Report of Task Force on Agricultural Marketing Reforms

ANNEXURES

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1.1 Introduction: The agricultural produce sector has been one of the most important components of Indian economy. Considerable progress has since been achieved in scaling new heights in the production of foodgrains, commercial crops like cotton, sugarcane, tea etc., fruits, vegetables and milk. The increasing trend of agricultural production has brought, in its wake, new challenges in terms of finding market for the marketed surplus. There is also pressure from all segments of agricultural economy to respond to the challenges and opportunities that the global markets offer in the liberalized trade regime. To benefit the farming community from the new global market access opportunities, the internal agricultural marketing system in the country also needs to be integrated and strengthened. In particular the market system has to be revitalized to a) provide incentives to farmer to produce more; b) convey the changing needs of the consumers to the producers to enable production planning; c) foster true competition among the market players and d) to enhance the share of farmers in the ultimate price of his agricultural produce.

2.1 Expert Committee on Agricultural Marketing: In this context, Government of India in the Ministry of Agriculture appointed an Expert Committee on 19th December, 2000 to review the present system of agricultural marketing in the country and to recommend measures to make the system more efficient and competitive. The Committee in its Report dated 29th June 2001, has suggested various legislative reforms as well as the reorientation of the policies and programs for development and strengthening of agricultural marketing in the country.

2.2 Important recommendations made in the Report are as follows:

(a) An alternative marketing systems need to be developed in the country to promote direct marketing, smooth raw material supplies to agro–processing industries, competitive trading, organized retailing, information exchange and adoption of innovative marketing systems and technologies;

(b) Credit flow to agricultural sector need to be substantially stepped up to meet increasing demand for capital expenditure for developing marketing infrastructure and for pledge finance. Pledge financing enables the farmers to take advantage of favorable prices and improve their net margin;

(c) A system of negotiable warehouse receipt also need to be introduced in the country for agricultural commodities to improve credit delivery, better loan recovery and convenience in commodity management;) 'Forward' and 'Futures' contracts need to be regarded as direct and alternative marketing facilitators and be promoted for their price risk management and price discovery roles;

(e) Information Technology needs to be extensively promoted in agricultural marketing to generate useful databases and information packages for expanding marketing opportunities, especially for online information on demand and availability of different products; product specifications with regard to price, quality, pack size, packaging material, quantity and the time frame of supply;

(f) 'Extension and training services need to focus on assisting small and marginal farmers in i) marketing of their produce, ii) advise on production planning; iii) market information; iv) alternate marketing channels; v) improved marketing practices including grading and packing; and vi) advantages of group marketing. The State Agriculture Universities and the Regional & Other Centers of ICAR should be given a mandate for applied research in agricultural marketing and related areas.

3.1 Inter-Ministerial Task Force On Marketing Reforms: With a view to examine the findings and recommendations of the Expert Committee and to suggest measures to implement them, the Ministry of Agriculture constituted a Task Force on 4.7.2001 under the chairmanship of Sri RCA Jain, Additional Secretary in the Department of Agriculture & Cooperation (Annexure I). Under its aegis, two national seminars were organized on the subject with the leaders of industries and trade in collaboration with FICCI at New Delhi on 3.9.2001 and with the representatives of State governments and Union territories and experts at Jaipur on 18th January, 2002 . The Task Force thereupon identified nine priority areas to work out a road map for strengthening the agricultural marketing system in the country. The areas identified are a) Legal reforms; b) Direct marketing; c) Market infrastructure; d) Pledge financing; e) Warehousing receipt system; f) Forward and futures markets; g) Price support policy; h) IT in agricultural marketing and i) Marketing extension, Training and Research. Each of these identified areas was examined in detail by separate Groups of senior officials from the concerned Ministries/ organizations (Annexure II) who recommended the following measures for strengthening agricultural marketing system in the country.

4.1 <u>Legal Reforms</u>: At present, though agriculture production is largely free from controls, the same is not true of marketing and processing of agricultural commodities. The State Governments alone are empowered to initiate the process of setting up of markets for agricultural commodities in notified areas. Processing industries cannot buy directly from farmers, except through notified markets. Processed foods derived from agricultural commodities suffer from multiple taxes at various stages starting from the harvest till the sale of final processed products. There are stringent controls on the storage and movement of several agricultural commodities. In the present situation these restrictions are acting a disincentive to farmers, trade and industries. Legal reforms can play an important role in making the present marketing system more effective and efficient by removing unnecessary restrictions and by establishing a sound framework to reduce uncertainty of the markets. The State Agricultural Produce Marketing Regulations Act (APMC Act) and the Essential Commodities Act (EC Act) are the two important legislations that have to be amended to remove restrictive provisions coming in the way of an efficient and competitive marketing system. Alongside, there is a need to introduce through appropriate legal change, a 'negotiable warehousing receipt system' in the country for agricultural commodities to enhance institutional lending to the agricultural marketing sector and to improve price-risk management.

4.2 The APMC Acts need to be amended by the State Governments to specifically provide for the following:

4.2.1 <u>Promotion of Agricultural Markets' in private/cooperative sector</u>: Under the present Acts, State Governments alone are empowered to initiate the process of setting up of regulated agricultural markets. As a result private sector cannot take initiative in setting up markets equipped with best facilities. High investments with entrepreneurial skills required for creation and managing the market infrastructures have to come from private sector. In order to encourage private sector to make massive investments required for development of alternative marketing infrastructure and supporting services, provisions of the APMC Act would need modification to create a lawful role for the private sector in market development. Government's role should be that of a facilitator rather than that of having control over the management of markets.

The Govt. of Karnataka has taken initiative in this direction and inserted a new Chapter (Chapter XIII A) in the Karnataka Agricultural Produce Marketing (Regulation) Act, 1966, to provide for the establishment of an 'Integrated Produce Market' to be owned and managed by NDDB for marketing of fruits, vegetables and flowers in that State. Other States also need to amend respective APMC Acts on similar lines to permit any organization or corporate body to establish integrated facility for marketing of agricultural produce. For the services so provided the owner/ operator of the market should be enabled to collect service charges from the users. To attract promoting agencies to take up these market infrastructure projects, the Central/State Governments additionally need to extend support in the following areas:-

i) Deregulation of areas where new markets will be set up, along with forward and backward linkages from the purview of the Agricultural Produce Marketing Act.
ii) Allocation of suitable and sufficient land with necessary approvals to set up agricultural produce markets;
iii) Provision of village land for Farmers Associations and Collection centers;
iv) Fast approval for services like electricity, water, sewage, telephones etc.;
v) Long term credit for initial capital investment, and

vi) Declaration of the project as an infrastructure project within the meaning of Section 10(23G) of the Income-tax Act

4.2.2 Direct Marketing: Direct marketing encourages farmers to undertake grading of farm produce at the farm gate and obviates the necessity to haul produce to regulated markets for sale. Direct marketing enables farmers and processors and other bulk buyers to economize on transportation costs and to considerably improve price realization. In South Korea, for instance, as a consequence of expansion of direct marketing of agricultural products, consumer prices declined by 20 to 30 percent and producer-received prices rose by 10 to 20 percent. This also provided incentive tolargescale marketing companies to increase their purchases directly from producing areas.

Direct marketing by farmers to the consumers has been experimented in the country through Apni Mandis in Punjab and Haryana. The concept, with certain improvements has been popularized in Andhra Pradesh through Rythu Bazars and in Tamil Nadu as Uzhavar Santhaigal. At present, these markets are being run at the expense of the State exchequer, as a promotional measure, to encourage marketing by small and marginal producers of fruit and vegetables without the help of the middlemen. Considering the vastness of the country, more and more such markets need to come up in the organized sector so that they can be developed in tune with the backward & forward linkages. The APMC Acts will also have to be amended to permit private and cooperative sectors to take up direct marketing of agricultural commodities from the producing areas and the farmers' fields, without the necessity of going through licensed traders and regulated markets. Such a reform will spur private initiative in building consumer oriented market infrastructure in the country.

4.2.3 Contract Farming: Contract farming arrangements of different types have existed in various parts of the country for centuries for both subsistence and commercial crops. The commercial crops like sugarcane, cotton, tea, coffee etc. Have always involved some forms of contract farming. Even in the case of some fruit crops and fisheries, contract farming arrangements, involving mainly the forward trading of commodities have been observed. However, in the wake of economic liberalization, the concept of contract farming in which national or multinational companies enter into contracts for marketing of the horticultural produce and also provide technologies and capital to contract farmers has gained importance. According to this, bipartie agreements are made between the farmer and the company and the latter contributes directly to the management of the farm through input supply as well as technical guidance and also markets the produce. The main features of this type of contract farming are that selected crops are grown by farmers under a buy back agreement with an agency engaged in trading or processing. In such cases, the centralized processing and marketing agencies supply technology and resources, including planting materials and occasional crop supervision. Under such contracts, the farmer assumes the production related risks, which the price risk is transferred to the company. In some cases, the company also bears the production risk, depending on the stage of crop growth at which the contract is made. If the contract is made at flowering or fruiting stage, the company bears the production risks also. In any case, the company bears the entire costs of transaction and marketing. It is this variant of contract farming which is said to be one of the ways by which small farmers can participate in the production of high value crops like fruits, vegetables, flowers etc. and benefit from market led growth.

Small farmers in India are generally capital starved and cannot make major investment in land improvement and modern inputs. Contract farming can fill up this gap by providing the farmers with quality inputs, technical guidance and management skills. Although the company deals only with the contract crop, the farmers' overall management skill may improve, thereby helping him to raise the yields of both contract and non-contract crops. From the standpoint of corporate bodies, farming reduces the supply risk, while the farmers enter into contractual arrangements with companies in order to minimize price risks. The company and the farmers enter into contracts to supply or purchase a specified quantum of the commodity at agreed prices. The agreed contract may be either formal or informal and may cover supply of inputs and marketing of output. By entering into contract, the company reduces the risk of non-availability of raw material and the farmer reduces the risk of market demand and prices of his produce. The inputs and services supplied by firms may include seeds, fertilizers, pesticides, credit, farm machinery, technical advice, extension etc., or may involve only the supply of hybrid seeds and marketing of produce.

Contract farming is becoming an increasingly important aspect of agribusiness, whether products are purchased by multinationals or by smaller companies. There are few success stories on contract farming such as Pepsico India in respect of potato, tomato, groundnut and chili in Punjab, Safflower in Madhya Pradesh, oil palm in Andhra Pradesh, seed production contracts for hybrids seed companies etc. which helped the growers in realization of better returns for their produce. Other success stories of contract farming are Amul and NDDB for milk procurement, sugarcane cooperative in Maharashtra, and prawn-acqua culture in Andhra Pradesh. In our country this approach has considerable potential where small and marginal farmers can no longer be competitive without access to modern technologies and support. The contractual agreement with the farmer provides access to production services and credit as well as knowledge of new technology. Pricing arrangements can significantly reduce the risk and uncertainty of market place.

