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# Redefined Agri-Markets: A Much Needed 'Game-Changer'

*APMCs were originally set up with the idea of ensuring price discovery through the efficient operation of market forces of demand and supply for the agricultural produce via a competitive process of auctioning.*

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The Indian Government brought about sweeping landmark policy changes in the Indian agricultural sector on June 5, 2020. Critics state that for the Indian industry, the dawn of liberalization happened in 1991, whilst for the Indian farmer, liberalization has just set in with the three farm reform bills being passed by the Parliament in the third week of September 2020, one of them being The Farmers Produce Trade and Commerce (Promotion and Facilitation) Bill 2020. This bill has been brought about with the perspective of promoting barrier free inter-state and intra-state trade of farmer produce outside the boundaries of markets or deemed markets earmarked under State agricultural market regulations. The Farm Bill endeavours to bring about transparency in the agricultural sector and make it more efficient by enabling farmers to be able to sell their produce outside the mandis giving them the benefit of 'my crop, my right'.

The bill has been widely proclaimed to be a 'game-changer' for the Indian agricultural sector. It was promulgated with a viewpoint of building a scenario of 'One India, One Agricultural Market' for the benefit of farmers and seeks to break the monopoly of Agriculture Produce Marketing Committees (APMC) by enabling framers to be able to access markets directly and gain benefits of higher prices for their produce.

Rather deliberations for liberalising the Indian agricultural sector has been on the cards for quite some years now whether it was the NDA Government or the UPA Government in power. In 2003, the Ministry of Agriculture had formulated a Model APMC Act, 2003 provisioning for freedom of farmers to sell their farm produce. The perspective behind formulation of this Act was to develop an efficient market system, promote agricultural products and agri processing units along with building an effective and resilient infrastructure for marketing of agricultural produce and providing the benefit of higher prices to farmers for their crops. Subsequently with the Government changing hands in the Centre in 2004, the incumbent UPA Government headed by Dr Manmohan Singh started persuading states to adopt the Model APMC Act, 2003 with a viewpoint of liberalizing the state agricultural marketing laws. Thus, efforts to reform the APMC Act by the Central Governments in power has been under discussions for over two decades now.

The reformative Farm Bills now prevail over the State APMC Acts. A few of the key provisions under the bill are: Encourage and provide for barrier free trade outside the areas designated as market yards thereby freeing the farmers from the shackles of the mandis and restricting the power of the mandis; permits electronic trading of farmers produce under e-Nam and permits new electronic trading platforms to be set-up by private individuals, Farmer Produce Organisations (FPOs) and Co-operatives; payment to the farmer for his produce is to be done on the same day or within a maximum of three working days of the transaction of exchange of framers produce; no levying of any market fee, cess or charge on farmers, traders and electronic trading platforms; provides for a dispute resolution mechanism whereby the aggrieved party might apply to the Sub-Divisional Magistrate for relief through reconciliation.

APMCs were originally set up with the idea of ensuring price discovery through the efficient operation of market forces of demand and supply for the agricultural produce via a competitive process of auctioning. The institutional infrastructure was put in place to ensure that farmers bring across their agricultural produce to designated market areas and traders with licenses were permitted to participate in the auctioning process of the graded produce. However, over the years it was seen that the APMCs had become a cartelised operation and the objective of transparency and price discovery was side stepped. The APMCs which were supposed to be managed by an elected board and were to operate as democratic institutions were superseded with administrators appointed by State Governments whose main prerogative was revenue collection as against looking after the interests of the farmer community. All efforts to reform APMCs were thwarted by vested interests and the fear of States losing out on means of revenue collection. In a nutshell, most farmers would be in agreement that the functioning of the mandis has been inefficient, non-transparent, politicised and cartelized.

The current Farm Bills seeks to free up the farmers from the clutches of traders and moneylenders and permits them to sell their produce to anyone and anywhere in India. Inability to get the right price for their farm produce has led to many a farmer being in a situation of financial distress and being exploited by the middlemen and moneylenders. The financial crisis forced farmers to knock at the doorstep of predatory moneylenders and take loans at preposterously high interest rates along with committing to sell their harvest at predetermined low prices to them. This Bill will set the needle right and enable the farmers to sell their produce to the highest bidder/retailer and get the benefit of rightful high prices for their products.

Keeping the farm-to-fork mark-up price in mind, data shows that the difference between the price that the farmer gets and the price that the retailer sells at is as high as 65% in India as against 25% for a country like Indonesia. Thus, with the Farm Bill being passed by the Parliament, farmers would not be constrained to sell the farm produce only in the designated mandis close to their farms or to predatory moneylenders, rather through FPOs and e-Nam they could look for the highest bidder within the State or alternately outside the confining boundaries of the State too thereby strengthening their bargaining position as sellers. The proposed law permits the farmers to identify and sell to consumers of their choice be it food processing companies or restaurants or five star hotels etc. FPOs can also avail of new profitable avenues and take their rightful place as an aggregator and work for maximising the revenue for the farmers.

