

# Status of Agricultural Marketing Reforms

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*Workshop on*

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## Status of Agricultural Reforms- A review

### Introduction

1. Agricultural marketing policy in India has been characterized by State participation in production activities; State intervention in procurement and distribution of foodgrains; directing agricultural economy through regulatory mechanism such as licensing and control on movement, storage; creation of facilitating centres in the form of regulated markets; encouraging co-operative marketing; creation of supporting infrastructure like storage and warehousing; and construction of link roads, market information, marketing extension, etc.

2. Current Agricultural marketing system in India is the outcome of several years of Government intervention. The system has undergone several changes over the last 60 years owing to the increased marketed surplus; increase in urbanization and income levels and consequent changes in the pattern of demand for marketing services; increase in linkages with distant and overseas markets; and changes in the form and degree of Government intervention. Actual buying and selling of commodities mainly takes place in market yards, sub-yards and Rural Periodic Markets spread throughout the country. There are in all 7,246 Regulated Markets in the country (as on 30.6 2011) and 21,238 Rural Periodic Markets, about 20 per cent of which, function under the ambit of regulation (**Annexure-I**).

3. Law is essential to any orderly system in a large scale. Laws establish the framework of property, contractual and other rights that form the foundation of markets and are the primary means of regulating the behaviour of participants in markets and the consequences of their actions. Legal reform is one of the key tools available to policy makers wishing to reform agricultural marketing system. Programme to liberalize agricultural marketing have to be based on adequate understanding of relationship between law and the functioning of marketing system. The developing countries world over have recognized the importance of market liberalization programme and the need for legal reforms intended to improve the efficiency and effectiveness of marketing system.

4. In the pre-Green Revolution period, regulation of markets and marketing practices was accepted as one of the most important measures for improvement of agricultural marketing. The strategy for development of agricultural sector through development of an agricultural marketing system, centered around the Market Committee constituted under the State Marketing Legislations. The democratically constituted market committees with representation from all stakeholders and farmers were conceived to be an ideal and cohesive model for the farmers and other market participants to prosper. Except the States of Jammu and Kashmir, Kerala, Manipur and small Union Territories such as Dadra and Nagar Haveli, Andaman and Nicobar Islands, Lakshadweep, etc. all other States and UTs in the country have enacted State Marketing Legislations. The regulatory provisions are enforced by Agricultural Produce Market Committees, established under the Act.

## **Review of Existing Legal Framework (APMC Act)**

5. The legal and administrative framework for regulation and management of agricultural produce markets has mainly been provided in the provisions of more than 27 Regulated Markets Acts in vogue in different States and Union Territories of the country. Although the purpose of enactment of these Acts is basically the same i.e. regulation of trading practices, increased market efficiency through reduction in market charges, elimination of superfluous intermediaries and protecting the interest of producer-seller, many of these Acts differ even in vital contents. All the same, the States and UTs where such Regulated Market Acts have not been enacted and enforced have some administrative arrangements to look after the subject though rudimentary and of varied pattern. An attempt has been made to highlight the important aspects, problems and suggestion thereof.

(a) Commodity coverage: The manner of notifying the commodities for regulation varies from State to State. Some States like Andhra Pradesh and Himachal Pradesh have included all the commodities in the schedule or within the definition of the agricultural produce on the other hand in case of Punjab, Madhya Pradesh, Maharashtra, Rajasthan, Gujarat, etc though the schedule of the commodities has been appended to the respective Acts, yet control could be exercised only on such commodities from amongst these included in the schedule, as are specified in the notification in respect of each market, despite the fact that some more agricultural commodities arrive in the markets which are intended to be regulated.

(b) Market Committee: The responsibility of enforcing different provisions of the Acts, Rules and Bye-laws framed thereunder for regulation of markets has been vested with the Market Committee in all the State Acts. In case of Tamil Nadu, only one Market committee is constituted for all the regulated markets located in the district. The number of members of the Market Committees vary from 10 to 17 in different States. They are either elected or nominated by Government in accordance with provisions of the State Act.

(c) Agricultural Marketing Boards: The institution of Agricultural marketing Board was established for expeditious execution of the market development work. In some States like A.P., Odisha and Tamil Nadu the Boards are advisory in nature and in the States of Punjab, Haryana, Rajasthan, W.B., Karnataka and Maharashtra are statutory in nature and have powerful role. There are wider variation in their composition and functioning.

(d) Demarcation of functions between Director Marketing and Board: The review of function of the Board revealed that functions assigned to the Board in Punjab, Haryana, Rajasthan, U.P. are wide and therefore, gives an impression that these Boards are slightly over stepping the principal purpose of their establishment. Most of the States have also State Agricultural Marketing Departments and in many of the States, Director of marketing also functions as Managing Director or Secretary of the State agricultural Marketing Board. Therefore, it is necessary that functions of the Director marketing and Board may be defined clearly for smooth functioning and

implementation of the Act. The Director Marketing may look after the statutory regulation, standardization and grading, market intelligence, etc and Board may be assigned the work of development of infrastructure, market research and training, etc.

6. Though market regulation programme has initially served the purpose well, in the emerging scenario, several questions relating to the functioning and even relevance are being raised. The institution of regulated markets set up to strengthen and develop agricultural marketing in the country has achieved limited success in providing transparent transactional methods/marketing practices, need based amenities and services conducive to efficient marketing, marketing information and extension services. In a comprehensive study of agricultural marketing system in India during the last fifty years (Acharya, 2004) several problems associated with regulated markets have been identified:

(i) The marketing committees do not allow the traders to buy from the farmers outside the specified market yards or sub-yards. This adds to avoidable cost of marketing;

(ii) Despite expansion in the number of regulated markets, the area served per market yard is quite high. The national average is 454 square km and in some states like Assam, Himachal Pradesh, Meghalaya, it is considerably higher. The farmers are, therefore, required to travel long distances to reach a market place. With small surplus to sell, most of the farmers try to evade these markets;

(iii) Though the Acts stipulate for the provision of some prescribed facilities and amenities in each market yard, in several markets, the facilities/ amenities actually created are far from the prescribed norms;

(iv) Apart from the primary assembling markets, there are 21,238 Rural Periodic Markets (RPMs), where small and marginal farmers and livestock owners come in contact with the market economy. Most of these (80 per cent) have not been developed which hinders the market orientation of rural areas;

(v) In several States, regular elections of APMCs are not being held. These have been superseded by the Government and, for long, are being administrated by bureaucrats. They have thus, lost the characteristic of farmers-dominated managerial bodies (APMCs). The staff remains overly occupied in collection of market fees and construction work rather than market development;

(vi) With the expansion in the market arrivals, there is considerable congestion in several market yards. This leads to undue delays in the disposal of the farmers produce resulting in long-waiting periods and frustration for the farmers;

