

Mandi reforms: How to make the National Agriculture Market matter to farmers

The portal needs a boost, which can come from routing all government grain purchases under minimum support price mechanism through it.

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The journey of the ambitious National Agriculture Market, the pan-India electronic marketplace for agri commodities (also called e-NAM), seems uninspiring so far despite all the best intentions of the current government at the Centre. Launched by Prime Minister [Narendra Modi](#) in April, the portal was meant to be a game changer in moving

towards creation of a seamless, unified national market for all agricultural produce. However, six months into its first year, the roll out continues to meet stiff resistance or indifference from major states.

According to the agriculture ministry, 250 mandis (regulated produce markets) have already been linked to the e-NAM platform. But the fact is that during the last rabi marketing season, a mere 79 mandis were active. Major states like Madhya Pradesh and Rajasthan (both run by BJP-led administrations) allowed the portal to trade in just one crop in one mandi each, while Punjab, Maharashtra and Tamil Nadu (the first two again NDA-ruled) simply refused to join the initiative.

The total turnover on e-NAM has been just around Rs 421 crore to date, perhaps not even 1 per cent of all trades taking place in these mandis over this period. While the number of commodities tradable has also been expanded to 50, it remains to be seen how much of transactions happen online through the platform during the current kharif marketing season in all the mandis claimed to have got linked.

How can such a vital initiative be rescued from sinking in the face of apathy on the part of the states?

We believe the Centre has a unique window of opportunity within the next few weeks, to take the lead to showcase the impact of e-NAM to farmers, traders and skeptical state governments. How? Well, simply by routing purchases of paddy under the minimum support price (MSP) mechanism through the e-NAM platform. This can be done at least in the states that have, on principle, allowed their mandis to link up to the portal.

Procurement of foodgrains to feed the public distribution system and maintain a buffer stock is the country's largest agricultural market intervention programme, implemented through the Food Corporation of India (FCI) and state government agencies. Although primarily covering wheat and paddy, coarse grains like maize and bajra, oilseeds such as rapeseed-mustard and copra or even pulses have also been procured, albeit in much smaller quantities, at the officially announced MSPs.

Over the last decade, several states have organised their procurement machinery to buy cereals at MSPs directly from farmers. Madhya Pradesh has done this on a large scale in wheat, while Chhattisgarh and Odisha have undertaken similarly successful procurement for paddy. They all use state-level agencies and cooperative societies to handle grain purchases and storage, with payments made directly to farmers, mostly through electronic transfer.

However, in Punjab and Haryana, the FCI and state agencies undertake procurement through commission agents or arhatiyas. Farmers bring their produce to the arhatiyas, who purchase the wheat or paddy on behalf of the FCI/state agencies and deliver these to the latter. The payment for the grains is, then, released by the FCI/state agencies to the arhatiyas, who, in turn, are expected to pay the farmers. No payment trail is, however, maintained beyond the arhatiya.

The sums involved here are not paltry. This year alone, during April-June, 106.45 lakh tonnes (lt) of wheat was procured in Punjab and 67.22 lt from Haryana. An amount of Rs 16,233.62 crore against these was paid out to the arhatiyas in Punjab and Rs 10,251.05 crore in Haryana. Some \$ four billion equivalent in public funds were, thus, handed over to a few thousand arhatiyas of these two states, with nothing more than good faith to back the assumption that they would pass on the full MSP amount to farmers. Between 2010 and 2012, the FCI made two attempts at paying farmers in Punjab directly for its MSP purchases. But the strong arhatiya lobby pressured the state government to lean on the Centre to maintain status quo.

In the next couple of months, Punjab and Haryana are expected to procure 95 lt and 29 lt of paddy respectively, as the new crop arrives in the mandis. As per the Centre's MSP of Rs 15,100 per tonne (for Grade A paddy), an amount of approximately Rs 14,350 crore will be spent on procurement in Punjab and another Rs 4,350 crore in Haryana. This is the opportunity that, we think, has presented itself to showcase the potential of e-NAM.

Though Punjab hasn't so far joined the e-NAM network, the Centre could direct FCI and state agencies in Haryana, Chhattisgarh, Andhra Pradesh, Telangana and Uttar Pradesh — all of them have formally agreed to allow the portal to operate in their mandis — to undertake 100 per cent procurement of paddy under MSP operations through the platform. True, as there will practically be only one buyer (either FCI or the state agency concerned) and the price, too, is fixed (i.e. MSP), we may not see any other bidders or real price discovery. But this single step would ensure that e-NAM actually takes off. Imagine the impact of conducting transactions of over Rs. 18,500 crore — almost \$ 2.8 billion — online in the next three months to procure 10-12 million tonnes of paddy directly from lakhs of farmers!

Besides giving e-NAM a boost — it should attract more states to come on board and set the stage for an even larger procurement of wheat in the forthcoming rabi marketing season from April — the operation will guarantee that farmers are paid directly by FCI/state agencies without any intermediary coming into the picture. The huge database of farmers created on e-NAM will also enable a speeding up of the direct benefit transfer regime, which faces its biggest challenge in identifying beneficiaries correctly for transfer of subsidies. All relevant mandi fees etc. can be paid directly through the portal, creating a win-win for all stakeholders, local, state and national.

The best part about our proposal is that no legal changes are required for implementation, as FCI already enjoys the mandate to make MSP purchases of foodgrains. With a good monsoon promising a bumper harvest, the Centre giving a decent mark-up over last year's MSP for paddy, and also the e-NAM ready with the full ecosystem of online trading, let's see if policy makers take the plunge.