

## Status of Legal Reforms in Agricultural Marketing

Nitu Mehta(Ranka) and Latika Sharma\*

Department of Agricultural Economics & Management, Rajasthan College of Agriculture, Maharana Pratap University of Agriculture & Technology, Udaipur, Rajasthan, India

\*Corresponding author: latika4@gmail.com

---

### ABSTRACT

Appropriate laws are essential to any national agricultural marketing system. An inappropriate legal framework can distort and reduce the efficiency of the market, increase the cost to the participants and severely stunt the development of a healthy private sector. Despite this, programs to reform agricultural marketing systems have often been based on an inadequate understanding of the relationship between law and the way in which marketing systems function. The purpose of this article is to improve the effectiveness and efficiency of domestic agricultural marketing by providing policy and law-makers with the necessary theoretical framework, practical tools and guidance. Marketing of agricultural products in India is governed by the state level statutory bodies – the Agricultural Produce Marketing Committees (“APMC”) established under the Agricultural Produce Marketing Acts which has been enacted by a majority of states in India.

**Keywords:** Agricultural marketing system, agricultural produce marketing committees, agricultural produce marketing acts

---

In India, the organized marketing of agricultural commodities has been promoted through a network of regulated markets. Most state governments and UT administrations have enacted legislations to provide for the regulation of agricultural produce markets. The advent of regulated markets has helped in mitigating the market handicaps of producers/sellers at the wholesale assembling level. But the rural periodic markets in general and the tribal markets in particular, remained out of its developmental ambit. India is a federal state, and legislative powers and jurisdiction between the Central and State Governments are demarcated under the Constitution of India. Agriculture is a ‘state’ subject (i.e., the jurisdiction to enact laws and regulations in relation to agriculture has been vested with the state government). Laws and regulations at the level of each state play a key role in the regulation of this sector. Marketing of agricultural products in India is governed by the state level statutory bodies– the Agricultural Produce Marketing Committees (“APMC”) established under

the Agricultural Produce Marketing Acts (hereinafter referred to as APMA) which has been enacted by a majority of states in India.

Challenges and opportunities that the global markets offer in the liberalization trade regime are also to be addressed. For the farming community to benefit from the new global market access opportunities, the internal agricultural marketing system in the country needs to be integrated and strengthened. Agricultural marketing reforms and the creation of marketing infrastructure has therefore been a prime concern of the government.

### Present Constraints in the System

Indian farmers are predominantly marginal or small– have small quantities of marketable surplus. There is restriction on sale of produce outside regulated market yards. There are large distances to markets & inadequate infrastructure, multiple intermediaries & exploitation by agents/ traders in the existing

markets. There is high cost of transport/ marketing fee in regulated wholesale markets. High post-harvest losses, wastage, lack of standardization, grading & certification are still in existence. There are limited access to information on domestic and overseas markets and opportunities. Unorganized producers have limited bargaining power.

### Need for Reforms

The agriculture sector needs well-functioning of markets to drive growth, employment and economic prosperity in rural areas of India. In order to provide dynamism and efficiency into the marketing system, large investments are required for the development of post-harvest and cold-chain infrastructure nearer to the farmer's field. A major portion of this investment is expected from the private sector, for which an appropriate regulatory and policy environment is necessary. Also, enabling policies need to be put in place to encourage the procurement of agricultural commodities directly from farmer's fields and to establish effective linkage between the farm production and the retail chain and food processing industries. Increasing diversification into higher value crops for better returns in the agriculture sector, greater farmer-market linkage, dynamism & efficiency in markets are needed for better farm income. There is a need for efficient transportation system and processing or value addition facilities to producer farmers at their door step. There are policies required to facilitate reduction of intermediaries & promotion of direct procurement of agri-commodities/ alternatives to farmers. Large investments required for the development of post-harvest & cold chain infrastructure. Major portion of investment and appropriate regulatory & policy environment necessary for private investment is required.

### First phase of reforms

The first phase of agricultural marketing reforms started during 1960-90 with the objective of physical infrastructure in primary markets, farmers dominated management committees, systematic sales and standardized charges. By 1978 most of the states have adopted APMR acts. The next phase was review

phase (1991-2001). In this phase several reviews of agricultural marketing system were done like Expert Group (Acharya), 1998, Expert Committee (Guru & Acharya) 2000, Planning Commission Group on Agricultural Marketing 2001 and Inter Ministerial Task Force (RCA Jain) 2001.

### Second phase of reforms

In 2003, New Model Act was circulated to states. The main changes in the Model Act were:

- Market Yards' monopoly was broken and allowed by private sector, farmers, farmers' groups or cooperatives.
- Contract farming/marketing was facilitated & allowed.
- Allowed direct purchases (by bulk purchasers) from farmers.

The major thrust of reforms was to attract private investment in marketing, to establish farmers market and to promote contract farming/ marketing.

