gujarat, Goa, Karnataka, Haryana, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura and Jharkhand*, Uttarakhand
7.	No title, rights, ownership or possession shall be transferred or alienated or vest in the contract farming sponsor or his successor or his agent as a consequence arising out of contract farming agreement.	Arunachal Pradesh, Assam, Goa, Haryana, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura and Jharkhand*, Andhra Pradesh, Kamataka, Uttarakhand
8.	Dispute settlement mechanism	Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Gujarat, Goa, Karnataka, Haryana, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura and Jharkhand*; Himachal Pradesh, Uttarakhand
9.	Exemption of Market Fee on the sales to the contract farming sponsors taking place outside the market yard under the contract farming agreement	Arunachal Pradesh, Goa, Karnataka (Reduced by 30%), Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura and Punjab (exempted under the Rules) and Uttarakhand
10.	Specification of model agreement for contract farming	Chhattisgarh, Gujarat, Goa (As may be prescribed), Karnataka (As may be prescribed), Maharashtra (Rules), Nagaland, Rajasthan, Sikkim, Tripura and Jharkhand*

11.	Single point levy of market fee	Andhra Pradesh, Rajasthan, Chhattisgarh, Gujarat, Goa, Himachal Pradesh, Karnataka, Madhya Pradesh, Nagaland, Sikkim, UT of Chandigarh, Punjab, Mizoram, Jharkhand and Uttarakhand
12.	Single registration/ license for trade / transaction in more than one market	Assam, Andhra Pradesh, Goa, Himachal Pradesh, Rajasthan, Maharashtra, Nagaland, Sikkim, and Jharkhand, Mizoram and Uttarakhand (single registration for trading in more than one market is not provided).
13.	No commission agent shall act on behalf of agriculturist seller and no deduction to be made towards commission	Madhya Pradesh, Chhattisgarh, Nagaland and Sikkim
14.	Establishment of private market yards/ private markets managed by a person other than a market committee.	Andhra Pradesh, Arunachal Pradesh, Assam, Gujarat, Goa, Himachal Pradesh, Karnataka, Maharashtra, Nagaland, Orissa (excluding for paddy / rice), Rajasthan, Sikkim, Tripura, Punjab (provided in Act not in Rules and also not implemented), UT of Chandigarh ( provided in Act not in Rules and also not implemented ), Jharkhand and Uttarakhand.
15.	Establishment of farmers/ consumers market managed by a person other than a market committee (Direct sale by the producer)	Arunachal Pradesh, Assam, Gujarat, Goa, Himachal Pradesh, Karnataka, Maharashtra, Nagaland, Rajasthan, Sikkim, Tripura, Punjab (only by State Govt), UT of Chandigarh (only by State Govt.), Jharkhand and Uttarakhand
16.	Establishment of private yards and direct purchase of agricultural produce from agriculturist (Direct Purchasing from producer)	Arunachal Pradesh, Assam, Chhattisgarh, Gujarat, Goa, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Rajasthan, Sikkim, Tripura, Punjab (only in Rule not in Act), UT of Chandigarh (only in Rule not in Act), Jharkhand and Uttarakhand, U.P. (Only for bulk purchase from agriculturist of Wheat and sarson through executive order time to time )
17.	Power to grant exemption from market fee by the State Government	Andhra Pradesh, Chhattisgarh, Gujarat, Goa, Madhya Pradesh, Maharashtra, Nagaland and Sikkim, Himachal Pradesh and Uttarakhand.
18.	Setting up of separate Market Extension Cell in the Board, establishment of State Agricultural Produce Marketing Standard Bureau	Nagaland, Sikkim and Karnataka
19.	Exemption of market fee on Fruits and Vegetable- Reform not concerned with Model Act, 2003	Madhya Pradesh, Chhattisgarh (Not notified Commodity), West Bengal (Partial).

*\*Changed the nomenclature as market oriented farming agreement.*

## Annexure-VI

### State-wise Progress of Reforms in Agricultural Markets (APMC Act) as on 31.12.2012

S.No.	Stage of Reforms	Name of States/ Union Territories
1.	States/ UTs where reforms to APMC Act has been done for Direct Marketing; Contract Farming and Markets in Private/ Coop Sectors	Andhra Pradesh, Arunachal Pradesh, Assam, Goa, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Maharashtra, Mizoram, Nagaland, Orissa, Rajasthan, Sikkim, Tripura and Uttarakhand .
2.	States/ UTs where reforms to APMC Act has been done partially	<b>a) Direct Marketing:</b> NCT of Delhi, Chhattisgarh, Madhya Pradesh, Punjab (In Rule only not in Act) and Chandigarh (In Rule only not in Act) <b>b) Contract Farming:</b> Chhattisgarh, Madhya Pradesh, Haryana, Punjab ( Only waiver of market fee and in rule only) and Chandigarh ( Only waiver of market feel and in Rule only) <b>c) Private Market:</b> Punjab ( In Act only not in Rule and also not implemented ) and Chandigarh ( In Act only and not in Rule and also not implemented)
3.	States/ UTs where there is no APMC Act and hence not requiring reforms	Bihar*, Kerala, Manipur, Andaman & Nicobar Islands, Dadra & Nagar Haveli, Daman & Diu, and Lakshadweep.
4.	States/ UTs where APMC Act already provides for the reforms	Tamil Nadu
5.	States/ UTs where reforms are not initiated	Meghalaya, J&K, West Bengal, Puducherry and Uttar Pradesh.

\* APMC Act is repealed w.e.f. 1.9.2006.

#### Status of APMC Rules

a) States where Rules have been framed completely :

Andhra Pradesh, Rajasthan, Maharashtra, Orissa, Himachal Pradesh, Karnataka.

b) States where Rules have been framed partially :

- i) Mizoram only for single point levy of market fee;
- ii) Haryana for Contract Farming

**F.No. 2743/Dir (M)/2009  
Government of India  
Ministry of Agriculture  
Department of Agriculture & Cooperation**

**Krishi Bhavan, New Delhi.**

**Dated: 23rd Feb., 2010**

To

APCs/Agriculture Secretary/Secretary,  
Agriculture Marketing of all States/U.T.s

Subject:- Agricultural market reforms required for availing assistance for creation of Market infrastructure under schemes of Department of Agriculture and Cooperation.

Sir/Madam,

In order to attract private sector investments for developing agriculture market infrastructure, Department of Agriculture & Cooperation had circulated a Model APMC Act to all States/U.T.s in 2003, after due consultations with the States/U.T.s. Model Rules were circulated in 2007. However, a review undertaken by the Department shows that the implementation of agriculture market reforms across the States has been slow and uneven. Some of the States are yet to incorporate a number of important provisions of market reforms as envisaged in Model APMC Act and Rules.

2. The Department of Agriculture & Cooperation has a number of Schemes including the scheme for creation of market infrastructure under National Horticulture Mission (NHM) which are linked to agricultural market reforms to incentivize the efforts of the States undertaking reforms. Although under NHM there have been substantial improvement in total production of horticultural commodities, enough efforts have not been taken in the area of post harvest management in terms of creation of scientific storage and cold chain facility, processing and value addition etc. of horticulture produce, in spite of financial incentives and fiscal concessions.

3. The operational guidelines for NHM stipulate that assistance for creation of market infrastructure will be linked to market reforms. But it is observed that most of the project proposals under this component are for providing assistance to the projects promoted by State Government agencies including APMCs, which levy cess on such products.

4. In order to encourage adequate investment in the sector, it is now decided by Government that the assistance for creation of market infrastructure under NHM for projects promoted by the State Government agencies including APMCs would be released only to the States/U.T.s, which, at least in respect of perishable horticulture commodities have waived market fees and permitted direct marketing by farmers to consumers, processing units, bulk buyers, providers of cold chain facilities/storage/contract farming etc. However, reasonable user charges can be levied for use of market facilities and infrastructure. States where no APMC Act is in force may allow/permit the above through issue of appropriate executive instructions to make the projects promoted by State Government agencies including APMCs eligible for assistance.

5. In respect of the other reform linked scheme of Development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization, it has also been decided that the reforms as stipulated in paragraph 4 above are necessary over and above the conditions in the Guidelines for the scheme for providing assistance for the projects promoted by State Government agencies including APMCs.

6. Necessary action may accordingly be taken to ensure minimum reforms as stipulated above by Government of States/U.T.s.

Sd/-

(Rajendra Kumar Tiwari)

Joint Secretary to the Govt. of India.

Copy to: JS (NHM) for information and necessary action.

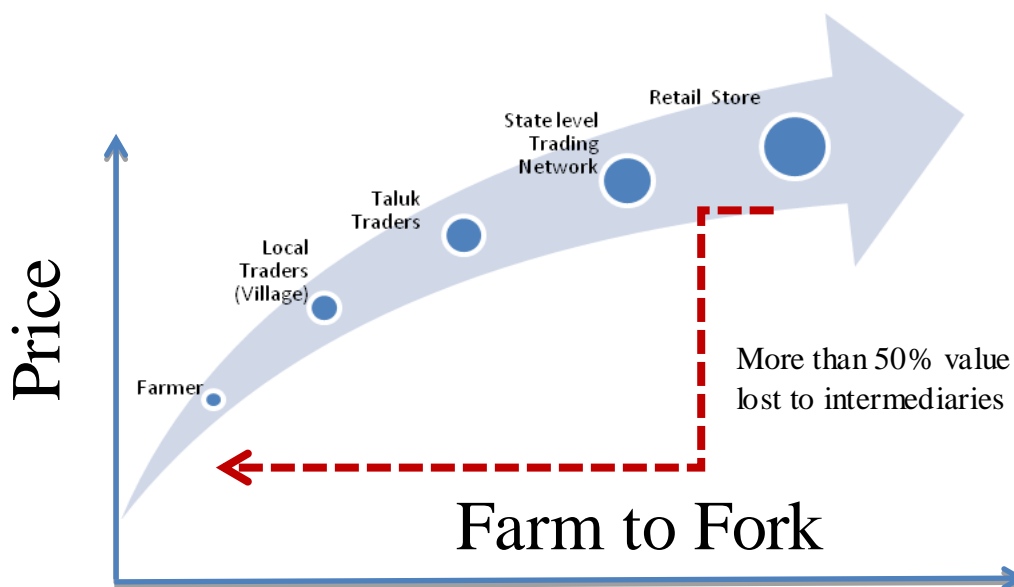
## IMPROVING MARKET INFORMATION DISSEMINATION SYSTEM

By NOKIA India Ltd.

### Background

The reforms proposed through the Model APMC Act have already initiated significant improvements to the agricultural markets by providing private sector for making investments in development of different kinds of marketing infrastructures through enabling policy environments. With 17 states already going through these reforms, and several others in the process of initiating reforms or providing partial approval, these improvements are well underway to making a large impact on the sector.

While the market structure improves, significant efforts are required to ensure that the demand and supply of the agricultural produce is well matched to ensure optimal pricing, quality of produce, yield and availability. In the current system, the inefficiencies in intermediary structure result in the producer (farmer) getting only 20-50 % of the consumer's purchase value. Unless intermediaries



have well understood the anticipated demands of the consumers and pass on such requirements to farmers well before the sowing season, there are likely to be high mismatches in demand vs. supply. This leads to high margins charged by the intermediaries to protect themselves from such fluctuations. Also, as the agricultural production gets more integrated into the value chain with food processing and retailing industries requiring specific breeds and quality of produce, the losses due to lower yield harvests and inferior quality of produce, non-uniform grades of production across groups of farmers need to be significantly reduced. Without these measures, the farmers are likely to incur losses purely due to quality reasons.

In this regard, the market information systems need to provide significant amounts of information and education to farmers in the form of agro-met advisory, disease prevention, optimum use of pesticides etc., throughout the crop-cycle to ensure that they are producing something that is in-demand, usable by the target consumers, uniform in grade/quality and of high yield.

## **Major Market Information Dissemination Systems in the country:**

Some of the major system of dissemination of market information are follows:

**Display Boards at APMCs:** Though this is very easy and effective mechanism to understand trading details and price trends at the APMC, most farmers need to travel a long distance just in order to get the price details. As the farmers need to also plan their harvest (for perishables like vegetables) and transportation based on price trends, this mechanism tends to be inadequate from the farmer's perspective. This system doesn't help provide trends and comparative rates w.r.t. near-by APMCs and is restricted to market prices information.

**Local Newspapers:** Some of the regional and local newspapers provide price details and news articles on price trends. However, it covers only major commodities.

Most of these systems are predominantly based on market price dissemination only and will not be able to cater to the quality requirements of various stakeholders. Information gaps pertaining to Crops and location specific inputs, Agro-met advisory, etc. For the Indian farmer to be able to easily access and educate it on such diverse expectations, the new information dissemination system needs to have the following characteristics. It should be **accessible** by majority of farmers without requiring additional effort or travel. It should be **personalized and customized** as per the needs of each farmer. It should be **adaptable and usable** to local needs, such as local language, specific crops and breeds, soil and weather conditions. The service should be **cost effective** to both the information provider and farmers.

### **New Vehicles for Information Dissemination**

With the objectives to provide Indian farmers with information and education to improve crop quality and yield while also providing them market price trends various media alternatives are in operation, which can help the farmers to a great extent in better price realization and crop planning.

### **Audio Visual and Print Media**

As farmers already use Radio and Television for audio visual information and entertainment, these media are used for providing more and more details on market prices. However, broadcast media does not provide for in-depth information. For example, in-depth information at a state level will require daily prices on at least 20 commodities to be provided, ideally from each major APMC, which has traded in these commodities on the previous day. It may be difficult for the farmers to capture and understand trends through such broadcast.