In view of several observed and perceived benefits of contract farming, such arrangements need to be encouraged widely, for different commodities in different regions. The limited commodity specific experience of contract farming in the country shows that the spread and success of contract farming would require the following conditions to be met.

a) The contract farming should be made legal. In case of violation of contract, from either side, farmers as well as the company should be in a position to approach an organization or institution, which can mediate and settle the dispute.

b) There should be an institutional arrangement to record all contractual arrangements, may be with the local market committee orpanchayat or some Government machinery. This will promote and strengthen confidence building between the parties and also help solve any dispute, arising out of violation of contract.

c) The contract farming should have a provision for both forward and backward linkages. Unless both input supply and market for the produce are assured, small farmers will not be in a position to participate in contract farming.

d) There should be bank finance to small and marginal farmers on easy terms. As the payment for contractual produce are made through the bank, the recovery of such loans will be easier.

e) The contracts should be managed in a more transparent and participatory manner so that there is greater social consensus in handling contract violation from either side without getting involved in costly as well as lengthy process of litigation. Also the contract need to be drawn in a more comprehensive and flexible manner.

f) There should be a contract farmers association or cooperatives at the plant level which will improve their bargaining power vis a vis the company and promote equality of partnership for ensuring smooth functioning of any contract farming arrangement. In fact, contract farming may be more beneficial to the farmers if there is farmers' association or cooperative which can even replace the role of middlemen or commission agents who are involved in marketing of the contract commodities on behalf of the company. The company representatives may also be a member of the executive committee of such cooperatives. In fact, cooperative or joint farming arrangement of small farmers should be encouraged to enable them to reap the advantages of both economies of scale as well as of contract farming.

g) The most important thing for the sustainability of contract farming is the selection of appropriate plant genotype. Unless the plant material is of good quality and high yielding and less prone to pests and diseases, the contract farmers may lose confidence and discontinue the cultivation of contract crop in question.

h) The proposed contract crop should have a distinct advantage in terms of relative yield and profit, which will provide higher income to the contract farmers on stable basis.

i) In many parts of the country, agricultural tenancy is legally banned, although concealed tenancy exists. Tenants who do not enjoy security of tenure cannot participate in contract farming. Hence, legalization of tenancy would be a precondition for enabling the tenant farmers to benefit from contract farming. Although different forms of land tenants including share-croppers can be adopted to maintain the contract farming, security of tenure would be necessary.

j) As assured market for the farm produce motivates a farmer to enter into contract with a company, a similar market prospect should exist for the processed products of the company. Ultimately, it is the success of the company's product in national and or international market, which decides whether contract farming for any particular crop or commodity would sustain.

k) Other Infrastructure: The success of contract farming requires that there should be adequate infrastructure facilities of roads, public transport, telephones, postal services, stable power and water supplies, cold storage facilities etc. The situations of gluts and shortages can be effectively managed only when such facilities are available. Therefore, the Government would have to provide the necessary infrastructure facilities of roads, public transport, electricity cold storage, market yards etc. Moreover, public research and extension systems would have to be reoriented to cater to the needs of both contract and non-contract farming arrangements. Specifically, the interactive roles of public and private research would be important in developing appropriate crop varieties, cropping patterns and crop rotations in each region, based on agro-climatic considerations. Furthermore, the government has to create a conducive policy environment for encouraging national and international companies to promote contract farming by creating an appropriate legal, political and administrative system as well as necessary infrastructure.

l) The government needs to ensure that contract farming, which is generally commodity specific and tends to promote monoculture does not grow beyond proportion to destroy bio-diversity and agricultural ecology. It may be necessary to provide necessary guidelines for land use planning in each region in order to prevent such eventualities.

The present APMC Acts restrict the farmer from entering into direct contract with any processor/ manufacturer/ bulk processor as the produce is required to be canalized through regulated market. In the changed scenario, the producer should be free to enter into forward contract whether inside or outside the regulated market/ market area. This will promote contract marketing between the producers and processing factories with gains both to the producer through improved competitiveness and the consumers by way of reasonable prices. It is necessary to incorporate provision in the APMC Act to specifically allow setting up of registered contract farming programs by processing or marketing firms. The APMC within whose jurisdiction the area covered by contract farming agreement lies, should record the contract farming agreements and act as a protector of producer's and processor's interests with due legal support in its jurisdiction. Consequent upon recording of such agreements by the APMC, the produce covered by the agreement should be allowed to move freely from the farmers' field to any destination in the country or abroad without the necessity of going through licensed traders and regulated markets. Since a contract farming program requires the company to undertake research and extension activities and bear the marketing risk for the benefit of farmers, incidence of taxes on the procurement of agricultural or horticultural produce under the program by way of market fee, cess, duties, taxes etc., should as a promotional measure be waived or minimized. In the State of Punjab, for instance, present incidence of tax on procurement of Paddy and Groundnut under a contract-farming program is stated to be 11.50 percent (Purchase tax – 4%; Cess – 1%; Market Fee – 2%; Rural Development Fund – 2%; Aarhtia charges –1%; Infrastructure costs –1.5%).

4.2.4 Rationalization of market fee: The present system of levy of fee at multiple points for the same commodity at different stages of transaction needs to be replaced, by single point levy of market fee in the entire process of marketing in the State. Further, collection of market fee should be more in the nature of service charge based on the quality services provided. The levy of fee can be at different slabs in consonance with the type of scale of services/facilities provided to all market users. There is also considerable variation in the structure of taxes and fee on the agricultural produce in various states, which distorts the operation of the domestic market. There is need for bringing uniformity in the state level tax structure in agricultural commodities for improving the marketing efficiencies. A table indicating market charges and taxation on agricultural commodities in different States is given at Annexure III.

4.2.5 The Standing Committee of Union Ministers and Chief Ministers on Food Management and Agricultural Exports in its fourth meeting held on March 23, 2002 held at New Delhi, has recommended suitable amendments to the State Agricultural Produce Marketing Regulation Acts to promote development of marketing in private/cooperative sectors, direct marketing and contract farming programmes. The Committee also felt that a major thrust was also needed to promote pledge financing and introduction of negotiable warehousing receipt system, to assist farmers in realizing better prices for their produce.

4.3 Essential Commodities Act, 1955: The Essential Commodities Act is the principal Act which controls the production, supply, storage and movement of, and trade and commerce in a large number of agricultural commodities. Powers to issue Control Orders under this Act have been delegated to the State Governments. Exercising powers delegated under the Act, the State Governments/ UT Administrations have issued several Control Orders to regulate various aspects of trading in agricultural commodities such as foodgrains, edible oils, pulses, sugar etc. The Control Orders broadly relate to licensing of dealers for trade, regulation of stock limits, restriction on movement, compulsory purchase under the system of levy etc. Private investment in large-scale storage and marketing has virtually become non-existent due to the restrictive provisions of the EC Act and of various Control Orders issued there under. Amendment to the Act is necessary to promote investment in building agricultural marketing infrastructure, motivating corporate sector and processing units to undertake direct marketing of agricultural produce and to facilitate India as a whole becoming an integrated market. By removing restrictions on storage of agricultural produce, substantial warehousing capacity can also be created in private sector. This will lead to regional specialization based on resource endowments and, therefore, would also help increase efficiency in the production process. Facilitating free trade and movement of agricultural commodities would enable farmers to get best prices for their produce, achieve price stability and ensure availability at reasonable prices in deficit areas. A list of Control Orders issued by the States/UT Administrations as at Annexure IV.

4.3.1 Almost all the States/UT Administrations have issued Licensing Orders, which prescribe, that any dealer (wholesaler or retailer) requires taking a license if dealing in specified commodities and in quantities in excess of those prescribed. The commodities covered by such licensing requirements are mostly foodgrains including rice/ paddy and wheat, pulses, oil seeds, edible oils and sugar. Under the licensing orders, some of the State/ UTs have also prescribed maximum stock limits for the dealers, the limits varying from State to State and within the State from commodity to commodity. Some of the States/UTs have issued Paddy/ Rice Levy orders. Under these orders licensed dealers and millers are required to give a prescribed percentage of the paddy/ rice to the State/ UT at notified prices. Under the Paddy/ Rice Levy Orders some of the States/UTs have also imposed restriction on movement of paddy/ rice. Paddy/ Rice can be transported only on the strength of permits/ release orders, which are issued after the levy obligation has been complied with. Apart from the Control Orders relating to licensing, stock limits, levy, movement, control orders have also been issued by the States/ UTs relating to other somewhat related matters such as display of stocks and prices, regulation of catering establishments, guest control, requisition of stocks, regulation of distribution of card system.

4.3.2 The standing committee of Union Ministers and Chief Ministers on Food Management and Agricultural Exports in its meeting held on July 6, 2001 came to the conclusion that while the Essential Commodities Act may continue as an umbrella legislation for the Centre and the States to use when needed, a progressive dismantling of controls and restrictions was also required.

4.3.3 After consultation with the concerned Central Departments/ Ministries, the Central Government have issued an Order under Section 3 of the Essential Commodities Act called the Removal of (Licensing requirements, stock limits and Movement Restrictions) on Specified Foodstuffs Order, 2002 on 15.2.2002. The salient features of this Order are: -

i) It pertains to specified commodities namely, wheat, paddy/ rice, coarse grains, sugar, edible oilseeds and edible oils.

ii) It removes all restrictions on purchase, stocking, transport, etc. of specified commodities and also the requirement of licensing of dealers in respect of the specified commodities.

iii) The Order takes effect after thirty days from the date of publication in the Gazette (15.2.2002) notwithstanding anything to the contrary contained in any order issued by the State Governments. Any dealer may, thereafter, freely buy, stock, sell, transport, distribute, etc. any quantity of these commodities and shall not require a permit or license therefore under any order issued under the Essential Commodities Act, 1955.

iv) Issue of any order by the States/ UTs under the delegated powers for regulating by licenses, permit or otherwise, the storage, transport, distribution, etc. of any of the specified commodities shall require the prior concurrence of the Central Government.

4.3.4 The Central Government vide its Notification No.GSR104(E) dated 15.2.2002 have also deleted 11 items in full and one in part from the purview of the Essential Commodities Act, 1955. The commodities, which continue to remain as essential under the Act, are given in Annexure – V.

4.3.5 The Standing Committee of Union Ministers and Chief Ministers on Food Management and Agricultural Exports in its fourth meeting held on March 23, 2002 held at New Delhi, while taking note of the Government of India decision to remove restrictions on storage, movement, and distribution of wheat, paddy, rice, coarse grains, sugar, edible oilseeds and edible oils, recommended that similar restrictions relating to pulses also need to be removed and that the States would also carry out further review to reduce various Control Orders issued by the States in respect of other commodities.

5.1 Pledge Financing & Marketing Credit: The Indian farming community consists mostly of small and marginal farmers. Micro level studies indicate that small farm holdings contribute about 54% of marketable surplus and distress sale by these small farmers account for about 50% of the marketable surplus. The farmers often sell their produce to square off their debts soon after harvesting. The solution for this problem lies in providing to them access to safe and scientific storage and easy marketing credit. The strategy should be promotion of pledge financing through a network of rural godowns and negotiable warehousing receipt system.

5.2 Limited credit for marketing of crops (pledge financing) is available at present to the farmers from the formal banking channels. The quantum of financing done both by Commercial banks and Cooperative banks for pledge financing is very little as compared to the crop production loans. The loans given for pledge financing also do not get captured in the existing MIS separately because the quantum is small and they get clubbed along with short- term direct agricultural loans for agriculture. NABARD has assessed the quantum of pledge financing which is taking place in the country now to be around Rs.1200 crores per year. With private sector participating in rural godowns, the quantum could rapidly grow to a level of at leastRs. 7000 crores by the end of X Five Year Plan period in 2007.