(vii) In several markets, malpractices like late payment to farmers are still prevalent and deduction of certain amount for cash or spot payment and non-issue of sale slips by traders have continued unabated;

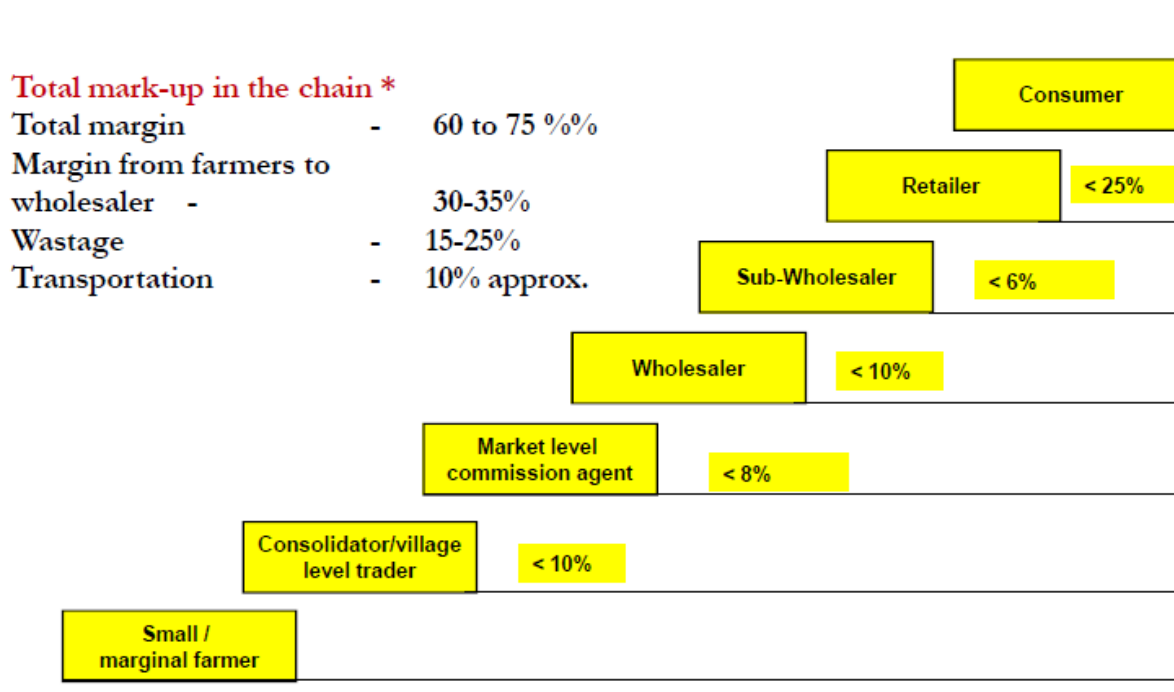
(viii) Market functionaries (like traders, commission agents and labourers) in some markets have organized themselves in strong associations and thus, have created barriers to entry of new functionaries;

(ix) Market fee, by definition, is the charge for the services provided to market functionaries. But a considerable part of the market fee is not ploughed back. In some States, this has even become a source of income for the government. The market fee varies from 0.5% to 2% and Commission Charges from 2 to 8% across States depending upon the type of commodity; and

(x) By and large, the APMCs have emerged as some sort of Government sponsored monopolies in supply of marketing services/ facilities, with all drawbacks and inefficiency associated with a monopoly.

### Need for Model APMC Act

7. The supply chain of agriculture products remain very fragmented with a large number of intermediaries. A study by Global AgriSystem of Fruit & Vegetable supply chain in four metros (Delhi, Mumbai, Bangalore and Kolkata) revealed that, on an average there are 5-6 intermediaries between the primary producer and the consumer. The total mark up in the chain added upto 60-75%. As a result the primary producers receive only 20-25% of the consumer price. Moreover, multiple handling by different intermediaries resulted in huge wastage of 15-25% of the value.



\* Based on survey conducted by Global AgriSystem in four metros.

8. With increased quantity of marketable surplus coming into the market and the fact that the income from market fee is generally not being ploughed back for developing infrastructure, there has been huge gap in marketing infrastructure. Under NHM, only 11 States have taken initiative in establishing 109 cold storages and eight states have established 51 apni mandies. There is virtually no progress in the setting up of wholesale markets except in Kerala. Only 1637 grading units at the primary level, which include 125 units with cooperatives and 144 units with others. In Regulated markets, there are only 1368 grading units in a total of 7246 market yards/sub-yards. Only around seven percent of the total quantity sold by farmers is graded before sale. Scientific storage capacity is only 30 per cent of the required capacity. Cold Storage facility is available for only 9 per cent of fruits and vegetables.

9. Due to the glaring gaps in marketing infrastructure, existing markets operate very inefficiently and the transaction costs are high. Multiple handling by various players in the fragmented supply chain and the lack of warehouse and cold storage facilities also result in high post-harvest losses. A recent ICAR study on Status of Post-Harvest losses reveals the following:

Crop	Minimum % Loss	Maximum % Loss
Cereals	3.9 (Sorghum)	6.0 (Wheat)
Pulses	4.3 (Chick Pea)	6.1 (Black Gram)
Oilseeds	2.8 (Cottonseed)	10.1 (Groundnut)
Fruit	5.8 (Sapota)	18.0 (Guava)
Vegetables	6.8 (Cauliflower)	12.4 (Tomato)
Spices	3.9 (Black Pepper)	7.4 (Turmeric)
Livestock	0.8 (Milk)	6.9 (Inland Fish)

10. Rural Periodic markets which are basically primary assembly markets such as *Haat*, *Bazaar* are most neglected. There is wide variation in their governance. While in some States they come under the purview of Panchayati Raj institutions, in other states they are directly under the local administration. The numbers of such Rural Periodic Markets may vary from 21,000 to 70,000. Most of them do not have even basic amenities like sheds to protect the users from the scorching heat of the sun or drinking water. The condition of cattle markets and fish markets are even move

appalling. In most States they do not come under the purview of Agriculture Marketing Board/Department and are in a state of utter neglect.

11. The current marketing system also suffers from multiple tax regime and multiple licensing system. Apart from the market fees, commission charges, octroi entry tax, sales tax, weighing charges, labour charges for handling, loading and unloading, purchase tax, Rural Development cess etc. are charged. In Punjab, the total market charges on transactions of foodgrains are around 15.50%. (market fee 2%, Development charges 2%, Purchase Tax 4%, Commission charge – 2%, Infrastructure cost 1.5%, VAT 4% ad valorem apart from the charges for weighing – Rs.0.55, loading – R.0.40, Brokerage – Rs.0.16, Hamal Rs.1 and cleaning 0.65/bag/ctl.) Commission charges in the market area varies between 2-5% in foodgrains and 4-8% in case of fruit and vegetables for different commodities across the States. There is lack of uniformity in market fee across States. Multi-point levy of market fee in sales transactions leads to high marketing cost. Separate mandies for cereals and fruits-vegetables require obtaining more than one license. There is also variation in period of validity of license. Separate license to be obtained for other market functionaries viz weighmen, Palledars etc. There are conditions imposed for licensing. Most State Marketing Boards have made it a pre-condition that the licensee must own a shop or warehouse in the Mandi which imposes severe restrictions on the number of licensed buyers. These restrictions result in logistical complexities and create inefficiencies in the value chain. Declaration of warehouses at the time of applying license increases warehousing and logistics costs. Procedure for filing of APMC returns and mandi fee payment (periodicity) is not uniform across the States.