Though print media can be used far more effectively to show such information, there are two major limitation faced in this. First, the costs involved in providing a detailed daily update on various regional newspapers can be high. Second, literacy rates amongst may not be very high in certain areas.

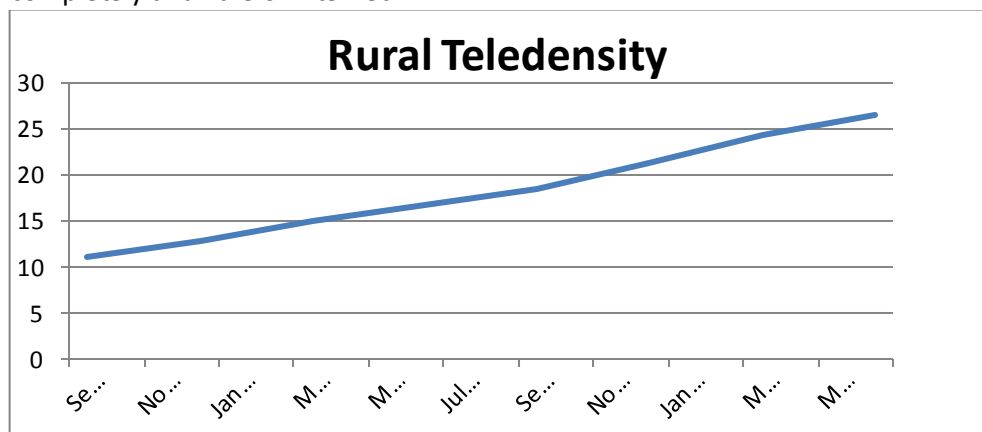
### **Interactive Kiosks**

An interactive audio visual kiosk, through simple user interface such as a touch screen has proved to be a very effective tool for information dissemination in a wide variety of areas such as education, rural healthcare and vaccination programs, land records details etc. There are several successful examples of this program in both Public and Private sector, such as IT kiosks at Common Service Centers and ITC e-Choupal. For such a program to be effective, a majority of 600,000 villages across the country need to be connected through kiosks, which is a large financial

investment as well as a massive logistics initiative. Ensuring that the kiosks stay operative and connected to the information sources is also likely to be a key challenge.

### **Mobile Devices**

At the end of June 2010, India's rural tele-density was at 26.43, out of which only 4 % of subscribers are using landline services. Just a year back, the rural tele-density was only at 16.61. In terms of numbers, this means that approx. 220 million mobile rural users are there in India at present and another 100 million users will be added in next 12 months. In comparison, Internet penetration in rural India is estimated to be only 5.4 million with 84 % of rural population being completely unaware of internet.



Source: TRAI

This clearly shows that given the trend of accelerating mobile services adoption within next 3 years, a majority of rural India are expected to be covered under mobile devices.

As the rural penetration of mobile devices is on increase, mobile devices provide an effective channel for dissemination of market prices, agri-specific news and inputs and advisory. There are already several private sector initiatives that are successfully disseminating information to farmers on a daily basis. This provides the convenience of icon based graphical *user interface*, use in *local language* and provides convenience of *high mobility*. The major services provided now-a-days are:

- Timely tips and Crop advisory from experts for the crops grown by the farmer;
- Pest management, best practices, latest techniques of crop cultivation;
- Agriculture news and Agromet advisory;
- Prevailing market prices and arrivals of crops from the nearest mandis; and
- Other related educative and entertainment services.

### **Recommendations and Conclusion**

Based on the advantages and disadvantages seen for each of the evaluated media, it is clear that no single medium can serve the diverse information needs of the agricultural information system. Therefore, a mix of media needs to be used for effective dissemination of information. Based on list of criteria for proposed new information system, we evaluate below and recommend each media for the specific scenarios.

	Accessibility	Personalization	Localization	Usability	Low Cost of Access	End-to-end Requirements	Suitability
APMC Display Boards	L	L	H	H	N	N	Only for live market price information
Websites	L	L	H	L	N	Y	Not likely to be accessible for most farmers, but can be integrated with other media for faster dissemination
Voice Interactive Systems	H	L	H	L	Y	N	For quick access to specific prices in major APMCs.
TV, Radio, Print	H	L	H	H	Y	N	For major alerts, broad news, tips & best practices
Interactive Kiosks	H	L	H	L	Y	Y	For specific communities, where everyone has similar needs. More suitable for highly audio visual and interactive information
Mobile Devices	H	H	H	Y	Y	Y	Best Suitable for specific personalized timely information on all areas. Not yet suitable for very low literacy areas and for highly interactive / audio visual content

*Legends: H = High, L=Low, Y=Yes, N=No*

It is concluded with the recommendation that information needs of various stake holders and more importantly the farmer is more varied and besides market information needs to include knowledge pertaining to agri-specific news and inputs, weather advisory, etc., Given the complex nature of the information needs it is imperative that knowledge collaboration amongst the various entities of the agriculture ecosystem, e.g., State Govt. bodies, Private players are harnessed and synchronized. Public-Private -Partnerships should be encouraged to further this.

Information dissemination needs to be tailored depending on stakeholder requirements. Choosing the right media platform depending on the objective of dissemination is extremely critical.

### **Personalized Information Needs**

Mobile devices with its higher reach and penetration can be the preferred new media for personalized information directly reaching out to the key stakeholders. This would be the most preferred vehicle for farmer specific information such as market prices within 100 kms radius, location specific agro-met and crop advisory etc.

TEXT based messages in local language and appropriate graphic user interface enables easier understanding and scores over a pure voice message. Unlike voice messages, TEXT based messages are typically stored in the device and are available for easy reference at a later date. In cases where literacy levels are low, it also provides flexibility for the farmer to show it to his relatives/friends for easier understanding.

Longer term road-maps can be envisaged through closer cooperation with private players to enable transaction capabilities, uploading of images, voice interactivity where needed. Existing Voice based services based on Interactive voice platforms such as Kisan call center could be enriched with more compelling information beyond the current market prices in a user-friendly

format. However the limitations pertaining to user need of storing the information for reference at a later date remains.

**On-Demand Intermediary led Information needs**

ICT based kiosks can be deployed strategically at Nodal points where mediators such as CSC's are able to fulfill the role as an intermediary to enable seamless running and up-keep of the kiosk are preferred for more broader information dissemination audio visual information which is suitable for whole farmer community.

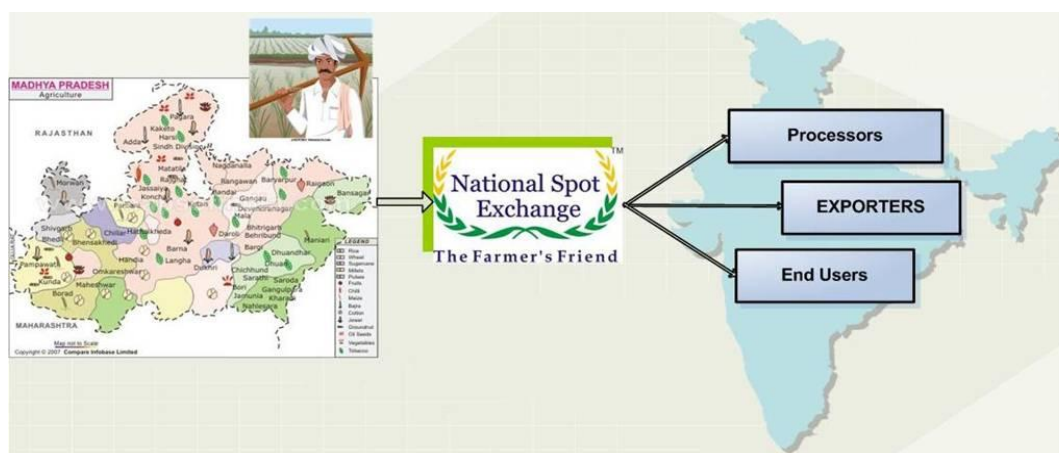
**Broader Information Needs**

Broadcast mediums like Print and Electronic can be leveraged to fulfill broader information needs pertaining to Government policies, agri-input based audio-visual programs etc.

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**Reforms in Agriculture Marketing to Improve Marketing Efficiency and Enhancing Farmers Price Realization and Creating a Backward Integration for Sourcing of Farm Produce by Processors through Electronic Spot Exchanges to help them Reduce Cost of Procurement by National Spot Exchange Ltd.**

Off late, commodity trading has become a global phenomenon, now Indian farm produce has to meet global quality standards and compete globally. In the international market, Indian produce face many problems such as lack of quality standards, packing, contamination, pesticide residues, deterioration due to poor logistic infrastructure, etc. If Indian mango is to be sold in US shopping malls, it implies that we have to redefine the agriculture marketing process in India, with special focus on farm gate processing, packaging and rigorous quality standards. In absence thereof, we are losing opportunities in the international market. This will need a direct co ordination between farmers and the processors/ exporters. In other words, if the processors and exporters can have a mechanism to avail backward integration up to the farm gate, this will revolutionize the agriculture economy. Such backward integration is now feasible without any cost to the farmers through the network being developed by Electronic spot exchanges.



2. As depicted in the photograph, the processors, exporters and end users located anywhere in the country are able to buy farm produce through the network being developed by Electronic Spot Exchange, directly from the farmers of a region. This is the model of electronic backward integration, which will help the farmers realize better price and at the same time, will also help the processors and industrialists to substantially reduce their cost of procurement, brokerage and commission paid by them besides other advantages.

3. Electronic spot exchanges empower farmers by providing them marketing support, linkage with pan India market, providing direct access to end users and providing access to institutional credit through warehouse receipt financing. Under the present form of agriculture marketing, the farmer gets only 30 –35 % of the price paid by the final consumer. For example, in the survey we found that while the final consumer paid Rs 300 per Kg for cumin seed in Mumbai, the farmer gets only Rs. 110 per Kg and the rest amount is absorbed in the long chain of intermediation. A presentation showing distribution channel for tomatoes is given below:

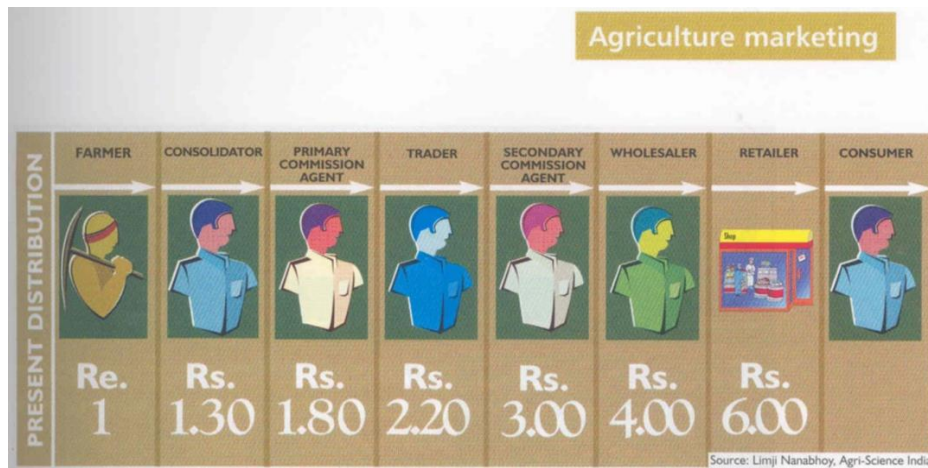
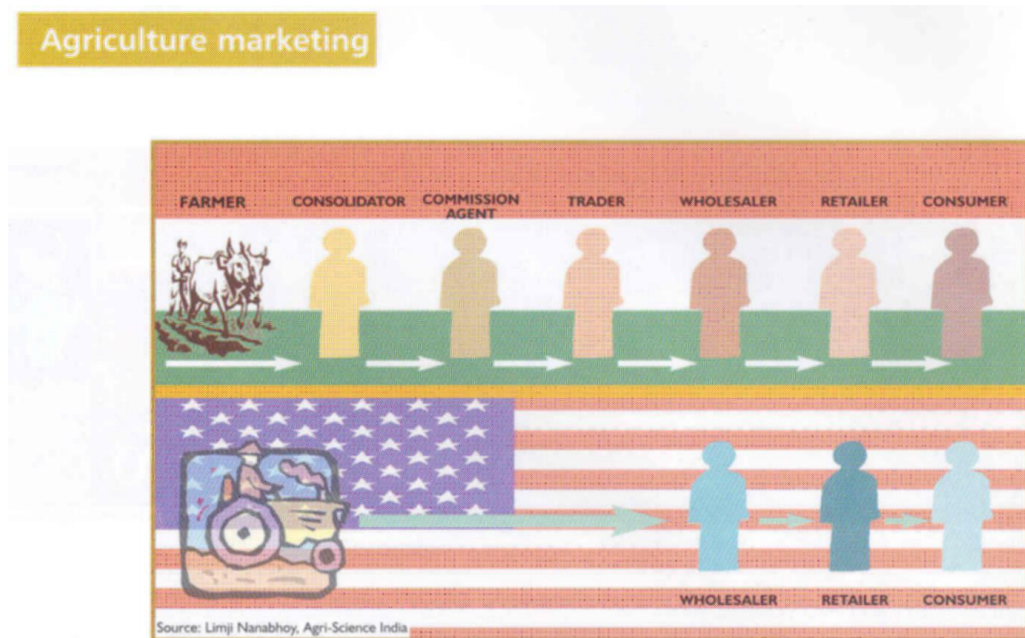


