Agriculture Marketing

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Introduction

Marketing is an essential component of any enterprise. Farmers are 'agripreneurs' working to enhance their returns and optimize their risks. Major concerns for farmers under marketing are – Price and Distribution Channel

Agriculture marketing is a state subject. Traditionally, farmers have been dependent on local dealers and *aharityas*or *baniyas*. The local dealers used to advance money to the farmers and when the farmers failed to pay the debt, the money lenders confiscated large proportion of farmer's produce leaving little marketable surplus with farmer. This left farmer in perpetual debt or debt trap.

Other issues faced by farmer during marketing:

- undue low prices
- higher costs of marketing and considerable physical losses of the produce in the agricultural marketing system
- No knowledge about demands in the market
- Supply glut in market just after harvest seasonleading to poor prices to the farmers
- Poor warehousing, testing, standardization, weights and measurements services in the market

Agriculture Produce MarketingCommittee Act, 1961

History

The concept of agriculture produce market regulation programme in India dates back to British period as raw cotton was the first farm produce to attract the attention of the Government due to anxiety of British rulers to make available the supplies of pure cotton at reasonable prices to the textile mills of Manchester (UK). Consequently, first regulated market (Karanja) under Hyderabad Residency Order was established in 1886 in the Country and the first legislation was the Berar Cotton and Grain Market Act of 1887, which empowered British Resident to declare any place in the assigned district a market for sale and purchase of agricultural produce and constitute a committee to supervise the regulated markets. This Act became the model for enactment in other parts of the country. An important landmark in the agricultural marketing scene in the country has been the recommendation of the Royal Commission on Agriculture, 1928 for regulation of marketing practices and establishment of regulated markets. One of the measures taken to improve the situation was to regulate the trade practices and to establish market yards in the countryside. In pursuance, Government of India prepared a Model Bill in 1938 and circulated to all the States but not much headway was made till independence. Later, most of the States enacted Agricultural Produce Markets Regulation (APMR) Acts during sixties and seventies and put these in operation. All primary wholesale assembling markets were brought under the ambit of these Acts. Well laid out market yards and sub-yards were constructed and for each market area, an Agricultural Produce Market Committee (APMC) was constituted to frame the rules and enforce them. Thus, the organized agricultural marketing came into existence through regulated markets.

Principles

APMCs operate on two principles:

1. Ensure that farmers are not exploited by intermediaries (or money lenders) who compel farmers to sell their produce at the farm gate for an extremely low price.
2. All food produce should first be brought to a market yard and then sold through auction.

Legal Background of APMCs

Under Constitution of India, agricultural marketing is a state (provincial) subject. While intra-state trades fall under the jurisdiction of state governments, inter-state trading comes under Central or Federal Government (including intra-state trading in a few commodities like raw jute, cotton, etc.). Thus, agricultural markets are established and regulated mostly under the various State APMC Acts.

Most of the state governments and Union Territories have since enacted legislations (Agriculture Produce Marketing Committee Act) to provide for development of agricultural produce markets and to achieve an efficient system of buying and selling of agricultural commodities. 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 such State Marketing Legislations. The purpose 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.

The whole geographical area in the State is divided and each one is declared as a market area which is managed by the Market Committee (APMC) constituted by the State Government. States also constitute a Market Board which supervises these market committees. APMCs generally consist of representatives of farmers, traders, warehousing entities, registrar of cooperative societies etc. Market Boards generally consists of chairmen of all APMCs, representatives from the relevant Government Departments etc.

Once a particular area is declared as a market area and falls under the jurisdiction of a Market Committee, no person or agency is allowed to freely carry on wholesale marketing activities. APMC Acts provide that first sale in the notified agricultural commodities produced in the region such as cereals, pulses, edible oilseed, fruits and vegetables and even chicken, goat, sheep, sugar, fish etc., can be conducted only under the aegis of the APMC, through its licensed commission agents, and subject to payment of various taxes and fee. The producers of agricultural products are thus forced to do their first sale in these markets.

Role of APMC

APMCs are intended to be responsible for:

- ensuring transparency in pricing system and transactions taking place in market area;
- providing market-led extension services to farmers;
- ensuring payment for agricultural produce sold by farmers on the same day;
- promoting agricultural processing including activities for value addition in agricultural produce;
- Publicizing data on arrivals and rates of agricultural produce brought into the market area for sale; and
- Setup and promote public private partnership in the management of agricultural markets

There are about 2477 principal regulated markets based on geography (the APMCs) and 4843 sub-market yards regulated by the respective APMCs in India.

The typical amenities available in or around the APMCs are: auction halls, weigh bridges, godowns, shops for retailers, canteens, roads, lights, drinking water, police station, post-office, bore-wells, warehouse, farmers amenity center, tanks, Water Treatment plant, soil-testing Laboratory, toilet blocks, etc.

State wise differences in APMC

The main differences in Acts of different states/UTs are noted in the following areas:-

Commodity coverage – A few states cover all the commodities while others provide the list.

Market Committee – There are differences in no. of market committees and number of members therein, the appointment of committee members etc.

Agricultural Marketing Boards – variations in powers exercised by the Boards in different states i.e. their role vary from advisory to binding.

Demarcation of functions between Director Marketing and Board – Administrative structure for the implementation structure of the Act vary from state to state in terms of functions assigned.

Positives of APMC:

- Government is protecting farmers' interests against *ahartiyas* and cartelized buyers
- Farmer is aware of all prices being quoted in the market
- Local cooperatives can act against the cartels and raise issue in the dispute redressal committees
- Warehousing facilities, testing facilities, standardized weights and measures etc. can help make trade fairer for the farmers

Critical Analysis of APMC Act

Over the years, APMC has fallen prey to the same evils it was supposed to counter.

- Restriction on direct sale of agriculture produce to exporters, institutional buyers, supermarkets, contractors etc.
- High amount of levies charged from farmers; leading to food inflation and making commodities expensive in export market
- State wise the levies are differing, thereby creating imbalanced market development for farmers
- Inclusion of perishable commodities in the list of commodities – restricting free trading opportunities for exports and causing physical loss to farmers
- Caste and Political biases in the market
- Collusion among the traders to keep the prices down
- APMCs play dual role of regulator and Market. Consequently, their role as regulator is undermined by vested interest in lucrative trade. Generally, member and chairman are nominated/elected out of the agents operating in that market
- Fragmentation of National Agriculture Market
- Farmers are not free to sell produce outside the market limits

Model APMC Act 2003

An efficient agricultural marketing is essential for the development of the agriculture sector as it provides outlets and incentives for increased production and contribute to the commercialization of subsistence farmers. Worldwide Governments have recognized the importance of liberalized agriculture markets. Keeping, this in view, Ministry of Agriculture formulated a model law on agricultural marketing - State Agricultural Produce Marketing (Development and Regulation) Act, 2003 and requested the state governments to suitably amend their respective APMC Acts for deregulation of the marketing system in India, to promote investment in marketing infrastructure, thereby motivating the corporate sector to undertake direct marketing and to facilitate a national market.

