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APMC Act's and Issues

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SUMMARY

Trade and marketing as an activity comes at latter part of the value chain for any commodity and yet it is the most important determinant for all other activities. All the input expenses for labor, materials and capital are rewarded at this stage, which shall include some incentive over and above inputs. Agricultural products, in a developing country remain in uniform demand throughout year, while production of most of them is concentrated in some part of the year. This results in fluctuation in prices which can change equations of profit for the farmer. Apart from this, in a federal and diverse country, every state or region has diverse resources, consumption patterns and rules regarding taxation, levies, sale etc., which makes numerous hurdles in interstate trade. Integration of all the regional markets into national market is desirable in interest of both farmers and consumers. Farmers will get rewarding prices even if demand is not there in their region, on other hand if there is less production in a state, consumer will still be able to get products at reasonable prices. Same is true for international markets, we have seen few years back when prices of sugar were up swinging, and then sugar imported from Brazil came to rescue Indian consumers.

INTRODUCTION

Agriculture is a state subject and almost all state governments enacted APMC act in 1950's or so, to bring transparency and end discretion of traders. This is extension of overall government policy which is directed toward food security, remunerative prices to farmers and fair prices to consumers. However, widespread perception for this act is that it has worked contrary to almost every stated objective, atleast in recent past. It should be noted that though current system controlled by APMC is quite inefficient, yet it is far improvement from pre-APMC/50's era. At that time there was no control at all. Money lender, traders, bankers etc. were often one person. This all in one role of middleman resulted in perpetual indebtness of farmer. This is applicable to 'notified agricultural products' which differs from state to state and generally includes most of the important cereals, vegetables and other horticulture products. Notified products are meant to be brought to the market committee and auctioned in presence of the farmer. In this Market committee (popularly called Mandi) there are commissions agents (called arhatiyas) who hold license and are allotted a shop in the market. Farmer and buyer have discretion to go to any agent in this market, based on personal relations. Normally farmers chose agents from their own village and are influenced by age old relations of money lending. There are huge numbers of commission agents in a particular APMC dealing in same crop, which results in constant price discovery and adjustments for that particular crop. At same time buyers, which may be rice mill, flour mills, cotton ginning mill owners, come to procure these products. They make their bids and if these bids are fair, will give best return to farmers. But unfortunately this is not so.

Shortcomings in Current APMC system

- **Monopoly of APMC** – Monopoly of any trade (barring few exceptions) is bad, whether it is by some MNC corporation by government or by any APMC. It deprives farmers from better customers, and consumers from original suppliers.
- **Cartelization** – It is quite often seen that agents in an APMC get together to form a cartel and deliberately restraint from higher bidding. Produce is procured at manipulatively discovered price and sold at higher price. Spoils are then shared by participants, leaving farmers in lurch.
- **Entry Barriers** – License fee in these markets are highly prohibitive. In many markets farmers were not allowed to operate. Further, over and above license fee, rent/value for shops is quite high which keeps away competition. At most places only a group of village/urban elite operates in APMC.
- **Conflict of Interest** – APMC play dual role of regulator and Market. Consequently its role as regulator is undermined by vested interest in lucrative trade. They despite of inefficiency won't let go any control. Generally, member and chairman are nominated/elected out of the agents operating in that market.

- **High commission, taxes and levies:** Farmers have to pay commission, marketing fee, APMC cess which pushes up costs. Apart from this many states impose Value Added Tax.
- **Other Manipulations** – Agents have tendency to block a part of payment for unexplained or fictitious reasons. Farmer is sometimes refused payment slip (which acknowledges sale and payment) which is essential for him to get loan.

APMC Model Act

Taking these concerns into cognizance, Central Government appointed a working group which recommended a Model APMC act. Salient features are –

Farmer doesn't need to bring his produce to APMC Mandi. He can directly sell it to whomever he wants. But, if he doesn't bring his produce to Mandi, then he can't stand for election in that APMC marketing committee. It allows alternate markets such as direct purchase centers, private market yards/mandis. It increased responsibility of APMCs on following lines –

- Full payment should be made on day of sale itself.
- Quantity brought and prices should be displayed near arrival gate.
- It's being done electronically in many APMCs
- Promote private partnership in management of APMCs
- It shall make efforts to build facilities for Processing and other value additions
- Ensuring transparency in Pricing and Transactions in the market
- It allows Public Private Partnership in the 'management and development' of agricultural markets in the country for post-harvest handling, cold storage, pre-cooling facilities, pack houses etc.
- It not only allows, but strongly advocates for contract farming. It also provides for dispute resolution mechanism.
- It mandates establish 'State Agricultural Produce Marketing Standards Bureau' for Grading, Standardization and Quality Certification.
- It provides for abolishment of commission agent system. Payments will be made for facilities such as grading, sorting, and processing.

Direct Marketing

APMC model act promotes direct marketing. As farmer is allowed to sell his goods outside APMC, he can now under APMC model act, directly sell to consumer. This completely eliminates middleman and narrows gap between farmer's sale price and price paid by consumer. There are numerous successful examples all over India such as Apni Mandi in Punjab, Rythu Bazar in Andhra Pradesh, Uzhavar Sandhai in TN, Shetkari Bazaar in Maharashtra, Hadaspur Vegetable Market in Pune, Krushak Bazaar in Odisha and Kisan Mandi in Rajasthan.

International Trade

India is among largest producers for products like wheat, rice, milk, pulses etc., but its share in agro global trade is much lower. This is partially due to heavy domestic consumption and rest due to non-coherent and unpredictable policies. There are quantitative restrictions which differ from crop to crop and time to time. Few years back cotton exports were suddenly banned after domestic prices rise and soon ban was lifted. There are export quotas, beyond which export is not allowed.

Essential Commodities Act

The EC Act, 1955 provides for the 'regulation and control' of production, distribution and pricing of commodities which are declared as essential for maintaining or increasing supplies or for securing their equitable distribution and availability at fair prices. Major commodities are covered under the act. Some of them are: Petroleum and its products, including petrol, diesel, kerosene, Naphtha, solvents etc. Foodstuff, including edible oil and seeds, vanaspati, pulses, sugarcane and its products like, khandsari and sugar, rice paddy Jute and textiles. Drugs- prices of essential drugs are still controlled by the DPCO. However in case there is a difference between states and the Centre, the act specifies that the latter will prevail. In 2002 and 2003 an order was passed removing the licensing requirements, stock limits and movement restrictions on all specified foodstuffs. These orders allowed dealers to freely buy, stock, sell, transport, distribute, dispose, acquire, use or consume any quantity in respect of rice/paddy, wheat, coarse grains, sugar, edible oils and oilseeds, pulses, jagery, Wheat products etc. However, later in 2006 due to price rise in agro products, state governments requested for restoration of powers under EC act and it was done by central government. Since then there have been regular on and off policy.

CONCLUSION

Interventions by the government are problematic. The first is the maze of restrictions on transactions and storage. This includes state-level APMC laws, the Essential Commodities Act, and the administrative measures at local and state levels that distort the decision to grow and the decision to store. State APMC laws are a major hurdle to modernization of the food economy. They have artificially created cartels of buyers who possess market power. The proposed Model APMC Act 2003 is an inadequate solution, as APMCs remain a non-level playing field. Permit sale and purchase of all perishable commodities such as fruits and vegetables, milk and fish in any market. This could later be extended to all agricultural produce. Exempt market fee on fruits and vegetables and reduce the high incidence of commission charges on agricultural/horticultural produce.

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