

Role of Regulated Markets in Agricultural Marketing Sector, Post the Enactment of Model Apmc Act in 2003: Special Reference to State of Maharashtra

Nirmala Chavan

Assistant Professor Narsee Monjee College of Commerce and Economics. Vile Parle West, Mumbai 400056.

Abstract

Regulated markets were established in India prior to Independence in the 1930's, to standardize marketing operations. Agricultural Produce Market Committees and Marketing Boards were set up to regulate functioning of these markets. The Central Government announced reforms in the agricultural marketing sector by enacting the Model APMC Act 2003. Private markets, direct marketing, contract farming, farmers' cooperatives, farmer producer organisations were all introduced through this act. It was assumed that the role of APMCs will diminish and the sector will be liberalized. Regardless of these changes the sector suffers from certain limitations. It is still a long way from aligning with a globalized economy and coming into the mainstream economy. This paper attempts to understand the growth of APMCs across India and Maharashtra. It analyses the limitations and role of APMCs. The methodology in the paper is exploratory and interview based analysis. There is a brief description of stakeholders' perspectives on the role of APMCs, post the implementation of the Model APMC Act in Maharashtra in 2006. The paper concludes with the suggestions of the Working Group on Agricultural Marketing Infrastructure, Secondary Agriculture and Policy Required for Internal and External Trade for the XII Five Year Plan.

KEYWORDS: Agricultural Produce Market Committee, Model APMC Act 2003, Regulated markets, reforms, stakeholders.

INTRODUCTION:

India has vast topographical diversity and equally wide variety of food crops viz; grains, pulses, vegetables, fruits and oilseeds. The variety of crops differs from state to state, districts within states and areas within districts. The state of Maharashtra reflects the same variety of topography and food crops. Agricultural marketing in India, has emerged through the centuries, influenced by socio cultural factors as well as colonial or imperialistic policies of the British government in India in the last century. Marketing of Agricultural produce has undergone transformation in phases in the Indian Economy. Traditionally Indian agricultural marketing was unorganized and many different forms of marketing prevailed in various markets across the country. These traditional modes were; hatha system, dara system, jalap sale, closed auction etc. these systems although popular with traders did not yield favourable returns to farmers. The farmers had to depend on village aggregators and market traders to access the markets in district places. The lack of transport facilities, illiteracy and lack of market knowledge, lack of time and marketing skill and marginal scale of production were factors restricting farmers' direct access to markets. Traditional modes of marketing were not very favorable to farmers.

This necessitated some analysis of the limitations of traditional agricultural marketing modes. Policy measures were deemed necessary to change the functioning of agricultural

markets. Since 1960s government procurement for public distribution was initiated. Regulated markets were established to standardize marketing operations. Agricultural Produce Market Committees and Marketing Boards were set up to regulate functioning of these markets. Farmers were expected to receive services like grading, standardization, weighing, auction platforms etc. in these regulated markets. Many market functionaries like commission agents, arhatiyas, private traders, weighing bridge operators etc. exist in these markets to facilitate trade of farmers' produce. The Government of India has attempted to review and modify the system by introducing legal reforms and urging states to undertake these reforms in totality. The most recent and significant legal change has been the enactment of the Agricultural Produce Marketing (Development and Regulation) Act in 2003 popularly known as Model APMC Act 2003. Ministry of Agriculture also framed Model APMC Rules and circulated to States/U.Ts in 2007, to facilitate amendment of the existing Rules. The implementation of the Act has had a varied impact on stakeholders in agricultural markets. More recently many new modes of agricultural marketing have emerged like farmers' cooperatives, direct marketing and contract farming. The role of regulated markets operated by Agricultural Produce Market Committees under the state Marketing boards has reduced although their importance has not diminished.

1. ROLE AND GROWTH OF REGULATED MARKETS IN INDIA:

Regulated market is wholesale market where buying and selling is regulated and controlled by the state government through the market committee. It aims at the elimination of unhealthy and unscrupulous practices reducing marketing charges and providing facilities to producers and sellers in the market. The poor standard of primary and secondary commodity markets, the prevalence of various malpractices such as short weights, excessive market charges, unauthorized deductions and allowances made by commission agents, adulteration of produce and the absence of machinery to settle disputes between sellers and buyers were recognized as the main hindrances in agricultural marketing as early as 1928 by the Royal Commission on Agriculture on a national scale. The Royal Commission on Agriculture found that there weren't enough marketing activities carried on by the farmers and suggested the formation of regulated markets and accordingly various market committees were incorporated.