5.3 According to the RBI Guidelines, advances upto Rs.1 lakh can be given to farmers against pledge/ hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 6 months subject to the condition that farmers have been given loan for raising the produce and provided the borrower draws credit from the same bank. Such advances are included as direct finance to farmers for agricultural purposes under priority sector lending. There is no bar on banks extending pledge loans for periods upto 12 months. However, this would not be an automatic extension but will depend on the nature of crops stored in the godown and the appropriate time to sell the produce and would be left to the financing banks' commercial judgment. While no margin is levied for loans up to Rs.10,000/-, for loans above Rs.10,000/- the prescription of margin is left to the individual bank's discretion. For loans up to and inclusive of Rs.2 lakhs, the rate of interest levied is "Not exceeding PLR". In respect of loans above Rs.2 lakhs, banks are free to decide their own interest rates. However, the banks have the discretion to offer loans at below PLR rates, to creditworthy borrowers based on a transparent and objective credit policy approved by their Boards. After the deregulation of interest rates, the banks have been given the freedom to decide the interest rates keeping in view that cost of funds, transaction cost, etc.

5.4 To promote pledge loans for agricultural commodities, it is recommended that in respect of high value crops, RBI should enhance the ceiling of advances from existing Rs.1 lakh to upto Rs.5 lakhs to farmers against pledge/ hypothecation of agricultural produce (including warehouse receipt) where the farmers were given crop loans for raising produce, provided the borrowers draw credit from the same bank. Such advances should be categorized as direct finance to farmers for agricultural purpose, under priority sector advances. The repayment of these loans may also be extended from the existing 6 months to upto one year depending on the nature of crops stored in the godowns and the appropriate time to sell the produce. Crops which are subject to wide fluctuations (in prices) need to be identified and marketing credit policies specifically be designed for them. Banks should be encouraged to augment the resources of state marketing cooperatives, which provide Pledge financing facilities to farmers. Regional Rural Banks have an extensive reach through their 14,500 branches all over the country. At present NABARD refinance does not support Regional Rural Banks through its refinance for Pledge Financing Loans. NABARD should provide 100% refinance to RRBs, on similar lines as that of Cooperative Banks. Arrangements should be developed so that the warehousing receipts / godown receipts of private sector are acceptable to the bankers for providing credit to farmers. Since pledge financing is considered to be crucial to farmers to enhance their holding capacity to obtain remunerative price for their produce, it is recommended that RBI should monitor pledge financing to farmers within the overall target of 18% of NBC to agriculture, fixed for commercial banks.

6.1 Negotiable Warehousing Receipt System: There is a need to introduce a negotiable warehouse receipts system in the country, with large benefits such as increased liquidity in rural areas, lower costs of financing, shorter and more efficient supply chains, enhanced rewards for grading and quality, development of other productivity-enhancing agricultural services and better price-risk management. All these developments will result in higher returns to farmers, better service to consumers (involving lower prices, better quality and greater variety) and macro-economic benefits through a more healthy trade balance in agricultural commodities. Introduction of the system for agricultural commodities will also enhance competitiveness of Indian agriculture in the domestic and global markets. The aim is to greatly expand the availability of warehousing services, while making warehouse receipts a prime tool of trade and trade financing throughout the country. It will also enable the banks to improve the quality of their lending portfolio to the agricultural sector.

6.2 The banking institutions are at present hesitant in making advances against the CWC warehouse receipt when the holder thereof is not a person in whose favour the receipt was originally issued. Transferability of the warehouse receipt by endorsement is presently further limited by the fact that the original holder of the warehouse receipt cannot transfer it to another person without clearing the bank loans. This inhibits the negotiability of the warehouse receipt and reduces its usefulness to the depositor who cannot sell his goods before settling his loan with the banks. The State Warehouses Acts provide that a receipt issued by a warehouseman is transferable by endorsement and shall entitle its lawful holder to receive the goods specified in it on the same terms and conditions on which the person who originally deposited the goods would have been entitled to receive them. Further, the present Warehouse Receipt is a document of title to the goods as per the Sale of Goods Act, 1930. Nevertheless, because of the imperfections in the present structure of Warehouse Receipts, the usage of the present Warehouse Receipts remained restricted to be accepted by the commercial banks as a collateral security for grant of loans against the goods stored in the warehouses and the present Warehouse Receipts has not yet gained its acceptability as a negotiable instrument that could be freely transferred from one persons to another.

6.3 This can be accomplished by creating a secure system, where warehouse operators are accredited by the banks and where investors can build warehouses in the knowledge that they can gain accreditation provided they meet prescribed standards. A system of quality certification and grading of commodities will have to be established, with a view to minimizing disputes and permitting cost savings through the combining of stocks of different owners. The status of Warehouse Receipts has to be enhanced through legal changes for creating an effective system of regulatory oversight and by instituting a secured central electronic register allowing for the racking of all changes in ownership and liens on Warehouse Receipts.

Law relating to warehousing will have to be amended and a formal regulatory authority instituted to enforce standards and protect the interest of those holding warehouse receipts against negligence, malpractice or fraud. The Task Force recommends the following short and long term measures in this regard:

a) <u>Short Term Measures:</u>

i) The Central Warehousing Corporations and the State Warehousing Corporations should evolve commercially acceptable quality standards in respect of various commodities in order to ensure quality maintenance of the stored goods over a sufficiently longer period of time.

ii) The Warehousing Corporations should enforce standards both for quality and quantity at the warehouses, for which required infrastructure as to the measurement of grades and standards need also to be put in place, so as to reduce disputes on account of quality and quantity standards, and to improve the credibility of the Warehouse Receipt.

iii) The Warehousing Corporations are also required to gear up appropriate market intelligence on the prices of various commodities linked with the grades/ standards.

iv) To begin with, selected commodities, and a few selected varieties, should be taken into the net of such rigorous quality standards for issue of Warehouse Receipts which could be easily traded as more and more infrastructure is added in order to ensure foolproof assessment of such standards. Additional commodities as also additional varieties could gradually be added to this net.

v) Adequate publicity measures should be adopted so that the Warehouse Receipts issued against the deposit of goods through the process of proper grading and standardization as per the rigorous standards with reasonable period of storage and the right price depicted on them so as to facilitate the general acceptance of Warehouse Receipt as a negotiable instrument and to be traded easily from one person to another.

vi) The Government of India is already considering Value Added tax all over the country. The other barriers particularly, the high level of public intervention in the market need to be completely stopped or greatly liberalized in order to allow free flow of trade in agricultural commodity all over the country.

b) <u>Long term Measures:</u>

i) A Central legislation on the pattern of The Multimodal Transportation of Goods Act, 1993, needs to be enacted for the Warehouse Receipts to be made fully negotiable instrument. Law should be framed in such a way that it gives full enforceability and transparency of the Warehouse Receipts.

ii) The CWC being the premier warehousing agency at the national level, it should be the ideal institution to be classified as the Accreditation Agency. In the long run some new institution has to be established for the purpose of regulation as the players cannot be the monitors and if the CWC becomes the regulatory body, it has to go out of the warehousing field itself. The Government in consultation with the CWC may decide this issue further.

iii) The legislation should also take care of securing a system of central electronic register like in the Stock Exchanges, for allowing the tracking of all changes in the ownership and liens in respect of the Warehouse Receipts. As the fluctuations of the prices in the market varying from place to place play a great role, necessary safeguards have to be provided to prevent any political interventions.

7.1 <u>Forward and Futures markets:</u> In the light of the perceived advantages from Forward and Futures Markets in terms of price discovery and risk management, as market based instruments, such markets have been identified as important tools of price stabilization. Extension of forward and futures markets to all major agro commodities has, therefore, assumed great importance. This urgency is also reflected in the National Agricultural Policy of Government of India announced in the year 2000. The need for commencing futures trading in all agricultural commodities has been further reiterated in the Budget Speech (2002-03) of the Finance Minister.

7.2 Commodity futures markets in the country are regulated through Forward Contracts (Regulation) Act, 1952. The Forward Markets Commission (FMC) performs the functions of advisory, monitoring, supervision and regulation in futures and forward trading. Forward/futures trading is done in exchanges owned by the associations registered under the Act. These exchanges operate independently under the guidelines issued by the FMC and of their byelaws.

7.3 As per the existing provisions of the Forward Contract (Regulation) Act, 1952 commodities are broadly divided into 3 categories for purpose of forward/futures trading. In 81 commodities specified in the Prohibited List, covered under section 17 of the Act, futures trading is not allowed. In the Regulated List, 40 commodities permitted for futures trading from time to time under Section 15 of the Act, notifications are issued both for the commodity and for specific Exchanges approved for futures trading in them. The 'residual commodities' (i.e. not figuring in either the prohibited list or in the regulated list) are called "free" commodities in respect of which the Forward Markets Commission could give a certificate of registration to any applicant Association/Exchange for commencing futures trading under section 14 of the FC(R)A.

7.4 After a commodity is approved for futures trading, whether under section 15 or section 14, contract-wise approvals are given by the FMC to the concerned Exchange(s). Normally permission for a maximum of two contracts is given at any point of time; though in exceptional cases contracts for a full year may be given approval in advance. Furthermore, two types of derivative transactions are being allowed currently in commodities (i) forward contracts [with two sub-categories Non-Transferable Specific Delivery Contracts (NTSD) and Transferable Specific Delivery Contracts (TSD)] and (ii) *hedge (futures)* contracts. In 79 Commodities covered under section 18 of the Act even NTSD contracts are prohibited, for which permission has to be sought under section 15 of the Act. These approvals are also specifically laid down for any particularly commodity-exchange-configuration. That means the exchanges specifically allowed for NTSD forward contracts are not allowed to undertake trading in other form of derivative contracts or an exchange which is allowed for hedge contracts cannot undertake NTSD/TSD contracts etc., unless it is specifically permitted. Other forms of commodity derivatives such as *options,* as well as commodity exchanges trading in financial derivatives (equity or index options and futures, interest rate derivatives, foreign exchange derivatives etc.) are not permitted. Thus, the degree of compartmentalization is *absolute* between commodity exchanges and financial derivative exchanges and *substantial* within Commodity Exchanges for different types of Commodity derivatives themselves.

7.5 The resulting commodity composition of futures trading is such that major voluminous commodities (such as grain, pulses, metals etc.) are out of the purview of futures trading; minor agricultural products are the ones generally permitted (exception being oil complex and sugar, just recently approved). Many of these 'prohibited' commodities are under such controls and policies such as MSP that commencing futures trading has no meaning, as there is virtually no price risk to manage. Such a 'defensive approach' might have had its logic at the time of scarcity it requires a change in the approach in the liberalized system gearing up for international competition in the post-WTO era. Only if the markets are allowed to function under proper regulatory environment, the agricultural economy - one of the largest in the world - can fully exploit the benefits of markets in the country and abroad.

7.6 Amendments to some of the provisions of the Forward Contract (Regulation) Act, 1952 are currently with the Parliamentary Standing Committee. These amendments include defining *futures* trading, removal of ban on *options* trading, provision of registration of brokers, strengthening of FMC by including professionals as part-time Members, enhancing the penalty provisions, etc. These amendments have to be carried out expeditiously.

7.7 Commodity futures trading in the country also suffers from a number of other limitations as detailed below:

a) Limited and closed nature of membership in the Exchanges;

b) Absence of many hedgers who have substantial underlying positions;

c) Absence of transparency;

d) Limitations of prudential regulation; and

e) Absence of a legal framework for warehouse receipt system with full negotiability and transferability.