12. In view of the existing conditions as described above, it is felt urgent reforms are needed in agricultural marketing. To be effective, the reforms must try to a) empower producers with knowledge, information and capability to undertake market-driven production b) provide multiple choice and competitive marketing channels to farmers c) provide efficient service at a reasonable transaction cost, and d) attract large scale investment needed for building post-harvest infrastructure.

13. The matter had been under continuous scrutiny during the last eleven years. On the recommendation of the Expert Committee for Agricultural Marketing (Government of India, 2001), the Inter-Ministerial Task Force (Government of India, 2002) recommended for formulation of Model Act for this purpose. Accordingly, the Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India, in consultation with State Governments, trade and industry has formulated a Model APMC Act and circulated to the States during 2003 for its adoption.

14. The Model Legislation provides for establishment of Private Markets/Yards, Direct Purchase Centers, Consumer/Farmers Markets for direct sale and promotion of Public Private Partnership in the management and development of agricultural markets in the country. It also provides for separate constitution for Special Markets for Commodities like Onions, Fruits, Vegetables, Flowers, etc. A separate Chapter has been included in the legislation to regulate and promote contract-farming arrangements in the country. It provides for prohibition of commission agency in any

transaction of agricultural commodities with the producers. It redefines the role of present Agricultural Produce Market Committee to promote alternative marketing system, contract farming, direct marketing and farmers/consumers markets. It also redefines the role of State Agricultural Marketing Boards to promote standardization, grading, quality certification, market led extension and training of farmers and market functionaries in marketing related areas. Provision has also been made in the Act for constitution of State Agricultural Produce Marketing Standards Bureau for promotion of Grading, Standardization and Quality Certification of agricultural produce. This would facilitate pledge financing, e-trading, direct purchasing, export, forward/futures trading and introduction of negotiable warehousing receipt system in respect of agricultural commodities. The Salient Features of Model Act is given at **Annexure-II**.

### **Model APMC Rules**

15. In order to facilitate State/UT Governments to frame Rules, the Ministry of Agriculture in consultation with the stakeholder framed Model APMC Rules and circulated to all States during 2007 for their guidance. Only the State of Andhra Pradesh, Rajasthan, Maharashtra, Orissa, Himachal Pradesh, Karnataka, Mizoram (only Single point levy of market fee), Madhya Pradesh (only for special license for more than one market) and Haryana (only for contract farming) have notified such amended Rules so far which varies in their contents and coverage. The progress of market reforms is given at **Annexure-III**.

### **Review of implementation of Market Reforms**

16. The status of implementation of market reforms by the States is given as under:

(i) *Adoption of provision related to Private markets*

The Model Act suggests provisions for private markets or yards managed by persons other than APMCs. Out of 35 states and UTs, the States of Andhra Pradesh, Arunachal Pradesh, Assam, Gujarat, Goa, Himachal Pradesh, Karnataka, Madhya Pradesh ( only direct purchase), Maharashtra, Mizoram, Nagaland, Orissa (excluding for paddy / rice), Rajasthan, Sikkim, Tripura, Jharkhand and Uttarakhand have the provision for private market yards but Rules/bye-laws have not been formulated by all. Tamil Nadu is stated to have provided enabling provision through executive orders and Madhya Pradesh has provision for direct purchase and not for private market. Andhra Pradesh has formulated Rules, which stipulate a license fee of Rs 50,000 and minimum cost of Rs 10 crores for setting up of private markets. Orissa has not permitted private markets for paddy/rice. Some States have also prescribed a minimum distance of these markets from the APMC markets. Such stipulations are likely to be prohibitive and may not encourage private markets. Only the States of Maharashtra, Karnataka, Gujarat and Tamil Nadu have issued license to Private Markets. However, only one Private Market has come up in Maharashtra so far, but is reported to be having problems.



(ii) Provision for Direct marketing

The Model Act provides for granting licenses to processors, exporters, graders, packers, etc. for purchase of agricultural produce directly from farmers. The States of Andhra Pradesh, Arunachal Pradesh, Assam, Gujarat, Goa, Himachal Pradesh, Karnataka, Madhya Pradesh ( only direct purchase), Maharashtra, Mizoram, Nagaland, Orissa (excluding for paddy / rice), Rajasthan, Sikkim, Tripura, Jharkhand and Uttarakhand have so far made this provision. In Andhra Pradesh, the license fee (Rs 50,000) prescribed for such a procurement centre is prohibitive. In Punjab and Chandigarh, there is an exemption of market fee for direct purchases of certain commodities by selected/identified processors. The States of Maharashtra, Gujarat and Karnataka have issued common license for direct procurement from farmers.

(iii) Provisions for Contract Farming

The Model Act provides for permitting contract farming by registration of contracts with APMCs, allowing purchase of contracted produce directly from farmers outside market yards, and exemption of market fee on such purchases. So far, the States of Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Himachal Pradesh, Haryana, Jharkhand, Karnataka, , Maharashtra, Mizoram, Nagaland, Punjab, Chandigarh (enabling provision in Rules), Orissa, Rajasthan, Sikkim, Tripura and Uttarakhand have incorporated these provisions, except the exemption of market fee. Only 11 States have exempted the market fee on purchases under contract agreements. The States of Karnataka has only exempted 30% of market fee under contract farming. Andhra Pradesh APMC Act requires the buyer to render a bank guarantee for the entire value of the contracted produce. One of the biggest concerns is that APMC, who is the major market player, is also a registering authority for contract farming and the arbitration process is not time bound.

(iv) Single Point levy of Market Fee

Only 13 States have provided provisions for single point levy of market fee. However, the rates of market fee vary generally between 0.50% to 2.00%. In many States, market fee is recovered by APMCs not only at the check-gates for transactions carried out in the notified area of APMCs but also outside the physical APMC yard thus, hampering the smooth flow of goods and services. In addition to above, in some of the States, additional developmental fee/cess/purchase tax is levied on the commodities traded in the market. For example, in Punjab the total markets charges on transactions of foodgrains are around 15.50% (Market Fee-2%, development Cess-2%, Purchase Tax-4%, Commission Charge-2%, Infrastructure Cost-1.5%, VAT-4%,) ad valorem apart the charges for weighing-Rs.0.55, loading-Rs.0.40, Brokerage-Rs.0.16, Hamal-Rs.1 and cleaning0.65/bag/qtl ). Besides, this fee/cess, the commission agents also charge their commission (payable by the buyers) on the transaction. In many states the agricultural commodities are subjected to cascading market fees when traded in subsequent markets within the State or in other States. The states of Chhattisgarh, Gujarat, Goa, Himachal Pradesh, Madhya Pradesh, Mizoram, Karnataka, Nagaland, Sikkim, UT of Chandigarh, Punjab, Jharkhand and Uttarakhand have made the provision for single point levy of fee.