1.1.PROGRESS OF REGULATED MARKETING IN INDIA PRIOR TO INDEPENDENCE:

Prasad (1999) has described the origin and progress of regulated marketing in India. The history of regulated markets in India was started, when the British government felt the necessity of supplying the pure cotton at reasonable price to the textile mills at Manchester. The Karanji Cotton Market was established in 1886 as a regulated market under the Hyderabad Residency Order. The next attempt for the regulation of markets in India dates back to 1897, when the Berar Cotton and Grain Markets Act, 1897 was passed to purge marketing of many of its abuses. In 1927, the Government of Bombay enacted the Bombay Cotton Markets Act. This Act provided for the establishment of markets for cotton, constitution of market committee, notification of cotton, the levying of market fee, use of authorized weights and measures and appointment of dispute subcommittee for settling dispute between the farmer-seller and trader buyers. The

government of India appointed the Royal Commission on Agriculture in 1928 and it submitted its report in 1929. The establishment of regulated markets in the country was suggested first in 1928 by the Royal Commission on Agriculture. Markets may be regulated either by local bodies or under state legislation. The Indian Central Banking Enquiry Committee, 1931 endorsed the recommendations of the Royal Commission and offered some suggestions for the organization and improvement of agricultural marketing in India. The movement of regulation of market gained momentum only after 1930. The Bombay Agricultural Produce Market Act of 1939 was passed in respect of all agriculture products viz., cereals, fibres, fruits, etc. Regulated markets are established under the provisions of the Agricultural Produce Marketing Committee Act of state governments.

During pre-independence period, the first Act was passed in 1897 in the name of Berar Cotton and Grain Markets Law. Then after that many Acts have come. The Hyderabad Agricultural Markets Act was passed in 1930, followed by the Central Provinces Agricultural Produce Act in 1935, for all kinds of produce, buying and selling of commercial crops like cotton, groundnut and tobacco. Regulated markets were established in Tiruppur in 1936 for cotton and in Tindivanam for groundnut in 1939, both in former Madras state. For cotton, a regulated market was established in Baroda state in 1938. These were the pioneer regulated markets in India. In M.P. Central Provinces Agricultural Produce Markets act, 1935, in Punjab Agricultural Produce Markets Act, 1939 and in PEPSU, Patiala Agricultural Produce Markets Act of 1947 came into force. In 1939, there were in all 122 regulated markets. Hyderabad Central Province and Madras promptly passed appropriate legislation. Other states too followed suit but after a long interval. The Patiala Agricultural Produce Marketing Act was passed in 1947 (and amended in 1955), the Madhya Bharat (1952), Saurashtra (1955) and Rajasthan (1961) had their own Acts. The reorganization of States in 1956, had led to a situation which more than one Act became operative in different parts of the same state. The total number of regulated markets in the country increased from 122 in 1939 to 283 in 1950-51 and to 450 in 1955-56.

Selvaraj (2012) says regulated markets are considered accountable institutions in discharging all the functions associated with the sale of agricultural produce, keeping in view the overall interest of the farming community and the ultimate consumers. These institutions are intended to regulate unethical trading practices followed in the marketing of agricultural produce. This would help in protecting the interest of both the producers and consumers, thus it contributes towards the growth of organized marketing and price stability through successful competition. Government from time to time brought about the regulated legislation and development of market infrastructure. An economically resourceful marketing system achieved through enhancement in operational efficiency by developing the market yards, will transfer the benefit of cost and saving in the marketing process to the producers as well as consumers. In short pricing efficiency is concerned with improving the function of buying, selling and aspects of the marketing process.¹ The growth and development of regulated markets across the country has been tremendous although there is some skewness in the spread of markets across different states. The states which grow crops such as, rice and wheat, which are procured by the Government for Public Distribution System have a much higher density of regulated market yards as compared to the states which do not produce such crops.

Table 1. Plan-wise Number of Regulated Markets in India:

S.No.	Five year plan.	Plan Period	No. of Regulated Markets
1	First Five Year Plan	1951-1956	470
2	Second Five Year Plan	1956-1961	725
3	Third Five Year Plan	1961-1966	1600
4	Fourth Five Year Plan	1969-1974	2640
5	Fifth Five Year Plan	1974-1979	4000
6	Annual Plan	1979-1980	4050
7	Sixth Five Year Plan	1980-1985	5895
8	Seventh Five Year Plan	1985-1990	6275
9	Annual Plan	1991-1992	6780
10	Eighth Five Year Plan	1992-1997	7100
11	Ninth Five Year Plan	1997-2002	NA
12	Tenth Five Year Plan	2002-2007	NA
13	Eleventh Five Year Plan	2007-2012	7,139
Source: Sontakki, C.N (2008). Marketing Management, Ludhiana: Kalyani Publishers, p. 631.			

2. LIMITATIONS OF APMCS:

The constant efforts of the government of India and state governments at encouraging agricultural marketing reforms have yielded some positive results. Changes have occurred in the forms of agricultural marketing and the supply chain has become just a little shorter. There is an improvement in choices to the stakeholders in the sector. Regardless of these changes the sector suffers from certain limitations. It is still a long way from aligning with a globalized economy and coming into the mainstream economy. The Inter-Ministerial Committee to promote reforms in this sector has listed the following limitations of the sector:

Limited Access of Agricultural Produce Markets: There is a huge variation in the density of regulated markets in different parts of the country, which varies from 118 sq km. in Punjab to 11,214 sq km. in Meghalaya, while ideally a regulated market should be available to farmers within a radius of 5 Km. The long distance from farm to market yard acts as a deterrent to farmers specially of fruits and vegetables which perish faster.

