Farm marketing reforms: Not in NAMe alone

The Centre must enact a Right to Trade law to create a true national market for agricultural produce.

Written by Pravesh Sharma | Published:June 30, 2016 2:33 am

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A news item in The Financial Express (June 6, 2016) reported the decision of licensed traders and commission agents to call off a proposed strike in Agriculture Produce Market Committee (APMC) markets across Maharashtra, following the "satisfactory outcome" of their talks with the state cooperation minister ChandrakantPatil.

That outcome related to the Maharashtra government, yet again, postponing any action on a package of reforms that would, among other things, have allowed farmers the freedom to market their fruits and vegetables (F&V) produce to any buyer outside APMC-regulated mandis. The ruling BJP-Shiv Sena alliance's move follows a similar backtracking by the previous Congress-NCP administration, which, too, decided not to take F&V out of the purview of APMC mandis in the face of stiff resistance from traders and elected officials in these regulated markets.

A few weeks before the latest decision, the state's additional chief secretary for agriculture Dinesh Jain —who had doggedly pursued the mandi reform agenda and worked to build consensus among various stakeholders —was moved to the finance department. The state government had already, thus, signaled its intent through this lateral shift, with ChandrakantPatil's announcement only confirming it.

Yet, when it comes to agriculture, Maharashtra —like most other states —continues to compel producers to sell in local APMC-controlled mandis, where infrastructure, price discovery, settlement and other trading practices are far from ideal.

It is to address this very issue, of giving farmers greater choice that the Centre conceptualised the National Agricultural Market (NAM), an electronic trading portal linking AMPC mandis across India. Such a platform would essentially create a unified national market for agricultural commodities.

This writer was associated with the initial phase of planning and design of this initiative, and is in a position to share the thinking behind it. NAM's primary objective was to loosen the monopoly of APMCs over the farmer's produce and increase his selling options. But when the states were invited for consultation, they almost uniformly opposed giving total freedom to farmers to sell their produce on the proposed online platform. They feared it would diminish the business of APMC mandis, which rake in thousands of crores in cess and other charges annually (besides, of course, undisclosed amounts as rents to mandi functionaries, in return for allowing traders to bypass the maze of rules).

As a compromise to get the states on board, it was agreed that the NAM portal would operate only from centresauthorised by the APMCs of the concerned districts. These centres being mostly located within the existing mandis, both the local traders and those buying online could, then, bid for the farmer's product. Also, it was decided that the APMC-controlled mandis could continue charging cess, thereby protecting their revenues. As a further sweetener, the APMCs were offered the NAM software for free, along with a one-time Central grant for purchase of computers, printers and other hardware. As a result, 12 states initially agreed to join the NAM network.

However, the disappointments followed within a few weeks.

Major agricultural states, including Punjab and Maharashtra, have scorned the Centre's overtures to join NAM. They are unwilling to adhere to even certain basic conditions such as allowing traders outside the state to bid online. Gujarat rejected the use of the

NAM software and floated its own tender to develop a local version, creating major problems for integration. Madhya Pradesh allowed NAM in just one out of its total 546 mandis. Haryana said it would experiment with a single crop — that too, safflower, a minor rabi oilseed. Meanwhile, Tamil Nadu continues to ignore requests to submit its proposal for implementing NAM.

What is interesting here is the lack of enthusiasm from even BJP/NDA-ruled states for. The net result is that we are nowhere near linking the 220 mandis to NAM as was envisaged in the first year itself.

How can the situation be salvaged and the goal of creating a unified national market achieved within a reasonable time frame? I offer two suggestions.

First, NAM should be driven by a commercial entity, with 50 per cent ownership of the Centre and the remaining held by a private sector entity chosen through competitive bidding. Currently, the mandate of running NAM is with the Small Farmers' Agribusiness Consortium (SFAC), a registered society which is not the most appropriate form for a commercial venture. (Disclaimer: I headed SFAC for five years and am making this suggestion without any prejudice to its outstanding team and capabilities.)

Second, there is enough past experience with agriculture marketing reform which shows that vested interests in the states will continue to resist any attempt to give up the stranglehold of APMCs. The Centre should, hence, consider enacting a Right to Trade legislation, as a legal enabler for ushering in NAM. Just as the Goods and Services Tax requires a Constitutional amendment to create a national market for manufactured goods and services, so too does NAM to usher in a national market for agricultural produce. The laudable goal of doubling farmer incomes in five years is unlikely to be achieved without giving marketing freedom to the farmer.

(The writer, a former IAS officer, is currently promoting a start-up in agriculture and also a visiting senior fellow at the Indian Council for Research on International Economic Relations).