Figure showing the current commodity value chain in an agri produce in India

4. In US, the farmer gets roughly 60 to 65 % of the price paid by the end user. The value chain in developed countries like US is much shorter as is depicted in the picture below:



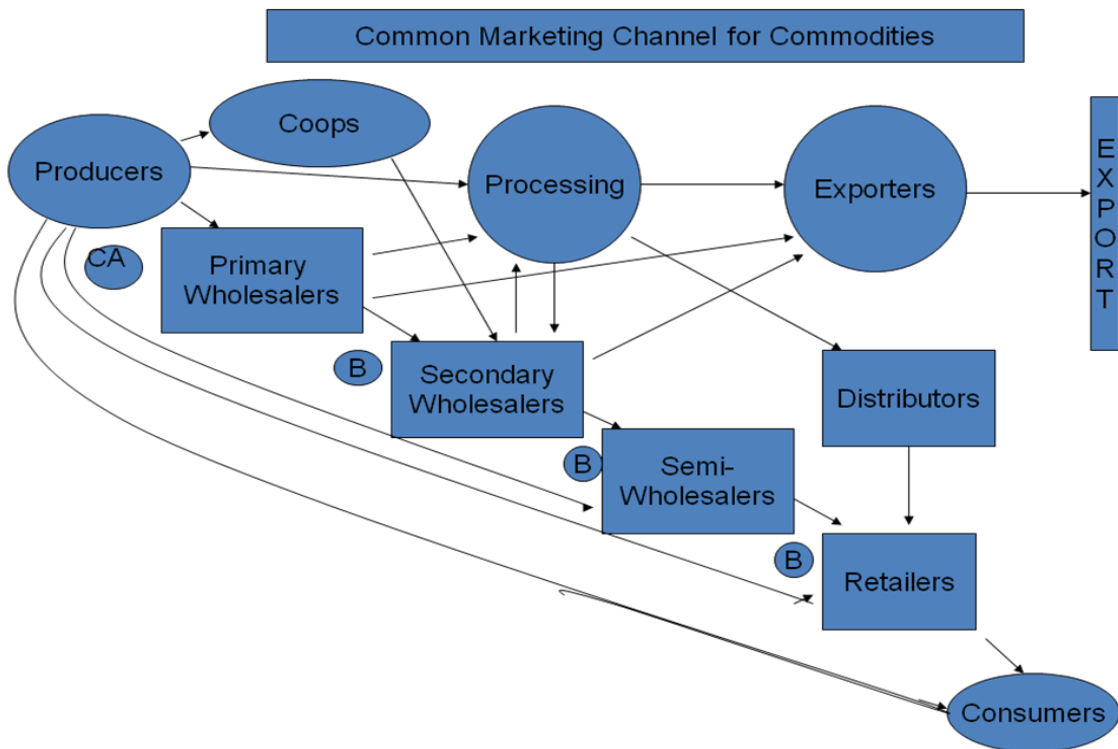
A schematic representation of commodity value chain in US and India.

5. In South Korea, as a consequence of expansion of direct marketing of agricultural products, consumer prices declined by 20 to 30 % and producer-received prices rose by 10 to 20 %. This also provided incentive to large-scale marketing companies to increase their purchases directly from producing areas.

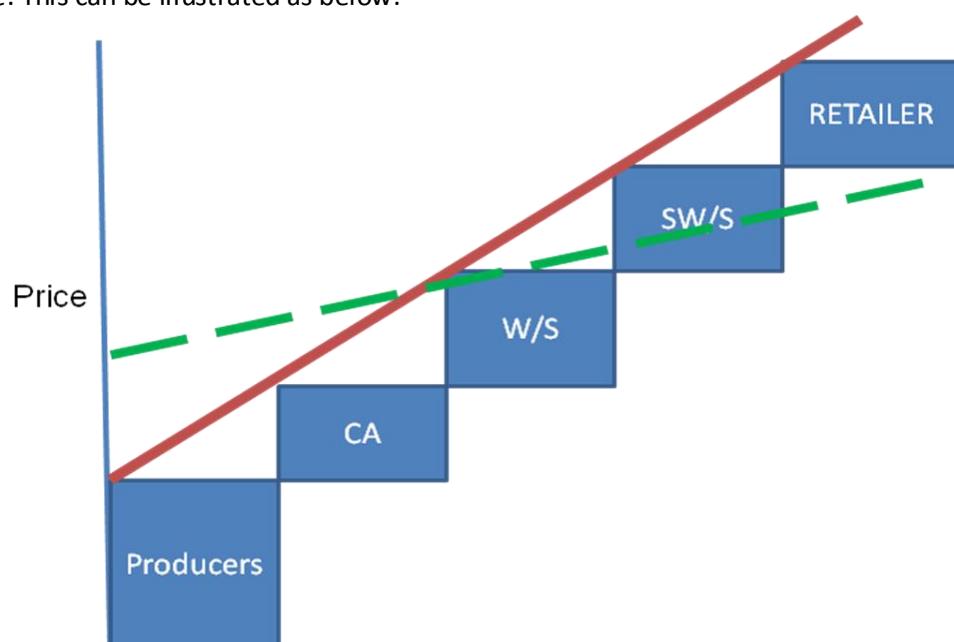
6. Direct marketing by farmers to the consumers has been experimented in India through Apni Mandis in Punjab and Haryana. The concept, with certain improvements has been popularized in Andhra Pradesh through Rythu Bazars and in Tamil Nadu as Uzhavar Santhai. At present, these markets are being run at the expense of the State exchequer, as a promotional measure, to encourage marketing by small and marginal producers of fruit and vegetables without the help of the middlemen. Considering the vastness of the country, more and more such markets need to come up in the organized sector so that they can be developed in tune with the backward and forward linkages of the markets.

7. In milk trade, there has been spectacular achievement through white revolution by developing co-operative society for milk producers under the brand name Amul. Through the process of developing efficient direct marketing chain through Amul, today milk producers are getting more than 70 % of the price paid by the end consumer.

8. In poultry business, farmers get more than 70 % of the consumer price. The reason is that the distribution channel of eggs is well structured and organized.

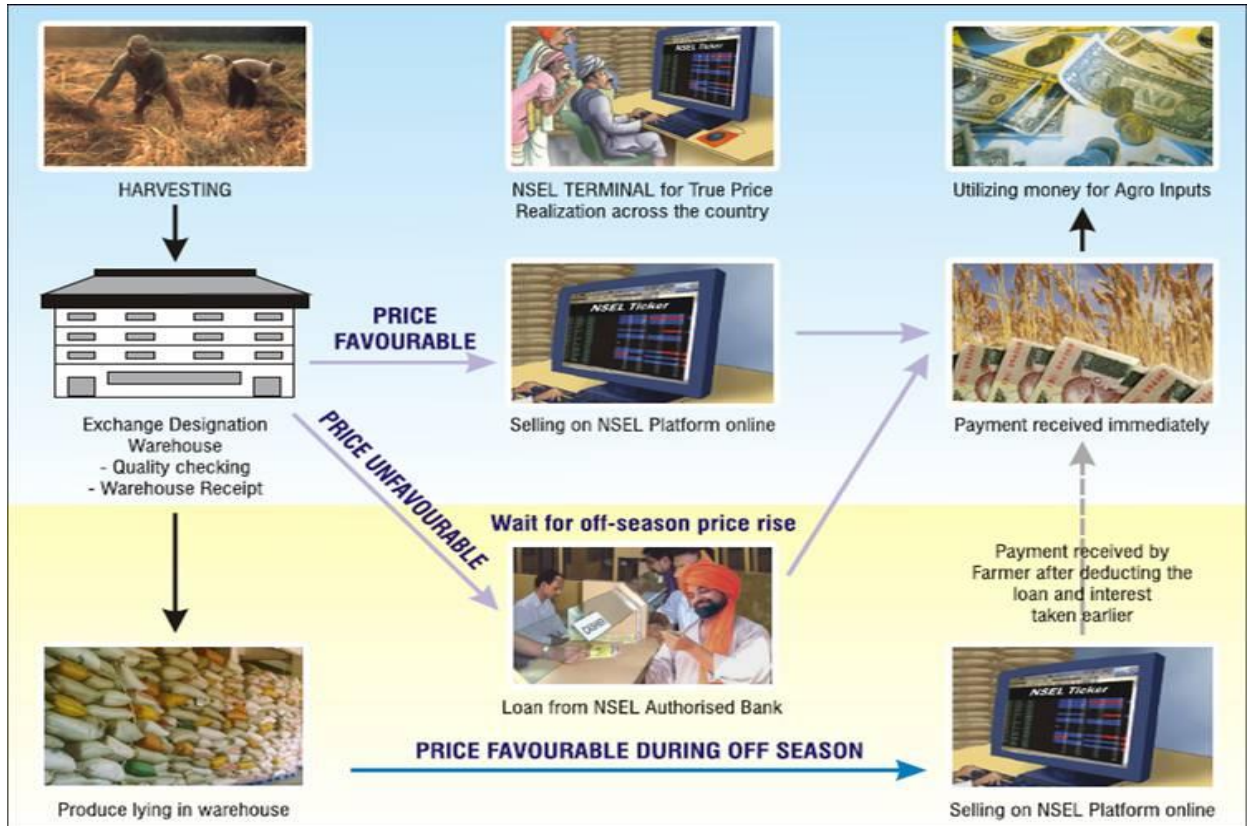


9. Improvement in agriculture marketing process implies reduction in cost of intermediation, improving marketing efficiency, increase in farmers' price realization and reduction in consumer paid price. This can be illustrated as below:



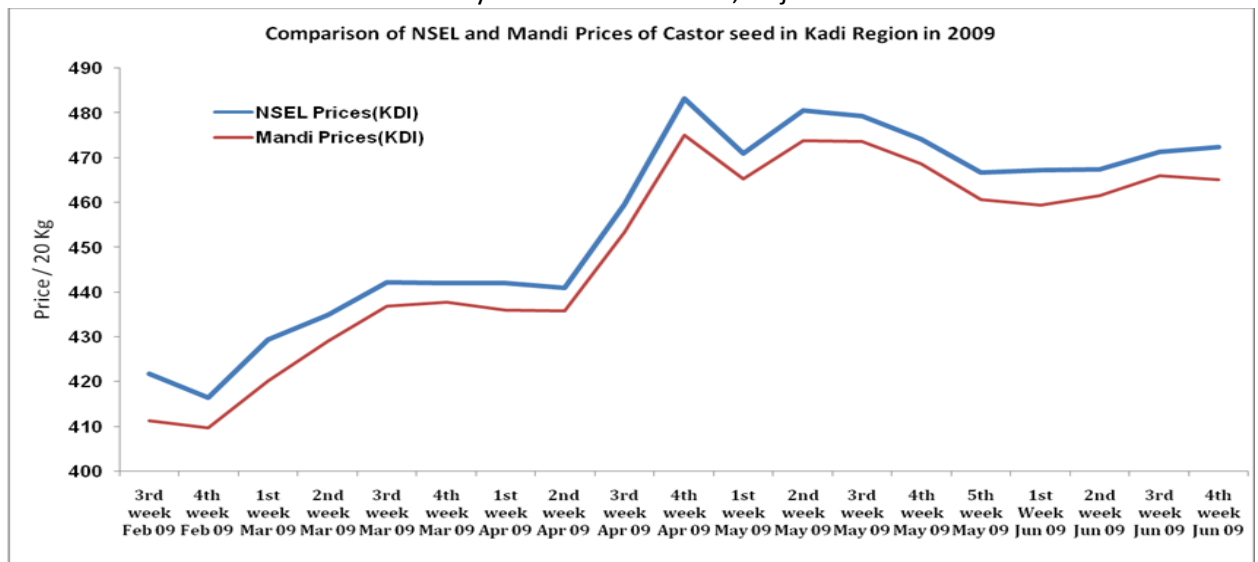
10. Functionality of APMCs and spot exchange is similar in nature. While APMC functions at a regional level, spot exchange functions at national level. But, both do not compete rather complement each other and hence, they should join hands to provide a pan India market to farmers.

1. The functioning of an electronic spot exchange can be depicted as below:



2. Operation on farmers' price realization vis a vis price discovered in a mandi is as follows:

Case study: Castor Seed at Kadi, Gujarat



11. It is evident from above that such market linkages provide the following advantages to the farmers:

- Better price realization for the farmers, which accelerates the pace of economic development in the State.