Licensing Barriers: The compulsory requirement of owning a shop/godown for licensing of commission agents/traders in the regulated markets has led to the monopoly of these licensed traders acting as a major entry barrier in existing APMCs.

Lack of Market Infrastructure in Agricultural Markets: Studies indicate that covered and open auction platforms exist only in two-thirds of the regulated markets, while only one-fourth of the markets have common drying yards. Cold storage units exist in less than one tenth of the markets and grading facilities in less than one-third of the markets. Electronic weigh-bridges are available only in a few markets.

High Incidence of Market Charges: APMCs are authorized to collect market fee ranging from 0.50 % to 2.0 % of the sale value of the produce. In addition, commission charges vary from 1 % to 2.5 % in food grains and 4 % to 8 % in fruits and vegetables. Further, other charges, such as, purchase tax, weighing charges and hamal charges are also required to be paid. In some States, this works out to total charges of about 15 % which is excessive.

High Wastages in Supply Chain: The Ministry of Agriculture conducted a Millennium Study, State of the Indian farmers in the year 2004. It was estimated that about 7 % of foodgrains and 30 % of fruit and vegetables are lost due to inadequate handling facilities.

Large Number of Marketing Channels with Long Supply Chain: there are a large number of intermediaries between the producers and the consumers, adding up more of costs without adding significant value. These intermediaries are exploiting both farmers and consumers, fuelling food inflation and rendering the supply chain of farm produce inefficient.

High Marketing Cost Affects Small and Marginal Farmers: High marketing costs have direct bearing on the efficiency of marketing of agricultural produce. This affects the actual price realization particularly by the Small and Marginal farmers in the country owing to their lower marketable surplus, higher transaction costs and least bargaining capacity vis-à-vis organized traders and big buyers.

A study to assess environmental impact of Maharashtra Agricultural Competitiveness Project, conducted in 2009 yielded that the five most frequently reported problems in Marketing are: Inadequate or no storage facility (45%); Uncertainty or lack of transportation facility (30%); Fluctuation or low prices (40%); Absence of processing or value added services (20%); Absence of grading and packaging facility (15%). The report further highlights that in Maharashtra, the Agriculture Produce Market Committees (APMCs) are having 294 main market yards and 612 sub market yards and all are functioning currently. But these functioning markets have a number of inadequacies in market facilities. For example, covered auction platforms exist in only 2/3rd of the regulated markets; traders module exists in about 60% of the markets; grading facility is available in less than a third of the markets; farmers resting facility is present in only half of the markets; and cold storage facilities are available in less than 10% of the markets.

4. MODEL APMC ACT 2003:

Agriculture is a State subject vides entry 14 in list II of the Seventh schedule of the Constitution of India. List 3, gives concurrent powers to Union and State legislatures over 52 items. The enlargement of entry 33 in the Concurrent list through Constitution (3rd Amendment Act) 1954 includes; trade, commerce, production, supply and distribution of foodstuffs including edible oils and oilseeds, raw cotton, raw jute, cattle fodder etc. in the Concurrent list. Under item no. 42 of the Union List, the Central Government is empowered to pass a legislation regarding “Inter-State Trade and Commerce” of agricultural produce at National level. The subject “Markets and fairs”, is covered in entry 28 of the State List in the Schedule VII of the Constitution of India and hence, the intra-state commodity trading is subject to the regulation of the State Governments in their respective jurisdictions. However, “inter-state trade and commerce”, is covered in the entry 42 of the Union List and hence comes under the purview of the Union / Central Government. Entry 26 of the State List covers ‘Trade and Commerce within the State’ but made it subject to the provisions of Entry 33 of List III (Concurrent list wherein both

State and Union have powers). Although agriculture is a state subject in list II, by entry 33 in the concurrent list, the central government can make laws and these laws will override the state laws.

4.1. AGRICULTURAL PRODUCE MARKET COMMITTEES:

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. The APMC system was introduced to prevent distress sale by farmers to their creditors, to protect farmers from the exploitation of intermediaries and traders and to ensure better prices and timely payment for their produce through the auctions in the APMC area. However, APMC Acts restrict the farmer from entering into direct contract with any processor/ manufacturer/ bulk processor as the produce is required to be routed through these regulated markets. Over a period of time, these markets have acquired the status of restrictive and Monopolistic markets, harming the farmers rather than helping them to realise remunerative prices. All this has led to a highly fragmented and high-cost agricultural economy, which prevents economies of scale and seamless movement of agri-produce across district and State borders.

APMC operations are hidden from scrutiny as the fee collected, which are at times exorbitant, is not under State legislature's approval. Agents in an APMC may get together to form a cartel. This creates a monopsony (a market situation where there is only one buyer who then exercises control over the price at which he buys) situation. Produce is procured at manipulatively discovered price and sold at higher price, defeating the very purpose of APMCs. Further, 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. Exporters, processors and retail chain operators cannot procure directly from the farmers as the produce is required to be channelised through regulated markets and licensed traders. There is, in the process, an enormous increase in the cost of marketing and farmers end up getting a low price for their produce.

