Reforms farming needs

Strengthening APMCs will improve access, give bargaining powers to farmers

POORNIMA VARMA AND NIKITA GUPTA

THE REPEAL OF the central government's three contentious farm laws, which sparked more than a year of farmers' protests across the country, has finally cleared the way for a shift back in focus to the much-needed APMC (Agricultural Produce Market Committee) reforms. It is irrefutable that the APMC markets need a revamp and an overhaul. While the APMC model Act of 2003 and APLM (Agricultural Produce and Livestock Marketing) Act of 2017 have partially resulted in the opening of alternative marketing channels for farmers, several shortcomings still exist. Our field visits to three APMCs in Maharashtra (one of the first states to adopt and implement the APMC Model Act, 2003 in 2006), shed light on several crucial areas that require attention.

First, is the need to increase the number of markets. At present, the country has about 2,477 principal regulated markets and 4,843-sub-market yards. As per the recommendations made by the National Commission on Farmers in 2004, the country needs approximately 41,000 markets to enhance market access to farmers. The density of regulated markets also varies considerably across the country, from 118.78 sq km in Punjab to 11,215 sq km in Meghalaya. The commission recommends that a regulated market should be available to farmers within a radius of 5 km. Currently, farmers travel on an average of 50-100 km to sell their produce.

Second, improve the infrastructure facilities. Most markets are riddled with a large number of middlemen and multiple layers like *kachcha arhtiyas* and *pakka arhtiyas*. The commission is levied for merely mediating, without providing any grading or sorting facilities to farmers. In principle, quality testing in laboratories is available for online transactions. However, only a very small fraction of the total produce is assessed in labs. The rest of the quality testing takes place through traditional methods of examining the produce by hand. Therefore, APMCs should adopt artificial intelligence machines for quality testing in order to hasten the testing process.

Third, ensure effective and transparent functioning of e-NAM. Currently, 1,000 markets located in 21 states and three union territories (UTs) are integrated into the e-NAM network. But this e-NAM is in shambles, and the market integration to it is limited, with no benefits accruing to farmers. A significantly lower share of trade in APMCs takes place on e-NAM. It is the traders themselves who trade in both online and offline platforms. The government website clearly mentions that markets must have laboratories with computers, crop testing machines and trained professionals to operate them. After getting registered in a market at gate entry, a farmer has to get his lot weighed, the sample crop tested and then wait for e-NAM prices to be declared to her/him. She/he need not have any knowledge of digital media to benefit from the perks of online trading. It is clear that it is the commission agents who benefit from e-NAM.

Digital interventions and training services are needed to increase farmers' integration into e-NAM-enabled markets. Otherwise, e-NAM will be limited to traders who trade in both online and offline platforms in the form of intra-mandi trading. While the comparison of e-NAM vs offline auction price data might show more price realisation on e-NAM, such an analysis is flawed: Most e-NAM-enabled APMCs tend to report the auction price of the high-quality lot as the e-NAM price.

Fourth, ensure the minimum support price (MSP) as the starting price for bidding. In principle, while bidding in these APMCs is supposed to start at the MSP for products that are covered under the MSP programme, in practice, traders manipulate and exhibit a tendency to fix a price below the MSP, citing poor quality. To mitigate this, some mechanisms to ensure that the prices do not fall below MSP by a certain percentage, or strict adherence to quality checks, need to be implemented.

In several APMCs, farmers do not need to pay any fee or commission to the commission agents; traders have to pay commission agents. Though this seems as though it would come as a relief to farmers, the fact is that the traders who have to pay the commission can further depress the price margin received by farmers through collusion.

Fifth, implement reforms within APMCs with direct selling provision. The farmers' decision to sell outside the APMC is largely dependent upon the price difference between the two and bears eloquent testimony to farmers using the APMC as a bargaining chip. The greater number of marketing options are partly the result of APMC model acts, rather than the three farm laws that would have resulted in bypassing the existing APMCs. The direct selling provision of the model acts, without undermining the importance of APMCs, provides an edge to farmers.

As a way forward, there is a need to encourage and facilitate direct selling by farmers without necessarily routing it through APMCs, complemented by the establishment of an effective regulatory infrastructure through APMCs. Such a strengthening of the system will counterbalance the existing imperfect market structure by providing farmers with an effective bargaining chip -- the APMCs – for negotiation and price realisation.

Varma is a faculty and chairperson at the Centre for Management in Agriculture, IIM Ahmedabad. Gupta is a doctoral student at the Centre for Management in Agriculture at IIM Ahmedabad. Views are personal

INDIAN EXPRESS 23/02/2022 P.09 AHMEDABAD