The Model APMC Act, 2003 provided for the freedom of farmers to sell their produce. The farmers could sell their produce directly to the contract-sponsors or in the market set up by private individuals, consumers or producers. The Model Act also increases the competitiveness of the market of agricultural produce by allowing common registration of market intermediaries.

Some of the salient features of the APMC Model Act 2003 are as follows

1. Facilitates contract farming model.
2. Special market for perishables.

3. Farmers, private persons can set up own market.
4. Licensing norms relaxed.
5. Single market fee.
6. APMC revenue to be used for improving market infrastructure.

As per the final report of the Committee of State Ministers, in-charge of Agriculture Marketing to Promote Reforms, submitted in January 2013, only 16 States have amended their Act and only six states have notified the amended Rules. There are some States which do not have APMC Act and some have partially amended their Act. **Karnataka Model** provides for a single licensing system, offers automated auction and post auction facilities. It also facilitate warehouse-based sale of produce, facilitate commodity funding, prices dissemination by leveraging technology and private sector investment in marketing infrastructure.

The Model APMC Act does not go far enough to create a national or even state level common market for agriculture commodities. The Act retains the mandatory requirement of the buyers having to pay APMC charges even when the produce is sold directly outside the APMC area. Though the Model Act provides for setting up of markets by private sector, this is not adequate to create competition even within the state since the owner will have to collect fees/taxes on behalf of the APMC in addition to their own charges.

Economic Survey 2014-15 – National Agriculture Market

The Economic Survey 2014-15 emphasizes on the need for a national common agricultural market (a Budget Announcement of 2014-15) and identifies un-integrated and distortion ridden agricultural market as the one of the most striking problems in agriculture growth. The Economic Survey suggests 3 incremental steps as possible solutions for setting up a national market.

1. It may be possible to get all States to drop fruits and vegetables from APMC schedule of regulated commodities and followed by other commodities.
2. State governments may be specifically persuaded to provide policy support for alternative or special markets in private sector.
3. In view of the difficulties in attracting domestic capital for the setting-up marketing infrastructure, liberalization in FDI in retail could create possibilities for filling in the massive investment and infrastructure deficit in supply chain inefficiencies.

As a last resort, the Economic Survey suggests using Constitutional provisions to create a national common market for agricultural commodities.

Economic Survey reemphasize that India needs a national common market for agricultural commodities by making the Agricultural Produce Market Committee just one among many options available for the farmers to sell their produce.

e-National Agriculture Market

The National Agriculture Market is envisaged as a pan-India electronic trading portal which seeks to network the existing APMCs and other market yards to create a unified national market for agricultural commodities. NAM is a “virtual” market but it has a physical market (mandi) at the back end. NAM is proposed to be achieved through the setting up of a common e-platform to which initially 585 APMCs selected by the states will be linked. The Central Government will provide the software free of cost to the states and in addition a grant of up to Rs. 30 lakhs per mandi will be given as a onetime measure for related equipment and infrastructure requirements. In order to promote genuine price discovery, it is proposed to provide the private mandis also with access to the software but they would not have any monetary support from Government.

FOCUS INTERVIEW PROGRAMME

National Agriculture Market Live Trading

State PUNJAB APMC MANSA Commodity SELECT COMMODITY

Commodity	Lot	Weight	Bid Type	Last Bid	Seller	End
COTTON	621-20200130-1	15.00 QUINTAL	Open	5235.00	BASANT SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-2	15.00 QUINTAL	Open	5125.00	BALBIR SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-3	30.00 QUINTAL	Open	5250.00	LAKAH SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-4	25.00 QUINTAL	Open	5250.00	JASWINDER SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-5	24.00 QUINTAL	Open	5205.00	SUKHPAL SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-6	18.00 QUINTAL	Open	5235.00	NAIB SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-7	16.00 QUINTAL	Open	5235.00	CHET SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-8	15.00 QUINTAL	Open	5255.00	SURJEET SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-9	25.00 QUINTAL	Open	5265.00	SOHAN SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-10	18.00 QUINTAL	Open	5175.00	JAGRAJ SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-11	28.00 QUINTAL	Open	5240.00	BALDEV SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-12	20.00 QUINTAL	Open	5175.00	BALDEV SINGH	30-Jan-2020 19:03:12
COTTON	621-20200130-13	28.00 QUINTAL	Open	5250.00	RAVINDER SINGH	30-Jan-2020 19:03:12

eNam Mandis Trade Details

State: -- All -- APMC's: -- Select APMCs -- Commodity: -- Select Commodity -- From date: 01/29/2020 To date: 01/29/2020 Refresh

Trading detail on: 29-01-2020 to 29-01-2020 Page: 1

State	APMC's	Commodity	Price in Rs.			Commodity Arrivals	Commodity Traded	Unit	Date
			Min Price	Modal Price	Max Price				
TELANGANA	WANAPARTHY TOWN	GROUND NUT NEW	2,509	4,889	5,835	4,698	13,882	Qui	29-01-2020
HARYANA	RATIA	PADDY-DUPLICATE BASMATI	2,100	2,571	2,671	1,350	13,223	Qui	29-01-2020
ANDHRA PRADESH	ADONI	COTTON	2,129	4,989	5,143	5,383	11,155	Qui	29-01-2020
ANDHRA PRADESH	GUNTUR	CHILLI-THAALU	1,600	5,000	17,300	10,856	9,913	Qui	29-01-2020
ANDHRA PRADESH	GUNTUR	CHILLI-TEJA	3,000	16,500	19,300	8,789	8,819	Qui	29-01-2020
PUNJAB	FAZILKA	PADDY-BASMATI1121	1,996	2,700	2,980	2,353	6,094	Qui	29-01-2020
PUNJAB	ABOHAR	COTTON	3,705	5,230	5,350	2,820	4,605	Qui	29-01-2020
ANDHRA PRADESH	YEMMIGANUR	GROUND NUT	2,890	4,690	5,379	427	4,336	Qui	29-01-2020
MADHYA PRADESH	DABRA	PADDY	2,000	2,500	2,565	19,080	4,200	Qui	29-01-2020
ODISHA	SAKHIGOPAL	COCONUT	14	14	18	3,951	3,951	Nos	29-01-2020
HARYANA	ADAMPUR	AMERICAN-COTTON	3,950	5,290	5,450	6,270	3,576	Qui	29-01-2020

FAQs of e-NAM

How is e-NAM different from existing mandi system?

eNAM is not a parallel marketing structure but rather a device to create a national network of physical mandiswhich can be accessed online.It seeks to leverage the physical infrastructure of the mandis through an online trading portal, enabling buyers situated even outside the Mandi/ State to participate in trading at the local level.

How will e-NAM operate?