(v) Commission Agents

Commission agents in the market provide an essential service to both buyers and sellers. The existing APMC Acts authorize APMCs to prescribe the rate of commission and also to specify whether to be collected from buyer, seller or both (though the first Model Act of 1960s desired that the farmer or seller should not be required to pay any charge including the commission). While Madhya Pradesh has reportedly abolished the system of commission agents in agricultural produce markets, the commission is payable by sellers in AP, Tamil Nadu and Delhi. In all other States, it is payable by the buyers. The commission charges vary from 1% to 2.5% in food grains, and 4% to 8% in case of fruit and vegetables. It has been reported that transactions of fruit and vegetables, the commission is charged from both buyers and sellers. The model Act, 2003 stipulates prohibition of commission agents in any transaction of agricultural produce of the farmers. The States of Madhya Pradesh, Chhattisgarh, Mizoram, Nagaland and Sikkim have amended the Act and made the provision, it is doubtful whether this provision will be implemented in letter and spirit.

(vi) Establishment of Farmers markets (Direct Sale by the Farmers)

With a view to provide the opportunity to farmers to undertake sale of their produce direct to the consumers, the model APMC Act, 2003 provides for establishment of such markets where no market fee is levied on farmers, though some service charge may be imposed. Such markets can be established either by the APMCs or by any person licensed by the APMC for this purpose. However, long before the circulation of Model Act, several States had promoted Farmers' Market. These include Punjab and Haryana (Apni Mandi), Rajasthan (Kisan Mandi), Andhra Pradesh (Raythu Bazar), Tamil Nadu (Uzhavar Shanthigal), Maharashtra (Shetkari bazaar) and Odisha (Ksushak bazaar). These markets have benefitted both farmers and consumers; but it has been noted that with lapse of time, small traders have taken over the place of farmers in many of these markets. Seventeen states have made provisions in their Act. The states of Arunachal Pradesh, Assam, Gujarat, Goa, Himachal Pradesh, Karnataka, Mizoram, Maharashtra, Nagaland, Rajasthan, Sikkim, Tripura, Punjab (only enabling provision), UT of Chandigarh (only enabling provision), Jharkhand and Uttarakhand have made provisions in their Act.

(vii) Sale of notified commodities outside the Market Yard by farmers

There is a huge variation in the density of regulated markets in different parts of the country. While the all-India average area served by a regulated market is 454 sq km, the same is 103 sq. km for Punjab and 11,215 sq km in Meghalaya. Though the original Act allowed the sale of produce by the farmers at any place in the market area (outside market yard or sub-yard) to a licensed buyer or consumer, the APMCs have restricted such sales, mainly with the intention of checking the evasion of market fee. Under the present APMC Act, the whole geographical area in the State is divided into and declared as market areas. A Market Committee constituted by the State Governments manages each of these markets. Once a

particular area is declared a market area, no person or agency is allowed to carry on wholesale marketing activities in that area without obtaining license for the same. This restriction has led to large intermediation and effectively resulted in limiting market access to farmers and prevented development of a competitive marketing system in the country.

(viii) Declaration of some markets as special commodity markets

Already there are special markets for fruit and vegetables. The Model Act 2003 provides for declaration of any market as a special market or special commodity market with proper market infrastructure. The States Andhra Pradesh, Gujarat, Maharashtra, Karnataka, Nagaland, Sikkim, Tamil Nadu, Tripura, Jharkhand and Uttarakhand have only made this provision in their amended Act.

(ix) Mandatory utilization of Market committee fund for Market development

The existing State APMC Acts provide for creation of market committee funds to meet establishment expenses and cost of market development. The market development fund is created at the level of SAMB with contributions from APMCs. The development heads vary from market to market depending on the volume of transactions and number of market players visiting and using the market yards. There is no specific provision in the Act, which prohibits spending of Market Committee fund or development fund on purposes other than market development. As a consequence, a considerable part of these funds built out of market fee is transferred to the general account of the State Governments. To check such practices, the Model Act provides for application of market committee fund or development fund for creation and promotion, on its own or through public-private partnership, infrastructure of post-harvest handling, cold storage, pre-cooling facilities, pack houses, etc. for modernizing the marketing system. Out of seventeen States, which have recently amended their Acts, three have no such suggested provision. The Progress of Market Reforms as per major areas identified in Model APMC ACT is given at **Annexure-IV**.

### **Committee of State Ministers In-charge Agricultural marketing to promote Reforms**

17. In spite of the efforts and repeated persuasion by the Ministry of Agriculture, reforms in agricultural marketing have not come up to a level of satisfaction, thereby affecting private investment in the sector for efficient marketing in the country. During the conference of State Ministers of Agriculture/Agricultural Marketing organized by the Department of Agriculture and Co-operation on 23rd April, 2008, a general consensus was that Ministry of Agriculture may constitute an Empowered Committee of State Ministers of Agricultural Marketing to guide the implementation of agricultural marketing reforms initiatives and for improving a framework for the APMC amendments and Market Reforms in agriculture. Accordingly, the Ministry of agriculture set up a Committee of State Ministers-in-charge Agricultural Marketing under the Chairmanship of Hon'ble Minister of Marketing and Co-operation, Government of Maharashtra on 2nd March, 2010 with members from the States of

Orissa, Haryana, Gujarat, Uttarakhand, Madhya Pradesh, Andhra Pradesh, Assam, Karnataka, Bihar and Agricultural Marketing Adviser to the Government of India as a Member Secretary. The Committee had six meetings so far with the member States and other stakeholder and discussing the issues related to market reforms. The interim report of the Committee has been submitted to Government on 8<sup>th</sup> September, 2011. The major recommendations of the committee are given at **Annexure-V**.

### **Essential Commodities Act, 1955**

18. State Governments often issue control orders promulgated under the EC Act adversely affecting trading in agricultural commodities such as food grains, edible oils, pulses and sugar. These control orders broadly relate to licensing of dealers, regulation of stock limits, restrictions on movement of goods and compulsory purchase under the system of levy. Due to the restrictive provisions of the Essential Commodities Act 1955 and various control orders issued there under, private investment in large scale storage and marketing infrastructure including in the areas of contract farming, direct marketing have not been very encouraging. Lack of long term stable policy in this regard has created uncertainty in the minds of investors about the long term viability of such investments. It is important to make a distinction between an investor and a black marketer/hoarder in the application of the EC Act, 1955 to encourage investment in storage and marketing infrastructure and deter the black marketer/hoarder to indulge in unhealthy practices.