Monopolistic practices and modalities of the state-controlled markets have prevented private investment in the sector. Thus, the monopoly of Government regulated wholesale markets has prevented development of a competitive marketing system on a pan-India basis, providing no help to farmers in direct marketing, organizing retailing, a smooth raw material supply to agro-processing industries and adoption of innovative marketing system and technologies.

Role of regulated markets operated by APMCs continues undiminished inspite of all these limitations. The Central Government announced reforms in the agricultural marketing sector by enacting the Model APMC Act 2003. Private markets, direct marketing, contract farming, farmers' cooperatives, farmer producer organisations were

all introduced through this act. It was assumed that the role of APMCs will diminish and the sector will be liberalized.

4.2. SALIENT FEATURES OF THE MODEL APMC ACT:

The APMC Act controls only the first sale of the agricultural produce. Apart from food-stuffs which are covered under the APMC Act, the commodities covered under the EC Act generally are: drugs, fertilisers, and textiles and coal. Since these State Acts created fragmented markets (2477) for agricultural commodities and curtailed the freedom of farmers to sell their produce other than through the commission agents and other functionaries licensed by the APMCs, the Ministry of Agriculture, GOI, developed a model APMC Act, 2003 and has been pursuing the state governments for over a decade now to modify their respective Acts along the lines of the Model APMC Act, 2003. The Model APMC Act:- (a) provides for direct sale of farm produce to contract farming sponsors; (b) provides for setting up “Special markets” for “specified agricultural commodities” – mostly perishables; (c) permits private persons, farmers and consumers to establish new markets for agricultural produce in any area; (d) requires a single levy of market fee on the sale of notified agricultural commodities.

The Preamble of the Act is 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. Legal persons, growers and local authorities are permitted to apply for the establishment of new markets for agricultural produce in any area; There will be no compulsion on the growers to sell their produce through existing markets administered by the Agricultural Produce Market Committee (APMC); 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; 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; Provision made for direct sale of farm produce to contract farming sponsor from farmers’ field without the necessity of routing it through notified markets; Provision made for imposition of single point levy of market fee on the sale of notified agricultural commodities in any market area; 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; 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; Provision made for the purchase of agricultural produce through private yards or directly from agriculturists in one or more than one market area; Provision made for the establishment of consumers’/ farmers’ market to facilitate direct sale of agricultural produce to consumers; Provision made for resolving of disputes, if any, arising between private market/ consumer market and Market Committee; State Governments conferred power to exempt any agricultural produce brought for sale in market area, from payment of market fee; Market Committees

permitted to use its funds among others to create facilities like grading, standardization and quality certification; to create infrastructure on its own or through public private partnership for post-harvest handling of agricultural produce and development of modern marketing system; The State Agricultural Marketing Board made specifically responsible for: setting up of a separate marketing extension cell in the Board to provide market-led extension services to farmers; Promoting grading, standardization and quality certification of notified agricultural produce and for the purpose to set up a separate Agricultural Produce Marketing Standards Bureau; 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: market survey, research, grading, standardization, quality certification, etc.; Development of quality testing and communication infrastructure. Development of media, cyber and long distance infrastructure relevant to marketing of agricultural and allied commodities. 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.

Yet the model APMC Act 2003 is a comprehensive piece of legislation which will help to initiate market reform and globalize the agricultural marketing sector. The model Act emphasizes reduction of government intervention in agricultural markets and increased participation by the private sector. The provisions of the act will increase investment by private sector in marketing, public private partnerships to improve marketing infrastructure, direct marketing by food processing firms, contract farming arrangements, farmers cooperatives etc.

5. LEGAL REFORMS: REFORM IN APMC ACT BY MAHARASHTRA:

The Maharashtra Agricultural Produce Marketing (Development & Regulation) Act was passed in the year 1963, with a view to regulate the marketing of agricultural and pisciculture produce in market areas. After giving due consideration to various committee's recommendations, some important changes have been made in this Act in the year 1987 and thereafter. The APMC Act controls only the first sale of the agricultural produce. Apart from food-stuffs which are covered under the APMC Act, the commodities covered under the EC Act generally are: drugs, fertilisers, and textiles and coal. Maharashtra was one of the first states to adapt its laws to this new Model Act. The Maharashtra Agricultural Produce Marketing (Development & Regulation) Act, 1963 was amended in 2006 to include Direct Marketing, Private Market, Farmer Consumers Market, Single Licenses and Contract Farming.

