

SPEAKING NOTE

Value Addition & Marketing Solutions for New Age Agriculture

Time: 2.00- 3.30 p.m

Date: 10 November' 2016

Venue: Convention Hall, JECC, Jaipur, Rajasthan

At the outset, it must be said that the topic of “value addition & marketing solutions” should be connected to theme of ‘doubling farm income’ and one of the biggest hurdles in doubling of farm income is flawed marketing system and largely absence of basic value addition at farm level.

We know that many states have carried out reforms in their Marketing Acts on the lines of Model Act 2003. But it must be said that the Model Act itself contains extremely restrictive and troublesome provisions. For instance:

- A very large number of commodities are defined under ‘Agriculture produce’ thereby increasing the scale of problem as the regulation itself is anti-competitive. Recently, however we have seen certain commodities being delisted from APMC. Now this must be promoted as this allows parallel farmer markets.
- Definition of marketing is also very wide which in effect partly takes away some activities which could have been done by the farmer himself such as grading, storage, processing etc.
- To reiterate these issues from another perspective, the definition of “Agriculturist” excludes “any market functionary”. Therefore, a farmer cannot take up grading/processing/ trading etc. along with farming.
- Processors (farmers or private processor) are also treated as traders as per the definition. This also dis-incentivises investment in agri-processing units
- Most importantly, the Model Act fails to insulate the regulation from political capture. Thus, leading to local politicians making their way into regulatory system
- Much has been made of contract farming but it is difficult to fathom why contract farming should be within the purview of APMC

These issues are endless and it must be said that time has come to look beyond the Model Act and problems posed by state APMCs. The question is how we move forward, knowing well that sudden dismantling of APMCs can be adversely disruptive.

The answer would lie in careful evaluation of competition reform in Agriculture Marketing at the state level. In our work on APMC in Rajasthan we have done exactly this. We developed a **Framework for Competition Reforms** which has been acknowledged by the OECD and Competition Authorities across the globe.

Simply put, it basically entails – preliminary market assessment, data collection/analysis and linking data to competition reforms and indicators of consumer and producer welfare.

We applied this in Rajasthan in 2014 in the wheat sector and found that there is a need for bringing harmony across the multiple policy verticals (both legislative as well as administrative). For example, no farmer-consumer market was operative in the state and only 2 licenses had been issued for private markets despite adherence to the model APMC Act, ostensibly due to factors such as (a) heavy security deposit requirement, (b) problems in land availability/acquisition or changing usage pattern, (c) minimum distance required from existing APMC markets, (d) logistical issues, like assured water, electricity availability and/or road/rail connectivity, (e) large investment with low incentives etc

Now, some of these things can be amended without much fuss and to my mind this is the way to move forward if deeply entrenched state monopoly has to be dismantled.

Last but not the least let me make a mention of e-NAM. An initiative being hailed as path breaking reform to usher in new age agriculture. The e-NAM envisages integrating nearly 600 regulated markets and seeks to create a unified market through online trading platform but even for a e-NAM to be successful we need to work with the regulated markets. This brings us back to the point I mentioned on assessing competition reforms.

To sum up the strategy to address marketing solutions for new age agriculture has to be simultaneous and it may amongst other things entail the following:

- 1) Delisting of items like F&V to allow parallel markets

- 2) Parallel markets would not come up on their own. States must share good practices with each other besides making their worn efforts.
- 3) Carry out an assessment for competition reforms in the sector to identify exact areas of reforms.