The eNAM electronic trading platform has been created with an investment by the Government of India (through the Ministry of Agriculture & Farmers' Welfare).It offers a "plug-in" to any market yard existing in a State (whether regulated or private). The special software developed for eNAM is available to each mandi which agrees to join the national network free of cost with necessary customization to conform to the regulations of each State Mandi Act.

Are there any conditions for joining e-NAM?

States interested to integrate their mandis with eNAM are required to carry out following three reforms in their APMC Act.a) Single trading license (Unified) to be valid across the stateb) Single point levy of market fee across the state; andc) Provision for e-auction/ e-trading as a mode of price discovery

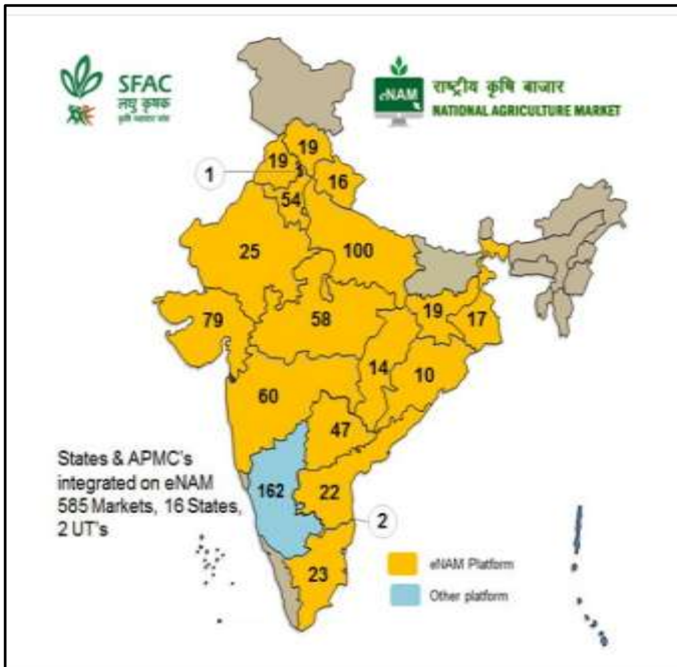
Will APMC mandis lose out business due to e-NAM?

Mandis do not lose any business. eNAM basically increases the choice of the farmer when he brings his produce to the mandi for sale. Local traders can bid for the produce, as also traders on the electronic platform sitting in other State/ Mandi. The farmer may choose to accept either the local offer or the online offer. In either case the transaction will be on the books of the local mandi and they will continue to earn the market fee. In fact, the volume of business will significantly increase as there will be greater competition for specific produce, resulting in higher market fees for the mandi.

Who will actually operate the E-NAM platform?

Ministry of Agriculture & Farmers' Welfare, Govt. of India has appointed Small Farmers' Agribusiness

Consortium (SFAC) as the Lead Implementing Agency of eNAM. SFAC will operate and maintain the eNAM platform with the help of a Strategic Partner, presently NFCL.



e-RAKAM(e RashtriyaKisanAgriMandi) portal is an alternative ofe-NAMstarted by MSTC Limited.

Model APLM Act

In April 2017, the Union Ministry of Agriculture and Farmers Welfare drafted the Model Agricultural Produce and Livestock Marketing (Promotion & Facilitation) Act, 2017. The draft law seeks to overhaul the existing legal framework related to the marketing of agriculture produce and will replace the Agricultural Produce Market Committee (APMC) Act.The purpose of the Model APLM Act is to create a single agriculture market with a single license in which agriculture produce and livestock would be traded

Objectives of APLM Act

1. The new model law suggests to set up a regulated wholesale agri-market at a distance of every 80km. To execute this, it has been proposed to issue licenses to new private players and traders who establish a wholesale market. Even warehouses, private market yards and cold storages would be permitted to act as regulated markets.
2. Farmers and traders will be able to transact all such regulated agri-market within the state. There are no separate fees allocated for individual markets.
3. The greatest extent of a market fee is not more than 1% for fruits and vegetables and 2% for food grain. Commission agents' fee can go up to 2% for non-perishables and 4% for perishables.
4. It specifies a single license for trading within the State and at the National level.
5. All regulatory powers lie with the office of the director of agricultural marketing in the State, who issues licenses to traders and new private players. This power is vested with the mandis who are managed by the Board of Directors.
6. It also has the provision to promote online or spot (e-national agriculture market) agriculture market platforms.

The **salient features** of Model APLM Act, 2017

(i) Abolition of fragmentation of market within the State/Union Territory (UT) by removing the concept of 'notified market area' in so far as enforcement of regulation by Agricultural Produce and Livestock Market Committee (APLMC) is concerned. In other words, the APLM Act provides for the recognition of a State/UT as a single market.

(ii) Besides, cereals, pulses and oilseeds, the Act seeks to provide for geographically restriction-free trade transaction of agricultural produce including commercial crops like cotton, horticultural crops, livestock, fisheries and poultry.

(iii) Disintermediation of food supply chain by integration of farmers, processors, exporters, bulk retailers and consumers

(iv) The clear demarcation of the powers and functions between the Director of Agricultural Marketing and Managing Director of State/UT Agricultural Marketing Board with the objective that the former will have to largely carry out regulatory functions, while the latter will be mandated with developmental responsibilities under the Act.

(v) Creation of a conducive environment for setting up and operating private wholesale market yards and farmer-consumer market yards, so as to enhance competition among different markets.

(vi) Promotion of direct interface between farmers and processors/exporters/bulk-buyers/end users so as to reduce the price spread bringing advantage to both the producers and the consumers.

(vii) Enabling declaration of warehouses/silos/cold storages and other structures/space as market sub –yard to provide better market access/ linkages to the farmers.

(viii) Giving freedom to the agriculturalists to sell their produce to the buyers and at the place and time of their choice, to whomsoever and wherever they get better prices.

(ix) Promotion of e-trading to enhance transparency in trade operations and integration of markets across geographies.

(x) Provisions for single point levy of market fee across the State and unified single trading licence to realise cost-effective transactions.

(xi) Promotion of the national market for agriculture produce through provisioning of inter- state trading licence, grading and standardization and quality certification.

(xii) Rationalization of market fee and commission charges.

(xiii) Provision for Special Commodity Market yard(s) and Market yard(s) of National Importance (MNI).

(xiv) Full democratization of Market Committee and State/UT Marketing Board.

Minimum Support Price

Minimum Support Price (MSP) is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices. The minimum support prices are announced by the Government of India at the beginning of the sowing season for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP). MSP is price fixed by Government of India to protect the producer - farmers - against excessive fall in price during bumper production years. The minimum support prices are a guarantee price for their produce from the Government. The major objectives are to support the farmers from distress sales and to procure food grains for public distribution. In case the market price for the commodity falls below the announced minimum price due to bumper production and glut in the market, government agencies purchase the entire quantity offered by the farmers at the announced minimum price.