Maharashtra was one of the first few States to amend the APMC Act in 2006 to permit direct marketing, setting up of private markets, farmer-consumer markets, special commodity markets, single licence system and contract farming. The State was one of the

first states to frame the Rules for the amended provisions in the Act in June 2007 gazette. The Maharashtra Agricultural Produce Marketing (Development & Regulation) Act, 1963 of the State has been amended, though partially, to introduce provisions for reform measures like contract farming, direct marketing and private markets. The Board had divided the state into 7 divisional offices at Pune, Nasik, Aurangabad, Latur, Amravati, Nagpur and Ratnagiri for proper co-ordination of the activities of all APMCs in the State. The changes in the Act are given below:

1. Title of the Act was The Maharashtra Agricultural Produce Marketing(Regulation) Act 1963, changed to The Maharashtra Agricultural Produce Marketing (Regulation) Act 2005.2. Allowing setting up of Competitive Markets by private persons, farmers and consumers. Under Section 5 (1) - For every market area there shall be established a principal market, and there may be established one or more subsidiary markets. A new chapter 1 – B, section 5D has been inserted –under which (1) The Director may grant license to any person to establish a private market in one or more market areas for – a) processing of the agricultural produce; b) trade of the agricultural produce of particular specification; c) Export of the agricultural produce; d) Grading, packing & transactions in any other way by value addition of the agricultural produce. The Director may grant license to any person, who agreed or undertakes to develop the prescribed infrastructure, for establishing farmer, consumer market. Direct sale/ procurement from the farmer's field: Under clause 5 of the Rules – No person shall market any declared agricultural produce in any place in a market area other than the principal market or subsidiary market established therein. However under section 59 of the Act, a new chapter 1-B, section 5D has been inserted – Under which the Director may grant license to any person for direct marketing.

A large number of licenses have been issued for direct marketing, especially of cotton as also of oilseeds, pulses, fruits and vegetables. The license holders include several top corporate houses. Maharashtra has made rapid strides in reforming marketing in agriculture. The amendment made to the State Agricultural Produce Marketing (Development and Regulation) Act in 2006 has opened up the market to competition and encouraged private investment in infrastructure development and agro processing. Some private markets are also being established. Maharashtra is one of the few States to allow e-trading. Commodity exchanges registered with the commodity futures market regulator can apply for license of private markets. The government has permitted National Dairy Development Board to establish Safal National Exchange for fruits and vegetables in Jalgaon district to promote e-trading. Two futures exchanges NCDEX and MCX have also been given licenses. Thirty-five farmer markets have been established in the State and nine single licenses have been issued to traders.

The Maharashtra Agricultural Produce Marketing (Development & Regulation) Act, 1963 was further amended recently in 2016, by an Ordinance to deregulate trade in fruits and vegetables and to keep this agricultural produce outside the ambit of APMC. The levies imposed on agricultural produce marketing within the premises of the APMC yards would no longer be applicable to farmers who chose to sell their produce to traders and firms outside APMC premises. Also the arhat charged earlier to the farmers would now have to be recovered from the buyers of the goods viz; wholesalers, firms, retailers etc. With the latest amendment to the APMC Act, state of Maharashtra is empowering

farmers to market produce directly. It aims at breaking the monopoly of APMC markets as well as preventing the exploitation of farmers by market functionaries. This amendment is in sync with the Central government's announcement to permit 100percent FDI in food retail business. There is an effort at liberalizing both backward and forward linkages in agricultural marketing supply chains to create world class markets and facilitate the integration with global markets.

According to the 'Agricultural Marketing and Farmer Friendly Reforms Index', and as per NITI Aayog's calculation, Maharashtra tops the list with a score of 81.7. Name of License issued/ Markets permitted, their nos and Total business as in 2015-16 is given as follows: 264 Direct Marketing Licenses with business of Rs.1324 Cr, 37 Private Markets with business of Rs. 1794 Cr, Contract Farming: Area brought under Contract Farming is around 40,000 Ha and 30 Farmers Markets with a business of approx..50 Lakh/per market day.

5.1. THE AGRICULTURAL MARKETING SECTOR IN MAHARASHTRA: There are approximately 305 APMC's, 608 sub-markets - Turnover - Rs. 50000 cr. There are 47 operational direct marketing licensees with a turnover of Rs. 900 cr. And 20 private APMCs with turnover of 2055.27cr. by November 2014. The policies and strategy implemented by the Government have reformed the state of agricultural marketing sector. The limitations of the sector are addressed although not entirely removed. This sector is equipped with modern infrastructure. A number of agencies and institutions are set up to facilitate the functioning of markets. The aim is to integrate the dispersed markets through market information systems, through terminal market complexes, export facilitation centers, floricultural and wine parks etc. Foreign aid and investment has also facilitated implementation of large projects like MACP and AIDP. Maharashtra State Agricultural Marketing Board is the apex organization which is responsible for the gamut of regulated markets in Maharashtra as well as to formulate agricultural marketing policies and implement them throughout the state. MSAMB is committed towards smooth and orderly development of agricultural marketing in the State. The Board of Directors take all policy decisions in respect of this sphere of activity and such other important issues.

Table 2: Quantity & value of arrivals in all the market committees in Maharashtra:

Year	Quantity (lakh MT)	Values (^ crore)
2009-10	226.11	37,098.65
2010-11	227.51	33,122.02
2011-12	240.94	31,563.41
2012-13	360.50	38,895.19
2013-14	242.65	44,977.48
2014-15	219.58	65,367.63

Source : Maharashtra State Agricultural Marketing Board, Economic Survey of Maharashtra 2015-16, pp 86.