- Power to quote his own selling price. In respect of any other commodity, the seller determines the price for his product, be it FMCG items or any other consumables and then the buyer negotiates. Only in case of farm produce, the buyers quote buying price and seller can either accept or reject, but cannot quote his selling price. Spot Exchange enables him to do so.
  - Traders and retailers buy in bulk and sell in retail and earn the quantity linked price differences. Farmers sell in bulk (immediately after harvesting) and buy in retail (for consumption). Hence, they lose on both ends. Spot Exchange enables him to reverse the cycle. It allows them to sell only to the extent of actual need and hold rest of the produce in designated warehouses.
  - Access to national market
  - Better bargaining power due to availability of alternative marketing channel
  - Farmers will get to know the grade quality of his produce. This will help him to improve quality of his produce (An extension Cell can be created for this purpose)
  - Increase in holding capacity, due to availability of warehouse receipt financing facility
  - Linking with futures will be easy and therefore, he can use forward contracting to plan his production and marketing
  - Transparent and quick transaction would save time and cost - Reduction in cost of intermediation
12. On the other hand, the State Government and APMCs will derive the following advantages under this model:
- Better realization of cess, because all deliveries can be tracked. Spot exchange will provide a statement of all physical deliveries along with name of traders every month.
  - There will be substantial reduction in the marketing cost as processors and exporters can directly buy from producers.
  - It promotes agro industrial activity, processing and export as there will be better assurance of uninterrupted supply of raw materials through spot exchange.
  - Various centers in the State emerge as important trading hubs, which generate lot of direct and indirect employment.
13. In order to support such development, some of the State Governments have taken proactive initiatives, such as:
- In case of commodity exchanges, the Government of Maharashtra has created a cushion of 25 % of the amount of market cess as their revenue model. As per Rule 4C (5) of Maharashtra Agricultural Produce Marketing (Regulation) (amendment) Rules 2007 under Maharashtra Agricultural Produce Marketing (Development and Regulation) Act, 2007, the commodity exchanges are required to collect market cess as per the rate prescribed, but they have to pass on 75 % of such amount to the State Agricultural Marketing Board and appropriate the rest 25 %.
  - The Government of Karnataka has created a cushion of 30 % in the amount of market cess for Spot Exchange. As per Rule 91L (3) of the Karnataka Agricultural Produce (Regulation) (Amendment) Rules, 2008 Spot Exchanges are entitled to collect market fee from the buyer at the rate of 70 % of the market fees payable under Section 65(2) of the Act.
14. **Conclusion:**
- a. In view of results exhibited at the centers where Spot Exchanges are operational, the proof of concept is now available. It has been proved at such locations that

farmers' price realization has gone up through Spot Exchanges (as also documented by some State Governments) due to reduction in cost of intermediation. Now, the issue is to replicate this model at all locations across the country. Therefore, we need to devise a model to scale up Spot Exchange operation to the entire country.

- b. APMCs, across the country, have physical infrastructure to offer a meeting place for the farmers and buyers. There is no need to replicate such physical infrastructure; rather a cost efficient model is to leverage the same infrastructure. But, it is at the same time necessary to create a pan India linkage, so that farmers are not dependent upon the local traders only to quote their price. This can happen by developing a synergy between National Spot Exchange and APMCs.
- c. In brief, the suggested model is as follows:
  - i. Farmers will bring their produce to APMC market yard, where the traditional model of physical auction takes place. Traders present at such location can participate in such auction.
  - ii. APMCs will provide physical space and other facilities to National Spot Exchange within their premises, where Spot Exchange will install computers, VSAT network, etc. Spot Exchange will also launch spot contracts on their pan India platform for every commodity produced in the respective area. It will also finalize the quality parameters and grades for such farm produce including discount and premium matrix.
  - iii. The facility for grading and quality certification will be developed jointly by APMCs and Spot Exchanges. Farmers will have a choice either to sell their produce through APMC auction in un-graded form or to sell on Spot Exchange, after grading. Besides, farmers will also have a choice to store it at Spot Exchange warehouse, obtain Warehouse Receipt based finance and sell it subsequently, whenever they so desire.
  - iv. Spot Exchange will launch the contract on its platform, with the name of APMC, so that the respective APMC center also becomes popular across the country. This will be a good branding for APMC.
  - v. APMC will get mandi cess on all trades in that market area, whether it is traded through auction in the mandi or through electronic auction on Spot Exchange. Hence, there will be no loss of mandi cess revenue even if it is traded on Spot Exchange. On the contrary, the total collection will go up due to better compliance and higher prices.
  - vi. On Spot Exchange platform, buyers from across the country will be able to buy the farm produce on ex APMC location basis. Spot Exchange will be responsible to collect money from the buyers and to pay the same to farmers.
  - vii. In order to have better control over spot exchanges, APMCs may work as a conduit between farmers and Spot Exchange. Spot Exchange may credit entire sale proceeds pertaining to farmers to the bank account of APMCs and APMCs can distribute the money to the farmers. For this purpose, APMCs should become a member of Spot Exchange. Alternatively, Spot Exchange can handle this entire activity of fund disbursement themselves.
- d. Compared to any other model of agriculture marketing, the uniqueness of Spot Exchange is that it is fee based model. All other models such as Contract farming, Direct Marketing, etc. involve buying, selling and profiteering by the private operator, but Spot Exchanges do not buy, sell or stock for themselves. They just provide a pan India platform to buyers and sellers. Hence, their function is similar to a typical APMC. Spot Exchange provides neutral and equal opportunity platform, where both the buyers and sellers are treated equally. Spot Exchange is not interested in prices going up or going down. They also work impartially in respect

of weighing and grading of goods. Having similar nature of operation, APMCs and Spot Exchange can together revolutionize the entire agriculture marketing system. Both will complement each other in achieving the desired goals.

- e. Hence, the suggested model is based on synergy between APMCs and Spot Exchanges. While APMCs will provide a backward integration between farmers and the market yard, Spot Exchanges will provide a forward integration by connecting large number of users to buy it directly from farmers through Spot Exchange platform electronically. This will reduce cost of intermediation between farmers and end users.

**Annexure-X**

**New Developmental Initiatives Taken by the States**

<b>Name of the Progressive State/UT</b>	<b>No. Farmer-Consumer Markets Operated and Managed by State Govt./APMC</b>	<b>No. of Direct Marketing Licenses issued for sourcing farmers by Private entrepreneurs</b>	<b>No. of Direct issued from by</b>	<b>No. of Contract Farming cases registered</b>	<b>No. of Licenses to Private Markets issued</b>	<b>No. of licenses issued for trading in more than one market</b>
Maharashtra (fully reformed )	-	107 (48 operational)	7	23 including 3 TMC	38	
Andhra Pradesh (fully reformed)	107 Rythu Bazaars functional	171	1	4	-	
Gujarat (fully reformed)	-	17	2	13	No provision existed	
Karnataka (fully reformed)	15 Raithara Santhe functional	9	Permitted but not registered so far	3	249	
Madhya Pradesh(partially reformed)	-	2	1	No provision existed	8	
Rajasthan (fully reformed)	-	76	Permitted but not registered so far	2	1	
Haryana(partially reformed)	37 Apni Mandi functional	Provision has recently been made as per State Govt.	6	Permitted		
Punjab(partially reformed)	26 Apni Mandi functional	22	1 and 8 old registration	Not permitted		
Tamil Nadu (though executive orders)	179 Uzavar Sandhai functional	-	5	6 (including TMC)	No provision existed	

**Note on Contract Farming and Direct marketing of Apple in Himachal Pradesh**

**By Adani Agrifresh Ltd**

Himachal Pradesh produces about 5 lakh MT of apple. As the marketing infrastructure in the state is limited, farmers in the wholesale markets of Chandigarh and Delhi sell most of it. The present system of apple marketing has the following disadvantages.

1. Inconvenience to farmers as they have to travel to far away markets to sell their apple.
2. Opaque auction system at the wholesale markets
3. Commission payable to the Commission Agent
4. It takes anywhere between 36 to 48 hours from the time of harvesting to reaching Delhi market. Further it takes 6 to 8 days to reach the southern markets. In the meantime, there is a substantial deterioration in quality.
5. There is substantial value loss due to deterioration in quality due to long transit time and improper handling enroute the market
6. Traffic congestion in Delhi due to influx of apple trucks (200 to 300 trucks come to Azadpur market during the peak season)

**Adani Agrifresh Ltd's intervention in Apple in HP**

Adani Agrifresh Ltd set up a 3 Controlled Atmosphere (CA) storage facilities for 18,000 MT at an investment of Rs. 180 Crores, in the apple growing area of Himachal Pradesh. As the CA storage is meant for long-term storage of 8 to 10 months, only apple meeting the stringent quality norms could be purchased and stored. This meant a lot of training to farmers on post harvest practices and direct purchase of apple from farmers.

The intervention of Adani Agrifresh Ltd has benefited the stakeholders in the following ways:

1. Over 4000 farmers directly sell apple to Adani Agrifresh Ltd.
2. No farmer needs to travel more than 40 KM to sell their apple.
3. Apple can reach the CA storage facility within 6 to 12 hours of harvest.
4. Farmers are supplied with crates to bring the apple and hence no expenditure on packaging material, packers/graders and no hassle in finding trucks in the peak season.
5. As there is no intermediary involved, farmers save the commission, which they would have otherwise paid in the wholesale market.
6. Adani Agrifresh announces price for various grades of apple based on size and color on a weekly basis to enable farmers make informed decision before bringing the apple for sale to Adani Agrifresh.
7. Apple is graded on a computer controlled grading unit where each apple is weighed and graded as per its color and size.
8. Farmers are paid according to the grade and weight of the apple.
9. Adani Agrifresh has opened 3 farmer service centers from which it sells agri inputs to farmers and also provides extension services.

Apple is sold in the market after the harvest season is over when the supply of good quality apple is limited to imported apple, thus, benefiting the consumers. This project added a lot of economic benefits to Himachal Pradesh.

**Reform linked Schemes to promote Agriculture Marketing Infrastructure****(i) Scheme for Development/Strengthening of Agricultural Marketing Infrastructure Grading and Standardization**

With a view to induce large investment in the development of marketing infrastructure as envisaged above, the Ministry has formulated a scheme for “Development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization”. Under this scheme, investment subsidy is provided on the capital cost of general or commodity specific infrastructure for marketing of agricultural commodities and for strengthening and modernization of existing agricultural markets including wholesale, Rural and Periodic Markets. The scheme is reform linked and is to be implemented in those States/UTs which have amended the APMC Act to allow for setting up of agricultural markets in private and cooperative sectors. Under the scheme, back ended subsidy @ 25 % of capital cost of the project is provided. However, subsidy is @ 33.3 % of capital cost in case of NE States, hilly areas and SC/ST entrepreneurs. For private sector projects, there is a ceiling of Rs.50 lakh for General while Rs.60 lakh for NE States, hilly areas and SC/ST entrepreneurs. In respect of infrastructure projects of State Agencies, there is no upper ceiling on subsidy to be provided under the scheme.

**(ii) Post-harvest Management and Marketing Facilities for Horticulture Crops**

In order to ensure that farmers get good returns of their produce, there is provision for creating market Infrastructure viz rural primary markets, wholesale markets and terminal market complexes under National Horticulture Mission (NHM). For rural primary markets, credit linked back ended subsidy @ 40 % in general areas and @ 55 % in hilly and tribal areas of the maximum project cost of Rs. 20.00 lakh is made available. For wholesale markets, credit linked back ended subsidy @ 25 % in general areas and @ 33.33 % in hilly and tribal areas with the maximum project cost of Rs.100.00 lakh is available.

**(iii) Terminal Market Complex (TMC)**

In order to harness the potential of emerging consumer demand (domestic and international), a professionally managed competitive alternate marketing structure that provides multiple choices to farmers for sale along with a comprehensive solution to meet key needs of the stakeholders is necessary. Such a system entails a high investment cost and efficient skills, each of which can be infused by inviting private sector participation in the sector. Thus, the Modern Terminal Market was conceptualized with the objective of fulfilling the above goals. The scheme is being implemented through a subsidy route under National Horticulture Mission through active involvement of all stakeholders at various levels under PPP mode during XI Plan. The funding of Terminal Market Complexes for fruit, vegetables and other commodities in Public–Private–Partnership (PPP) mode, under the National Horticulture Mission (NHM) for implementation during the XI Plan period will be by providing a subsidy.

Under the Scheme assistance @ 25 to 40 % (limited to Rs. 50.00 crores with maximum project cost of Rs.150.00 crores), which includes 25 % as floor subsidy plus 15 % as subsidy on bidding is available. Projects involving subsidy of Rs. 33.00 crore for Terminal Market Complex (TMC) at Pothai, Patna (Bihar) and Rs. 28.99 crores for TMC at Perundurai, Erode District, have been sanctioned and in-principle approval has been accorded for establishment of two TMC at Thane and Nasik in Maharashtra, two at Madurai and Chennai in Tamil Nadu and one at Sambhalpur in Odisha.

**Recommendations by the Sub-Group on Contract Farming**

In the meeting, deliberations were made and the following Recommendations were accepted unanimously by the Sub-Group Members.

**A) State Act / Rules may include the following provisions:**

- Registration of contract farming sponsor with District level State authority and not with APMC.
- Details of Sponsor's back history and financial status to be verified by registering authority.
- Prescribed State authority will issue registration certificate (No period / perpetual).
- Prescribed State Authority be given Power / Authority to cancel registration of sponsor if it does not function according to intention of contract farming provisions. At present provisions in this regard are not in the statues enacted by the States.
- Submitting of Annual Returns by the sponsor to evaluate its functioning.
- A formula be set for amount of initial Bank Guarantee (an amount equal to the payment that may be made for purchase of goods in one week).
- For second time Bank Guarantee the previous year's weekly payment may be made the basis.
- A formula be set for initial Solvency Certificate (an amount equal to the payment that may be made for purchase of goods in one month).
- For second time Solvency Certificate the previous year's monthly payment may be made the basis.
- For the purpose of recording, Sponsor to submit quarterly list of farmers with whom contract farming agreements are executed, terminated or canceled to the District level State authority.
- There shall not be alienation in right, title and interest in the land of the farmers under contract.
- There shall be dispute redressal mechanism at Block (Taluka), district or regional level State authorities and not with APMC.
- Filing of disputes may be allowed at Taluka Level which will be forwarded to the District level authority for hearing. (District level officer may go to Taluka level office to take hearing).
- Decision of Dispute to be given in 15 days instead of 30 days.
- While admitting / permitting an appeal, the appellate authority should direct that 50 % of decretal amount to be deposited.
- Decision of Appeal to be given in 15 days instead of 30 days.
- Decision of the above authorities shall have the force of decree of Civil Court and shall be enforceable as such and the decretal amount shall be recovered as arrears of land revenue.
- Dispute arising out of contract farming agreement shall not be entitled to be called in question in any court of law.
- No market fees shall be leviable at the time of purchase of the agriculture produce coming under contract farming agreement and also at the time of sale of such agricultural produce by sponsor through its retail outlets.
- Sponsor to submit proof of export or processing to District level State authority within 30 days from the date of export or processing and such authority shall issue certificate of export or processing.
- Certificate issued by District level State Authority be treated as conclusive proof of export or processing.
- Transaction of agricultural produce under contract farming be permitted out of market yard.