7.8 Concerted efforts, therefore, need to be made to expand the scope of futures trading, along with general economic reforms. Efforts have to be made for increasing the number of commodities permitted for futures trading. The objective has to be to move towards a situation where all 'candidate commodities' would be automatically allowed for futures trading under the overall regulation of the commodity market regulator. The objective of expansion of futures trading should be with a view to increase futures trading from the current level of 1.26% of the GDP in the year 2000-01 to that of at least 10% of the GDP by the end of the X Plan (2006-07). The negative list under Section 17 of the FC(R) Act need to be given a fresh look so as to drastically prone it. Prohibition of NTSD contracts under the Act may be discontinued. The design of contracts and type of contracts should left to the Exchanges to be decided. Only the appropriate regulatory mechanism and enabling provision should be finalized with the approval of the market regulator.

7.9 Important institutional reforms required in this area are as follows:

a) Regulatory framework has to be strengthened, making FMC an autonomous organization on the lines of SEBI;

b) Exchanges have to be exposed to the best practices from across the world;

c) Institutional interface between various related agencies such as warehousing corporations, banks and financial institutions, clearing and settlement corporations, system of brokages and institutions for risk containments, have to be strengthened;

d) Enabling provisions for commencing *options* trading etc. have to be incorporated by means of an amendment to the Act;

e) Initiatives such as modern national level commodity exchanges and warehousing receipt system have to be actively pursued;

f) The Exchanges and other stake-holders are to sensitized to the challenges facing commodity futures trading and to 'upgrade' their responses;

g) The policy direction should aim towards convergence of futures markets i.e. trading in derivatives products by all the interested exchanges by removing the compartmentalization of commodity exchanges trading on in commodity derivatives products;

h) The level of general awareness, particularly that of farmers and cooperatives, on futures trading and related issues needs to be raised for increasing their participation in the futures markets.

7.10 As already recommended, the system of warehouse receipts needs to be universalized in futures trading for enhancing trade volumes and in minimizing transaction costs. Warehousing Receipts should act as good evidence of the receipt for goods and the terms of the contract and storage, proof for their quality and condition, or “apparent order and condition”. Warehousing receipts (WHR) would go a long way in achieving these objectives apart from covering quality risk, which is an important risk component of commodity futures trading. If quality risk is not covered price risk management by means of futures contracts have limited meaning and could have only qualified success. Legal framework for making warehouse receipts transferable and negotiable has to be strengthened in making negotiable warehouse system *the demat* of commodity futures trading.

8.1 Price Support Policy: The Minimum Price Support Policy (MSP) linked to procurement has served the country well in the past three decades. However, in recent years it has started encountering problems mainly because of surpluses of several agricultural commodities and excessive built up of stocks with FCI. Even deficit states like Bihar, Assam, Eastern U.P. have started generating surpluses of certain cereals. Also, as a result of operation of the pricing Policy, private trade has not been able to play its role particularly in respect of two major cereals, namely wheat and rice that account for over 70 percent of total food grain production in the country. Under the MSP scheme prices of major agricultural commodities are not only exogenously determined but these prices are defended through nodal procurement agencies like FCI. The adverse effects lay hidden as long as the country operated in a situation of shortages in a relatively closed economy. Bringing equilibrium in the market, a function that is normally performed by private trade, was successfully performed by the public sector nodal procurement agencies. In the process the private trade has been marginalized. In the changing environment it is essential to think of an alternative policy, particularly if the private trade is to be restored its rightful role in the market place.

8.2 There is a need to work out an alternative to the existing MSP linked procurement scheme. Till the policies are developed and implemented which assign rightful role to private trade in the marketing of agricultural commodities, the existing nodal agencies need to be strengthened and States need to be encouraged to undertake decentralised procurement.

8.3 The Fair Average Quality (FAQ) norms fixed for different agricultural commodities should not be relaxed frequently, because such relaxation breeds inefficiency and discourages quality. At present, there is no reliable and transparent system existing at the field level and the grading is done more or less on discretionary basis. This system of subjective assessment needs to be replaced by a system of objective criteria by providing moisture measuring equipments and other equipments, which can help in measuring Fair Average Quality. FAQ norms have to be strictly enforced and the quality upgraded by educating the farmers.

8.4 There is a need to give wide publicity among the farmers to the FAQ norms fixed by the Government through different means of media. Due to ignorance of FAQ norms of the farmers, unscrupulous elements enter the market and purchase agricultural commodities at much lower price than the MSPs fixed by the Government. In this way, the farmers are exploited. Cases of farmers being turned back on the ground of non-conformity with the FAQ norms are also frequent, leading to hardship and resentment amongst the farmers.

8.5 The number and location of purchase centers should be decided sufficiently in advance and given wide publicity. The nodal agencies should decide, in consultation with the State Governments, the location and number of purchase centers to be set up much in advance of the marketing season. The information regarding number and location of purchase centers should be given wide publicity through media, radio, television, leaflets, etc.

8.6 As long as the services of nodal agencies are being used for market intervention and procurement, etc., they must be given full support so as to enable them to operate efficiently. Necessary budgetary provisions need to be made by the Government in this regard so that their operations could be carried out smoothly. Likewise, the role of banks in financing the public and cooperative procuring agencies, need to be made more active and participative.

8.7 The Market Intervention Scheme (MIS) suffers from limited operations, since it is implemented on the request of the State Government(s) willing to bear 50% of the losses, incurred if any, in its implementation. The implementation of the scheme needs to be made more flexible and easy. The provision of sharing of losses by the State Government(s) needs re-examination.

8.8 There are two ways in which support can be extended to farmers for protection of their incomes. One way could be to de-link MSP from procurement. Under this model, while MSP could continue to be fixed as at present prices may be determined by market forces. The farmers could be reimbursed the difference between the market prices and MSP on the marketed produce. The other method could be to guarantee the income level of farmers through an insurance programme where guaranteed income will be determined on the basis of MSP and historical yield of the farmer and the difference between guaranteed income and actual income (actual production and market price) will be made good under the insurance programme. Positive implications of such an Income Insurance Scheme (IIS) are as follows:

a) Private trade will play a major role in the market and the pricing mechanism would reflect the market fundamentals of demand and supply. Therefore, any excess production or supply will cause the prices to decline. The decline in prices will help in creating increased demand, particularly from the poorer sections or BPL segment of population. Besides, if prices fall below international levels, the commodity can also be exported competitively. There would thus be a possibility of sustained exports of foodgrains from the country. On the other hand, in case of decline in production, the prices will increase, either obviating the need for income support payments to farmers and thus reduce the liability under the Insurance program. The requirements of the weaker sections of the society, however, would continue to be met through PDS from buffer stocks maintained by public sector organisations like FCI and SFCs and through States.

b) The existing system of MSP-procurement is essentially functional in the States of Punjab, Haryana, Uttar Pradesh and Andhra Pradesh. Even here only a small segment of farmers is covered. Thus the benefit of the present policy, which is being implemented at such a huge cost is available only to a very small number of farmers in a few States in the country. The alternative Scheme will have a much wider reach and potentially a larger number of farmers who opt for the insurance cover in all the States will be benefited.

c) The Scheme offers comprehensive coverage of income rather than yield risks alone. Farmers will be benefited from such a comprehensive risk coverage consistent with the objective of the National Agricultural Policy – 2000.

d) The alternative Scheme provide incentive to the farmers for improving quality. In the MSP regime, quality is confined to FAQ, which also is subject to flexibility. The farmers' real income in market will be rewarded for quality grade while his income protection is covered by the Insurance. This will also help the country to compete in the world market.

9.1 <u>Information Technology in Agricultural Marketing:</u> Market information is needed by farmers in planning production and marketing, and is equally required by other market participants in arriving at optimal trading decisions. The existence and dissemination of complete and accurate marketing information is the key to achieving both operational and pricing efficiency in the marketing system and IT has an important role to play in the process.

9.2 There are several areas of agricultural marketing with which farmers need to be fully familiarized in order to improve price realization. Promotion of nationally and internationally acceptable standards of grading and standardization, packaging and labeling, storage and warehousing and sanitary and phyto-sanitary measures and quality certification in farm sector will enable trade and processing sector to undertake large scale agricultural marketing operations in domestic as well as international markets. Once the farm produce is standardized and labeled, backed by reputed quality certification, it can be directly offered for sale in national and international markets.

9.3 Several Ministries in Government of India take decisions directly affecting the process of Agricultural marketing in the country. Important among these are Agriculture, Commerce, Food and Public Distribution, Consumer Affairs and Health. Several central institutions set up by Government of India viz. NCDC, NAFED, TRIFED, NDDB, NHB, APEDAetc., are directly involved in implementing programs to strengthen agricultural marketing in the country and to help farmers in the process of marketing of agricultural produce. Then there are Commodity Boards and Export Promotion Councils for specific commodities and to promote exports. All the relevant programs and policies of these institutions need to be disseminated to the farm producers and the target groups to enable them to take full advantage of newer opportunities made available by the Government. Although many of these organizations have their independent web sites hosted through NIC or other internet service providers, the portal developed by NIC (AGMARK-NET) should provide linkages to these sites to access marketing related information to all market players.

9.4 Data on various aspects of agricultural marketing is important for policy formulation, infrastructure planning and research. To facilitate both the Government as well as the private sector in planning development of an appropriate marketing strategy in agriculture sector, it would be necessary to create at national level an 'Atlas of Agricultural Markets' which would provide information in respect of each commodity, major areas of production, movement and storage and of market and consuming centers. In parallel, commodity profile should be prepared for all major commodities outlining the market requirements in terms of quality, standards, labeling, packing, storage, transport, regulations, taxation, warehousing, forward and futures markets etc. This information has to be translated in local languages and uploaded onto the State level portals to facilitate market led extension to farming community in local language through internet.

9.5 The ongoing central sector scheme of establishing 'market information network' has to be strengthened to cover above areas and to provide coverage to all the wholesale agricultural markets in the country during the 10^{th} Plan period. In such markets where there is manpower constraint to operate the scheme, services can be run by encouraging private entrepreneurs with suitable incentives and provision of necessary infrastructure in the market yard.

9.6 Facility of 'electronic' trading or e-commerce should also be provided on the market information network portal to enable producers to directly transact business with the buyers. This would enable increasing volume of direct trading in standardized quality products across the country, benefiting both the consumers as well as the producers.

9.7 As trade participation grows with reduced trade barriers and development, a country's ability to meet and apply sanitary and phytosanitary standards become more important for market access and domestic consumers. Applying such standards means building effective systems to control or eradicate plant and animal diseases and to ensure the safety of exported and imported food products. Hazard Analysis and Critical Control Points (HACCP) methodology is increasingly being implemented worldwide to improve food safety and reduce the incidence of foodborneillness. IT has to play a significant role in the dissemination of animal and plant health and food safety standards and regulations to farming community and other people involved in the process of agricultural marketing, to enhance competitiveness of agricultural produce in the liberalized markets.

10.1 Marketing extension, Training and Research: Agricultural marketing is witnessing major changes owing to liberalization and globalisation of markets. In this context agriculture has to be market driven, more cost effective, competitive, innovative and responsive to high tech and I.T. applications. Training and extension systems in agricultural marketing will have to sensitise and orient the beneficiaries to respond to these challenges. It is necessary to build capacity of each of the beneficiary group namely, the farmers, market functionaries and other officials involved in the agricultural marketing activities. Knowledge has to be imparted at the grassroots level in areas such as market driven production program, post harvest management of agricultural and horticultural crops, availability of marketing finance, information on facilities for quality assurance and standards, grading, packaging, storage, transportation, contract farming, direct marketing, alternative markets including Forward and Futures markets, commodity exchanges, online market information system etc. Training and education modules will have to be prepared in these areas for reaching the region specific farmers in vernacular languages. The objective of imparting training to marketing functionaries and stake holders should be to create an ambiance of Good Marketing Practices in the country to promote the interests of farmers as well as consumers.

