

Maharashtra apmcs: current status and substitute marketing



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In India, the marketing of agricultural produce is regulated by Agricultural Produce Marketing (Regulation) Act 1966, which provides for the constitution of market committees by state government, notification of agricultural commodities as also place of marketing of agricultural produce. Hence, the marketing of notified agricultural produce in areas other than notified areas is illegal. The areas so designed by the state government are known as Agricultural Produce Market Committee (APMC) markets or *Mandies*. The age old monopoly of wholesale markets under the government's regulation have essentially curbed the advancement of a competitive marketing system in the country, providing provision of help to farmers in direct marketing, organizing retailing, smooth supply of raw materials to industries specialising in agro processing and the adoption of an innovative marketing technologies and systems.

The objectives of this report are to:

1. Examine the current status of state agricultural markets and efforts to strengthen their marketing infrastructure.
2. Examine the progress made by alternative marketing channels such as Shetkari Bazaars and Contract farming.

Agricultural markets in the country are established (*Table 1*) and regulated under each state's APMC acts. The entire physical area within each state is separated and affirmed to be a market area where Market Committees manage the market yards which themselves are established by the individual state governments. When a specific location within the state is

confirmed as a market area, it automatically comes within the jurisdiction of the state's appointed market committee. Within this area only persons who have been granted licence for operating within the region may be free to engage in wholesale marketing activities. These legally established monopolies of wholesale markets which are government regulated have essentially curbed the growth of a more advanced competitive system of agrarian marketing within the realm of each state. Therefore an efficient system of agricultural marketing is much needed for the expansion of the agrarian part of the economy since it further leads to incentives and mediums for increased agricultural and allied sectors production thereby helping subsistence farmers to commercialise themselves and their businesses more effectively.

Table 1: Division wise distribution of APMC main market and sub market yards in Maharashtra:

Sr. No	Division	Districts	Main Markets	Sub Market
1	Pune	Pune, Satara, Solapur, Sangli, Kolhapur	43	122
2	Nasik	Nasik, Ahmednagar, Jalgaon, Dhule, Nandurbar, Thane, Mumbai	51	112
3	Amravati	Amravati, Akola, Buldhana, Washim, Yavatmal	55	101
4	Latur	Latur, Osmanabad, Beed, Nanded	48	91
5	Nagpur	Nagpur, Bahndara, Gondia, Wardha,	45	77

Chandrapur, Gadhiroli

6	Aurangabad	Aurangabad, Jalna, Parbhani, Hingoli	33	72
7	Konkan	Raigad, Ratnagiri, Sindhudurg	20	34
	Total		295	209

Source: Director of Marketing (DOM), Pune.

As per the policy of Government of Maharashtra, produce of agriculture, whether processed or not, including horticulture, animal husbandry, pisciculture and produce from forests are defined as agricultural produce. From time to time, the agricultural produce of the area are notified as agricultural produce for marketing in designated market place by the Directorate of Marketing and Inspection. In this backdrop, GOI constituted an expert committee on strengthening and developing of Agriculture marketing in December 2000, which was followed by constitution of an inter ministerial task force to review the parent system of Agricultural marketing in the country and to recommend measures to make the system more efficient. The committee in its report of June 2001 and Task force in its report of May 2002 made a number of recommendations not only to improve the existing regulated marketing network but also to promote a parallel marketing network in the private and cooperative sector.

These recommendations included: analysing the requirements to provide and strengthen existing marketing infrastructure, promote competitive

alternative agricultural marketing infrastructure through involvement of private and cooperative sector, provide infrastructure facilities for grading, standardization and quality certification of agricultural produce and to provide training for farmers, entrepreneurs and market functionaries on agricultural marketing.

Consequent upon this development, Ministry of Agriculture and Cooperation, GOI launched a credit linked back ended capital investment subsidy scheme for development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization (AMIGS) with effect from 20th October 2004 with the view to creating:

- Additional Agricultural Marketing infrastructure
- Strengthening existing agricultural marketing infrastructure
- Promoting competitive alternative agricultural marketing infrastructure through the involvement of private and cooperative sectors.

Since the scheme was linked to market reforms, the states which have amended the APMC Act to include private participation and contract farming are now eligible for availing the benefit of subsidy under the scheme. The state of Maharashtra being one of the leading states to adopt the new policy of Union government has amended its APMC act and the scheme is in operation since 5th September 2006. Some aspects of this scheme include: Grain units – godown, drying yard, site development and machinery; Milk unit- bulk coolers, combine harvesters and auction sheds.

Table 2: Geographical coverage of APMCs in Maharashtra:

Sr. No	Particulars	Maharashtra Per Market	
		Area	Market
1	Geographical area served (sq km)	3, 08, 000	340. 70
2	Population served (Lakh)	1, 000	1. 11
3	No. of markets per district	25. 83	
4	No. of Local bodies covered per market	28, 174	31. 16
5	Villages and Towns	41, 473	45. 88

Source: Director of Marketing (DOM), Pune .