- For the purpose of contract farming activities APMC shall have no authority.

## **B) Contents of the Model Contract Farming Agreement**

The contract farming sponsor and farmers should be given liberty to execute the contract farming agreement as per mutually agreed terms and conditions. However, such agreements should contain the following mandatory provisions:

- Parties to the agreement:
  - Details of contract farming sponsor.
  - Details of contract farming producer.
- Description of Farm land:
  - Location, Acreage.
  - Facilities available.
  - Nature, tenure, rights of producer.
- Period:
  - Seasonal.
  - Annual.
  - Maximum five years and renewable.
- Details of Farm produce to be procured:
- Quantity specification:
  - On volume basis.
  - On area basis
- Quality specification:
  - Size, Weight, Degree of Maturity, Juice contents, Safety requirements, Packing etc.
  - Agency to decide quality in case of dispute.
  - Consequences of nonconformity – rejection, reduction in price.
- Crop delivery arrangement:
  - Farm gate,
  - Specified Collection Center.
  - Processing Unit.
  - Transportation arrangements with the provisions of insurance of good.
- Pricing arrangement:
  - Fixation of Price.
- Payment
  - Advance
  - Payment on Delivery
  - Final Payment
- Loan/Credit
  - Arrangement with Banks.
  - Recovery of Bank Loan
  - Credit in Cash/Kind (input)
- Provision in case of deviation in market rates from predetermined rates at the time of actual transactions.
- Dispute redressal Mechanism:
- Indemnity in favour of producer:
- Bank Guarantee
- Solvency certificate

## Minutes of the Committee

### **A. Minutes of the first meeting of Committee of State Ministers of Agricultural Marketing to promote Agricultural Marketing Reforms**

The First Meeting of the Committee of State Ministers In-charge, Agricultural Marketing to promote Agri marketing reforms, market information and standardization and grading was held under the chairmanship of Shri Harshvardhan Patil, Hon'ble Minister of Marketing & Cooperation, Govt. of Maharashtra, on 27<sup>th</sup> March 2010 at Maharashtra Sadan in New Delhi. The Hon'ble Members from Assam and Madhya Pradesh could not attend the meeting.

The following recommendations were made in the meeting:

- (i) The States are required to amend the APMC Act on the lines of Model Act and the reforming States may also notify Rules at an early date. It was desired that concerned Secretary/Principal Secretary should be invited to discuss the reasons for not notifying amended Rules. It is necessary that Member States may complete the process first for their concerned state to be quoted as the Model for other States;
- (ii) The reformed States may come forward for development of Terminal Markets in the State by amending their APMC Acts;
- (iii) Member States will make effort to ensure proper and regular data entry in AGMARK nodes provided in the Regulated Markets in the State for the benefit of the farmers;
- (iv) The Committee approved the Secretarial Assistance to be provided by the Directorate of Marketing and Inspection and necessary support from Maharashtra State Agricultural Marketing Board will be made available to the proposed Secretariat;
- (v) The Committee agreed for the quorum of 1/3<sup>rd</sup> of Committee Members (four Members including Chairman) and decision would be based on the majority view and as far as possible by consensus of members;
- (vi) It was desired that officers from member States may be assigned the task to prepare the papers on reforms and provide input to the committee;
- (vii) It was desired that NIAM may design and frame the survey questionnaires to collect the information on reforms and related issues from the Member States and other stake holders for use by the Committee while taking appropriate decisions in this regard;
- (viii) The amendment of EC Act is necessary to provide a barrier free National Market for the benefit of farmers and consumers. It was decided to invite Food Ministers of select States to suggest measures for implementation of market reform and amendment in the EC Act to facilitate creation of barrier free National Market;
- (ix) The issue of conditionality relating to waiver of market fee for creation of market infrastructure under NHM and MI scheme for projects promoted by State Government agencies including APMCs was discussed, all the Members expressed their reservations on it and indicated that such conditionality not being part of initial reform agenda may adversely affect the development of the market infrastructure in all the states as APMCs are still the major provider of market infrastructure to the farming community. The detailed views on this matter may be submitted by the States after examination of the circular issued by GOI in this regard;
- (x) Hon'ble member from Uttarakhand proposed that the next meeting may be hosted in Uttarakhand on 3<sup>rd</sup> May 2010 and Venue etc. may be decided in consultation with the State Government of Uttarakhand. All the members agreed to this; and
- (xi) It was decided that other members of committee i.e. Uttarakhand and Karnataka would make presentation in the next meeting and MCX/NCDEX may also be invited

also to make a presentation on Commodity exchanges for better price realization by farmers. The representatives of industry may also be invited for the presentation on major areas of reforms for soliciting their views.

## **B. Minutes of the Second Meeting of Committee of State Ministers in-charge of Agricultural Marketing to promote Agricultural Marketing Reforms.**

The Second Meeting of the Committee of State Ministers In-charge, Agricultural Marketing to promote Agricultural Marketing Reforms, Market Information and Standardization and Grading was held under the chairmanship of Shri Harshvardhan Patil, Hon'ble Minister for Marketing & Cooperation, Govt. of Maharashtra, on 5<sup>th</sup> July 2010 at Mussoorie, (Dehradun), Uttarakhand. The Hon'ble Ministers in-charge agricultural marketing of Assam, Gujarat, Madhya Pradesh, Haryana and Uttarakhand participated in the meeting.

The following decisions were taken in the meeting:

- i) The issue of waiver of market fee on fruit and vegetables including flowers were deliberated in the meeting and the Members were of the view that since market fee is the main source of income to APMCs for maintenance and development of marketing infrastructure in the fruits & vegetables markets in the States, waiver of same will cause great hardship and may seriously affect the functioning and development agenda of APMCs and will cause hardship in maintaining the markets. However, it was agreed by the member States that they may maintain a separate account of such market fee realization from purchase/sale of perishable horticultural produce and utilize the same for development of marketing infrastructure for horticultural produce exclusively in order to facilitate Central Government in providing assistance to State agencies under NHM and other reformed-linked central sector schemes;
- ii) It was decided that the comments on the questionnaire circulated to all the member states may be communicated in writing for further necessary action. A workshop on the questionnaire be held by NIAM, Jaipur immediately for the officers of Member States to explain the details on the questionnaire to help them fill up smoothly and correctly;
- iii) The Ministers in-charge of Agricultural Marketing and Food Processing and Food & Public Distribution from select non-reformed States may also be invited starting with the next meeting to raise the debate on reforms for arriving at national consensus;
- iv) It was decided that under direct marketing, if the entrepreneurs provide minimum infrastructural facilities and backward linkages to the farmers, market fee on such direct marketing should be waived off by the concerned State/APMC;
- v) In order to derive a simplify the registration process for encouraging contracting parties to register their contracts and to develop a more user-friendly model agreement on contract farming, a Sub Group consisting of Principal Secretaries/Secretary, Agricultural Marketing of Haryana, Gujarat and Maharashtra may be set up to prepare the draft agreement for contract farming within one month for consideration of the Committee before recommendation for compulsory registration of contract farming sponsors with the farmer and waiver of market fee under contract farming is considered;
- vi) It was decided that there is a need for expansion of e-trading in different States in the interest of farmers and the models implemented in other States may be replicated. The selected APMCs at District level may be considered for development of enabling infrastructures by availing the benefits of schemes implemented by the Ministry of Agriculture to begin with;
- vii) It was desired that reforming States may initiate necessary action on setting up of Terminal Market Complex (TMC) in their States so that the facilities of forward and

- backward linkage could be provided to the farmers and other entrepreneurs involved in the project;
- viii) The issue of non APMC State like Bihar was discussed and it was desired that a note might be forwarded by Bihar stating what type of framework is required for market development, which may be discussed, in the next meeting;
  - ix) The Committee decided that the agenda for the third meeting may include Contract Farming and setting up of Markets in Private and Co-operative Sectors. The Minister of Food, Government of Punjab and the representative from Department of Food, Government of India may be invited in the next meeting to discuss the issue related to implementation of Essential Commodities Act;
  - x) The presentations from Government of Assam, Bihar and Karnataka may be made in the next meeting and the presentations from SAFAL and Premium Farm Fresh from the private sector may also be invited for making the presentation to know the progress in marketing and the interventions required to be addressed by the Committee. The local Chambers of Trade & Industry of the host state may also be invited in these meetings to make their representation/presentation on the issues of agri-marketing reforms;
  - xi) It was decided that the next meeting of the Committee be organized by Govt. of M.P. in Madhya Pradesh on 6<sup>th</sup> September, 2010. It was unanimously agreed that members of the Committee may reach the venue at least one day in advance i.e on 5<sup>th</sup> September (Sunday) in the forenoon for holding informal discussion to develop a consensus on debatable issue pertaining to reforms.

**C. Minutes of the Third Meeting of Committee of State Ministers, in-charge of Agricultural Marketing to promote Agricultural Marketing Reforms**

The Third Meeting of the Committee of State Ministers, in-charge, Agricultural Marketing to promote Agricultural Marketing Reforms, Market information and Grading and Standardization was held under the Chairmanship of Shri Harshvardhan Patil, Hon'ble Minister for Marketing and Cooperation, Govt. of Maharashtra on 6<sup>th</sup> September 2010 at Khajuraho (Madhya Pradesh). The Hon'ble Ministers, In-Charge, Agricultural Marketing of Madhya Pradesh, Orissa and Uttarakhand participated in the meeting.

The following decisions were taken in the meeting:

- i) It was desired that the preliminary report of the Committee may be prepared within two months preferably before the next meeting;
- ii) The amended APMC Act and Rules should specify clearly the provisions for setting up of Private Wholesale Markets and Terminal Market Complex for smooth development of infrastructure;
- iii) The issues related to setting up of markets in private and cooperative sectors were discussed in details and it was decided that there should be single license / registration for main market (HUB) and Collection Centers (SPOKES) to enable private sector for development of such markets;
- iv) The private markets should be treated at par with the existing APMCs and there should be a reasonable security and bank guarantee including multiple point levy of market fee so as to facilitate entrepreneur for development of need based market infrastructure in the country. The parameters of area of setting up of Private Market may be fixed and farmers from any area may come to sell their produce. Developmental fee to be charged from private market should be at par with APMC and it should be deposited with Government / Mandi Board which should be spent on infrastructure development outside the Mandi;
- v) There should be single point registration for private wholesale markets including collection centers and the validity period of registration should not be less than five years and

- exceptionally upto 10 years. The private markets should be given exemption on land ceiling for smooth development of market infrastructure in the country;
- vi) Agricultural markets may be treated as infrastructure and service industry so as to attract FDI and ECB for development of infrastructure;
  - vii) Compliance report of decisions taken in the first and second meetings of the Committee may be expedited by the States so as to facilitate preparation of preliminary report;
  - viii) The professionals are required for efficient management of existing markets for which State should either appoint CEO of the Market Committee from outside the cadre or train the existing personnel to manage the APMCs efficiently;
  - ix) Information on waiving of market fee on fruit and vegetables may be expedited by the Member States so as to facilitate consideration of proposals under reform linked schemes of Government of India like TMC under NHM and Strengthening / Development of Agricultural Marketing Infrastructure, Grading and Standardization implemented by DMI;
  - x) It was observed that except 3-4 States, the information on devised questionnaire have not been received from the Member States even after conduct of two days' workshop held at New Delhi on 20-21 August, 2010 organized by NIAM, Jaipur. It is necessary that the questionnaire duly filled in may be sent by 15<sup>th</sup> September 2010 alongwith soft copy for compilation of information;
  - xi) It was decided that NIAM, Jaipur may take up the analysis and compilation of questionnaire received from Member States and study on marketing constraints in different States by appointing Consultants. The study may be conducted State-wise or Zone-wise through the Consultants and the expenditure towards this account would be borne by the respective States;
  - xii) The Sub-Group report on Contract Farming was discussed by the Committee and it was desired that APMC should not be the authority for registration / dispute settlement under contract farming. The District level authority may be set up for registration of contract farming and no market fee should be levied under it;
  - xiii) The disputes may be settled within five days and the decretal amount of appeal should not be more than 10 % of the amount of goods purchased under contract farming. Appeal should be disposed off within 15 days instead of 30 days;
  - xiv) The Committee deliberated upon the issue of stock limit and suggested that there should be a constant national policy on storage and movement of agricultural produce to achieve the objective of Unified National Market. It was decided that Contract Farming Sponsors and Direct marketing licensees may be exempted from the stock limits up to six months of their requirement in the interest of trade;
  - xv) The issue for independent regulator was discussed and it was decided that there should be independent regulator preferably from the Government to begin with who should not draw salary from the Mandi Board and thereafter a separate authority like Regulatory Commission may be considered to set up for regulation of marketing and trade in the State; and
  - xvi) It was decided that the APMC Rules may be amended by all the Member States so that it should not affect the spirit the original provision of amended APMC Acts.