### Review of Existing Legal Framework

The Act was passed originally in the year 1954 and then revised in 2003. The legal and administrative framework for regulation and management of agricultural produce markets has mainly been provided in the provisions of more than 27 Regulated Markets Acts in vogue in different States and Union Territories of the country. Although the purpose of enactment 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, many of these Acts differ even in vital contents. All the same, the States and UTs where such Regulated Market Acts have not been enacted and enforced have some administrative arrangements to look after the subject though rudimentary and of varied pattern. Some important aspects of these acts are as follows:

- **Commodity coverage:** The manner of notifying the commodities for regulation varies from State to State. Some states like Andhra Pradesh

**Table 1:** Progress of Reforms in Agricultural Markets as on 31/12/2016

Sl. No.	Area of Reforms	States adopted the suggested area of market reforms
1	Establishment of private market yards/ private markets managed by a person other than a market committee.	Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Gujarat, Goa, Himachal Pradesh, Karnataka, Maharashtra, Mizoram, Nagaland, Orissa (excluding for paddy / rice), Rajasthan, Sikkim, Telangana, Tripura, Punjab, UT of Chandigarh, Jharkhand, Uttarakhand, West Bengal.
2	Establishment of direct purchase of agricultural produce from agriculturist (Direct Purchasing from producer)	Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Gujarat, Goa, Haryana (for specified crop through establishment of Collection Centres) Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Mizoram, Nagaland, Rajasthan, Sikkim, Telangana, Tripura, Punjab (only in Rule), UT of Chandigarh (only in Rule), Jharkhand, Uttarakhand and West Bengal.
3	Establishment of farmers/ consumers market managed by a person other than a market committee (Direct sale by the producer)	Arunachal Pradesh, Assam, Chhattisgarh, Gujarat, Goa, Himachal Pradesh, Karnataka, Maharashtra, Mizoram, Nagaland, Rajasthan, Sikkim, Tripura, Jharkhand, Uttarakhand and West Bengal.
4	Contract Farming Sponsor shall register himself with the Marketing Committee or with a prescribed officer in such a manner as may be prescribed	Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Haryana Himachal Pradesh, Jharkhand, Karnataka, Maharashtra, Madhya Pradesh, Mizoram, Nagaland, Orissa, Punjab (separate Act), Rajasthan, Sikkim, Telangana, Tripura and Uttarakhand.
5	To promote and permit e-trading	Andhra Pradesh, Chhattisgarh, Gujarat, Jharkhand, Haryana, H.P., Karnataka, Rajasthan, Sikkim, Goa, Madhya Pradesh, Maharashtra, Mizoram, Telangana, Uttarakhand and Uttar Pradesh.
6	Single point levy of market fee across the State	Andhra Pradesh, Rajasthan, Gujarat, Goa, Haryana, Himachal Pradesh, Chhattisgarh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Mizoram, Nagaland, Sikkim, UT of Chandigarh, Punjab, Telangana, Uttar Pradesh and Uttarakhand.
7	Single trading license valid across the State	Andhra Pradesh, Chhattisgarh, Goa, Gujarat, Haryana, Himachal Pradesh, Karnataka, Rajasthan, Madhya Pradesh, Maharashtra, Mizoram, Nagaland, Telangana, Sikkim and Uttar Pradesh.

and Himachal Pradesh have included all the commodities in the schedule or within the definition of the agricultural produce on the other hand in case of Punjab, Madhya Pradesh, Maharashtra, Rajasthan, Gujarat, etc though the schedule of the commodities has been appended to the respective Acts, yet control could be exercised only on such commodities from amongst these included in the schedule, as are specified in the notification in respect of each market, despite the fact that some more agricultural commodities arrive in the markets which are intended to be regulated.

- **Market Committee:** The responsibility of enforcing different provisions of the Acts, Rules and Bye-laws framed there under for regulation of markets has been vested with the Market

Committee in all the State Acts. In case of Tamil Nadu, only one Market Committee is constituted for all the regulated markets located in the district. The number of members of the Market Committees vary from 10 to 17 in different States. They are either elected / nominated by Government in accordance with provisions of the State Act.

- **Agricultural Marketing Boards:** The institution of Agricultural Marketing Board was established for expeditious execution of the market development work. In some states like A.P., Odisha and Tamil Nadu the Boards are advisory in nature and in the States of Punjab, Haryana, Rajasthan, W.B., Karnataka and Maharashtra are statutory in nature and have powerful role. There are wider variation in their composition and functioning.

- **Market Area:** Despite expansion in the number of regulated markets, the area served per market yard is quite high. The national average is 454 square km and in some states like Assam, Himachal Pradesh, Meghalaya, it is considerably higher. The farmers are, therefore, required to travel long distances to reach a market place. With small surplus to sell, most of the farmers try to evade these markets. Though the Acts stipulate for the provision of some prescribed facilities and amenities in each market yard, in several markets, the facilities/ amenities actually created are far from the prescribed norms.

The APMC have been made specifically responsible for ensuring complete transparency in pricing system, transactions taking place in market area and providing market-led extension services to farmers. The APMC is responsible for ensuring payment for agricultural produce sold by farmers on the same day, promoting agricultural processing including activities for value addition in agricultural produce and publicizing data on arrivals and rates of agricultural produce brought into the market area for sale. Also responsible for setup and to promote public private partnership in the management of agricultural markets.