Considering the geographical coverage of APMCs within the state (Table 2); as of 31st March 2011, 188 proposals having a financial outlay of Rs. 22, 671. 32 Lakh, bank loan of Rs. 14, 191. 68 Lakh and eligible subsidy of Rs. 4, 692. 61 Lakh were received from different banks by NABARD, Maharashtra Regional Office, Pune. In order to review the processes implemented by the APMCS of Maharashtra, a detailed study was conducted by NABARD (National Bank for Agriculture and Development).

Progressing to the second objective of this report, we begin by analysing the alternative popular marketing channel which is growing in conjunction with the conventional APMC set up i. e. *Shetkari Bazars* . The Farmer's Market (*Shetkari Bazar*) is an idea of marketing the agrarian produce directly to

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consumers by producers (farmers). By excluding the intermediaries who in the model appear to be an inflationary force, the agrarian produce reaches its destination in good condition due to minimal in between handlers. As a result, this method leads to better price realization for the farmers and also quality produce reaches the consumers at far lower lower price levels. This format of conducting agricultural marketing has previously been enforced in Andhra Pradesh (which was called *Raithu Bazar*). This format is meant to assist small scale farmer producers (with fewer quantities of fragile vegetables and fruits) to secure better price levels thereby escaping commercial exploitation in the market yard by *Dalals* .

Since 2nd July 2002, as per the government resolution No. APMC-1099/PC. 305/11-c, Govt. of Maharashtra has decided to set up *Shetkari Bazars* in the state and MSAMB has been appointed as nodal agency for implementing this scheme. The produce brought by farmers will not be levied cess at the *Shetkari bazaars* in all districts and key *taluka* places by APMCs from the area. As per this resolution, a state level committee is setup under the chairmanship of Hon. Minister of Marketing, Govt. of Maharashtra, for implementing and monitoring of this scheme. The district level committees are also set up under the chairpersonship of respective district collectors with the following objectives ⁴ :

- To help farmers to get reasonable rates for their produce;
- To benefit consumers by giving them fresh produce at reasonable prices;

- Immediate value realization of the produce to farmers without any deductions;
- To provide produce in appropriate weights and measures to consumers;
- To bring producers and consumers together to avoid chain of middlemen.

The MSAMB has planned setting up of 100 *Shetkari Bazars* in the state by the next 5 years. The cost of setting up a single bazaar is estimated to be around 20 - 25 Lakh. Hence, MSAMB is providing loan to the maximum extent of 10 Lakh per beneficiary. Interest is subsidized up to 50% of the total loan. The rate of interest for the loan is 5% p. p. with 10 years payback period. To avail this loan, the APMC has to submit the proposal to the MSAMB along with the detailed plan and estimates and get prior approval for the same before beginning construction.

There have been some compelling success stories in the realm of Contract farming which have transformed the fortunes of farmers belonging to specific regions of Maharashtra. Manchar village in Pune district of Maharashtra is famous for its high quality potato crops. Pepsico company recently began buying the produce of over 6000 acres of land in the area. The key elements of Pepsico's success are its unique partnership with local agencies, execution of technology transfer through well trained extension personnel, supply of agricultural implements free of cost, regular and timely payment to farmers and the maintenance of a perfect logistic system. This is especially beneficial considering the amount of PHL minimised and the time saved by farmers who otherwise would need to transport their precious crops

to the APMC market yard at the daily risk of losing some of their crops to handling, weather and potential road accidents.

Recently, Sanghar Exports, Pune, also entered into contract farming of banana with the farmers in Pune (Phoolgaon) and Solapur. In this case however, the contract is only for the purchase of the agricultural produce.

In conclusion, owing to the nature of the APMC marketing pipeline, inflationary practices have become inescapably endemic within the APMC marketing apparatus which can only be removed by a two-fold method. Firstly promotion and financing of alternative marketing channels such as Shetkari Bazaars, Contract farming and direct marketing must be followed. Secondly, by reducing the number of middlemen currently included within the APMC marketing process (such as dalals, auctioneers etc) along with increasing the number of licenses granted to more farmers and dalal shops from operating within the market yard shall lead to considerably reduced auction price rates since it inevitably leads to greater supply and more competitive bidding at the market auction yards at the market yards.

Furthermore, there exists a dire need to strengthen existing marketing infrastructure, promote competitive alternative agricultural marketing infrastructure through involvement of private and cooperative sector, promote direct marketing and direct integration of processing units with produces, supply infrastructure resources meant to be utilised for standardization, grading and quality certification of agrarian goods, to introduce negotiable warehousing receipt system, also to promote pledge financing, forward and future markets and to create awareness and provide

training to farmers, entrepreneurs and market functionaries on agricultural marketing.

Hence, although these APMCs have facilitated the provision of a variety of services and forward linkages to farmers for long time after the opening up of Indian economy in late nineties, but, the age old practices and procedures incorporated within their functioning have invited criticism from all quarters in recent past. Since their incorporation, farmers have lost confidence in APMCs due to number of malpractices like lack of transparency, high charges levied by commission agents, wrong weightments and restriction of marketing licences for farmers and auctioneers alike (which curtails supply thereby exacerbating food price inflation).

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