#### **D. Minutes of the Fourth Meeting of Committee of State Ministers, in-charge of Agricultural Marketing to promote Agricultural Marketing Reforms**

The Fourth Meeting of the Committee of State Ministers, in-charge, Agricultural Marketing to promote Agricultural Marketing Reforms, Market information and Grading and Standardization was held on 11<sup>th</sup> November, 2010 at Orissa (Madhya Pradesh). The meeting was preceded by an official level meeting of senior officers of Member States under the Chairmanship of

Agricultural Marketing Adviser and Member Secretary of the Committee to discuss the agenda items of the meeting and to initiate the implementation of reforms early in the interest of farmers. The main theme of the meeting was strengthening marketing information, unified license for direct marketing, contract farming and setting up of markets in private and co-operative sector, development of marketing infrastructure, promotion of grading and standardization, etc.

The following decisions were taken in the meeting:

- (i) It was unanimously agreed to promote marketing reforms so as to facilitate farmers to have multiple choices to sale their agricultural produce and provide barrier free national and unified markets for efficient marketing;
- (ii) The Committee approved in principle the Interim report of the Committee for submission of the same to the Government of India for consideration. However, it was desired that for any suggestions, the comments/views of the states may be sent to the Member secretary within a week so that the same could be incorporated in the report;
- (iii) To promote Grades and Standards, States should promote Standard Bureau and farmers and traders may be educated about the same to facilitate grade based trading in the market;
- (iv) It was decided that to strengthen the laboratories, funds could be provided from the RKVY scheme to the States. It was decided that private laboratories may also be promoted for testing agricultural produce on paid service basis;
- (v) It was suggested that Ministry of Agriculture may allocate 20% of the funds under RKVY Scheme for the agricultural marketing development in the States;
- (vi) It was decided that SMS based market information need to be promoted in regional languages and this may be converted in to service to the farmers;
- (vii) E-trading may be promoted in the APMCs for transparent trading of agricultural produce;
- (viii) It was decided that states should make enabling provisions for private markets with unified license/registration facilities;
- (ix) It was suggested that a proposal may be sent to the Ministry of Agriculture to include Hon,ble Minister from Punjab also as regular member in the Committee; and
- (x) It was strongly recommended for investment in market infrastructure development for perishables fruit and vegetables and also recommended to promote contract farming and direct marketing expeditiously while suggesting to set up independent market regulatory authority to attract private investment in the sector.

#### **E. Minutes of Fifth Meeting of Committee of State Ministers, in-charge of Agricultural Marketing to promote Agricultural Marketing Reforms**

The Fifth Meeting of the Committee of State Ministers, In-charge, Agricultural Marketing to promote Agricultural Marketing Reforms was held under the Chairmanship of Shri Harshwardhan Patil, Hon'ble Minister for Cooperation and Culture on 12<sup>th</sup> February, 2011 at Sasan Gir (Gujarat). The meeting was preceded by an official level meeting of senior officers of Member States under the Chairmanship of Agricultural Marketing Adviser and Member Secretary of the Committee, Shri Rajendra Kumar Tiwari to discuss the agenda items of the meeting, initiatives taken by the Member States to expedite the process of reforms in their respective States in the interest of farmers, consumers and agricultural trade.

The following decisions were taken in the meeting:

- i) It was decided that there should be single window unified single registration for traders/market functionaries across the State to facilitate a smooth trading of the agricultural produce;
- ii) It was agreed that the role of service provider and the regulator should be demarcated;
- iii) In many of the States, there is a provision that for taking a license, there should be shop in the mandi yard which is hindrance for increasing the number of buyers in the market. Therefore, it was decided that the Member States delink the provisions of compulsory requirement of shop for registration of traders / market functionaries;
- iv) For transparent transaction, there is a need of electronic trading in the mandies. Therefore, it was decided that to begin with at least at district level, there should be electronic trading;
- v) It was unanimously agreed by the Member States that cess should be levied at first transaction only between farmer and trader and in subsequent trading between trader to trader, there should be service charge related to service in the State as well as across the country. Dr. S.K. Goel, Principal Secretary, Co-operation, Government of Maharashtra responding to a discussion on unified registration for Terminal Market Complex including Collection Centers suggested to call the Collection Centers as sub-yard to provide a unified registration;
- vi) In some of the States, there is check post which hinders smooth movement of agricultural commodities particularly the fruits and vegetables, causing unnecessary delay and wastage. Therefore, it was decided that the Member States should take Initiative to remove such physical barriers, if any;
- vii) It was decided that modification in Essential Commodities Act be made to provide exemptions to Direct Marketeer, Contract Farming sponsor and Godown owner to the limit of their capacity of utilization;
- viii) It was agreed by the Member States that Market fee/cess including Rural Development Fund, Social Development Fund, Purchase tax etc. should be maximum 2 % of the value and the commission charges should be not more than 2 % for foodgrains/oilseeds and 4 % for fruits and vegetables;
- ix) Member States deliberated the requirement of documents for farmers to be carried with the consignment and it was decided that States should notify the type of documents to be a farmer, so that his consignment is not halted by the check posts / barrier;
- x) It was agreed by the Member States (except Gujarat and Madhya Pradesh) that market fee on fruits and vegetables be waived off. The States of Gujarat and Madhya Pradesh contended that mandies dealing exclusively with the particular fruits and vegetables will be closed by waiving of fee;
- xi) It was unanimously agreed that investment in marketing infrastructure under RKVY be increased to minimum 10-15 % of State RKVY spending in reformed States. A letter may be issued to the Chief Secretaries of States stipulating such minimum investment. It was further stipulated that efforts be made to encourage certain minimum private investment in marketing infrastructure outside the APMCs also;
- xii) It was decided that recommendation of 5<sup>th</sup> meeting should also be included and circulated the member States within 15 days to seek their comments and thereafter within 15 days the report is drafted and submitted to the Government; and
- xiii) It was decided that revised model survey questionnaire should be forwarded to all the States /Union Territories in India for soliciting their response, which will help in preparation of the final report of the Committee;

**F. Minutes of Sixth Meeting of Committee of State Ministers, in-charge of Agricultural Marketing to promote Agricultural Marketing Reforms**

The Sixth Meeting of the Committee of State Ministers, in-charge, Agricultural Marketing to promote Agricultural Marketing Reforms was held on 25<sup>th</sup> April, 2011 at Chandigarh under the Chairmanship of Shri Harshvardhan Patil, Hon'ble Minister for Co-operation and Parliamentary Affairs, Government of Maharashtra. The meeting was preceded by an official level meeting of senior officers of Member States on 24<sup>th</sup> April, 2011 under the Chairmanship of Shri Rajendra Kumar Tiwari, Member Secretary of the Committee and Agricultural Marketing Adviser to the Government of India.

The following decisions were taken in the meeting:

- (i) So far, only 6 States have provided amended APMC Rules with certain local restrictions, which need to be reconsidered in order to maintain the spirit of reform as delineated in the model APMC Act and Rules. It was desired that the framing of amended APMC Rules by remaining Member States might be expedited;
- (ii) The Committee requested the Member States to take note of the ambiguity reported in the reply to the preliminary Questionnaire by the Member States as provided in the Agenda and requested the Member States to keep in mind the same while filling up the revised questionnaire. The Member States were requested to expedite their response to the revised questionnaire, while it was desired that remaining States might be formally reminded;
- (iii) On the issue of waiver of mandi fee for fruits and vegetables and consequent proposal of compensation thereof by the Government of India, Committee was of the view that there is a critical need to provide full compensation by central government to the States for five years in place of staggered compensation on account of the net revenue loss due to waiver of market fee. However, Dr. S K Goel, Principal Secretary, Cooperation and Marketing, Government of Maharashtra suggested that it would be ideal that NIAM as technical adviser to the Committee may suggest on the quantum of service charges to be collected in lieu of market fee to arrive at net income of the market to help suggest a suitable compensation mechanism;
- (iv) On the issue of linking assistance under the schemes of Ministry of Agriculture, Government of India with market reforms, Committee while agreeing to linking the assistance provided under various schemes of Ministry of Agriculture to the market reforms, it also suggested that the same should be done with abundant caution as there is a critical need for development of infrastructure in APMCs to enable it to face the market competition;
- (v) It was suggested that Member States might work out realistically the storage gaps in their State to assess the warehouse requirement so as to facilitate development of need based storage infrastructure in the States. The issue related to accreditation of warehouses, mechanization of warehouse activities, managerial and quality issues relating warehouses may be discussed in the next meeting by inviting the representative from WRDA Authority;
- (vi) On the issue of development of barrier-free National Markets, it was deliberated that the agriculture marketing being a state subject is dealt under Article 246 of Constitution of India and regulates the marketing of agriculture commodity within the States only by way of dividing the entire state area to smaller units of market areas. However, it does not address the growing present day need of interstate trade to optimize the gain to farmers. It recognized the need to develop National level Market. However Committee felt that there is a need to evolve a cautious approach in development of a policy framework without in any way restricting the operation of the State APMC Act. It decided to further consult various stakeholders in this regard;

- (vii) The issue of foreign visit to study the functioning and management of markets and marketing system was discussed and agreed in principle to the proposal of FICCI to organize a joint visit with Industry to Thailand, China, South Korea. However, it was decided that the concerned Member States would bear the respective expenditure accruing on the proposed visit. Committee requested the Member Secretary of the Committee to work out the details of the proposed visit around middle of June 2011;
- (viii) The Committee approved the First Report of the Committee, which was then signed by the Members of the Committee present in the meeting. Thereafter It was suggested that a convenient date may be fixed with the Hon'ble Agriculture Minister, Government of India by the Chairman of the Committee for submission of the report; and
- (ix) Shri R.T. Jindal, Agriculture Production Commissioner of Assam brought in a supplementary proposal stated that as the agricultural marketing system is different in North-East and Eastern India and requires different set of marketing system and reforms than rest of the country. Therefore, a special study might be conducted for the Eastern States through a Consultant. It was decided that a special study would be entrusted to NIAM, Jaipur being technical consultant to the Committee to study the State of Assam and Odisha and submit a report within three months. The proposed cost of the study by NIAM may be shared by both State of Assam and Odisha.

**G. Minutes of Seventh Meeting of Committee of State Ministers, in-charge of Agricultural Marketing to promote Agricultural Marketing Reforms**

The Seventh Meeting of the Committee of State Ministers, in-charge, Agricultural Marketing to promote agricultural marketing reforms was held on 28<sup>th</sup> May, 2012 at Guwahati (Assam) under the Chairmanship of Shri Harshvardhan Patil, Hon'ble Minister for Co-operation and Parliamentary Affairs, Government of Maharashtra. The meeting was preceded by an official level meeting of senior officers of Member States on 27<sup>th</sup> May, 2012 under the Chairmanship of Shri Rajendra Kumar Tiwari, Member Secretary of the Committee and Agricultural Marketing Adviser to the Government of India to discuss the issues related to agenda and initiatives taken by the States in agricultural marketing. The Ministers in-charge of Agriculture Marketing for the States of West Bengal, and all other seven North-East States, who are not the Members of the said Committee were also invited to participate in Committee's deliberation as special invitees in order to provide an interaction platform particularly for North-East States.

The Following decisions were taken in the meeting:

- (i) While discussing the State wise action taken, Member Secretary requested the Members to initiate action on the pending issues as per decisions taken by the Committee in its earlier meetings. Committee observed that States of Gujarat, Assam and Uttarakhand may notify the Rules at an early date to implement the provisions of their Act. State of Madhya Pradesh and Haryana may complete the process of reform. The State of Madhya Pradesh needs to provide for setting up private and co-operative markets in the State. Haryana may provide for markets in private and co-operative sector as well as direct marketing as per provisions of Model APMC Act, 2003;
- (ii) Initiating the discussions on waiver of market fee on fruits and vegetables, Member Secretary appealed that in order to promote marketing of perishables horticultural produce particularly by small and marginal farmers there is an urgent need to promote and encourage private investment by way of waiver of market fee on it, as available infrastructure is generally and grossly inadequate for marketing of perishable

horticulture produce. This will help reduce the post-harvest wastages by integrating the supply chain. He informed the Committee that States of Madhya Pradesh, Uttarakhand and West Bengal have already waived the market fee on major fruits and vegetables and State of Maharashtra is in the process of doing so. He requested other States to initiate the process of waiving off market fee on fruits and vegetables. Principal Secretary, Govt. of Haryana intervening the discussion informed that his State has already reduced market fee on Fruits and vegetables from 2 % to 1 %. Hon'ble Minister of M.P., Dr. R.K. Kushmaria supported by the Managing Director, M.P. Mandi Board, Bhopal stressed the need for waiving of market fee on fruits and vegetables to help promote proper backward linkages to group of farmers/growers as well as to help establishment of processing unit near the farm gates in the interest of farmers. It was decided that waiving of market fee on perishables is necessary in order to reduce the wastages and to ensure smooth movement of produce across the country. Therefore, member States should waive off the market fee on fruits and vegetables and requested that Government of India may also consider compensating the losses of revenue during initial period for the States on this account;