10.2 The major areas of extension and training in marketing are as follows:

a) Legal Reforms	b) Direct Marketing
c) Group Marketing	d) Contract Farming
e) Grading & Standardization	f) SPS Measures
g) Packaging	h) Storage and Cool Chain
k) Pledge Financing	l) Warehousing
m) Transportation	n) Market Infrastructure
o) Forward and Futures Market	p) Quality Certification
q) Commodity Exchanges	r) I.T. in Agricultural Marketing
s) Agri-business	t) WTO and its Implication

10.3 Considering the limited reach of public extension service, privatization of extension services with appropriate financial support from public sector is considered more appropriate and practical. Privatization of extension activities would facilitate tailor made extension services beneficial to both farmers as well as entrepreneurs. The NGOS, Cooperatives, Trade Associations, Private Limited companies, and corporate bodies need to be encouraged to undertake marketing extension activities.

10.4 The Ministry of Agriculture, Government of India, in association with NABARD, has recently launched a unique programme to take improved methods of farming to each and every farmer across the country. This programme aims to tap the expertise available in the large pool of Agriculture Graduates to set up Agriclinic or Agribusiness Center and offer professional extension services to innumerable farmers. Committed to this programme, the Government is now also providing start-up training to graduates in Agriculture, or any subject allied to Agriculture like Horticulture, Sericulture, Veterinary Sciences, Forestry, Dairy, Poultry Faring, Fisheries, etc. Those completing the training can apply for special start-up loans for the venture from commercial banks with refinance and margin money support from NABARD.

10.5 Agriclinics and Agribusiness Centers would provide paid for services for enhancement of agricultural production and income of farmers. These centers would advise farmers on crop selection, best farm practices, post-harvest value-added options, key agricultural information (including Internet-based weather forecast), price trends, market news, risk mitigation and crop insurance, credit and input access, as well as critical sanitary and phyto-sanitary considerations, which the farmers have to keep in mind.

10.6 The National Institute of Agricultural Marketing (NIAM), Jaipur should be the nodal agency for implementation of training, extension and research programs in Agricultural Marketing. The Institute should coordinate research activities in collaboration with State Agricultural Universities, State Agricultural Marketing Boards, Directorate of Marketing, Ministry of Agriculture & Cooperation and International Agencies involved in promoting agricultural Marketing. Important areas of research are as follows:

a) Structure Conduct and Performance analysis of agricultural markets.

b) Role and Effectiveness of Marketing Institutions.

c) Study of cost and margins of important agricultural/ horticultural crops.

d) Export effectiveness of agricultural and horticultural crops.

e) Information needs of stake holders in agricultural marketing

f) Marketing of organically produced commodities.

g) Price discovery mechanism of different agricultural commodities.

h) Supply Chain Management

i) Implication of WTO on agricultural marketing.

j) Risk Management in agriculture.

11.1 Market Infrastructure Development: A marketing system backed by strong, adequate infrastructure is at the core of agricultural marketing. Market infrastructure is important not only for the performance of various marketing functions and expansion of the size of the market but also for transfer of appropriate price signals leading to improved marketing efficiency. High investment and entrepreneurial skills are required for creation and management of the agricultural marketing infrastructure. The situation of control by the state has to be eased to facilitate greater participation of the private sector, particularly to engender massive investments required for the development of marketing infrastructure and supporting services. Investment requirement for the development of marketing, storage and cold storage infrastructure in the country during 10th Plan has been estimated to be of the order of Rs. 12,230 crores. The outlays required for the segments are as follows:

(i) Market Infrastructure: (Rs. in Crore)

Market Infrastructure	Unit Cost	Physical Targets (Nos)	Financial Outlays		
			Central	Private/ Cooperative	Total

a) Wholesale markets	2.00	561	291*	831	1122
b) Rural primary markets/ ApniMandis	0.40	6984	723.2*	2070.40	2793.60
c) Grading, Standardization, and Quality Control Units at village/market level	0.08	1000	20.80	59.20	80
d) Strengthening of Agmark Laboratories					
e) Modernising Testing Facilities in State Grading Laboratories		15	10	-	10
f) Awareness and training programme.	0.20	50	10		10
			15		15
Total			1070	2960.60	4030.60

· Weightage has been given for higher public investment in tribal and for hilly areas and for SC/ST entrepreneurs.

(ii) Storage Infrastructure: As on date, the total storage capacity available with different public sector agencies is 788.35 lakh MT. In the Cooperative Sector, the National Cooperative Development Corporation (NCDC) has assisted in the creation of 137.36 lakh MT storage capacity with the rural cooperatives. For creating storage in cooperatively under developed States/ Union Territories, the NCDC has operated a scheme during 1999-2000 to construct 52 rural and 9 marketing godowns of 9350 Mt capacity. The Government has formulated a National Storage Policy aimed at harnessing the resources of the public and private sector for augmentation of infrastructure to handle foodgrains including construction of bulk storage facilities and also conventional godowns.For the creation of new storage capacity, the following further steps are being taken:

a) Creation of additional storage capacity (estimated at 54 lakh tones) by State Governments, SWC and CWC on the basis of long-term guarantee by FCI;

b) Creation of 21 lakh tones capacity for bulk handling, storage and transportation facilities through private sector participation at 11 locations;

c) Creation of conventional godowns totaling 5.88 lakh tones through private sector participation at 54 locations in 14 States; and

d) Creation of new rural storage capacity of 18.5 lakh tones and renovation/ modernization of existing cooperative storage capacity of 1.5 lakh tones under the 'Gramin Bhandaran Yojana' recently implemented by the Government of India.

Keeping in view the marketable foodgrain surplus by 2007 and the available storage capacity, it is recommended that additional storage capacity of 130 lakh tones be created in the country during 10th Plan period. Of this, 85 lakh tons is proposed to be created in private sector at an outlay of 2310 crores, including Govt. of India assistance towards back ended subsidy of Rs.570 crores. The break-up of physical and financial outlays for additional capacity is as under:

Agency	Commodity wise	Capacity (lakh tons)	Unit rate per ton. (Rs.)	Total Amount (Rs. In crore)
Private Sector	Foodgrains etc.	60.00	2600.00	1560.00
FCI	Foodgrains	4.82	2600.00	125.00
CWC	General purpose	15.00	2200 to 3500.00	525.00
SWC	General purpose@	20.00	1600.00	320.00
NCDC	General purpose@	5.00	2500 to 4000.00	200.00
Other Rural Godowns	General purpose@	25.00	3000 .00	750.00
Total		*129.82*	-	*3480.00*

@ Includes Foodgrains, Fertilisers, Pesticides, Implements, Horticulture Produce, Spices, etc.

(iii) <u>Cold Storage infrastructure</u>: The National Horticulture Board is providing assistance under a Central Scheme for the construction/ renovation of cold storages in the country. Under the Scheme, 24 lakh tones of cold storage capacity has been created in the country in the last two years of its implementation. Keeping in view the expected market surplus of fruits & vegetables by 2007 and the available cold storage capacity, the Task Force recommends creation of an additional capacity of 56.50 lakh tons to be created during 10th Plan Period. The total outlay on construction/creation of cold storage capacity and cold chain during 10th Plan Period would be Rs.3095 crores, including Govt. of India assistance towards back ended subsidy of Rs.1175 crores. The break-up of physical and financial outlays for additional capacity is as under:

(Rs. in crores)

Type	Capacity (lakhtons)	Unit cost / ton	Total cost
1.Cold Storage	40.00	Rs.5,000	2000
2.Cold Storage(Reh./ Mod.)	10.00	Rs.1,000	100
3.Onion storage	6.00	Rs.2,000	120
4. Cold chain (reefer vans, zero energy chambers etc.)			2500
Total	**56.00**		**4720**

11.3 In order to encourage private sector to make massive investments required for development of alternative marketing infrastructure and supporting services, provisions of the APMC Act would need modification to create a lawful role for the private sector in market development. There is a need to i) reduce the regulatory controls and simplify the procedures; ii) making complementary investment by the State and Central Governments; iii) providing subsidy to enable the private sector initiative to attain economic viability; iv) ensuring adequate credit flows to agricultural marketing activities and v) declaring the market development projects as 'infrastructure' projects within the meaning of Section 10(23G) of the Income Tax Act. To attract promoting agencies to take up the infrastructure projects, the Central/State Governments need to additionally extend support in the allocation of suitable land to set up markets, deregulation of areas where new markets will be set up from the purview of the APMC Act, fast approval for foreign technical assistance, import of equipment and for services like electricity, water, sewage, telephones etc. External funding can additionally be sought to augment the resources of Central and State Governments to support the infrastructure development program. Investments in market infrastructure has to be linked to deregulation and reforms in agricultural marketing sector.

12.1 Implementation Plan: With a view to ensuring effective implementation of the proposed reforms outlined in this Report, the following important measures in particular may be considered by the Government for follow up action:

12.2 All the State Governments should amend the State Agricultural Produce Marketing Regulations Act (APMC Act) inter alia to provide specifically for the following:

a) Enabling private and cooperative sectors to establish and operate (including levy of service charge) agricultural marketing infrastructure and supporting services.

b) Direct marketing of agricultural commodities from producing areas and farmers' fields, without the necessity of going through licensed traders and regulated markets.

c) Permitting 'Contract farming' programs by processing or marketing firms. The APMC within whose jurisdiction the area covered by contract farming agreement lies, should record the contract farming agreements and act as a protector of producer's and processor's interests with due legal support in its jurisdiction. Incidence of taxes by way of market fee, cess, duties, taxes etc. on procurement of agricultural or horticultural produce under the 'Contract farming' program should be waived or minimized.

d) Rationalization of levy of market fee by introducing single point levy of market fee in the entire process of marketing in the State. Levy of market fee should be more in the nature of service charge based on the quality of services provided. The levy of fee can be at different slabs in consonance with the type of scale of services/facilities provided to all market users

e) To attract promoting agencies to take up the marketing infrastructure development projects, all the State Governments/ UT Administrations and the concerned Departments of Central Government should be requested to additionally extend support in the following areas:-

i) Deregulation of areas where new markets will be set up, along with forward and backward linkages from the purview of the Agricultural Produce Marketing Act.

ii) Allocation of suitable and sufficient land with necessary approvals to set up agricultural produce markets;

iii) Provision of village land for Farmers Associations and Collection centers;

iv) Fast approval for services like electricity, water, sewage, telephones etc.;

v) Long term credit for initial capital investment, and

vi) Declaration of the project as an infrastructure project within the meaning of Section 10(23G) of the Income-tax Act.

(Action: Ministry of Agriculture, Department of Agriculture & Cooperation)

12.3 With a view to attract requisite investment for the development of marketing infrastructure in the country, a new central scheme should be formulated to provide credit linked assistance for development of general and commodity specific agricultural produce markets and for strengthening of existing agricultural markets, wholesale, rural periodic and in tribal areas. For the construction of storage, cold storage and cold chain infrastructure, the ongoing central schemes should be further expanded to create additional capacity of rural storage of 85 lakhs MT, cold storage of 56.00 lakhs MT and requisite cold chain infrastructure during the Xth Plan Period. Central assistance should be conditional and linked to reforms by the States in the APMC Acts and deregulation. Considering the magnitude of outlay required external funding should be sought, if need be, to augment the resourced of Central and State Governments to support the infrastructure development program.