### **Emerging alternative Marketing Models**

19. Modern Terminal Markets (TMC): has been conceptualized and introduced as a new item under National Horticulture Mission (NHM), which is proposed to be implemented in a Public Private Partnership (PPP) mode by establishing the Hub (Main Market) and Spokes (Collection Centers) model by private entrepreneurs. There is a provision of equity participation by Producer Associations upto 26% of the total equity in the TMC. This Scheme is reform linked and would be implemented in those States who have amended their APMC Act. The Terminal Market complex (based on PPP model) at Patna (Bihar) and Perundurai and Chennai (Tamil Nadu) has been approved under National Horticulture mission (NHM). In principle approval to the TMC projects of Madurai (T.N.), Nagpur, Babangaon (Mumbai) and Sambalpur (Odisha) have been accorded. However, no Terminal Market has been established anywhere as yet. TMC would ensure direct procurement from producers which will enhance better price realization by the producers and lower prices for the final consumers. The private sector can bring in the required investment and management skills for successful development of these markets.

20. Contract farming: Farming under contracts, which confer benefits to both producer and purchasers, for ensuring assured and remunerative marketing opportunities to the farmers by way of assured procurement of the produce of desired quality by the contract farming sponsor from the contract (producer at a pre-

determined price (either at a fixed rate or formula) is called contract farming. The contract-farming sponsor may also provide input and technology support to the contract producer including extension support for desired quality and specification/standards of agricultural produce. The model APMC Act 2003 stipulates institutional arrangement for registration of sponsoring companies, recording of Contract Farming Agreement, indemnity for securing farmers' land and lays down a time bound dispute resolution mechanism. Contract farming has been prevalent in various parts of the country for commercial crops like sugarcane, cotton, tea and coffee, etc. There have been several recent private sector initiatives in direct procurement from farmers i.e. M/s Pepsi Foods Pvt. Ltd, Tata Rallies, Mahindra Shubh Labh, Cargill India, etc. These corporate are entering into partnership with farmers and providing them inputs, R & D and extension support, credit, processing services and marketing avenues. The focus on the contract arrangement has been towards the elimination of waste, productivity enhancement and increase in farm income.

21. ITC e-Choupal : ITC e-choupal model promoted by ITC seeks to address the constraints faced by the Indian farmer arising out of small and fragmented farm holding, weak infrastructure, supply chain intermediaries and the lack of quality and real time information. ITC has set up small internet kiosks at the village level to provide farmers real time market information related to prices, availability of inputs, weather data and other matters related the farmers. Local level farmers, called 'Sanchalak' man these kiosks. Online extension services are also provided. It is estimated that ITC intervention in supply chain has permitted farmers to increase their sales realization by 10-15%. Further, ITC has succeeded in generating procurement cost saving to the tune of 3-4% allowing it to incrementally improve its competitive position.

### **Review of Unregulated Markets**

22. As per the provisions of Madras Commercial Crop Act, 1933, 4 regulated markets were functioning in Malabar region under Malabar Market Committee in Kerala. However, these markets were closed as per the direction of Hon'ble High Court. As such there is no market regulation in Kerala. There are 6Agricultural Wholesale Markets in Kerala under the control of State Agricultural department, out of which 3 are Urban Whole Sale Markets and 3 are Rural Wholesale Markets. The Agricultural Urban Wholesale Market in Maradu, is one of the main wholesale market in Ernakulam district. The market authorities charge rent for the stalls from the traders. The traders buy produce from farmers and also bring from other states. Farmers bring their produce to the market once in a week and the traders buy directly from them. At present this Market is not charging anything from the farmers or traders for this service.

23. **APPTA Market** :(Agricultural Products Producers and Traders Association Market) is a Modern Fruit and Vegetables Market constructed at Nagercoil near Kanyakumari in Tamil Nadu. It is the important major assembling centre for fruit and vegetable in a radius of 50 km. The infrastructure facilities provided in the markets

are wholesale shops (131), retail shops (504), covered auction hall, open auction platforms, storage godowns, precooling / ripening chambers and drying yard. Input shops for fertilizer, seed, pesticides and grocery shops are also constructed in the market complex. Provision is made for other public utilities like drinking water, drainage, toilets, post office, bank, internet kiosk, police out post, bus stop, farmers guest house, tea shops, hotel and restaurant.

24. Appropriate handling capacity of the market is 3,000 MT of Fruit and Vegetables per day. The arrivals are reported from within the district and neighbouring Tirunelveli and Tuticorin districts in Tamil Nadu. Despatches are mainly to Kerala markets and some quantity to the northern districts of Tamil Nadu, Chennai and Bangaluru. The revenue for the market is from entrance fee, rent and maintenance charges. The Association cites unexpected risk factors such as high investment , higher land cost, high interest burden, less amount of subsidy and lack of government support as the main reasons why the market is financially weak and they are unable to repay the bank loan.

25. **Unregulated Markets in Bihar** : In the State of Bihar, the APMC Act has been repealed w.e.f. September, 2006. The existing market infrastructures created earlier by the Bihar State Agricultural Marketing Board in the State are used by the Trader and operating from their shops allotted to them on rent. The Nodal Officer (SDM) is in-charge of the unregulated markets and no market fee are charged from the farmers. However, other charges towards loading/unloading/Hamal charges are in vogue. Similar is the situation in other unregulated markets where there is no regulation through State APMC Act. However, in the absence of any regulator/facilitator, these unregulated markets are deprived of development of marketing infrastructure and may become inhospitable and exploitative to the users in course of time

#### **26 Advent of Virtual Markets:**

One of the recent phenomena in agriculture marketing in India has been the advent of Virtual Markets. The virtual market in the context of Agriculture Marketing may be defined as “an electronic market which enables producers and buyers in the supply chain to access each other spread across the country, with a view of transact at the most efficient and transparent prices, thereby reducing the cost of intermediation, improving marketing efficiency and producers’ realisation coupled with reduction in consumer paid price”. Example of such virtual markets is Future exchange, Spot Exchange, Warehouse Receipt System and Web Marketing. The functions of these markets are enabled by ICT based market information. Out of the above forms of virtual markets, spot exchanges and negotiable warehouse receipt system effect physical delivery of the goods and may therefore be recognised as more effective marketing instruments for the primary producers. Producers can hedge their goods or take pledge loans against the warehouse receipts so that they are not forced to resort to distress sales. However today, the spot exchanges seem to be operating in a legal vacuum as there is no specific law regulating them. Some States have issued licenses to Spot Exchanges as a buyer under the existing APMC acts. There

is a need for Government of India to enact a legislation to enable spot exchanges to function on pan-India basis without any conflict with State APMC laws.