Historical perspective of MSP

The Price Support Policy of the Government is directed at providing insurance to agricultural producers against any sharp fall in farm prices. The minimum guaranteed prices are fixed to set a floor below which market prices cannot fall. Till the mid-1970s, Government announced two types of administered prices :

- Minimum Support Prices (MSP)
- Procurement Prices

The MSPs served as the floor prices and were fixed by the Government in the nature of a long-term guarantee for investment decisions of producers, with the assurance that prices of their commodities would not be allowed to fall below the level fixed by the Government, even in the case of a bumper crop. Procurement prices were the prices of kharif and rabi cereals at which the grain was to be domestically procured by public agencies (like the FCI) for release through PDS. It was announced soon after harvest began. Normally procurement price was lower than the open market price and higher than the MSP. This policy of two official prices being announced continued with some variation upto 1973-74, in the case of paddy. In the case of wheat it was discontinued in 1969 and then revived in 1974-75 for one year only. Since there were too many demands for stepping up the MSP, in 1975-76, the present system was evolved in which only one set of prices was announced for paddy (and other kharif crops) and wheat being procured for buffer stock operations.

Crops covered – 23-25 crops – paddy, wheat, barley, jowar, bajra, maize and ragi, 5 pulses (gram, arhar/tur, moong, urad and lentil), 8 oilseeds (groundnut, rapeseed/mustard, toria, soyabean, sunflower seed, sesamum, safflower seed and nigerseed), raw cotton, raw jute, copra, dehusked coconut, and sugarcane.

Criteria for announcing MSP

There are 7 predominant criteria:

- Cost of production
- Demand and Supply considerations
- Trend of prices
- Inter-crop Price parity
- Impact on consumers
- Optimum utilization of resources
- International price situation

Pricing policy for sugarcane

The pricing of sugarcane is governed by the statutory provisions of the Sugarcane (Control) Order, 1966 issued under the Essential Commodities Act (ECA), 1955. MSP incase of sugarcane is called Fair and Remunerative Price (FRP) of sugarcane. CACP is required to pay due regard to the statutory factors listed in the Control Order, which are:

- the cost of production of sugarcane;
- the return to the grower from alternative crops and the general trend of prices of agricultural commodities;
- the availability of sugar to the consumers at a fair price;
- the price of sugar;
- the recovery rate of sugar from sugarcane;
- the realization made from sale of by-products viz. molasses, bagasse and press mud or their imputed value and;
- reasonable margins for growers of sugarcane on account of risk and profits

Procedure of Procurement

Farmers are made aware of the procurement operations by way of advertisements like displaying banners, pamphlets, announcement for procurement and specification in print and electronic media. Some States have taken steps to pre-register farmers for ensuring procurement from them through a software system. Keeping in view the procurement potential areas, procurement centres for MSP operations are opened by Government agencies, both Food Corporation of India (FCI) and State Government, after mutual consultations.

Procurement centres are opened by respective State Govt. Agencies/ FCI taking into account the production, marketable surplus, convenience of farmers and availability of other logistics / infrastructure such as storage and transportation etc. Large number of temporary purchase centres in addition to the existing Mandis and depots/godowns are also established at key points for the convenience of the farmers.

The Govt. agencies also engage Co-operative Societies and Self Help Group which work as aggregators of produce from farmers and bring the produce to purchase centres being operated in particular locations/areas and increase outreach of MSP operations to small and marginal farmers. These Co-operative Societies are in addition to the direct purchases from farmers.

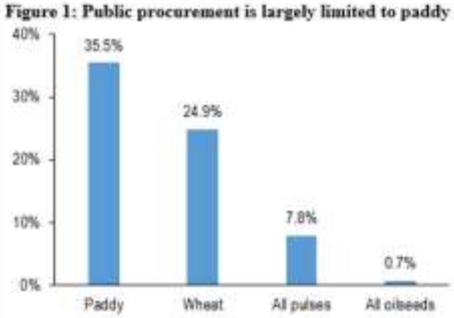
Co-operative societies/Self Help Groups are engaged in many States like Bihar, Chhattisgarh, Odisha, Maharashtra, Karnataka, Jharkhand and Rajasthan. Whereas, in some states like Punjab and Haryana, the Government of India has permitted the State Governments to engage Arhatiyas for procurement of foodgrains from the farmers on payment of commission. These steps have been taken by Government of India so that Govt. agencies can procure maximum foodgrains directly from farmers by expanding out- reach of MSP benefit to farmers.

Food Corporation of India (FCI) is the designated central nodal agency for price support operations for cereals, pulses and oilseeds. Cotton Corporation of India (CCI) is the central nodal agency for undertaking price support operations for Cotton.

Critical Analysis of MSP policy

1. **Skewed in favor of few crops.** Example, Paddy, Wheat, Coarse cereals etc.

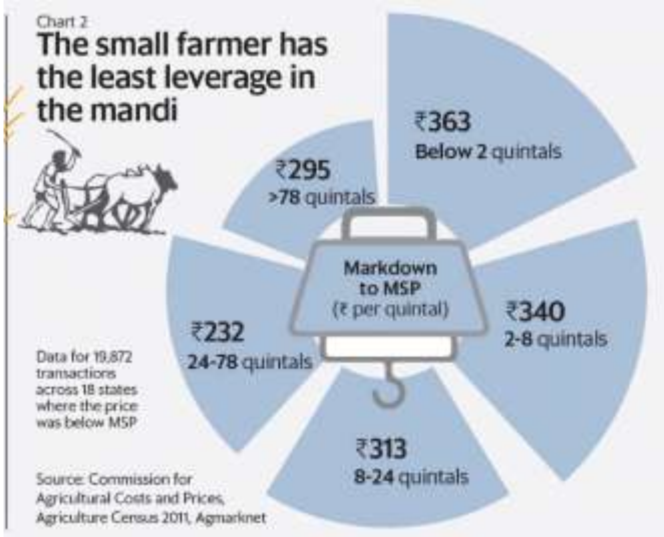
Figure 1: Public procurement is largely limited to paddy and wheat



Sources: Committee on Doubling Farmers' Income, 2017; Ministry of Agriculture and Farmers Welfare; PRS.

2. **Skewed in favour of few states.**Three states which produce 49% of the national wheat output account for 93% of procurement. For paddy, six states with 40% production share have 77% share of the procurement. As a result, in these states, farmers focus on cultivating these crops over other crops such as pulses, oilseeds, and coarse grains.