(Action: Ministry of Agriculture, Department of Agriculture & Cooperation)

12.4 Credit for marketing of crops (pledge financing) should be substantially stepped up to reach a level of at least Rs.7000 crores by the end of 10^{th} Five Year Plan Period in 2007. RBI need to formulate appropriate marketing credit policies and to introduce a separate MIS for loans given for pledge financing in order to monitor progress. NABARD need to augment the resources of State Marketing Cooperatives to provide pledge financing facilities to farmers and to provide 100% refinance to RRBs, on similar lines as that of cooperative banks. RBI should also consider evolving an appropriate arrangement to ensure that warehousing receipts/ godown receipts issued by licensed operators of rural godowns are acceptable to bankers for providing credit to farmers. To facilitate easy access to pledge loan, RBI should evolve a simplified procedure in consultation with commercial banks.

(Action: RBI/NABARD)

12.5 For the introduction of a system of negotiable warehousing receipt system in respect of agricultural commodities, the Central Warehousing Corporation and the State Warehousing Corporations should evolve commercially acceptable quality standards in respect of various commodities in order to ensure quality maintenance of the stored goods over a sufficiently longer period of time. The Warehousing Corporations should enforce standards both for quality and quantity at the warehouses, for which required infrastructure as to the measurement of grades and standards also need to be put in place, so as to reduce disputes on account of quality and quantity standards, and to improve the credibility of the Warehouse Receipt.

12.6 In order to grant the status of 'negotiability' to godown receipts issued by licensed godown operators, the Negotiable Instruments Act should be amended or in the alternative, a Central legislation on the pattern of The Multimodal Transportation of Goods Act, 1993, be enacted for the Warehouse Receipts to be made fully negotiable instrument. Law should be framed in such a way that it gives full enforceability and transparency of the Warehouse Receipts.

(Action: Ministry of Consumer Affairs, Food and Public Distribution, Ministry of Finance)

12.7 For the promotion of Forward and Futures markets in agricultural commodities, the following action is recommended:

a) The negative list under section 17 of the FC (R) Act may be given a fresh look so as to drastically prune it. Prohibition and regulation of NTSD contracts under the Act may also be discontinued.

b) Commodity specific approach to futures trading may be discontinued. Instead recognized associations /exchanges could apply for permission for trading in any 'contracts' other than for the commodities in the negative list from the Commodity Market Regulator under the overall rules, procedures and guidelines of the regulator.

c) Exchanges should come out with feasibility studies on commodities and products based on a cost benefit analysis of futures trading in such commodities/products. The system of piecemeal opening up and permission based on the Regulator's/Government's evaluation may be discontinued. Contracts proposed by the Exchanges based on proper feasibility studies should be studied and approved by the Regulator.

d) The design of contracts and the type of contracts (TSD, futures, *options* – (as and when statutorily permitted) should be left to the Exchanges to be decided. Only the appropriate regulatory mechanism and enabling provisions should be finalized with the approval of the market regulator.

e) The system of warehouse receipts need to be universalized in futures trading for enhancing volumes and for minimizing transaction costs.

f) The regulator (presently FMC) needs to be strengthened and made an autonomous organization similar to SEBI with adequate powers and professional capabilities to monitor and surveillance in an expanded and liberalized futures market in the country.

g) The role of commodity market regulator may be redefined to regulate all derivative products, not just for commodity *futures* – like CFTC in the US – so that their specialized expertise can be optimally used.

(Action: Ministry of Consumer Affairs, Food and Public Distribution, Department of Consumer Affairs)

12.8 The Minimum Price Support Policy (MSP) has served the country well in the past three decades. However, in recent years it has started encountering problems mainly because of surpluses of several agricultural commodities and also the resultant excessive foodstocks with FCI. In the changing environment it is essential to think of an alternative policy delinking MSP from procurement particularly if the private sector is to be restored its rightful role in the marketing of agricultural produce. The alternative policy should allow market forces to determine the price and provide financial support through an insurance programme to farmers for protection of their incomes in falling markets. The income protection programme could be taken up initially in a few selected States for agricultural commodities like oilseeds, pulses, rice and wheat. Till the alternative policies are developed and implemented, the existing nodal/ central agencies and State organizations need to be strengthened to undertake decentralised procurement of foodgrains.

(Action: i. Ministry of Agriculture, Department of Agriculture & Cooperation

ii. Ministry of Consumer Affairs, Food and Public Distribution,

Department of Food an Public Distribution)

12.9 The Fair Average Quality (FAQ) norms fixed for different agricultural commodities should not be relaxed frequently, as such relaxation breeds inefficiency and difficulties in disposal of stocks. At present, there is no reliable and transparent system existing at the field level and the grading is done more or less on discretionary basis. This system of subjective assessment needs to be replaced by a system of objective criteria by providing moisture measuring equipments and other equipments, which can help in measuring Fair Average Quality. FAQ norms have to be strictly enforced while providing wide publicity and educating the farmers on quality issues. The nodal agencies should decide, in consultation with the State Governments, the location and number of purchase centres to be set up much in advance of the marketing season. The information regarding number and location of purchase centres should be given wide publicity through media, radio, television, leaflets, etc

(Action: Ministry of Consumer Affairs, Food and Public Distribution,

Department of Food an Public Distribution)

12.10 The Market Intervention Scheme (MIS) needs to be reviewed to make it more flexible and easy. The provision of sharing of losses by the State Government(s) under the Scheme also needs to be re-examined.

(Action: Ministry of Agriculture, Department of Agriculture & Cooperation)

12.11 Use of Information Technology need to be extensively promoted to provide market-led extension services to farmers and other market functionaries. The ongoing Central Sector Scheme of establishing 'market information network' should provide coverage to all the wholesale agricultural markets in the country during the 10th Plan period. It should also be diversified to promote nationally and internationally acceptable standards of grading and standardization, packaging and labelling, storage and warehousing and sanitary and phyto-sanitary measures and quality certification to enable trade and processing sector to undertake large scale agricultural marketing operations in domestic as well as international markets. In markets where there is manpower constraint to operate the scheme, services can be procured from private entrepreneurs with suitable incentives and provision of necessary infrastructure in the market yards.

(Action: Ministry of Agriculture, Department of Agriculture & Cooperation)

12.12 Marketing Research, Training and Extension services to stake holders would aim to create an ambiance of Good Marketing Practices in the country to protect the interest of farmers as well as consumers. The National Institute of Agricultural Marketing (NIAM), Jaipur should be the nodal agency for implementation of training, extension and research programs in Agricultural Marketing. For the purpose, the Institute will collaborate with State Agricultural Universities, State Agricultural Marketing Boards, Directorate of Marketing, Ministry of Agriculture & Cooperation and International Agencies involved in promoting agricultural Marketing.

(Action: Ministry of Agriculture, Department of Agriculture & Cooperation)

13. The endeavour of the Government at the Central as well as State level should be to operationalize the recommendations made in this report in a time bound manner. The measures relating to infrastructure development should be taken up for implementation during the X Plan period through appropriate schemes and programmes.

With a view to monitor the implementation of the aforesaid recommendations, a Monitoring Committee of officials may be constituted under the Chairmanship of the Joint Secretary (Agricultural Marketing), Department of Agriculture & Cooperation, along with representatives from the Department of Consumer Affairs, the Department of Food and Public Distribution, Ministry of Law, Ministry of Finance, Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NABARD) and National Cooperative Development Corporation (NCDC).

(Action: Ministry of Agriculture, Department of Agriculture & Cooperation)

14. The agriculture markets have the potential to act as a powerful tool for improving the economic viability of agriculture, for reduction of rural poverty and for achieving sustainable agriculture development. The Task Force believes that with effective implementation of the recommended measures by the concerned Governments and the Agencies, agricultural markets will achieve nationwide integration enabling the country to meet the challenges posed by liberalization of trade. The reforms package would also enhance the competitiveness of the Indian farmer in the global market empowering him to take advantage of the emerging market access opportunities in the wake of WTO.

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ANNEXURE-I

No. 11016/3/2000-M II
Government of India
Ministry of Agriculture
Department of Agriculture & Cooperation
Krishi Bhavan, New Delhi,

Dated the 4th July, 2001.

OFFICE ORDER

Constitution of Inter-Ministerial Task Force to examine the recommendations of the Expert Committee on Strengthening and Developing of Agricultural Marketing.

An Expert Committee set up by the Ministry of Agriculture, Department of Agriculture and Cooperation on 'Strengthening and Developing of Agricultural Marketing' under the Chairmanship of Shri Shankerlal Guru has submitted its final report to the Government on 29.06.2001. The Expert Committee has made several recommendations in its report for consideration of the Government. These recommendations pertain to several Department.

2. With a view to examine these recommendations and to suggest measures to be taken for implementing them, an inter-ministerial Task Force is hereby constituted under the Chairmanship of Shri R.C.A Jain, Additional Secretary, Department of Agriculture and Cooperation, Ministry of Agriculture. Among others, the Task Force shall make recommendations on the measures to be taken in respect of the following:

I. The legislative reforms considered necessary in making the agricultural marketing system in the country more effective and efficient.

II. Institutional and other policy support measures for management of price risk, credit market information networks required to develop agricultural marketing in the country to meet the emerging challenges of trade liberalization;

III. Supportive marketing infrastructure development required in the country within Government, Cooperative and private sectors from farm level upwards;

3. The composition of the Inter-Ministerial Task Force shall be as under:

(1) R.C.A. Jain, **… Chairman**

Additional Secretary,

Department of Agriculture & Cooperation, Krishi Bhavan, New Delhi.

(2) **Shri Santosh Nautiyal,**

Additional Secretary,

Department of Consumer Affairs, Krishi Bhavan, New Delhi.

(3) **Shri K.D. Singh,**

Additional Secretary,

Department of Legal Affairs

Shastri Bhavan, New Delhi.

(4) **Dr. V. K. Taneja,**

Animal Husbandry Commissioner,

Department of Animal Husbandry & Dairying,

Krishi Bhavan, New Delhi.

(5) **Shri Shekhar Aggarwal,**

Joint Secretary,

Banking Division,

Ministry of Finance,

Jeevan Deep Building, Parliament Street, New Delhi.

(6) **Shri B.K. Bal,**

Joint Secretary,

Department of Food & Public Distribution,

Krishi Bhavan, New Delhi.

(7) **Ms. Vibha Puri Das,**

Joint Secretary,

Department of Food Processing Industries,

Panch Sheel Bhavan, August Kranti Marg, New Delhi.

(8) Shri R. Gopalan,

Joint Secretary,

Ministry of Commerce,

Udyog Bhavan, New Delhi.

(9) Shri D.K. Trehan,

Economic & Statistical Adviser,

Directorate of Economics & Statistics,

Department of Agri. & Cooperation,

Krishi Bhavan, New Delhi.

(10) Chairman,

Agricultural Products Export Development Authority (APEDA),

National Cooperative Union Bank of India.

3, Institutional Area, August Kranti Marg, Hauz Khas, New Delhi-110 016

(11) Shri D. Tikku,

Managing Director,

National Dairy Development Board,

Post Box No, 40, Anand - 388 001, Gujarat.

(12) Shri J.P. Negi,

Executive Director,

National Horticulture Board,

85, Institutional Area, Sector - 18, Gurgaon - 122015, Haryana.