### **27. *Need for Alternative Marketing Structures:***

Although reforms in APMC laws is a step in the right direction, it is felt that by itself it may not succeed in bringing in the desired results. India is a country of small producers with an average land holding of 1.6 ha. Most of these small and marginal farmers are not in a position to deal with the buyers on an equitable footing. Therefore, there is a crying need to empower the farmers by aggregation. Different organisational structures for aggregation have been tried in the past including Self-Help Groups (SHGs), Joint Liability Groups (JLG), Farmers' Associations, Producers' Company etc. So far they have not been very successful due to lack of support. There a need for the Government and financial institutions to support such farmers' organisations through technical, managerial and financial help, atleast in the beginning till they become strong enough to stand by themselves. Innovative institutional structures such as the Lead Farmers Model, Public Land Bank etc should be tried out. Financial assistance can be provided through creation of Agriculture Risk Funds for small and marginal farmers, Venture Capital or Seed Capital assistance. Once a strong farmer organisation is formed, they can be linked to retailers, producers or exporters. The existing laws of marketing should be amended, if required, to facilitate such direct sales.

### **Conclusion and Recommendations**

28. It is evident from the forgoing paragraphs that APMC reforms are taking place in bits and pieces in various States. However, the pace and uniformity in the reform process is very slow. The 53<sup>rd</sup> Meeting of the NDC suggested to complete the process of market reforms by all the States up to the end of March, 2008 whereas, only 17 states have amended their Acts and only 9 states have framed their APMC Rules which considerably vary in their content and coverage. Therefore, APMC Act needs to be completely revisited by incorporating provisions of Model APMC Act and newer institutional arrangements for price discovery and transparency and enhancing efficiency in food marketing chain expeditiously. The time frame for completing the pace of market reform may be fixed by the State Governments and completed latest by the end of March, 2012. This will facilitate all round development of agricultural marketing in the country by facilitating development of marketing infrastructure through private sector investments and create avenues for alternate marketing channels for farmers for sales transactions of their produce where prices are remunerative to them. The alternative marketing models would also ensure market efficiency and competitiveness, special facilities for specialized functions e.g. exports, special facility for institutional buyers, cash and carry, sale to far of markets, different pricing for different quality products, adequate storage facilities, etc.

29. In conclusion, we would also like to recommend some overarching policy option for reforms in agriculture marketing which will ensure a paradigm shift. Agriculture is a State subject. However, Inter-State trade and commerce is a subject under the

Union list. With frequent movement of agriculture products across States borders, the advent of electronic trading and the setting up of virtual markets, it is felt that agriculture market should be moved to the Concurrent List in the Constitution. Even if the Constitutional amendment is not carried out, the Government may consider enacting a “Inter-State Agriculture Produce Trade and Commerce Regulation Act” under entry 42 (Inter-State Trade and Commerce) of the Union list, to facilitate movement of agricultural products across States and ensure a barrier-free unified All India market.

30. As stated above, Government of India should also bring spot exchanges under its regulatory control either by enacting a separate legislation or by amending the Forward Markets Commission Act. As far as the APMC Act is concerned, it is felt that perishable commodities such as fruits and vegetables, milk and fish should be de-notified from the APMC Act or exempted from market fees. It is also felt that the provision regarding licensing of buyer is onerous and often misused to restrict competition. It should be sufficient that the buyers are routinely registered instead of being licensed.

31. If agriculture has to grow at a rate in excess of 4% per annum, the much needed reforms in agriculture marketing is a must to ensure that the farmers get a higher realisation without putting additional burden on the consumers.

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## NUMBER OF WHOLE SALE, RURAL PRIMARY &amp; REGULATED MARKETS IN INDIA

AS ON 31.03.2011

Sr. No.	STATE/U.TS	NUMBER OF MARKETS			REGULATED MARKETS		
		Whole - Sale	Rural Primary	Total	Principal	Submarket Yards	Total
1	Andhra Pradesh	329	576	905	329	576	905
2	Arunachal Pradesh	6	63	69	16	113	129
3	Assam	405	735	1140	20	206	226
4	Bihar *	325	1469	1794	* APMR	Act	Repealed
5	Jharkhand	205	603	808	28	173	201
6	Goa	4	24	28	1	7	8
7	Gujarat	207	129	336	196	218	414
8	Haryana	284	189	473	106	178	284
9	Himachal Pradesh	42	35	77	10	38	48
10	Jammu & Kashmir	26	8	34	APMR	Act not yet	implemented
11	Karnataka	504	730	1234	152	352	504
12	Kerala	348	1014	1362	APMR	Act not	enacted
13	Madhya Pradesh	241	1321	1562	241	276	517
14	Chhattisgarh	2	1132	1134	73	112	185
15	Maharashtra	880	3500	4380	299	581	880
16	Manipur	20	98	118	APMR	Act not	enacted
17	Meghalaya	35	84	119	2	-	2
18	Mizoram	10	105	115	APMR	Act not	implemented
19	Nagaland	19	174	193	18	Nil	18
20	Orissa	398	1150	1548	45	269	314
21	Punjab	488	115	603	139	349	488
22	Rajasthan	431	312	743	129	302	431
23	Sikkim	7	12	19	1	-	1

24	Tamil Nadu	300	677	977	277	15	292
25	Tripura	84	554	638	21	-	21
26	Uttar Pradesh	584	3464	4048	249	356	605
27	Uttarakhand	36	30	66	25	33	58
28	West Bengal	279	2925	3204	43	641	684
29	A & N Island	0	0	0	APMR	Act not enacted	
30	Chandigarh	1	0	1	1	-	1
31	D & N Haveli	0	8	8	APMR	Act not enacted	
32	Daman & Diu	0	2	2	Reported	Nil	
33	Delhi	30	0	30	8	13	21
34	Lakshadweep	0	0	0	APMR	Act not enacted	
35	Puducherry	9	0	9	4	5	9
	Total	6539	21238	27777	2433	4813	7246

**Note: -- \* Bihar Agril. Produce Marketing (Regulation) Act Repealed from 1<sup>st</sup> September, 2006.**

In West Bengal sub yards include cold storages and hence figures of total regulated markets and wholesale markets are not comparable.

All principal regulated markets are wholesale markets, whereas sub market yards may / may not be a wholesale market as it also includes some of Rural Primary Markets notified for regulation.