- (iii) From the presentation of NERAMAC on issue, challenges and opportunities of agricultural marketing in North-Eastern region and arguments presented by the Hon'ble Ministers from Governments of Manipur, Nagaland and Arunachal Pradesh, Committee Members were apprised that the marketing and infrastructure needs of North-Eastern region are different than rest of country and different marketing strategy and support is required for the region. Government of India should constitute a 'corpus fund' for development of marketing infrastructure and development of marketing strategy for this region. State Governments should also explore the areas for private investments and PPP projects for market and marketing infrastructure development;
- (iv) As NIAM was compiling the results of the survey, Director General, NIAM, Jaipur wanted more time and further study by visiting the States to make the proper analysis and draw the conclusion on questionnaire of marketing reforms circulated to the States for soliciting their response, which is possible in next meeting of the Committee. It was decided that NIAM must analyze the responses and bring out conclusions so that the survey report is discussed in the next meeting of the Committee;
- (v) Shri P.K. Swain, Director (Marketing), DAC, Ministry of Agriculture, Government of India made a presentation on Draft "Agricultural Produce Inter-State Trade and Commerce (Development and Regulation) Bill, 2012 and highlighted the need for the proposed Central Bill under Concurrent List of Constitution of India, which aims at facilitating the inter-state trade of perishable agricultural and horticultural produce while helping to lower the inter-state barriers and resolve the disputes. The Member Secretary informed the Committee the comments/ suggestions/views have been sought from States for consideration. Hon'ble Minister, Govt. of M.P., suggested that more deliberation is needed on the proposed Bill for ensuring convergence of ideas. Principal Secretary, Govt. of Haryana, Shri Roshan Lal and Chief Administrator, Haryana Mandi Board; Shri T.V.S.N. Prasad expressed some apprehension of States' revenue loss and overlapping in States power of agricultural marketing. Member Secretary explained that Bill is designed to fill the gap existing in present State agriculture marketing legislation to facilitate inter-state trade and does not aim at interfering in the functioning of State APMC Act. He further proposed that initially a few agriculture/horticulture commodities of national importance with sufficient marketable surplus may be notified under the Act and based on experience, further course of action will be taken in this regard. As regards identification of commodities

during the course of inter-state trade, the experience already gained from implementation of VAT could be a starting point. He further requested that States may send their comments /suggestions/views at an early date for consideration in the draft Bill. It was decided that the Bill may be, to start with considered for a few perishable agriculture commodities and it may be expanded for other commodities depending upon the experience of its working;

- (vi) Shri Pravesh Sharma, M.D., S.F.A.C made a presentation on “Creation of a framework for Public Private Partnerships in Integrated Agricultural Development”. He described that PPP for Integrated Agricultural Development (PPPIAD) is a mechanism for facilitating large scale integrated projects, led by private sector players, in the agriculture and allied sectors, with a view to aggregating farmers, creating critical marketing infrastructure, introducing new technologies, adding value and integrating the agricultural supply chain from farm to fork. PPPIAD is proposed to cover 10 lakh farmers across India during the XII Plan, across agriculture and allied sectors. Each of the integrated agriculture projects would involve engaging a 5,000-10,000 farmers in the value chain. The Committee recommended that States should explore the scheme, when implemented, in order to derive maximum benefit out of it; and
- (vii) Member Secretary requested D.G., NIAM, Jaipur to make presentation on study of Assam undertaken by them. Representative of NIAM making the presentation stressed the need of bringing unified regulation to agriculture/horticulture markets, presently under various agencies/department created under different statutes i.e; State Agriculture Marketing Boards under State APMC Act, 1972, Municipal Markets under Municipal Act, 1956 and Panchayat Markets under Panchayat Act, 1994. There is a need for development of markets and marketing infrastructure in Assam which requires an estimated amount of Rs 513 crores during next ten years. Member Secretary suggested the following to improve the report on Assam i) analysis to work out the source(s) of financing; ii) estimation to be firmed up considering the possible cost index during next 10 years to arrive at realistic projections. After the deliberation, it was suggested that wherever possible, private investment and PPP should be promoted and estimate should be firmed up on realistic basis.

#### **H. Minutes of Eighth Meeting of Committee of State Ministers, in-charge of Agricultural Marketing to promote Agricultural Marketing Reforms**

The Eighth Meeting of the Committee of State Ministers, in-charge of Agricultural Marketing to promote agricultural marketing reforms was held on 30<sup>th</sup> October, 2012 at Tirupati (Andhra Pradesh) under the Chairmanship of Shri Harshvardhan Patil, Hon'ble Minister for Co-operation and Parliamentary Affairs, Government of Maharashtra. The meeting was preceded by an official level meeting of senior officers of Member States on 29<sup>th</sup> October, 2012 under the Chairmanship of Shri I.Y.R. Krishna Rao, Special Chief Secretary, Government Andhra Pradesh assisted by Shri P.K.SWAIN, Director (Marketing), DAC, Min of Agriculture to discuss the issues related to agenda items and initiatives taken by the States in agricultural marketing.

The following decisions were taken in the meeting:

- (i) Initiating the discussion on action taken by Member States on the recommendations of the Committee as per the First Report of the Committee circulated to various States, Shri P.K.Swain, Acting Member Secretary briefed the Committee on the progress of action taken by Member States, which have already been discussed on the previous

day in the officers meeting in detail. Accordingly, Hon'ble Chairman requested the Members to initiate action on the pending issues and requested States of Gujarat, Assam and Uttarakhand to expedite the process of notification of amended APMC Rules. The Committee noted with satisfaction that State of Haryana has recently amended its APMC Act to provide for Direct Marketing and e-trading. However, Hon'ble Chairman requested State of Haryana to consider amending State APMC Act w.r.t. setting up Private Markets. The state of Madhya Pradesh needs to provide for setting up private and co-operative markets in the State. Shri H.S.Rawat, Hon'ble Agriculture Minister, Government of Uttarakhand, participating in the debate, stated that the new Government in the State is committed to Market reforms and development. He requested that Central Government should provide for matching compensation for revenue loss in the State on account of the reforms particularly w.r.t. waiver of market fee on fruits & Vegetables;

- (ii) Shri P.K. SWAIN, acting member-secretary informed that survey questionnaire on agricultural marketing reforms approved by Committee in its earlier meeting was circulated to all the States/UTs. The responses received were analyzed by NIAM, Jaipur. Making a presentation on the result of survey questionnaire, Dr. Jairath, Director, NIAM, Jaipur stated that some of the States like Maharashtra, Karnataka, Andhra Pradesh and Uttarakhand have adopted most of the provisions of Model Act and others like Haryana and Punjab have done it partially, while States of Uttar Pradesh, West Bengal are yet to amend their Marketing Laws. It was further stated that States have done reforms in bits and pieces. The matter was debated and it was strongly felt there is a urgent need for all the States/UTs to amend their APMC Act on the line of Model Act and notify the amended Rules thereunder at an early date. It was also suggested that in order to derive the benefits of reforms by small and marginal farmers, States may promote Self Help Groups, Commodity Interest Groups, etc.;
- (iii) In order for farmers to reap the benefits of reforms particularly for small & marginal farmers, there is a need to understand how the present system of alternative marketing channels of contract farming & private markets have worked and what needs to be done further? Prof. Sukhpal, I.I.M.-Ahmadabad, making a detailed presentation on the "Making Contract Farming and Private Markets Work" brought out that States have varied provisions for contract farming and brought out that due to small holdings; practically the small & marginal farmers have been left out of the contract farming system. There is an urgent need to promote Small and Marginal Farmers Group/Association or their Company/Society to encourage contract farming in the States and legal protection to growers should be similar to Japan/USA. In order to encourage investment in private markets, States must remove all legal hurdles such as multiple licensing, multiple levy of market fee, heavy security deposit for both physical market license and market functionaries operating in them, land availability for private markets/its collection centre including change in land-use pattern, minimum distance criteria between existing APMCs & proposed Private Markets and suggested that States must promote the policy conducive for the investment. Dr J S Yadav, C.O.O., Premium Farm Fresh Ltd participating in the deliberation, strongly supported and argued in favour of above, stating that unless such legal hurdles are removed, efforts for setting up of private markets will remain a distant reality. It was strongly recommended that States may promote PPP Model and consider exempting market fee on trade transaction taking place inside the private market yard. However, States can levy minimal user charges (in lieu of market fee) for developing general infrastructures like connecting/ rural roads, etc preferably not exceeding 0.5 % of the value of produce transacted. It was also strongly felt that States need to promote

small and marginal farmers groups/associations or their company/society to encourage contract farming in the States. Chairman suggested that successful model of contract farming be developed for India after studying the successful models adopted in other countries;

- (iv) India is a leading producer of rice, wheat, sugarcane, tea, milk etc, yet her share in global trade does not commensurate with same. India produces nearly 12 % of world's fruits and vegetables with its cost of production being less than that of world average, yet India's share in global trade of F&V is mere 1.6-1.7 %, leaving much to be done in that sphere. Even World Bank in its report(2007) " From Competition at Home to Competing Abroad- a Case Study of Indian Horticulture" has brought out several factors such as lack of APMC reforms, fragmented supply chain explaining the low performance in the international trade segment. Shri S. Sivakumar, CEO-Agribusiness Division, ITC Ltd., argued that for improving India's international trade performance, promoting contract farming and direct marketing is a pre-requisite, which will help in greatly reducing post harvest loss by way of better handling through integrated supply chain, thus reducing the marketing costs substantially and improving India's export competitiveness. He further stressed that there is a need to follow focused product promotion (for product where India enjoys competitive advantage) with stable export policy backed by private participation in extension activities. Committee deliberated the need for immediate market reforms to be undertaken by States/UTs for integration of Domestic and Overseas Markets for facilitating better Returns to Indian Farmers and Agri-Commodity Price Stabilization. Chairman suggested that action points may be finalized to become the part of draft policy recommendations of the Committee in the final report in consultation with experts in the field;
- (v) Shri M.K Mudgal, CEO, NABCONS, Mumbai made presentations on "Financing of Agricultural Marketing and Post-Harvest Marketing Infrastructure Projects". He mentioned that while Ground Level Credit (GLC) flow to storage infrastructure and market yards are increasing, yet the growth of indirect credit, under which financing of major agriculture market infrastructure projects are considered alongside others, is very slow compared to that of direct credit growth. Even the % share of GLC for storage infrastructure and market yards for southern zone is very high (48 %) within overall GLC for the sector, while the share of eastern and western zone is less than 10%. He suggested, among other things, that (i) Credit for agricultural marketing and marketing infrastructure be considered under short-term credit (priority sector lending); (ii) Promoting Farmers'/ Producers' Organizations for agri marketing support; (iii) Creation of a Agriculture Risk Fund to mitigate difficulty in meeting margin money, collateral security/guarantee requirement; (iv) Smaller Godowns of 250 MT may be exempted from Non Agriculture (NA) use permission. Chairman requested NABCONS to forward a draft paper on the financing issues for consideration in the "Final Report" of the Committee as well as setting up a meeting with Chairman, NABARD for a discussion on improving credit flow for agriculture marketing; and
- (vi) Dr. M.S. Jairath, Director, National Institute of Agricultural Marketing, Jaipur making the detailed presentation on "Need for Market reforms and Market development in States without APMC Act-A case Study of Bihar & Kerala conducted by NIAM, Jaipur – A way for marketing policy in the States having no APMC Act" stressed the need for a regulatory mechanism more of developmental in nature be put in place in Bihar. He further stated that the present system in Bihar is not in the interest of farmers and needs orderly marketing. Responding to it, Smt. Vijayalakshmi, Secretary (Agriculture), Govt. of Bihar stated that despite no regulatory system, farmers are still getting remunerative prices. Shri Narendra Singh, Hon'ble Minister from Bihar responded by

stating that agriculture being a major economic activity in Bihar, State Government is making efforts for alternative development of agriculture marketing a meeting with experts has been kept on 6<sup>th</sup> November to consider a developmental model for agriculture marketing in the State. Chairman advised that Bihar Govt. may invite NIAM for discussion and further course of action in the matter.

**I. Minutes of Ninth Meeting of Committee of State Ministers, in-charge of Agricultural Marketing to promote Agricultural Marketing Reforms**

The Ninth Meeting of the Committee of State Ministers, In-charge of Agricultural Marketing to promote agricultural marketing reforms was held on 22nd January, 2013 at Shirdi (Maharashtra) under the Chairmanship of Shri Harshvardhan Patil, Hon'ble Minister for Cooperation and Parliamentary Affairs, Govt. of Maharashtra. The meeting was preceded by an official level meeting of senior officers of Member States on 21st January to discuss the draft "Final Report" of the Committee. The following decisions were taken in the meeting:

- i) Initiating the discussion, Member Secretary informed that sixteen States only have amended their APMC Acts so far and urged the non-reformed States to adopt the reforms early and partially reformed States to complete the process of reforms. It is, therefore, necessary to adopt a time bound programme for bringing full reforms in agricultural marketing. The Chairman also asked States to notify Rules to implement the provisions of the Act and also make reforms uniformly across the country. Member Secretary added that States of Uttarakhand and Haryana have since taken many positive actions forward.
- ii) The Joint Secretary, MoFPI, Shri J.P. Meena while making a presentation on "Linkage of Food Processing Projects with Marketing Reforms" in the country stated that Food Processing is an important sector in agriculture, providing huge employment opportunity and has good export potential. However, the sector is facing a number of challenges in procuring agriculture produce as raw material. He emphasized on adopting the following reforms (i) the double taxation on the agriculture produce purchased by the food processors needs to be avoided (ii) perishable horticulture/agricultural produce may be exempted from Mandi tax; (iii) single point registration (in one State) for direct marketing may be provided to the food processors; and (iv) Contract Farming registration, (v) Exemption of Mandi fee on processed food items. Member Secretary informed that all the above suggestions except point no (v) have already been considered by the Committee which has made suitable policy recommendations. The Committee considered this issue and unanimously decided that Mandi fees should be levied on Primary Agricultural Produce only and Secondary Agriculture Produce( processed food articles) like Besan, Maida, Ghee should not be treated as eligible agricultural produce for the purpose of levying Mandi fees. However, user charges can be levied based on the use of infrastructure and services.
- iii) Member Secretary made a detailed presentation on Policy Recommendation of the Committee. The Committee after deliberation approved its "Final Report" with the suggestions to incorporate the recommendations of Ninth Meeting as well as the minor modifications suggested by members of the Committee. Further, it was recommended that "Final Report" of the Committee may be presented to the Govt. of India with the request to convene a National-level Conference on agriculture marketing at New Delhi under the Chairmanship of Union Agriculture Minister for consideration of the report.