(13) Shri N.K. Choubey,

Managing Director,

Central Warehousing Corporation,

4/1, Siri Institutional Area, Hauz Khas, New Delhi.

(14) Shri Priyadarshi Thakur,

Managing Director,

National Agri. Cooperative Marketing Federation of India Ltd. 1, Siddhart Enclave, Ashram Chowk, Ring Road, New Delhi.

(15) Shri M.V.S. Chelapathi Rao,

Managing Director,

NABARD, Mumbai.

(16) M. Tahir,

Executive Director,

Reserve Bank of India.

Mumbai.

(17) Shri Sudhir Kumar,

Managing Director,

Small Farmers Agri Business Consortium (SFAC)

New Delhi.

(**18) Shri T.R. Verma,**

Director General,

National Institute of Agricultural Marketing,

Kota Road, Bambala, Near Sanganer, Jaipur

.**(19) Shri R. Vishwanathan,**

Director,

Planning Commission,

Yojana Bhavan, New Delhi.

(**20) Shri P.K. Agarwal,**

Agricultural Marketing Adviser,

Directorate of Marketing and Inspection

527,-A, Nirman Bhavan, New Delhi.

4. The Task Force may invite representatives of selected State Governments/UT Administrations to participate in its meetings.

5. The Inter-Ministerial Committee shall submit its Report within a period of three months from the date of

issue of the order.

(M. Senapaty)

Director (Marketing)

Distribution:

All Members of the Committee (by name) along with a copy of the "Report of Expert Committee on Strengthening and Developing of Agriculture Marketing". .

Copy to :

1. PStoAM

2. PS to MaS (A)

3. PS to Secretary (A&C) 4. PS to AS (J)

5. AMA

ANNEXURE-II

List of Groups Constituted by Inter-Ministerial Task Force

1.Group on Legal Reforms

a.	Shri R.C.A. Jain, Additional Secretary Department of Agriculture & Cooperation	Chairman
b.	Additional Secretary Department of Consumer Affairs	Member
c.	Agricultural Marketing Adviser, Directorate of Marketing & Inspection	Member
d.	Managing Director, Small Farmers Agri Business Consortium	Member
e.	Executive Director, Reserve Bank of India	Member

2.Group on Alternative Marketing/Direct Marketing

a.	Shri D. Tikku Managing Director, National Dairy Development Board	Chairman
b.	Managing Director, National Horticulture Board	Member
c.	Managing Director, National Cooperative Development Corporation	Member

d.	Chairman, Agricultural & Processed Food Products Export Development Authority	Member

3.Group on Forward & Futures Markets

a.	Dr. Kalyan Raipuria Econom ic Adviser, Department of Consumer Affairs	Chairman
b.	Chairman, Forward Markets Commission	Member
c.	Managing Director Small Farmers Agri-Business Consortium	Member
d.	Executive Director Reserve Bank of India	Member

4.Group on Warehousing Receipts

a.	Shri N.K. Choubey Managing Director, Central Warehousing Corporation	Chairman
b.	Managing Director, Small Farmers Agri-Business Consortium	Member
c.	Managing Director, National Bank for Agriculture & Rural Development	Member

d. Joint Secretary, Member

Department of Banking

e. Managing Director, Member

National Cooperative Development Corporation

5.**Group on Pledge Financing**

a. Shri M.V.S. Chelapathi Rao Chairman

Managing Director,

National Bank for Agriculture & Rural Development

b. Managing Director, Member

National Cooperative Development Corporation

c. Managing Director, Member

National Agriculture Cooperative Marketing

Federation of India Ltd.

d. Joint Secretary, Member

Department of Banking

e. Executive Director, Member

Reserve Bank of India

6.**Group on Price Support Policy**

a. Shri D.K. Trehan Chairman

Economics & Statistical Adviser, Department of Agriculture &

Cooperation

b. Managing Director, Member

National Agriculture Cooperative Marketing Federation of India Ltd.

c. Executive Director, Member

Reserve Bank of India

d. Joint Secretary, Member

Department of Food & Public Distribution

e. Member, Member

Commission for Agricultural Costs and Prices

7.**Group on Market Infrastructure**

a. Shri P.K. Mishra, Chairman

Managing Director,

National Cooperative Development Corporation

b. Managing
Director, Member

National Dairy Development Board

c. Chairman, Member
Agricultural & Processed Food Products

Exports Development Authority

d. Managing Director, Member

National Horticulture Board

e. Managing Director, Member

National Bank for Agriculture & Rural Development

8.Group on Market Extension Training & Research

a. Shri V. Ramnath Chairman

Director General,

National Institute of Agricultural Marketing

b Director, Member

Planning Commission

c. Director General, Member

National Institute of Agricultural

Extension Management (MANAGE)

d. Joint Secretary(Ext.), Member

Department of Agriculture & Cooperation

9.Group on IT in Marketing

a. Shri P.K. Agarwal Chairman

Agricultural Marketing Adviser,

Directorate of Marketing & Inspection

b Chairman, Member Agric
ultural & Processed Food Products

Exports Development Authority

c. Managing Director, Member

National Bank for Agriculture & Rural Development

d. Director General, Member

National Institute of Agricultural Marketing

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Annexure III

INCIDENCE OF MARKET CHARGES AND TAXATION IN DIFFERENT STATES

Sl. No.	Name of the State	Market fee	License fee Rs. per annum	Market charges Rs. Per unit	Commission Charges	Octroi	Sales Tax	Remarks
1	Andhra Pradesh	All commodities-1 % (Except fish where it is 0.50 %)	Traders – ‘A’--125 ‘B’—75 ‘C’--50 ‘D’--25	1.Weighing—0.50 to 0.75 2.Unloading—0.50 to 0.75 3.Brokers –nil 4.Hamal --0.50 to 0.75 5.Cleaning --0.75 to 1.00 6.Loading –0.50 to 0.75	F&V-4% Others - 1 to 2 %	nil	All Commodities (except Maize, Jowar, Ragi, Bajra, Coarse grains) 4 %	
2	ArunachalPradesh	All commodities –2 %	Traders--1500 Comm.Ag.—1000 Weighman—200 Hamal—100	1.Weighing—nil 2.Unloading—nil 3.Brokers –nil 4.Hamal --nil 5.Cleaning --nil	F&V-nil Others -nil	nil	nil	

3	Assam	All commodities—1 %	Traders – Rs. 10	1.Weighing -- 2.Unloading— 3.Brokers – 4.Hamal -- 5.Cleaning -- Markets are not in operation *	nil	nil	All commodities (except rice, wheat,pulm,f&v,fish,gur,atta, maida etc.)—4 to 8 %	* Not collected as markets are not in operation
4	Delhi	F & V--1% Food grains—1 %	Traders – 'A'--100 'B'—100 'C'—100 'D'—100 'E'--50	1.Weighing—0.70/bag 2.Unloading—0.70/bag 3.Brokers –nil 4.Hamal --nil 5.Cleaning --0.40/bag	F&V-6 % Food grains & Pulses -2.% Chillies -2.5 %	nil	F & V- nil Oilseeds-3 % Methi-7 %	
5	Gujarat	All commodities-0.5 %	1.Comm.Agents-Rs.100/annum 2.Traders 'A' -75 'B'- 50 'C'- 5 to 30	1.Weighing -- 1 to 2.5 depending upon weight of bag 2.Unloading-- 2.5 3.Brokers--6 4.Hamal—1/bag 5.Cleaning --nil	1.F&V 6% 2.Food Grains 2%	0.2 to 4%	1.Spices --3% 2.Aniseed--2% 3.Cotton --4% 4. Isabgol—2 % 5. Cummin—2 % 6. Ajwain—2 %	Other agricultural commodities exempted from Sales tax

6	Goa	All commodities-1 %	Traders 'A' - 150 'B'- 100 'C'- 50	1.Weighing -- 2.Unloading -- 3.Brokers -- 4.Hamal -- 5.Cleaning 100/Truck	nil	nil	1.Betelnut -- 2% 2.Cashewnut -- 2% Coconut, F&V, Cattle & Milk exempted from Sales Tax	Entry Fee Cattle – Rs.10/head Vehicle- Rs.10/truck
7	Haryana.	All commodities-2 %	Traders – 'A'--100 'B'—60 'C'--20	1.Weighing —0.55 2.Unloading—0.40 3.Brokers – 0.16 4.Hamal -- 1.0 5.Cleaning --0.65	F&V- 5% Others -2.50%	nil	F&V – nil Food grains— 4 % Pulses—4 % Oilseeds—4 %	
8	Karnataka	**1.Food Grains- 1%(advalorum)** **2.Livestock- Cattle- Rs.5/head** **-Sheep/Goat- Rs1/head**	1.Traders/Comm.Agents Rs.200 2.Others Rs.100 3.Retail Traders Rs.25	1.Weighing 0.50 to 3 2.Unloading 1 to 3 3.Brokers 0.50 to 10 4.Hamal 1 to 3 5.Cleaning 1 to 3	1.F&V- 5% 2.Food Grains - 2%	nil	1.Foodgrains- nil 2.Pulses -2% 3.Oilseeds-4%	Market fee exempted for Industrial & Export Purchases.

9	Kerala	**There is no fix rate**	No APMC	1.Weighing -- 2.Unloading— 3.Brokers – 4.Hamal -- 5.Cleaning -- No APMC	nil	nil	Rs. 4 to 8 %	There is no market regulation and hence no prescribed charges.
10	M.P.	**All commodities-2 %**	Traders – 1000/-anum Processor- 1000/-anum	1.Weighing 2.Unloading 3.Brokers 4.Hamal 5.Cleaning different rates in each market	nil	nil	NA	Developmentcess from traders only – 1 to 5%.
11	Maharashtra	**All commodities-0.75-1.0 %**	Traders – Rs.3 to 200 Rate varies from market to market	1.Weighing — 2.Unloading— 3.Brokers – 4..Hamal -- 5.Cleaning – Various rates in diff. markets	F&V-7 to 8 % Others -2 to 4 % Spices —7 %	nil	All agricultural commodities are exempted from Sales Tax	Entry fee – Rs.10/truck.