**Salient Features of Model APMC Act**

1. The Title of the Act is changed to highlight the objective of development of agricultural marketing in addition to its regulation under the Act. Accordingly, the Preamble of the Act is redrafted to provide for development of efficient marketing system, promotion of agri-processing and agricultural exports and to lay down procedures and systems for putting in place an effective infrastructure for the marketing of agricultural produce. (Section-1)
2. Legal persons, growers and local authorities are permitted to apply for the establishment of new markets for agricultural produce in any area. Under the existing law, markets are setup at the initiative of State Governments alone. Consequently, in a market area, more than one market can be established by private persons, farmers and consumers. (Section-3)
3. There will be no compulsion on the growers to sell their produce through existing markets administered by the Agricultural Produce Market Committee (APMC). However, agriculturist who does not bring his produce to the market area for sale will not be eligible for election to the APMC. (Section-14)
4. Separate provision is made for notification of 'Special Markets' or 'Special Commodities Markets' in any market area for specified agricultural commodities to be operated in addition to existing markets. (Section-20)
5. The APMC have been made specifically responsible for:
  - a) ensuring complete transparency in pricing system and transactions taking place in market area;
  - b) providing market-led extension services to farmers;
  - c) ensuring payment for agricultural produce sold by farmers on the same day;
  - d) promoting agricultural processing including activities for value addition in agricultural produce; and
  - e) publicizing data on arrivals and rates of agricultural produce brought into the market area for sale.
  - f) Setup and promote public private partnership in the management of agricultural markets. (Section -26 & 27)
6. Provision made for the appointment of Chief Executive Officer of the Market Committee from among the professionals drawn from open market. (Section-36)
7. A new Chapter on 'Contract Farming' added to provide for compulsory registration of all contract farming sponsors, recording of contract farming agreements, resolution of disputes, if any, arising out of such agreement, exemption from levy of market fee on produce covered by contract farming agreements and to

provide for indemnity to producers' title/ possession over his land from any claim arising out of the agreement. (Chapter-VII)

8. Model specification of contract farming agreements provided in the Addendum to the model law.

9. Provision made for direct sale of farm produce to contract farming sponsor from farmers' field without the necessity of routing it through notified markets. (Chapter-VII)

10. Provision made for imposition of single point levy of market fee on the sale of notified agricultural commodities in any market area and discretion provided to the State Government to fix graded levy of market fee on different types of sales. (Section-42)

11. Licensing of market functionaries is dispensed with and a time bound procedure for registration is laid down. Registration for market functionaries provided to operate in one or more than one market areas. (Section-44)

12. Commission agency in any transaction relating to notified agricultural produce involving an agriculturist is prohibited and there will be no deduction towards commission from the sale proceeds payable to agriculturist seller. (Section-44(6))

13. Provision made for the purchase of agricultural produce through private yards or directly from agriculturists in one or more than one market area. (Section-45)

14. Provision made for the establishment of consumers'/ farmers' market to facilitate direct sale of agricultural produce to consumers. (Section-46)

15. Provision made for resolving of disputes, if any, arising between private market/ consumer market and Market Committee. (Section-50)

16. State Governments conferred power to exempt any agricultural produce brought for sale in market area, from payment of market fee. (Section-56)

17. Market Committees permitted to use its funds among others

- i) to create facilities like grading, standardization and quality certification;
- ii) to create infrastructure on its own or through public private partnership for post harvest handling of agricultural produce and development of modern marketing system. (Section-59)

18. For the Chairmanship of State Agricultural Marketing Board, two options provided namely Minister in-charge of Agricultural Marketing as ex-officio or alternatively to be elected by the Chairman/ members of Market Committees. (Section-63)

19. The State Agricultural Marketing Board made specifically responsible for:

- i) setting up of a separate marketing extension cell in the Board to provide market-led extension services to farmers;
- ii) promoting grading, standardization and quality certification of notified agricultural produce and for the purpose to set up a separate Agricultural Produce Marketing Standards Bureau. (Section-73)

20. Funds of the State Agricultural Marketing Board permitted to be utilized for promoting either on its own or through public private partnership, for the following:

- i) market survey, research, grading, standardization, quality certification, etc.;
  - ii) Development of quality testing and communication infrastructure.
  - iii) Development of media, cyber and long distance infrastructure relevant to marketing and e-trading of agricultural and allied commodities. (Section-79)
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## Annexure-III

### Progress of Reforms in Agricultural Markets (APMC Act) as on 30.09.2011

Sl. No.	Stage of Reforms	Name of States/ Union Territories
1.	States/ UTs where reforms to APMC Act has been done for <i>Direct Marketing; Contract Farming and Markets in Private/ Coop Sectors</i>	Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, , Maharashtra, Mizoram, Nagaland, Orissa, Rajasthan, Sikkim, Tripura and Uttarakhand.
2.	States/ UTs where reforms to APMC Act has been done partially	a) <u>Direct Marketing:</u> Madhya Pradesh, NCT of Delhi b) <u>Contract Farming:</u> Haryana, Punjab and Chandigarh. c) <u>Private markets</u> Punjab and Chandigarh
3.	States/ UTs where there is no APMC Act and hence not requiring reforms	Bihar*, Kerala, Manipur, Andaman & Nicobar Islands, Dadra & Nagar Haveli, Daman & Diu, and Lakshadweep.
4.	States/ UTs where APMC Act already provides for the reforms	Tamil Nadu
5.	States/ UTs where administrative action is initiated for the reforms	Meghalaya, Haryana, J&K, West Bengal, Puducherry, NCT of Delhi and Uttar Pradesh.

\* APMC Act is repealed w.e.f. 1.9.2006.

#### Status of APMC Rules

Only the State of Andhra Pradesh, Rajasthan, Maharashtra, Orissa, Himachal Pradesh, Karnataka, Mizoram (only Single point levy of market fee), (Madhya Pradesh (only for special license for more than one market) and Haryana (only for contract farming) have notified such amended Rules so far.