3. Due to limitations on the procurement side (both crop-wise and state-wise), all farmers do not receive benefits of increase in MSPs. The CACP has noted in its 2018-19 price policy report that the inability of farmers to sell at MSPs is one of the key areas of concern. Farmers who are unable to sell their produce at MSPs have to sell it at market prices, which may be much lower than the MSPs. Big farmers alone are benefitting, small farmers are not



4. **Regional variation in MSP benefit**
The MSP fixed for each crop is uniform for the entire country. However, the production cost of crops vary across states.For example, production cost for paddy at the A2+FL level is Rs 702/quintal in Punjab and Rs 2,102/quintal in Maharashtra. Due to this differentiation, while the MSP of Rs 1,750/quintal of paddy will result in a profit of 149% to a farmer in Punjab, it will result in a loss of 17% to a farmer in Maharashtra. Similarly, at the C2 level, the production cost for paddy is Rs 1,174/quintal in Punjab and Rs 2,481/quintal in Maharashtra. In this scenario, a farmer in Punjab may get 49% return, while his counterpart in Maharashtra may make a loss of 29%.

5. Open ended procurement clause leads to over-procurement in cases when market prices are lower. States are announcing bonuses for grains which also leads to over-procurement. Over-procurement results in destruction of grains in storage. Example, aflatoxin, mycotoxinfungus risk in cover and plinth storage.

6. No standardization and quality testing procedure at the time of procurement.

Significance of MSP

- Farmer income enhancement
- Food security of citizens through Public Distribution System
- Demand generation in the rural areas
- Align the cropping pattern as per agro-climatic zone
- Level the supply of grains as per the demand because the grains are available for small period whereas demand is spread over the year
- Maintain the prices of grains at consistent level irrespective of the under or over supply situation. Example, onion
- Bring about parity in domestic and international prices

Reforms in the MSP

As per High Level Committee on restructuring of FCI, some reforms needed in the MSP policy:

1. MSP should be announced for diverse set of crops. Recently, Haryana and Punjab are using MSP tool to discourage water-intensive crops cultivation
2. Decentralization of procurementto the states who are experienced in procurement. Food Corporation of India can pay the requisite amount to the States
3. Quality testing procedures should be strengthened
4. More emphasis on procurement from Eastern States
5. The excessive stocks should be cleared through Open market Sale Schemes
6. More focus on local crops and their procurement which can ensure food security and eliminate malnourishment

Guided by MS Swaminathan recommendations, in Budget 18-19, Government announcedMSP at 1.5 times of the cost of production.

In 2018, government came out with Pradhan MantriAnnadataAaySankrashanAbhiyan (PM-Aasha) for pulses, oilseeds and copra. The scheme is to enable the farmer to obtain MSP equivalent benefit when the market prices fall below MSP. NAFED and FCI are the nodal agencies for this purpose.

Still what are the issues?

- PM-Aashahas procured only 3% of its target procurement as per recent reports
- Still there is controversy regarding the Cost of production definition.
  Cost A2 - These are the costs the farmer actually pays out of his/her pocket for buying various inputs ranging from seeds to fertilisers to pesticides to hired labour to hired machinery or even leased-in land.
  Cost A2 +FL - In agriculture, farmers also use a lot of family labour and if their cost is imputed and added to cost A2, that concept is called cost A2+FL.
  Cost C2 - the Comprehensive cost (cost C2), it includes imputed costs of family labour, imputed rent of owned land and imputed interest on owned capital.
  Government has proposed A2+FL, but MS Swaminathan had recommended C2. High hike in MSP can lead to food inflation and burden over the government fiscal budget. Even private players may be crowded out.
- Still small and marginal farmers are finding it hard to sell at MSP
- MSP information is not reaching the farmers on time before the cultivation season begins
- MSP which was supposed to act as an insurance in adverse times has become primary source of demandfor some farmers indicating the distorted market forces

Way Forward for Minimum Support Price

1. Dissemination of MSP timely to the farmers through dedicated and consistent channels. Example, through Gram Panchayat, or e-choupals, or through DD Kisan Channel, or through mobile SMS service
2. Improved facilities at procurement centres, such as drying yards, weighing bridges,toilets, etc.

should be provided to the farmers. More godowns should be set up andmaintained properly for better storage and reduction of wastage

3. The small and marginal farmers can be provided with some exemption in FairAverage Quality (FAQ) norms to provide them with a source of income. TheProcurement Centers should be in the village itself to avoid transportation costs
4. Cooperative federalism should be promoted where the States can encourage their farmers to grow locally suitable crops
5. E-NAM and e-Negotiable Warehouse Receipt Scheme should be promoted

E-Negotiable Warehouse Receipts

Warehouse Receipts are documents issued by warehouses to depositors against the commodities deposited in the warehouses, for which the warehouse is the bailee.

Warehouse Receipts may be either non-negotiable or negotiable (means transferable by simple endorsement /signature). Negotiable warehouse receipts are transferred by endorsement and delivery; i.e., either the original depositor or the holder in due course[1] (transferee) can claim the commodities from the warehouse. NWRs can be traded, sold, swapped and used as collateral to support borrowing.

In India, the term 'negotiable warehouse receipt' is defined in Section 2(m) of the Warehousing (Development and Regulation) Act, 2007 (WDR Act), which came into force from 25 October 2010. WDR Act provides for issuance of Negotiable Warehouse Receipts (NWRs) by the warehouses registered under this Act. Section 2(m) defines a "negotiable warehouse receipt" to mean a warehouse receipt under which the goods represented therein are deliverable to the depositor or order, the endorsement of which has the effect of transfer of goods represented thereby and the endorsee for which takes a good title;"

A negotiable instrument is essentially a document embodying a right to the payment of money /goods [which implies creating a right in favour of some person] and it may be transferred from person to person. This developed historically from efforts to make credit instruments transferable; that is, documents proving that somebody was in their debt were used by creditors to meet their own liabilities. Thus a promise of A to pay B a certain sum at a specified date in the future could be used by B to pay a debt to C. Thus, free negotiability is an important characteristic of a negotiable instrument. The most common negotiable instruments in use are promissory notes and checks. Negotiable instruments are used for purposes of payment or credit and as security. Sometimes one instrument may perform all three functions.

A negotiable instrument can be transferred to any number of persons before maturity. The means of accomplishing a transfer from one creditor to another is by endorsement. It means writing of a person's name on the back of the instrument for the purpose of negotiation. If the space available on the back has been completely covered, a piece of paper may safely be attached to the instrument and subsequent endorsement may be made on that paper. There are two modes of negotiation. If an instrument is payable "to order," both endorsement and delivery are required for negotiation. If the instrument is payable "to bearer," (which means pay to the person coming with the instrument) delivery alone suffices. Delivery means the voluntary transfer of the possession of the instrument with the intention of transferring ownership of the instrument to the person to whom it is delivered. An instrument is payable to the order if it is expressed to be so payable, i.e., to be payable to a particular person and does not contain certain words prohibiting transfer or indicating an intention that it shall not be transferable. [Pay to A / Pay to A or order/ Pay to the order of A]. In case the instrument is originally payable to order, but it is endorsed in blank, the instrument will become payable to the bearer. [Pay to A or bearer/ Pay to the bearer]. The law relating to Negotiable Instruments is contained in the Negotiable Instruments Act-1881. It extends to the whole of India except in the state of Jammu and Kashmir. The Act recognizes only three instruments. –a promissory note, a bill of exchange or cheque. But it does not exclude the possibility of other instruments to be added to this list. However the conditions for that are:

- the instrument should be freely transferable
- the person who obtains in good faith and for value gets it free from all defects and thus, is entitled to recover money of the instrument in his own name.