12	Meghalaya	**All commodities-1 %**	As per provision of the Act	1.Weighing—nil 2.Unloading—nil 3.Brokers –nil 4.Hamal --nil 5.Cleaning --nil	F&V—nil Others -nil	nil	nil	
13	Nagaland	**All commodities-** **2 %** **Live stock-Rs5/head**	Traders --100	1.Weighing—0.50/Qtl 2.Unloading—5.0/Truck 3.Brokers –nil 4.Hamal --nil 5.Cleaning --1.0/Truckload 6. Service charges-0.50/Qtl	F&V-2 % Others -2 %	nil	nil	
14	Rajasthan	**All commodities—1.60 %**	Traders –200 Comm.Ag—200 CA cum Tr--300	1.Weighing—1 to 2 2.Unloading—0.50 to 1 3.Brokers –2 4.Hamal --1 to 4 5.Cleaning --1 to 2	F&V-6 % Others -2 %	nil	F & V—nil Foodgrains—4 % Pulses & Oilseeds—2% Coarse grains--nil	Surcharge on Sales Tax –15 %

15	Tripura	**All commodities-2%**	Traders – Rs 20 to 50	1.Weighing—2.50 2.Unloading—2.50 3.Brokers – 4.Hamal -- 5.Cleaning --5.00	nil	nil	Nil (for all agricultural commodities)	Entry fee Rs1/head
16	Uttar Pradesh	All commodities-2 %+ 0.50 % DevelopmentCess	Traders –Rs. 250 Retailers— Rs.100	1.Weighing—0.50/Qtl 2.Unloading—0.50/Qtl 3.Hamal -- 1.0/Qtl 4.Cleaning --1.00/Qtl 5 Brokers – 0.50 %	F&V-3 % Others -1.50%	nil	Foodgrains-4 % Pulses-2 % Oilseeds & Others- 4 %	
17	West Bengal	Cereals—0.50 % Others—1 %	Traders – 150 Comm.Ag.--200	1.Weighing— 2.Unloading 3.Brokers – 4.Hamal -- 5.Cleaning -- No fixed rates, varies as per local charges for other activities	No fixed rates	nil	NA	Purchase Tax on Jute—4 %

ANNEXURE-IV

CONTROL ORDERS ISSUED BY VARIOUS STATE GOVERNMENTS

1.	**Andhra Pradesh**	1. The Exhibition of Price Lists of Goods Order, 1966. 2. The AP. Prevention of Hoarding of Foodgrains Order, 1973. 3. The AP. Coarsegrains (Requisitioning of Stocks) Order, 1973. 4. The AP. Huller Rice Mills (Regulation of Working Hours) Order, 1973. 5. The AP. Sheller and Combined Sheller Huller Rice Mills (Non-Trading) Regulation of Working Hours Order, 1973. 6. The A.P. Scheduled Commodities (Regulation of Distribution of Card System) Order, 1973. 7. The Scheduled Commodities Regulations, 1973. 8. The A.P. Catering Establishments (Fixation and Display of Prices ofFoodstups) Orders, 1978. 9. The A.P. Livestock Feed (Levy & Restriction on Sale) Order, 1981. 10. The AP. Scheduled Commodities Dealers (Licensing & Distribution) Order, 1982. 11. The AP. Essential Commodities Distribution & Movement (Requisitioning of Vehicles at Fixed Freight) Order, 1983. 12. The AP. Rice Procurement (Levy) Order, 1984. 13. The AP. Petroleum Products (Licensing and regulation of Supplies) Order, 1980. 14. The AP. Storage of Essential Commodities (Requisitioning of Godowns) Order, 1986.

2.	**Arunachal Pradesh**	1. The Arunachal Pradesh Motor Spirit/High Speed Diesel (Licensing and Control) Order, 1992. 2. The Arunachal Pradesh Public Distribution of Article Order, 1992. 3. The Arunachal Pradesh declaration of stock and prices of Essential Commodities Order, 1992. 4. The Arunachal pradesh Kerosene (Licensing and Distribution) Control Order, 1992. . 5. The Arunachal Pradesh Cooking Gas (Licensing and Distribution) Control Order, 1992. 6. The Arunachal Pradesh Food Stuffs (Display of Prices by Catering Establishment) Order, 1983. 7. The Arunachal Pradesh Foodgrain (Licensing and Control) Order, 1984. 8. Arunachal Pradesh Food Stuff (Hoarding) and (Profiteering) Control Order, 1989. 9. Arunachal Pradesh Food Stuff (Distribution) Control Order, 1980.
3	**Assam**	1. The Assam Public Distribution of Articles Order, 1982. 2. The Assam Paddy and Rice Procurement (Levy and Licensing) Order, 1995. 3. The Assam Trade Article (Licensing and Control) Order, 1982.
4.	**Bihar**	1. The Bihar Trade Articles (Licenses Unification) Order, 1984.
5.	**Chhattisgarh**	1. Rice Procurement Levy Policy. 2. Chhattisgarh (Food Stuffs), Public Civil Supply Distribution Scheme, 2001. Rest of the Control Orders as in Madhya Pradesh have been enforced.
6.	Delhi	1. The Delhi Foodgrains Dealers Licensing Order, 1988. 2. The Delhi Wheat (Licensing & Control) Order, 1996. 3. The Delhi Pulses (Licensing of Dealers) Order, 1974.

		4. The Delhi Sugar Dealers Licensing Order, 1963. 5. The Delhi Bread (Licensing of Dealers and Regulation of Distribution) Order, 1975. 6. The Delhi specified Articles (Regulation of Distribution) Order, 1981. 7. The Delhi salt (Manufacture, Movement & Price) Control Order, 1960. 8. The Delhi (Display of Prices and Stocks of Scheduled Essential Commodities) Order, 1977. 9. The Delhi Essential Articles (Price Control) Order, 1977. 10. The Delhi Edible Oils (Procedure for Identification and Declaration of Unadulterated stocks) Order, 1998. 11. The Delhi Rice (Levy) Order, 1981. 12. The Delhi Kerosene Oil (Export & price) Control Order, 1962.
7.	Goa	1. The Goa, Daman & Diu Controlled Commodities (Regulation of Distribution) Order 1966. 2. The Goa, Daman & Diu Foodstuff Dealers Licensing Order, 1979. 3. The Goa, Daman & Diu Kerosene Oil (Export and Price) Control Order, 1975.
8.	**Gujarat**	1. Gujarat Essential Articles (Licensing, Control and Stock Declaration) Order, 1981 2. Gujarat Essential Articles Dealers (Regulation) Order, 1977. 3. Gujarat Catering Establishment (Display of price of meals, Refreshment and Beverages) Order, 1975. 4. Gujarat Foodstuffs (Regulation of use or Disposal in sacrifice) Order, 1969. 5. Gujarat Rice Procurement (Levy) Order, 1984.
9.	**Haryana**	1. The Haryana Commodities Price Marking and Display Order, 1975. 2. Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 1993. 3. The Motor Spirit and High Speed Diesel (Regulation of Supply and Distribution and Prevention of Malpractices) Order, 1998.
10.	**Himachal** **Pradesh**	1. H.P. Coal Licensing and Price Control Order, 1989. 2. H.P. Trade Articles (Licensing and Control) Order, 1981. 3. H.P. Specified Essential Commodities (Regulation and Distribution) Order, 1979. 4. H.P. Hoarding and profiteering Prevention Order, 1977. 5. H.P. Commodities Price Marketing and Display Order, 1977.
11.	Jammu	Not reed.

	& Kashmir	
12.	**Jharkhand**	Not reed.
13.	**Karnataka**	1. Karnataka Foodstuffs (Display of Prices by Catering Establishments) Order, 1983. 2. Karnataka Essential Commodities Licensing Order, 1986. 3. Motor Spirit and High Speed Diesel (Prevention of malpractices in Supply and Distribution) Order, 1993. 4. Karnataka Essential Commodities (Public Distribution System) Control Order, 1992.
14.	Kerala	1. The Kerala Essential Articles Control (Temporary Powers) Act, 1961. 2. The Kerala Khandasri/Gur Dealers' Licensing Order, 1963. 3. The Kerala Foodgrains Dealers' Licensing Order, 1967. 4. The Kerala Sugar Dealers' Licensing Order, 1967. 5. The Kerala Kerosene Control Order, 1968. 6. The Kerala Pulses Dealers' Licensing Second Order, 1972. 7. The Kerala Cotton Textiles (Controlled Cloth) Dealers' Licensing Order, 1975. 8. The Kerala Edible Oilseeds, Edible Oils and Babyfood Dealers' Licensing Order, 1975. 9. The Ke ral a Tea (Registration of dealers and Declaration of Stocks) Order, 1983. 10. The Kerala Rationing Order, 1966.
15.	**Madhya Pradesh**	1. Madhya Pradesh Essential Commodities (Display and Regulation of Prices) Order 1977. 2. Madhya Pradesh (Food Stuffs) Pulses Supply Restriction Scheme, 1991. 3. Madhya Pradesh Scheduled Commodities Dealers (Licensing and Restriction on Hoarding) Order, 1991. 4. Madhya Pradesh Motor Speed and High Speed Diesel Oil (Licensing and Control) Order, 1980. 5. Madhya Pradesh Kerosene (Restriction on Use and Maximum Price Control) Order, 1993. 6. Madhya Pradesh Rice Procurement (Levy) Order, 1970.
16.	**Maharashtra**	1. The Maharashtra Scheduled Articles (Display and Marking of Prices), Order, 1966. 2. The Maharashtra Kerosene Dealers Licensing Order, 1966. 3. The Maharashtra Foodgrains Rationing (Second) order, 1966.

		4. The Maharashtra Scheduled Articles (Display of Stocks and Prices by Wholesale Dealers) Order, 1969. 5. The Maharashtra Scheduled Commodities (Regulation & Distribution) Order, 1975. 6. The Maharashtra Catering Establishments (Display and Marking of Prices), Order, 1977. 7. The Maharashtra Scheduled Commodities Retail Dealer's Licensing Order, 1979. 8. The Maharashtra Levy Sugar (Regulation & Distribution) Order, 1981. 9. The Maharashtra Cattle Fodder (Transport Control) Order, 1985. 10. The Maharashtra Scheduled Commodities Wholesale Dealers Licensing Order, 1998. 11. The Maharashtra Sugar & Khandasari Retail Dealers (Storage Control) Order, 1992.
17.	**Manipur**	Nil
18.	**Meghalaya**	1. The Meghalaya Cotton Cloth and Yarn Dealers Licensing Order, 1973. 2. The Meghalaya Food (Restriction on Service of Meals by Catering Establishments) Order, 1975. 3. The Meghalaya Foodgrains (Licensing and Control) Order, 1985. 4. The Meghalaya Food stuff (Distribution) Control Order, 1976. 5. The Meghalaya Food stuff (Prohibition of withholding from sale) Order, 1976. 6. The Meghalaya Food stuff (Display of prices by catering establishment) Order, 1982. 7. The Meghalaya Guest Control Order, 1973. 8. The Meghalaya Kerosene (Licensing and Distribution) Control Order, 1988. 9. The Meghalaya Liquified Petroleum Gas (Regulation for sale and Distribution) Order, 1988. 10. The Meghalaya Pulses, Edible Oilseeds and Edible Oils (Licensing and Control) Order, 1979. 11. The Meghalaya Rice (Prohibition of use of Rice for distillation of liquor) Order, 1974. 12. The Meghalaya Roller Flour Mills and Chakki Mills Wheat-products (ex-mill) Price Control Order, 1980. 13. The Meqhalaya Scheduled Article (Display and Marketing of Prices Order) 1975. 14. The Meghalaya Sugar Dealers Licensing Order, 1973.

		15. The Meghalaya Vanaspati Dealers Licensing Order, 1974.

ANNEXURE-V

List of Essential Commodities Presently existing in the Essential Commodities Act, 1995. Declared under Clause (a) of Section 2 of the Act

1. Cattle fodder, including oilcakes and other concentrates.

2. Coal, including coke and other derivatives.

3. Component parts and accessories of automobiles.

4. Cotton and woollen textiles.

5. Drugs.

6. Foodstuffs, including edible oilseeds and oils.

7. Iron and Steel, including manufactured products of Iron & Steel.

8. Paper, including newspirnt, paperboard and strawboard.

9. Petroleum and Petroleum products.

10. Raw Cotton, either ginned or unginned and cotton seed.

11. Raw Jute.

Declared as essential through notification under sub-clause (xi) of clause (a) of Section 2 of the Act.

12. Jute textiles.

13. Fertilizer, whether inorganic, organic or mixed.

14. Yarn made wholly from cotton.

15. Exercise Books.

16. Insecticides, Fungicides, Weedicides and the like.

17. (i) Seeds of food crops and seeds of fruits and vegetables, (ii) Seeds of cattle fodder and (iii) Jute seeds.

18. Onion.