## Annexure - IV

### Progress of Market Reforms as per major areas identified in Model APMC ACT

Sl. No.	Area of Reforms	States adopted the suggested area of market reforms
1.	Initiative for setting up of new market by any person, local authority or grower	Chhattisgarh, Goa, Assam, Mizoram, Nagaland, Sikkim, Tripura, Uttarakhand and Jharkhand
2.	Setting up of Special Markets and Special Commodity Market	Andhra Pradesh, Gujarat, Maharashtra, Karnataka, Nagaland, Sikkim, Tamil Nadu Tripura, Jharkhand and Uttarakhand
3.	PPP in Market Extension activities of Market Committee	Andhra Pradesh, Himachal Pradesh, Karnataka, Nagaland and Sikkim
4.	To promote and encourage e-trading, Market Committee may establish regulatory system, create infrastructure and undertake other activities and steps needed thereto	Gujarat, H.P., Karnataka, Nagaland, Sikkim, Mizoram, and Goa and Maharashtra (under Rule 5 license granted to Commodity Exchanges registered under FMC) and Uttarakhand
5.	Secretary to be Chief Executive Officer of Market Committee. CEO shall be appointed by the Market Committee from the panel maintained by the Director/Board which may include professionals from open market.	Nagaland, Sikkim, Mizoram, Maharashtra (under Rule)
6.	Contract Farming Sponsor shall register himself with the Marketing Committee or with a prescribed officer in such a manner as may be prescribed.	Andhra Pradesh, Arunachal Pradesh, Assam, Goa, Himachal Pradesh, Karnataka, Haryana, Maharashtra, Madhya Pradesh, Mizoram, Nagaland, Orissa, Rajasthan, Chhattisgarh, Sikkim, Tripura, Jharkhand* and Uttarakhand
7.	The contract Farming Sponsor shall get the contract farming agreement recorded with the prescribed officer.	Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Gujarat, Goa, Karnataka, Haryana, Madhya Pradesh, Mizoram, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, Jharkhand* and Uttarakhand
8.	No title, rights, ownership or possession shall be transferred or alienated or vest in the contract farming sponsor or his successor or his agent as a consequence arising out of contract farming agreement.	Arunachal Pradesh, Assam, Goa, Haryana, Maharashtra, Mizoram, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, Jharkhand*, Andhra Pradesh, Karnataka and Uttarakhand
9.	Dispute settlement mechanism	Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Gujarat, Goa, Karnataka, Haryana, Madhya Pradesh, Mizoram, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, Jharkhand*; Himachal Pradesh and Uttarakhand
10.	Exemption of Market Fee on the sales to the contract farming sponsors taking place outside	Arunachal Pradesh, Goa, Karnataka (Reduced by 30%), Maharashtra, Mizoram, Nagaland, Orissa,

	the market yard under the contract farming agreement	Rajasthan, Sikkim, Tripura and Punjab (exempted under the Rules)
11.	Specification of model agreement for contract farming	Chhattisgarh, Gujarat, Goa (As may be prescribed), Karnataka (As may be prescribed, Maharashtra (Rules), Mizoram, Nagaland, Rajasthan, Sikkim, Tripura and Jharkhand*
12.	Single point levy of market fee	Chhattisgarh, Gujarat, Goa, Himachal Pradesh, Madhya Pradesh, Mizoram, Karnataka, Nagaland, Sikkim, UT of Chandigarh, Punjab and Jharkhand and Uttarakhand
13.	Registration (not licensing) of market functionaries and single registration for trade / transaction in more than one market	Assam, Goa, Himachal Pradesh, Maharashtra, Mizoram, Madhya Pradesh, Nagaland, Sikkim, and Jharkhand
14.	No commission agent shall act on behalf of agriculturist seller and no deduction to be made towards commission	Madhya Pradesh, Chhattisgarh, Mizoram, Nagaland and Sikkim
15.	Establishment of private market yard and direct purchase from farmers	Andhra Pradesh, Arunachal Pradesh, Assam, Gujarat, Goa, Himachal Pradesh, Karnataka, Madhya Pradesh (only direct purchase), Maharashtra, Mizoram, Nagaland, Orissa (excluding for paddy / rice), Rajasthan, Sikkim, Tripura, Jharkhand and Uttarakhand
16.	Establishment of consumer / farmer market	Arunachal Pradesh, Assam, Gujarat, Goa, Himachal Pradesh, Karnataka, Mizoram, Maharashtra, Nagaland, Rajasthan, Sikkim, Tripura, Punjab (only enabling provision), UT of Chandigarh (only enabling provision), Jharkhand and Uttarakhand
17.	Power to grant exemption from market fee by the State Government	Andhra Pradesh, Chhattisgarh, Gujarat, Goa, Madhya Pradesh, Maharashtra, Mizoram, Nagaland, Sikkim, Himachal Pradesh and Uttarakhand
18.	Setting up of separate Market Extension Cell in the Board, establishment of State Agricultural Produce Marketing Standard Bureau	Nagaland, Sikkim and Karnataka and Mizoram.

*\*Changed the nomenclature as market oriented farming agreement.*



**Major Recommendations of the Committee of State Ministers Marketing**

The major recommendations of the Committee are as follows:

1. The States are required to amend the APMC Act on the lines of Model Act and the reforming States may also notify Rules at an early date. It is necessary that Member States may complete the process early;
2. There is a need for independent regulator for market operation for which the post of Director Marketing as regulator may be segregated from the post of M.D. of Marketing Board. as the Operator and Director Marketing should not draw salary and allowances from the Marketing Board. Thus, the role of service provider and regulator should be demarcated;
3. In many of the States, there is a provision that for taking a license, there should be shop in the mandi yard, which is hindrance for increasing the number of buyers in the market. Therefore, it was decided that the Member States de-link the provisions of compulsory requirement of shop for registration of traders / market functionaries for increasing the competition;
4. Under Essential Commodities Act, there is a need to have distinction between genuine service provider and black marketers/hoarders, to encourage investment and better service delivery to the farmers. It was recommended to provide exemptions to Direct Marketer, Contract Farming sponsor and Godown owner to the limit of their capacity of utilization of previous year;
5. Member States may maintain a separate account of market fee realized from purchase /sale of perishable horticultural produce and utilize the same for development of marketing infrastructure for horticultural produce exclusively. Member States are required to amend their corresponding Rules to facilitate the same pending with which Member States may consider by issuing and instant appropriate orders to implement the same;
6. It was unanimously agreed that investment in marketing infrastructure under RKVY be increased to minimum 10-15% of State RKVY spending in reformed states. A letter should be issued to the Chief Secretaries of States stipulating such minimum investment. It was further stipulated that efforts be made to encourage certain minimum private investment in marketing infrastructure outside the APMCs also;
7. In order to enhance the private sector investment in marketing and market infrastructure development projects, there is need of incentivizing such investments, being long gestation period projects, by way of **Viability Gap Funding** and treating them “as infrastructure project” so as to help attract FDI and ECB for their development;

8. Market fee/cess including Rural Development Fund, Social Development Fund and Purchase tax etc. should be maximum 2% of the value and the commission charges should be not more than 2% for food grains/oilseeds and 4% for fruits and vegetables;
9. Link the mandi fee with the services and infrastructure being provided for transaction of agricultural commodities. If the direct marketing entrepreneur provides minimum specified infrastructure facility and backward linkage to the farmers, the concerned States/APMC should waive off market fee on such direct marketing;
10. To encourage contracting parties, the following is recommended for simplifying & rationalizing the registration process:
  - a. District level authority may be set up for registration of contract farming and no market fee should be levied under it. The APMC should not be the authority for registration / dispute settlement under contract farming; and
  - b. The disputes may be settled within five days and the decretal amount of appeal should not be more than 10 per cent of the amount of goods purchased under contract farming. Appeal should be disposed off within 15 days. No solvency certificate / bank guarantee may be required, if payment is made to the farmers on the same day of procurement of their produce.
11. With the view to move towards barrier free National market, it was unanimously agreed by the Member States that market fee/Cess can be levied at first transaction only between farmer and trader and in subsequent trading between trader to trader, there should be service charge related to service in the State as well as across the country;

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