Whenever any warehouse feels the need for issuing NWRs either because of demand from its consumers or due to competition, it approaches the WDRA for accreditation. The authority then sends a team of inspectors who judge the warehouse on various parameters like whether the construction has been according to norms, does it have trained staff, is it equipped with modern pest control and fumigation facilities, its net worth, security, fire-fighting and goods weighing facilities. If the team is satisfied with the conditions, then WDRA issues a booklet containing the NWRs. The warehouse then issues these receipts to customers (farmers and people who have stored their produce in the godowns) in place of the normal receipt. As these receipts are recognised by the government, banks can easily grant loans against them. The farmer gets an officially recognised receipt against which he can take loan from bank for further farming activities or alternatively sell his produce to a third person by endorsing the receipt, without even taking physical possession.

Benefits of NWRs

NWRs issued by registered warehouses help farmers to seek loans from banks against NWRs and this way NWRs become a prime tool of trade. NWRs provide farmers with an instrument that allows them to extend the sales period of modestly perishable products well beyond the harvesting season. When delivering the product to an accredited warehouse, the farmer obtains a Warehouse Receipt that can be used as collateral for short-term borrowing to obtain working capital. That way, the farmer does not need to sell the product immediately to ease cash constraints. This option would be attractive only if the farmer expects that seasonal price increases will make it worthwhile to store the product and sell it later. This way NWRs can avoid distress sale of agricultural produce by the farmers in the peak marketing season when there is glut in the market.

Negotiable warehouse receipts allow transfer of ownership of that commodity stored in a warehouse without having to deliver the physical commodity. These receipts are issued in negotiable form, making them eligible as collateral for loans. It is also beneficial to other stakeholders, such as, banks, financial Institutions, insurance companies, trade, commodity exchanges as well as consumers. NWRs can enhance banks' interest in lending in respect of farm goods deposited by farmers in the registered warehouses which can increase liquidity in the rural areas and encourage scientific warehousing of goods. WDR Act makes it mandatory for warehouses to register with Warehousing Development and Regulatory Authority (WDRA) for issuance of NWRs.

A Committee was constituted under the Chairmanship of Shri Dinesh Rai for strengthening Negotiable Warehouse Receipts (NWRs) which submitted its report on 15 February 2015.

Grameen Agricultural Markets (GrAMs)

In Budget 18-19, Union Government recommended to convert 22,000 rural haats into Grameen Agricultural Markets.

GrAMs are defined as: "Retail agricultural markets in close proximity of the farm gate, which promote and service a more efficient transaction of the farmers' produce across the agricultural sub-sectors, by enabling both direct sale, between the producer and consumer, and aggregation of small produce-lots for subsequent transaction, both of which can occur either physically or online".

MGNREGS labor can be used to create infrastructure for GrAMs. Agricultural Market Infrastructure Funds of Rs. 2,000 crores has been set up to fund the GrAMs. GrAMs are kept outside the purview of APMC regulations.GrAMs are connected to e-NAM.

Principal objectives:

They shall facilitate two following activities in principle.

1. **Direct sale**: The farmer-producers may offer any of their agri-produce on sale directly to the consumers without having to go through the market regulations. The consumer could be a retail purchaser or a bulk purchaser (trader, processor, exporter, etc); and the sale can occur through a physical negotiation or via an online trade platform like e-NAM. The disintermediation of such a transaction will result in transferring maximum value to the farmer on his produce.
2. **Aggregation of the lots**: The small lots of the farmer-producers can be aggregated through an institutional mechanism (like that of FPO, VPO, etc.) for gaining enhanced bargaining power and subsequent sale either at the GrAMs via an online trade platform like e-NAM or by availing primary preparatory or preconditioning services, such as assaying, cooling, packaging, and transporting from the GrAMs to APMC/RMC or any other primary or secondary or terminal wholesale agricultural market.

Benefits of GrAMs

1. Reduce the cost of first-mile transportation by offering the farmers a marketing platform in close proximity to the farm gates.
2. Reduce the cost of the transaction and enable the farmers to gain a higher share in the consumers' rupee by facilitating the direct sale – both physical and online.
3. Provide an orderly and transparent system of aggregating the small lots and substitute for the currently opaque & informal system of aggregation by the village traders.
4. Provide small farmers the opportunity to target direct sales at markets of their own volition by providing the associated market linkage services.
5. Provide the greater opportunity for mobilization of farmers through mechanisms like farmer producer organizations (FPOs-societies, cooperatives, and companies), as well as Village Producer Organisations (VPOs).
6. Offer an integrated platform for the purchase of agri-inputs, besides other consumer & white goods.
7. Serve as a place for the dissemination of new information & knowledge relating to agriculture and other aspects of life

Farmer Producer Organizations

Frequently Asked Questions

What is a Producer Organisation (PO)?

A Producer Organisation (PO) is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen. A PO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits/benefits among the members. In some forms like producer companies, institutions of primary producers can also become member of PO.

What is the need for PO?

The main aim of PO is to ensure better income for the producers through an organization of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays. Through aggregation, the primary producers can avail the benefit of economies of scale. They will also have better bargaining power vis-à-vis the bulk buyers of produce and bulk suppliers of inputs.

What is a "Farmers Producer Organisation" (FPO)?

It is one type of PO where the members are farmers. Small Farmers' Agribusiness Consortium (SFAC) is providing support for promotion of FPOs. PO is a generic name for an organization of producers of any produce, e.g., agricultural, non-farm products, artisan products, etc.

What are the essential features of a PO?

a. It is formed by a group of producers for either farm or non-farm activities.
b. It is a registered body and a legal entity.
c. Producers are shareholders in the organization.
d. It deals with business activities related to the primary produce/product.
e. It works for the benefit of the member producers.
f. A part of the profit is shared amongst the producers.
g. Rest of the surplus is added to its owned funds for business expansion.

Who provides support for promotion of PO?

NABARD, SFAC, Government Departments, Corporates and Domestic & International AidAgencies provide financial and/or technical support to the Producer Organisation PromotingInstitution (POPI) for promotion and hand-holding of the PO. Each agency has its own criteriafor selecting the project/promoting institution to support.

Difference between Cooperative Society and Producer Company

Parameter	Cooperative Society	Producer Company
Registration	Cooperative Societies Act	Indian Companies Act
Objectives	Single object	Multi-object
Area of Operation	Restricted, discretionary	Entire Union of India
Membership	Individuals and cooperatives	Any individual, group, association, producer of goods or services
Share	Not tradable	Not tradable but transferable; limited to members at par value
Profit Sharing	Limited dividends on shares	Commensurate with volume of business
Voting Rights	One member, one vote, but Government and Registrar of Cooperatives hold veto power	One member, one vote. Members not having transactions with the company cannot vote
Extent of Autonomy	Limited in "real world scenario"	Fully autonomous, self-ruled within the provisions of Act

What are the important activities of a PO?