The fall in market arrivals in volume terms points to the increasing number of farmers willing to market their produce directly through alternative methods of marketing rather than through APMC. But the value indicates inflationary price rise of farm produce over the years. Increase in the marketing licenses has encouraged formation of cooperatives, bulk procurement arrangements by super markets and eateries, direct sales to consumers through online marketing and many more alternative forms of marketing in Pune district. Under the new Act, 236 direct marketing licenses have been issued of which 128 are functional. Apart from this 41 private market licenses have been issued of which 32 are functional. NCDEX is operating over the internet.

6. STAKEHOLDERS' PERSPECTIVES ON ROLE OF APMC IN AGRICULTURAL MARKETING:

Many of the supply chain players (like loading unloading labourers, weigh men and commission agents) expressed their concerns about their role once the modernization of the APMC comes in place. A careful analysis of the activities proposed under this component reveals that most activities would only facilitate the work being done by these supply chain players rather than displacing them. Only in case of electronic auction chambers (in the two large APMCs), there is a possibility of reduction in the role played by commission agents. In this case also, the proportion of arrivals being marketed through this channel vis-à-vis the commission agents would be small. Once the facility is functional, it would be available for use by the commission agents (who also run trading enterprises) as well as by the farmers. Hence the agents will be more than compensated for their loss of procurement from the farmers by better marketing of their stock in distant markets through the electronic auction system.

APMCs have numerous limitations as listed earlier. APMCs were originally established with a view to prevent exploitation of farmers by intermediaries, who compelled them to dispose of their produce at the farmgate at very low prices. By mandating all farm produce to be brought to regulated market yards and sold through auctions, the APMC mechanism was meant to ensure fair prices to farmers. But in many cases, these bodies have themselves become dens for cartelisation by traders, who control prices and charge hefty commission fees on produce transactions. An extreme case that surfaced recently was of Devidas Maruti Parbhane. This farmer from Vadgaon Rasai, a village in Pune district's Shirur taluka, supplied one tonne of onions early this month at the local market yard under the Pune APMC's jurisdiction. The price he got — a little more than Rs 1.5 per kg — was itself very low. But adding insult to injury was the various "cuts" imposed on top of this. A scrutiny of Parbhane's spatti (trade slip) revealed his total revenues from the sale of one tonne of onions at Rs 1,523.20. The total cuts even on this meager amount added up to Rs 1,522.20. That included commission fees of Rs 91.30, hamali or labour charges of Rs 59, bharai or filling-in-bags charges of Rs 18.55, tolai or loading charges of Rs 33.30, and transport charges of Rs 1,320 (as the kutchapatti issued in Shirur was billed for delivery at Pune). Parbhane, at the end of it, was left with a net earning of Re 1. These kind of occurrences made it imperative for the political leaders to take cognizance of the situation and correct it if possible.

In 2012, Radhakrishna Vikhe Patil, who was agriculture minister in the previous Congress-NCP regime, had announced the intent at delisting horticultural produce from the state APMC Act's purview. A final decision, however, could not be taken following strong trader protests. A major reason for it is that the APMCs — like sugar and various other rural-based cooperatives — are largely controlled by the NCP and Congress. The ruling alliance partners have little presence in APMC boards that are supposed to have elected directors representing all stakeholders, including farmers, traders and mandilabourers. The Vashi APMC is now under a state government-appointed administrator, with the earlier board of directors superseded for alleged malpractices. "We are only giving farmers an option, which includes supplying directly to processors or supermarkets. There's nothing stopping them from continuing to sell through APMCs," pointed out Patil.

On 12th July 2016, the Government of Maharashtra, issued an Ordinance amending the APMC Act 1963, deregulating fruits and vegetables and removing them from the purview of APMCs in the State. This reform is expected to allow farmers to sell produce directly to traders, retailers, processors and consumers. It will break the monopoly of APMC traders and make the process of price discovery transparent. It will also reduce the burden on farmers, of paying market fees, commissions and service charges. This will ensure better returns to farmers and freedom of selling their produce to whosoever pays the best. On the other hand, APMCs will have to become competitive. They will have to offer better facilities, better services and better returns to farmers to attract farmers to their yards. This will break their monopolistic, underhand practices that have exploited the farmers for long. APMCs will have to offer transport, storage, scientific weighing and grading facilities as well as adequate infrastructure in the APMC premises. Information and extension will also have to be improvised.

Traders argue that currently there is government supervision of weighing and grading facilities. In case of disagreement between farmers, traders, commission agents and wholesalers there is a dispute settlement body (vanda committee) which ensures fair settlement of farmers' woes. Open auctions conducted in the APMC premises ensure that farmers get the highest possible bids for their produce. All consumers, wholesalers, retailers and processors come into the APMC yards to buy farm produce. This ensures fair level of competition and appropriate price discovery. APMCs are not completely opposed to the idea of deregulation. They support complete deregulation. The government of Maharashtra had deregulated processed food on 3rd March 2014; similar guidelines have not been implemented in case of fruits and vegetables. Gujarat government which deregulated fruits and vegetables in April 2015 does not discriminate between areas within the APMC yard and areas outside. The APMCs are of the opinion that government should refer to these two reform measures before implementing the current ordinance. The general argument against current reform measures is that farmers will be unable to transport and sell their own produce directly.

