

Consultative Conferences on APMC Model Rules

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Speech of Dr. P.K. Mishra, Secretary to Government of India, Department of Agriculture and Cooperation

Hon'ble Union Minister of Agriculture & Consumer Affairs, Food and Public Distribution, Shri Rajeev Chandrasekhar, President (Elect), FICCI, Shri P.M. Sinha, Chairman of FICCI's Agriculture and Rural Development Committee, Dr. Amit Mitra, Secretary General of FICCI, Distinguished participants,

India is endowed with approximately 141 million hectares of arable land, all the 20 types of agro-ecological regions, long hours of sun-shine and incredible genetic bio-diversity. The agriculture sector in India is highly diverse and it supports the majority of its population for livelihood. Its contribution in National GDP is approximately 18%. This is such a vital sector of our economy that without improving its growth, it is not possible to achieve the desirable level of growth of 9 or 10% of our National GDP. Most of our farmers are small and marginal farmers and, therefore, suitable market access for their produce and assurance of remunerative prices to them, continues to be one of the major challenges being faced in our agricultural system. Without improving marketing opportunities and competitiveness, it would be difficult to achieve the targeted 4% annual growth in Agricultural GDP. Thus, viability of the small holdings is an important issue and promoting agricultural diversification towards high value crops through an efficient marketing system is considered to be one of the means through which this can be achieved.

In India, the role of Government has generally remained focused on promoting organized marketing of agricultural commodities in the country through a network of regulated markets. To achieve an efficient system of buying and selling of agricultural commodities, most of the State-Governments and Union Territories have enacted legislations (APMC Act) to provide for regulation of agricultural produce markets. This gave a tremendous strength to our agricultural marketing system and the total number of regulated market yards/ sub-yard which was only 286 in 1950, went up to 7566 by the end of March, 2006. 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.

Under the APMC Act, only the 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 a new entrepreneur. 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.

In view of liberalization of trade and emergence of global markets, it became necessary to promote development of a competitive marketing infrastructure in the country and to bring about professionalism in the management of existing market yards and market fee structure. While promoting the alternative marketing structure, however, Government needs to put in place adequate safeguards to avoid any exploitation of farmers by the private trade and industries. For this, there was a need to formulate a Model Legislation on agricultural marketing. The Ministry of Agriculture had accordingly formulated a Model Law on agricultural marketing in consultation with the States Governments in 2003 and circulated to them for adoption. The draft Model Legislation provides for establishment of Private Markets/ Yards, Direct Purchase Centres, Consumer/Farmers Markets for direct sale and promotion of Public Private Partnership in the management and development of agricultural markets in the country. It also provides for Special Markets for Commodities like Onions, Fruits, Vegetables, Flowers etc. A separate Chapter has been included in the legislation to regulate and promote contract-farming arrangements in the country. It provides for prohibition of commission agency in any transaction of agricultural commodities with the producers. It redefines the role of present Agricultural Produce Market Committee to promote alternative marketing system, contract farming, direct marketing and farmers/ consumers markets, it also redefines the role of State Agricultural Marketing Boards to promote standardization, grading, quality certification, market led extension and training of farmers and market functionaries in marketing related areas. Provision has also been made in the Act for constitution of State Agricultural Produce Marketing Standards Bureau for promotion of Grading, Standardization and Quality Certification of agricultural produce. This would facilitate pledge financing, E-trading, direct purchasing, export, forward/future trading and introduction of negotiable warehousing receipt system in respect of agricultural commodities.

Till now, twenty five States/ UTs have either amended their Act or have no APMC Act. The 53rd meeting of NDC chaired by the Prime Minister, Dr. Manmohan Singh, in its resolution has advised the States to encourage development of modern markets by completing the process of amending the APMC Act and notify the Rules thereunder, and also encourage development of linkages to markets through a variety of instruments including co-operatives of farmers, contract farming and other means preferred by the States. The process of notifying Rules under the amended APMC Legislation should be completed during 2007-08. In pursuance of this resolution, the Ministry of Agriculture has also framed draft Model Rules for the guidance of States/ UTs and circulated to them for consultation.

A favourable regulatory environment has attracted the interest of several large corporates of late. While corporate intervention in upstream agricultural activities was limited to the Agri-input players largely, the recent times have witnessed a spurt in business initiatives by other industry players as well. ITC's e-choupal is such an initiative and endeavours to offer an integrated bundle of services ranging from technical help on agricultural package and practices, supply of inputs, market information in rural areas, etc. to the farming community. The impact of such integrated services at grassroot levels has been very positive and has encouraged even the small firms to divest innovative models to deliver services and products at the farmers' door steps.

The emergence of direct retailing in recent years and creation of quality retail space has led to an increased demand for quality produce and thereby investment in supply chain infrastructure including cold chain. Modern food retailing will offer the prospect that lower marketing costs could lead to lower prices for consumers and higher realization for farmers. These economies need to be fully exploited to increase the income of farmers. The corporate investments in the farming sector have increased substantially in the recent years and has reached the inflection point with several large corporate such as ITC, the Tata Group, Adanis and Godrej etc. ready to make significant investments. The entry of large business conglomerates such as Reliance Industries is likely to attract more investments and are expected to create a cascading effect across the SME segment of the food and agri-space.

With the effective implementation of the above reform measures initiated by the Government of India, agricultural marketing sector is expected to achieve nation wide integration and thereby enhance the competitiveness of Indian agriculture in global markets. These measures would also facilitate private sector in making massive investments for development of agriculture infrastructure and agro-processing industries in the years to come.

Despite several initiatives undertaken by the Central Government, it is seen that response for market reforms from certain State Governments is lukewarm. The arrangements of direct marketing and contract farming are being seen with suspicion by some. The impact of growth of organized retail is being perceived as a threat by certain sections of the agribusiness sector. While State Governments have made certain amendments, they have not fully adopted the widely accepted provisions recommended through the model AMPC Act. Even though Jammu and Kashmir Government has not notified the market areas and commodities, it has not considered the proposed amendments. Punjab, Haryana and NCT of Delhi have made only partial amendments in their Acts and the Governments of Uttar Pradesh and Uttarakhand are yet to consider the proposed amendments. This Conference, I am sure, would facilitate a debate on the various issues relating to agricultural marketing and would help evolve considered opinions about the future course of action in this regard.