The primary producers have skill and expertise in producing. However, they generally need support for marketing of what they produce. The PO will basically bridge this gap. The PO will take over the responsibility of any one or more activities in the value chain of the produce right from procurement of raw material to delivery of the final product at the ultimate consumers' doorstep. In brief, the PO could undertake the following activities:

a. Procurement of inputs
b. Disseminating market information
c. Dissemination of technology and innovations
d. Facilitating finance for inputs
e. Aggregation and storage of produce
f. Primary processing like drying, cleaning and grading
g. Brand building, Packaging, Labeling and Standardization
h. Quality control
i. Marketing to institutional buyers
j. Participation in commodity exchanges
k. Export

How would a PO help the members?

A PO will support the members in getting more income by undertaking any/many/all of the activities listed under point 1.14 above. By aggregating the demand for inputs, the PO can buy in bulk, thus procuring at cheaper price compared to individual purchase. Besides, b transporting in bulk, cost of transportation is reduced. Thus reducing the overall cost of production. Similarly, the PO may aggregate the produce of all members and market in bulk, thus, fetching better price per unit of produce. The PO can also provide market information to the producers to enable them hold on to their produce till the market price become favorable. All these interventions will result in more income to the primary producers.

What are other benefits for the members of a PO (other than better income)?

A PO is a collective of farmers (and non-farmers) who are the primary producers of a product (an agricultural produce or a manufactured product). It, therefore, can work as a platform to facilitate better access to government services, like PDS, MNREGA, Scholarships and Pensions, etc. It can liaison with the Government Departments for convergence of programmes, like drinking water, sanitation, health and hygiene.

What important factors should be kept in view while facilitating formation of PO?

Aggregating producers into collectives is one of the best mechanism to improve access of small producers to investment, technology and market. The facilitating agency should however keep the following factors in view:

a. Types of small scale producers in the target area, volume of production, socioeconomic status, marketing arrangement
b. Sufficient demand in the existing market to absorb the additional production withoutsignificantly affecting the prices
c. Willingness of producers to invest and adopt new technology, if identified, to increaseproductivity or quality of produce
d. Challenges in the market chain and market environment
e. Vulnerability of the market to shocks, trends and seasonality
f. Previous experience of collective action (of any kind) in the community
g. Key commodities, processed products or semi-finished goods demanded by majorretailers or processing companies in the surrounding areas/districts
h. Support from Government Departments, NGOs, specialist support agencies and private companies for enterprise development
i. Incentives for members (also disincentives) for joining the PO

What are government announcements related to FPO?

In 2013, National Policy of Promotion of FPO was launched.

VISION: To build a prosperous and sustainable agriculture sector by promoting and supporting member-owned producer Organisations, that enable farmers to enhance productivity through efficient, cost-effective and sustainable resource use and realize higher returns for their produce, through collective action supported by the government, and fruitful collaboration with academia, research agencies, civil society and the private sector.

MISSION

1. To promote economically viable, democratic, and self-governing Farmer Producer Organisations(FPOs)
2. To provide support for the promotion of such FPOsby qualified and experienced Resource Institutions
3. To provide the required assistance and resources –policy action, inputs, technical knowledge, financialresources, and infrastructure – to strengthen theseFPOs.
4. To remove hurdles in enabling farmers' accessthe markets through their FPOs, both as buyersand sellers.
5. To create an enabling policy environment forinvestments in FPOs to leverage their collectiveproduction and marketing power

Institutions promoting the FPO

- NABARD
- Small Farmers' Agribusiness Consortium
- Department of Agriculture and Farmer Cooperation
- National Cooperative Development Corporation
- NAFED

Issues and Solutions related to operation of FPO:

FPOs started taking shape in the country in the recent decade, where 80-90 per cent of the members are farmers with small landholding. According to a 2017 NABARD publication, around 5,000 FPOs are operating in the country, which were formed under various initiatives of the Central Government (including Small Farmers Agribusiness Consortium), State governments, NABARD, and other organisations.

Of these, around 3,200 FPOs are registered as farmer producer companies and the remaining as cooperatives/societies, etc. However, the beginnings of FPOs have been rather unpretentious and membership is at a minuscule five lakh only. Mere formation of FPOs doesn't serve the purpose, as there are many dysfunctional ones due to lack of clear strategies, inadequate capacity, lack of funding support, poor professional management, and high turnover of CEO/professionals.

1. **Promoter Conundrum** - The FPOs are generally mobilised by promoting institutions/resource agencies (RAs). The RAs leverage the support available from governments and agencies like NABARD to promote and nurture FPOs, but attempting an assembly line for mass production of FPOs has not given the desired results.
   While RAs normally have social mobilising skills, they lack business development and marketing skills, which are critical for the success of FPOs as a business entity. Therefore, FPOs should be promoted only after ascertaining the need, absorption capacity, potential membership, and a strong business case in the given socio-economic context. In order to be successful, FPOs should be run by trained professionals.
   Further, RAs should also have a clear exit plan once the internal systems for appropriate management, governance and marketing systems is established in the FPO.

2. **Professional capabilities -** A few professional institutions are engaged in capacity building of various aspects of FPOs. However, a focus on management capabilities in the supply chain operations, nuances of market dynamics and linkages, business planning according to market intelligence and market development is clearly missing in majority of the training programmes.
   These require long term capacity investments, providing hands-on experience in business planning, execution, negotiation skills, monitoring, statutory compliance, etc., inter-spaced with simulation, field demonstrations, internships and institutional attachments.
   It is time that a new cadre of grassroots level institutional leadership and professionals are nurtured with these kind of course inputs.

3. **Direct market linkages-** The present agricultural marketing systems suffer from distortions like multiple intermediaries and levies, lack of vertical integration, poor infrastructure, restrictions on the movement of agricultural commodities, and so on. Thus, the limited market choices and lack of transparency have been the major barriers in better price realisation for the farmers. A direct selling arrangement can reduce the cost of marketing by linking farmers more closely to the supply chain and consumers.
   Many FPOs lack the capacity to manage the supply-chain operations and store the unsold produce, besides faltering in procurement, logistics and price negotiations. E-retailing and e-marketing are viable possibilities for FPOs.FPOs must ensure their ascendance up the value chain as they gain expertise in marketing.Finding the right markets bypassing

the present maze of intermediaries is critical for the success of the FPOs. A worthy case to replicate is that of Sahyadri Farmer Producer Company Ltd (SFPCL), which successfully ensures production protocols of fresh grapes for export, and standard harvests from member-farmers' fields reach the cold storage in a matter of few hours.