They are ill equipped to face the large scale wholesalers, traders and big business retailers. Initially these agencies will offer better returns to farmers but gradually they may collude and exploit the farmer. Consumers are dispersed and competition will fall leading to inefficient price discovery. There will be no dispute settlement mechanism.

Farmers may have to take on legal disputes which will be very time-consuming and costly. Unless they form cooperatives, farmers will be unable to market their produce. Auctions will not be conducted so best bids cannot be attained. Gujarat farmers have faced some of these limitations since deregulation.

In response to government of Maharashtra's ordinance, there have been strong protests by APMC traders, wholesalers and workers. Traders shut down shutters and prices of fruits and vegetables in the State sky rocketed. The State government roped in direct market licensees and farm produce companies to directly sell fruits and vegetables in the city. There are 200 farm producer companies and 170 direct market licensees in the State. The government planned to make available 14 markets for direct selling. The APMC strike on account of deregulation of fruits and vegetables ended as the state government agreed to allow free trade for wholesalers operating in the APMC yards. But they will now levy the 6.5% commission on buyers who are generally the neighborhood vendors, instead of farmers. These vendors will naturally relay the price to the common householders. Market cess will not be levied on farmers anymore. They are free to sell their produce inside and outside the APMC without permission.

APMC officials believe that even now APMC is very relevant to agricultural marketing sector. As per their estimate, 95% of trade in vegetables is conducted through the APMC. There is open auction of produce in the market yard and farmers as well as wholesalers have faith in the system. Even big business retailers and food processing firms prefer to buy their requirements from the commission agents or wholesalers in APMC yards. The system is deep rooted now and will be very difficult to remove. All new forms of marketing will survive only if parallel changes are made in the regulated markets too. Also the officials observe that, in the weekly bazaars majority of the sellers are retailers and not farmers. According to the officials real farmers have faced issues such as cheating and theft of produce by the wholesalers and buyers in the market. Farmers are inexperienced and sometimes illiterate. Therefore they may be cheated in terms of the payments or produce by retailers and other buyers. Therefore they are wary of selling the produce in the market directly. 80% of wholesalers feel that the relevance of APMC has not diminished since reforms. Traders too think that relevance of APMC has not changed much. The impact of reforms is in a very early stage as of now. 95% of the farmers are still dependent completely on markets for sale of produce. Organized retailers and processing firms are also accessing the markets for their produce rather than approaching farmers directly. Therefore the relevance of APMC has not diminished yet. In the long run the system may gradually change and direct marketing may become a preferred channel of marketing for farmers.

7. CONCLUSION:

The above discussion highlights that Agricultural Marketing Sector is undergoing transformation but at a very slow pace. Regulated markets are still the most dominant player in the sector. Although the role of APMC has not diminished even after reforms, regulated markets in general require some changes. APMC officials feel that following are the required changes: Computerization of processes. Computerization has begun but there needs to be computerization of the entire marketing process right from farmers to agents to committee. This will ensure transparency and fair returns to farmers and even

the market functionaries. Reforms by government need to speed up and increase in scale for any definite improvement in the APMC system. Cold storage facilities will require some large scale investment and this facility is useful but the marketing costs for farmers will increase. Market prices will have to be increased. Further as fresh vegetable produce comes to the market on a daily basis the demand for stored vegetables will diminish. The quantity of supply in the market will also increase causing prices to fall in the market. Traders will prefer that the APMC is maintained well and the facilities offered are improved.

Farmers too continue to sell their produce through APMCs as it is an established means of marketing produce. Farmers are also largely dependent on the pre harvest loans offered by traders. They are unable to spare time for marketing. They simply rely on the village aggregator and trader to send their produce to the market yards and receive the remuneration directly from the trader. Most times these farmers do not even go to the market yards to sell their produce. As long as farmers do not have access to organised financial services, they will continue to depend on these commission agents/ traders to market their produce. Commission agents on the other hand are rendering service to farmers. There are instances of nexus between traders, commission agents and APMC officials. These collusions are exploitative to farmers. Until the private sector increases its presence and takes over the role of APMCs and commission agents, farmers have no option but to sell their produce in APMC market yards.

The challenge for XII five year plan is to revitalize mandi yards and strengthen markets for high value commodity like livestock, horticulture products, fisheries with state of the art infrastructure. A comprehensive study of APMC acts amended by the States vis-à-vis Model APMC Act and its implementation has to be undertaken so that the need for further modification in the Act for ensuring better market access for the farmers can be explored; Regular elections should be held of agricultural produce market committees and bring professionalism in the functioning of existing regulated markets. Compulsory Registration of Buyers and Sellers to be done and Active Role for APMC should be formulated by registration of all stakeholders to remove impediments in investment and operationalization of modern markets with electronic auction system. Level playing field to be provided between existing APMCs and upcoming private markets. An independent regulator should be appointed to frame service parameters and to resolve disputes between APMC and private markets.