Hon'ble Minister from Haryana stated that Haryana already has sufficient marketing infrastructure and perhaps, there may be no need for the private market to come into the

state. That notwithstanding, Haryana would like to see the successful working model of private market in other states before deciding in this regard. Addl. Chief Secretary, Govt. of Maharashtra informed that there are successful private markets operating in the State of Maharashtra and offered his full support to the other states to visit the same.

- iv) Dr. S.K. Goel, Additional Chief Secretary (Agriculture and Marketing), Government of Maharashtra made a detailed presentation on “Establishing Integrated Value Chains through Reforms in Agricultural Marketing”. The presentation covered the progress made in the State of Maharashtra under Contract Farming, Development of Farmers Organizations/ Associations, Development of marketing infrastructure in PPP mode, National Vegetables initiatives, etc. It was decided that there is a strong need for organizing Farmers Groups to enhance their bargaining power to improve price realization and shorten the food value chain by introducing Direct Marketing/ Sourcing of agriculture produce from the farmers to the consumers and processors.
- v) Representative of NIAM, Jaipur while making detailed presentation on “Need for Regulatory Framework for Development of Orderly Marketing System in States having No APMC Act”, highlighted that there is a complete lack of required marketing infrastructure, organized information dissemination, general up keep and orderliness in such agriculture markets in these States. The markets are unregulated where high commission charges are levied on farmers in transaction of their produce. In absence of any professional management in these markets, farmers are facing problems like high transaction charges, absence of market information on prices and arrivals, etc. Complete deregulation of markets in these States, rather than reducing the transaction costs has actually increased these and it has not helped in attracting any investment from private sector into these markets. It is felt that a progressive and market friendly legal and institutional framework is necessary to attract investment in agriculture markets and ensure their proper and efficient functioning. It was, therefore, decided that there need to be an appropriate legal and institutional structure with a developmental Regulation to ensure orderly functioning of the agriculture markets in the State and also to attract investment for infrastructure development in the State.
- vi) The ‘Final Report’ of the Committee was signed by the members present with minor modifications. It was decided that the Final Report of the Committee may be submitted to the Government of India for further action.
- vii) Hon’ble Chief Minister, Government of Maharashtra, Shri Prithvi Raj Chavan graced the occasion by his august presence and stated that there are huge challenges in agricultural marketing. It is very heartening that the issues related to its success and failure has been discussed in detail by the Committee and different State Governments have adopted the provisions of Model Act as per their requirements. He added that the increase in income levels has enhanced purchasing power of common man and demand for high value crops which has resulted into price rise and inflation. In this background with increase in income of rural population, the vegetables and fruits are becoming a key component in their food basket. It is necessary to develop alternative marketing channels and efficient post-harvest infrastructure to contain the marketing cost and wastages. He stated that the key to reform is how to increase remuneration to the farmers and good quality produce at affordable price to the consumers. The remedy lies in reducing the losses by developing marketing infrastructure. He stressed that Central Government need to have a more consistent stand in their import-export policy as any sudden switch-on and switch-off in policy impacts the farmers adversely.

**APPLICATION FOR OBTAINING REGISTRATION FOR OPERATING IN  
MORE THAN ONE MARKET AREA/ENTIRE STATE**

To,  
Director/Managing Director

Date:

Sir,  
I/We..... (Name).....(Address). , (Phone No.)..... am/are making an application for Registration as a .....for operating in more than one Agricultural Produce Market Committee/Entire State as per the details given below. I am ready and willing to pay the necessary Registration fee of Rs. \_\_\_\_\_ as per Rules.

Details of area of Market operation (trading/commission agency, hamma, weigh men, direct marketing/ contract farming/private market/others to be mentioned)

1. ....
2. ....
3. ....
- 4.....

Along with this application, I am enclosing the following documents.

- i) Net worth: (endose details/copies of Balance Sheets/ P&L A/C for last 3 years for Comp./Firms/Coop./Societies and Moveable and Immovable assets for individuals).
- ii) Bank Guarantee:
- iii) Income Tax return of last 3 years (PAN CARD No. ).
- iv) Copy of Registration already granted, if any.

**Declaration**

- (1) I/We agree to abide by the \_\_\_\_\_ Agricultural Produce Marketing (Development and Regulation) Act, \_\_\_\_\_ and Rules made there under and amendments made to it from time to time and the directions and orders issued by the Director of Agricultural Marketing/Managing Director, from time to time.
- (2) I/We agree to keep all the necessary records and information about the functioning of our business and to co-operate to produce whatever information and documents will be asked for inspection by appropriate authority.
- (3) I/We agree to pay whatever charges or fees or amounts liable and due from me legally.
- (4) I/We agree to avoid business with persons doing illegal business and will co-operate in taking legal action against such persons.

Signature of Applicant

1. Name:  
Address:  
Signature:
2. Name:  
Address:  
Signature:

**REGISTRATION CERTIFICATE FOR OPERATING IN MORE THAN ONE MARKET AREA/ENTIRE STATE**

Registration is hereby granted to .....  
(Name) ..... (Address) .....  
(Phone No.) ..... Hereinafter referred to as the Registration holder on  
payment of fee of Rs. .... for operating in the market areas/Entire State as per the details given  
below:

.....  
.....

subject to the provisions of the \_\_\_\_\_ Agricultural Produce Marketing (Development and Regulation) Act, \_\_\_\_\_ the Agricultural Produce Marketing (development and Regulation) Rules, \_\_\_\_\_ on the following conditions, that is to say:

1. The Registration holder shall abide by the provisions of the said Act and Rules and the Conditions of agreement entered into by the Registration on \_\_\_\_\_ with the Director of Agricultural Marketing/Managing Director/Registering Authority;
2. This Registration is not transferable;
3. This Registration may be suspended or cancelled in accordance with the provisions of the said Act and the Rules made there under;
4. In the event of suspension or cancellation of this Registration, it shall be surrendered to the Director of Agricultural Marketing/Managing Director/ Registering Authority;
5. The Registration holder shall carry on business as a..... only and at such places for which the Registration is issued and as long as the Registration holder carries on any of their business under a Registration granted under the said Rules, he shall not carry on any other business of a market functionary in the market area or in any market therein;
6. The Registration holder shall pay market fees and supervision charges prescribed to the concerned Registration Authority;
7. The Registration holder shall not adulterate or cause any dedared agricultural produce to be adulterated;
8. The Registration holder shall render all help the Director/Managing Director in preventing evasion of market fees;
9. The Registration holder after grant of Registration by Director/Managing Director shall within a period of fifteen days inform about the authorized representative of the Registration who shall be responsible on his behalf;
10. The Registration holder shall maintain books, registers and records in the manner, required by the Director / M.D. and shall make them available for inspection to the Director / M.D. or person authorized by him;
11. The Registration holder shall furnish information and return to the Director/M.D. as may be required by him from time to time;

12. The Registration holder shall settle the price of agricultural produce according to the manner provided for under the Bye-laws of Market Committee and shall issue account slips or purchase bills according to the provisions of the Rules;

13. The Registration holder shall, if he sells through his agency or the declared agricultural produce, pay to the seller the price of the agricultural produce so sold on the same day;

14. The Registration holder shall not solicit or receive any fees or recover any charges other than those which he is entitled to receive or recover in accordance with the provisions of the Act, and the Rules and Bye-laws made there under;

15. The Registration holder shall not make or recover any trade allowance;

16. The Registration holder shall provide for authorized weights and measures;

17. The Registration holder shall pay to the registered weighman or measure and hamma only at the rates approved by the Director / Managing Director/ Registering Authority and shall not employ them for any household or private work;

18. The Registration holder shall inform the Director/Managing Director/ Registering Authority of any change in the constitution of the Registration holder; and

19. The Registration holder shall refer all his dispute in relation to the marketing of the declared notified Agricultural produce in the manner provided under Rules.

Date:

Place:

Director of Agricultural Marketing/Managing Director/  
Registering Authority,

#### **Renewal of Registration**

Date of Renewal	Period for which Renewed	Signature of Registering Authority and date

Director of Agricultural Marketing/  
Registering Authority

**Comments/Suggestions of Stakeholders**

**(i) Adani Agrifresh Ltd, Himachal Pradesh**

- Suggested waiver of market fee for purchase made at the premises of the contract farming sponsors.

**(ii) Arvind Ltd, Mumbai**

- Application for registration as contract farming sponsor :
  - Clarity on deriving the amount for Solvency Certificate and Bank Guarantee needed.
  - (Pricing mechanism) Govt. declared MSP should be taken as the bench mark price (based on the quality parameters).
  - Party of first part should ensure Decent Work Practices (issues like child labour, minimum wages as per Government declared norms to be given to workers, equal wages to both gender, no bonded labour, providing proper safety equipments while getting hazardous work done, etc.)
  - Both Market cess and Supervision fee should be waived off, if any.
  - Special incentives should be given to the companies that are doing successful contract farming projects.
  - Government funds for implementing the rural infrastructure development projects in villages to be provided on priority bases to genuine small projects submitted by CF sponsor.

**(iii) ITC Ltd**

- Speedier implementation of Model APMC act which may provide:
  - Single centralized registration instead of licensing and validity of Registration/ License for longer period.
  - Centralized endorsement of buying points/ storage points on application
  - Remove restrictions of location of buying points
- Forward Contract (Regulation) Act
  - Stability in policy for effective risk management
  - Introduction of options and facilitate “ Aggregator participation” on behalf of small farmers
- Extension services by Private sector
  - Encourage PPP initiatives with simplified implementation processes.
  - Facilitate equitable participation with subsidies / support provided on par for Govt. programmes for inputs / end users for consumption.

- Essential Commodities Act
  - Imposition of stock limits and movement of stocks may be exempted for brand players with value addition.
- Warehousing (Development & Regulation) Act, 2007
  - Negotiability of WHR - Warehousing Finance to farmers & trade without credit risk to banks.
  - Subsidies / Tax exemptions for building Warehouses.

#### **(iv) Central Warehousing Corporation (CWC)**

- Loans for construction of warehouses for agricultural commodities to be considered as priority sector lending eligible for subsidized interest rate.
- To extend the facility of loan to farmers on pledge of NWR at 7% rate of interest at par with Crop Loan.
- Section 55 of the WDR Act, 2007 provides for exemption of NWRs from Stamp Duty. Finance Ministry to incorporate the same for exemption in the Stamp Duty Act, 1899.
- Government may consider exempting Warehousing of Agricultural Commodities from the preview of Service Tax.
- Liberalization of the scheme of GraminBhandran Yojana with regard to cost norm, capacity, subsidy, etc.
- Land being a vital component for warehousing and with increasing cost and reduced availability of land, State Governments may acquire land and establish Agriculture Economic Zones and make land available on lease basis for warehousing and other allied activities.
- State Governments may make land available in Regulated Markets on lease for setting up of Warehouse.
- Warehouses may be dedared as mandies

#### **(v) Haryana Rice Exporters Association**

- VAT/ Sales Tax, Entertainment Tax, Luxury Tax, Taxes on lottery, betting & gambling; State Cesses and Surcharges, Entry tax not in lieu of octroi may be subsumed under GST;
- 2% marketing fees and 2% HRDF Cess is applicable on paddy in Haryana may be waived/ exempted on export of Rice.
- Unified single License

#### **(vi) Small Farmers' Agribusiness Consortium (SFAC)**

- Mobilizing farmers into Producer Groups;
- Single Window Clearance of Public Private Partnerships be introduced in Integrated Agricultural Development to reduce transaction costs and time

**(vii) IIM, Ahmedabad**

- Single state wide license.
- Lower security deposits for operators and traders.
- Land issues: permission for land, and land contribution by state under PPPs.
- Classify agril. markets as infrastructure or services sector for incentives, policy, and FDI/ECB.
- Recognize private markets for MSP operations.
- Declare their CCs as their sub-market yards and co-sharing with APMC notified area.
- Allow partial alternative land use (non-market services).

**(viii) NABCONS**

- Short term credit for agricultural marketing by way of KCC.
- Promoting Farmers'/ Producers' Organizations for agri marketing support.
- Creation of a Agriculture Risk Fund to mitigate difficulty in meeting margin money, collateral security/guarantee requirement.
- Smaller Godowns of 250 MT may be exempted from Non Agriculture (NA) use permission.
- State Government may provide land for construction of market infrastructure on long term lease.
- Accreditation of 250 MT may be made mandatory and uniform norms for accreditation by all agencies may be followed.

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