4. **Other support systems**

A few FPOs like SFPCL, SavitribaiPhule Goat Farming Producer Company and VasundharaAgri-horti Producer Company have made notable achievements in crop production and allied farm activities; improving quality of production through best farm practices; tapping the unexplored markets; cutting down the intermediaries in the agri value chain; and enhancing farmers income.

Some of the best practices followed by the FPOs include maintaining crop maturity indices, documenting plant protection chemicals used, geo-tagging the land under cultivation, and maintaining the traceability of the crop output from farm until it reaches the final market for sale.

Implicitly, ICT tools and block-chain technology for agriculture are the need of the hour. Block-chain tech, using hyper ledger in the agri space, enables tracking inefficiencies and improving transparency in the value chain operations. This would also help identifying better markets for the produce, improve banker's comfort to finance such agri-supply chains managed by farmers.

It is time for funding agencies to focus on financing a few pilots in such agri block-chain technology to facilitate this transformation. Currently, only a few FPOs have developed mobile phone based extension guidance to help reduce cost of cultivation and access information about market prices of commodities.

Ashok Dalvai Committee Recommendations

(Doubling the Farmers' Income Committee)

1. **Demand Driven Agricultural Logistics System** for post-production operations such as produce aggregation, transportation, warehousing, etc.
2. **Developing Hub and Spoke System** at back-end as well as front-end to facilitate and promote a new market architecture so that all kinds of farmers can avail services that empowers them to physically connect and supply to any market in the country of their choice.
3. **Marketing Intelligence System** to provide demand led decision making support system - forecasting system for agricultural produce demand and supply, and crop area estimation to aid price stabilisation and risk management.
4. **Agricultural Value System (AVS)** as an integration of the supply chain and to drive market led value system – District level, State level and National Level Value-System Platforms to promote individual value chains to integrate into a sector-wide supply chain.
5. **Farmer-centric National Agricultural Marketing System** by restructuring for a new market architecture, consisting of Primary Retail Agriculture Markets (PRAMs/GrAMs numbering 22,000) and Primary Wholesale Agricultural Markets (APMCs/APLMs-other markets numbering around 10,000), as also secondary & tertiary agricultural markets, all of which are networked by online platforms to facilitate a pan-India market access; as also integrating the domestic market with export market by considering the latter as a targeted market activity and not just an add-on.
6. Shifting Agriculture marketing to concurrent list

NITI AayogInitiatives and Strategy for Agriculture Marketing

1. **Agricultural Marketing and Farmer Friendly Reforms Index (AMFFRI)**. ...
   NITI Aayog launched in 2016 an index to rank States and UTs based on implementation of seven provisions proposed under model APMC Act like joining e-NAM initiative, special treatment to fruits and vegetables for marketing and level of taxes in mandis.
   These indicators reveal ease of doing agribusiness as well as opportunities for farmers to benefit from modern trade and commerce and have wider option for sale of her/his produce. These indicators also represent competitiveness, efficiency and transparency in agri markets.
   The second area of reforms captured by the index include facilitation and liberalization of land lease. The third area included in the index represent freedom given to farmers for felling and transit of trees grown on private land. This represent opportunity to diversify farm business. AMFFRI has a score that can have minimum value "0" implying no reforms and maximum value "100" implying complete reforms in the selected areas. States and UTs have been ranked using this index.
2. States should enact the Model APLM Act
3. **Amend Essential Commodities Act** - The Essential Commodities Act, which hasproven a disincentive to large investment inagricultural technology and infrastructure,should be replaced with a modern statutethat balances the interests of farmers andconsumers.
4. The government should consider replacingthe Commission on Agricultural Costs & Prices(CACP) by an agriculture tribunal in line with theprovisions of Article 323 B of the Constitution.NITI Aayog should set up a group to examinethe following:
   a. Replacing the minimum support price(MSP) by a minimum reserve price (MRP),which could be the starting point forauctions at mandis.
   b. Separating the criteria for MSPs for (i)surplus produce; (ii) for deficit but globallyavailable products; and (iii) for productsthat are in deficit both domestically andglobally.
   c. Examine options for including privatetraders operating in markets tocomplement the minimum support priceregime through a system of incentives andcommission payments.
5. Raising MSP or prices can only be apartial solution to the problem of assuringremunerative returns to farmers. A long-termsolution lies in the creation of a competitive,stable and unified national market to enablebetter price discovery, and a long-term trade regime favorable to exports.
6. **Futures trade**: Futures trade should beencouraged. Removal of entry barriers toincrease market depth should be considered.
7. **Contract farming** - Encourage states to adopt the Model ContractFarming Act, 2018: Contract farming can bethought of as a form of price futures. Thecontract will specify the price and quality atwhich the farmers' produce will be purchased.This protects the farmer in cases where pricesfall below the MSP.
8. **Infrastructure status for agriculture value chains:**Warehousing, pack-houses, ripening chambers, andcold storages, including those set up at the villagelevel, should be accorded full-fledged infrastructurestatus to enable them to avail of the fiscal benefitsthat come with infrastructure status.
9. **Village level procurement centres:** To benefit smalland marginal farmers, government collectioncentres and warehousing facilities should beset up at the village/block level. The budgetannouncement of developing Gramin AgriculturalMarkets (GrAMs) will help develop the agriculturalmarketing infrastructure and bring markets closer tothe farm-gate
10. **Link production to processing:** Village levelcollection centres for fruits and vegetables shouldbe linked to larger processing units. Actively engagethe private sector in developing processing centresnear rural periodic markets (RPMs).

11. **Warehouse upgradation:** Pledge financing atwarehouses, through negotiable warehousereceipts (NWR), needs to be adopted andpopularized as an alternative means of financing.The Department of Agriculture and Farmers'Welfare (DACFW) should draw up guidelines topromote warehouse based post-harvest loans ande-NWR trading.

Export enablers

12. **Develop export oriented clusters:** The Agriculturaland Processed Food Export Development Authority(APEDA) has been championing the development ofexport-oriented clusters with common infrastructurefacilities. These clusters should contain a functional,end-to-end cold chain system along with processingfacilities.
13. **Increase the number of testing laboratories:**There exists a shortage of testing laboratories,essential for health certificates for exports. Privatelaboratories should be extended financial support toachieve international accreditation. As suggested byAPEDA, agricultural universities should also seek toget their labs accredited by APEDA.
14. **Augment cargo handling facilities at airports:**APEDA has suggested augmenting the capacity ofthe Ahmedabad Air Cargo Complex and MumbaiAirport to handle agricultural cargo.
15. **Regulatory frameworks to combat rejections inexport markets**: Regulatory frameworks regardinguse of pesticides, growth hormones, and antibioticsfor marine produce need to be developed andimplemented effectively to curb the rejection rate inthe export market.
16. **Ensure traceability mechanism**: Promotion of farmerproducer organizations (FPOs), export-based clustersand contract farming will go a long way towardsensuring traceability of farm produce, a key exportrequirement.