APMC market yards are indispensable in the given marketing scenario of agricultural produce. The continuation and efficient functioning of these regulated markets requires legal and macroeconomic framework changes. The creation of electronic National Agricultural Market is a step in this direction. The success of the SAFAL model and HOPCOMS in Karnataka have made this state a role model for the other states to enter into Public Private Partnerships to set up information technology based markets for efficient price discovery and operational efficiency to the benefit of both farmers and consumers. Both Central and Maharashtra state governments, have adopted the goal of doubling farmers' incomes in the near future. The growth of such markets as well as the expansion in agribusiness by modern Corporate along with policy measures such as approval to private and foreign direct investment in the food retailing sector will soon

result in a transformed and competitive agricultural marketing sector which may induce higher incomes for farmers, willing to adapt to modern methods of marketing their produce and help prevent farmer suicides albeit indirectly.

8. REFERENCES:

1. D DBasu,(1999). Introduction to the Constitution of India, 18th edition, Wadhwa and company, Nagpur, pp 311,431.
2. Economic Survey of Maharashtra (2015-16). Pp. 08 https://www.maharashtra.gov.in/PDF/EcoSurvey_2015_16_Eng.pdf
3. Final Report of Committee of State Ministers, In-charge of Agriculture Marketing to Promote Reforms, Ministry of Agriculture, Department of Agriculture and Co-operation, Government of India. (2013).
4. Ghosh, M.M (2002). Growth and Development of Regulated Markets in Tripura, in Prasad Jadish (Ed.), Encyclopedia of Agricultural Marketing, Delhi: Mittal Publications, p.92.
5. Horticultural Statistics at a Glance 2015, Ministry of Agriculture & Farmers Welfare, Oxford University Press India, 2016, ISBN 0199466726, 9780199466726, pp 464
6. Jagdish Prasad, 1999. Encyclopaedia of Agricultural Marketing: Market regulation and development, volIII pp78.
7. KD Haveripeth, (2014), <http://shodhganga.inflibnet.ac.in/bitstream/10603/14594/6/chapter%20-iii.pdf>by
8. Kumar Sharma, Parmod Kumar, S. Mohanakumar, Indian Agriculture: Performance, Growth and Challenges. Essays in Honour of Ramesh Routledge, 12-Feb-2016 - Business & Economics - 402 pages. <http://www.ies.gov.in/publications-articles.php>
9. Ramasamy S, (2015), Historical Development of Regulated Market, <http://shodhganga.inflibnet.ac.in/bitstream/10603/33830/3/chapter3.pdf>
10. Rehman, ShakeelUl, Ibrahim, M. Syed and Selvaraj, M., Regulated Agricultural Marketing in India - A Review (January 22, 2014). International Journal of Management and Administrative Sciences (IJMAS) Vol. 1, No. 7, April, 2012 (36-44). Available at SSRN: <http://ssrn.com/abstract=2383051>
11. Report of the Working Group on Agricultural Marketing Infrastructure, Secondary Agriculture And Policy Required For Internal And External Trade For The Xii Five Year Plan 2012-17, Agriculture Division, Planning Commission, Government Of India, December(2011).pp 48.
12. Shakeel-Ul-Rehman, M. Selvaraj and M. Syed Ibrahim (2012): "Indian Agricultural Marketing- A Review", Asian Journal of Agriculture and Rural Development, Vol. 2, No.1, pp. 69-75.
13. Integrated Environmental and Social Assessment for Maharashtra Agriculture Competitiveness Project Final Report Submitted to: Maharashtra State Agriculture Marketing Board, Pune, January (2009) chapter 4, pg 49.
14. http://shodhganga.inflibnet.ac.in/bitstream/10603/31698/17/9%20chapter_1.pdf accessed on 14/6/2016.
15. <http://www.prssindia.org/uploads/media/Acts/The%20Essential%20Commodities%20/>

- Amendment)%20Act,%202010.pdf
- 16. http://agriexchange.apeda.gov.in/indexp/18headgenReportmonth_combine.aspx
 - 17. www.preservearticles.com/201106228366/indian-agriculture-under-the-five-year-plans.html
 - 18. <http://indianexpress.com/article/india/india-news-india/agriculture-reform-breaking-the-trader-cartel-2855435/> accessed on 25th June 2017.
 - 19. <http://indiabudget.nic.in/es2014-15/echapvol1-08.pdf> accessed on 23rd June 2017.
 - 20. <http://enam.gov.in/NAM/home/faq.html> accessed on 23rd June 2017.
 - 21. [http://www.arthapedia.in/index.php?title=Agricultural_Produce_Market_Committee_\(APMC\)](http://www.arthapedia.in/index.php?title=Agricultural_Produce_Market_Committee_(APMC)) accessed on 25th June 2017.
 - 22. <http://www.thehindubusinessline.com/todays-paper/tp-agri-biz-and-commodity/maharashtra-surging-ahead-in-agri-marketing-reforms/article1065921.ece>