Additionally, with the farm bill approved by the law-makers, for transactions done outside the market yards or sub-yards there would be no licensing or fee requirements to be paid by the farmers to the APMCs, thereby enabling farmers to be in a position to avail of higher prices for the produce. Thus, with the compulsion no longer being at the farmer's end of paying a market access fee, the farmer can avail of higher prices.

However, one must be aware that while the new Bill seeks to set up an ecosystem of allowing the farmers to sell to anyone, anywhere, it does not do away with the APMC mandis which are an integral and essential part of the Indian agricultural markets. APMCs will not be dismantled, rather they will continue to co-exist with other agricultural buyers thereby, giving the farmer the opportunity to sell his produce to the highest bidder. The endeavour of the Government via these Farm Bills is to further build on the prevalent agricultural markets a more efficient, transparent, market forces run ecosystem which will prove to be a building block for a sustainable profitable future for the farming community in the long run.

Keeping the observations of the Shanta Kumar high level committee report, 2015 in mind one must be cognizant of the fact that in today's date only 6% of Indian farmers are able to avail of the advantages of the minimum support prices as only 22 crops are procured under MSP. The balance 94% of the Indian farmer community are already facing the whims of the open market. Moreover, despite the successive central governments increasing minimum support prices of crops substantially especially since the United Front government it has been observed that increased prices have been benefiting the middlemen instead of reaching farmers. In the backdrop of a retail boom a decade back though private sector and multinational corporations have stepped forward by offering Rs. 100 per kg higher than the MSP for sourcing the farm produce for their supermarkets and hypermarkets, again it was the turn of the traders to be benefited.

However, on the flip side we must be cognizant of the fact that the practice of Government declaring a minimum support price is not going away anywhere and the fear of farmers that this bill will end the minimum support price regime is completely unfounded. The MSP which is a safeguard for the farmer to be able to earn a minimum profit for the harvest in case of the market price being lesser than the cost of production is still going to be prevalent as clarified by the Prime Minister, Mr.

Narendra Modi. Rather, this concept of the Government setting a floor price for agricultural crops to protect the interest of farmers is a practice not only followed by India but also prevails in developed countries worldwide.

Thus, the important question now is: Is a Government controlled mechanism required for the Indian agricultural sector or should the agricultural sector be rightly liberalised and market forces be allowed to determine the right price for the crops? Liberalised agricultural sector along with a transparent and efficient agricultural market has been the focus agenda of agricultural experts for more than two decades and this reform has been long overdue. Instead of strengthening the hands of farmers as an effective supply force in the market many Governments in the past believed in offering lollipops like waiving farm loans. At last the visionary Modi government initiated bold steps to take on the vested interests. Along with a liberalized agricultural market, what is needed now is for the Government to invest time, energy and resources in developing and implementing a robust ecosystem for a liberalised agricultural market to succeed and sustain by itself.

Critics are of the view that States such as Punjab which has an 8.5% commission rate or cess to be paid up by farmers under the APMC act (whether or not the farmer uses the facility of the market yards) in 2019-20 had collected Rs. 3,600 crores as revenue through trade fees which is supposedly used for development of rural infrastructure. However, with the constitution of the Agriculture Infrastructure Fund (AIF) of Rs. 1 lakh crore by the Government in July 2020 this gap of an underdeveloped rural infrastructure can be largely overcome. AIF by creating post-harvest physical infrastructure will build an ecosystem for farmers to be able to successfully directly sell to retailers inter-State and intra State and thereby get the best price for their products. Focus of AIF is to attract investments and build post-harvest infrastructure which has been the weak linkage in the agricultural supply chain. Projects such as building of warehouses, sorting and grading units, ripening chambers, cold chain warehouses, e-marketing platforms etc. would be able to avail of an interest subvention of 3% on term loans. For loans up to Rs. 2 crores the guarantee would be provided by the Central Government under the AIF. Thus, with post-harvest infrastructure and other structural measures being undertaken by the Government such as refrigerated transportation by rail etc. the farmers will be in a position to command better prices for their produce in the medium to long term.

AIF is another enabling step by the Government towards getting agricultural markets right. Thus, the three reformative Farm Bills, 2020 in conjunction with the AIF are a major step in the right direction of liberalising agricultural markets and building an efficient and robust ecosystem. These long term structural reforms will help break the monopoly of middlemen and traders and free the farmers from the shackles of illegal moneylenders. It will build a viable environment for farmers to be able to sell their produce to the highest bidder i.e. ‘my crop, my right’ and move on the path of ‘One Nation, One Agricultural Market’.

**Tags assigned to this article:**

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