### Emerging Alternative Marketing Models

- **Modern Terminal Markets (TMC):** It has been conceptualized and introduced as a new item under National Horticulture Mission (NHM), which is proposed to be implemented in a Public Private Partnership (PPP) mode by establishing the Hub (Main Market) and Spokes (Collection Centers) model by private entrepreneurs.
- **Contract farming:** Farming under contracts, which confer benefits to both producer and purchasers, for ensuring assured and remunerative marketing opportunities to the farmers by way of assured procurement of the produce of desired quality by the contract farming sponsor from the contract (producer at a pre-determined price (either at a fixed rate or any formula) is called contract farming.
- **ITC e-Choupal :** ITC has set up small internet kiosks at the village level to provide farmers

real time market information related to prices, availability of inputs, weather data and other matters related to the farmers.

- **APPTA Market:** Agricultural Products Producers and Traders Association Market (APPTA) is a Modern Fruit and Vegetables Market constructed at Nagercoil near Kanyakumari in Tamil Nadu. It is the important major assembling centre for fruit and vegetables in a radius of 50 km.
- **Advent of Virtual Markets:** The virtual market in the context of Agriculture Marketing may be defined as “an electronic market which enables producers and buyers in the supply chain to access each other spread across the country, with a view of transact at the most efficient and transparent prices, thereby reducing the cost of intermediation, improving marketing efficiency and producers’ realisation coupled with reduction in consumer paid price”.

### Marketing Research and Information Network (AGMARKNET)

This is a central sector scheme that was launched by the Department of Agriculture and Cooperation in March 2000. The scheme aims at progressively linking important agricultural produce markets spread all over India and the State Agriculture Marketing Boards/ Directorates and the DMI for effective exchange of market information. The market information network, AGMARKNET (agmarknet.nic.in), is being implemented jointly by DMI and NIC, using NICNET facilities available throughout the country. The objective of the scheme is to facilitate collection and dissemination of information for better price realization.

### Construction of Rural Godowns

The Department of Agriculture and Cooperation introduced a central sector scheme, the ‘Grameen Bhandaran Yojana’, in March 2002 to promote the construction of rural godowns. The main objectives of the scheme include the creation of a scientific storage capacity with allied facilities in rural areas to meet the requirements of farmers for storing farm produce and to prevent distress sale of produce.

### **Development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization**

The scheme for the development/strengthening of agricultural marketing infrastructure, grading and standardization was launched on 20<sup>th</sup> October, 2004. Under this scheme, a credit-linked investment subsidy is being provided on the capital cost of general or commodity-specific marketing infrastructure for agricultural commodities and for strengthening and modernization of existing agricultural wholesale markets, and rural or periodic markets in tribal areas. The scheme covers all agricultural and allied sectors including dairy, poultry, fishery, livestock and minor forest produce.

### **Global Marketing**

Global marketing is the marketing on a worldwide scale reconciling or taking commercial advantage of global operational differences, similarities and opportunities in order to meet global objectives. Global marketing is a firm's ability to market to almost all countries on the planet. With extensive research, the need for a firm's product or services is established. The global firm retains the capability, reach, knowledge, staff, skills, insights, and expertise to deliver value to customers worldwide. The firm understands the requirement to service customers locally with global standard solutions or products, and localizes that product as required to maintain an optimal balance of cost, efficiency, customization and localization in a control-customization continuum to the best to meet local, national and global requirements. Not only do standard marketing approaches, strategies, tactics and processes apply, global marketing requires an understanding of global finance, global operations and distribution, government relations, global human capital management and resource allocation, distributed technology development and management, global business logic, inter firm and global competitiveness, exporting, joint ventures, foreign direct investments and global risk management.

Though market regulation program has initially served the purpose well, in the emerging scenario, several questions relating to the functioning and even relevance are being raised. The institution of regulated markets set up to strengthen and develop agricultural marketing in the country has achieved limited success in providing transparent transactional methods/marketing practices, need based amenities and services conducive to efficient marketing, marketing information and extension services. In a comprehensive study of agricultural marketing system in India during the last fifty years (Acharya, 2004) several problems associated with regulated markets have been identified. Thus a constant improvement and updating of the legal framework is need of the hour.

### **REFERENCES**

- Acharya, S.S. 2000. Subsidies in Indian agriculture and their beneficiaries. *Agricultural Situation in India*, 57(5): 251-260.
- Agarwal, N.L. and Dhaka, J.M. 1998. Relationship between Arrivals and Prices of Spice Crops in Rajasthan. *Indian Journal of Agricultural Marketing*, 12(3): 152-153.
- Ahluwalia, M.S. 1996. New Economic Policy and Agriculture: Some Reflections. *Indian Journal of Agricultural Economics*, 51(3).
- Annual Report 2016-17. Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare, Government of India.
- Bhattacharya, B.B. 2003. Trade Liberalization and Agricultural Price Policy in India Since Reforms. *Indian Journal of Agricultural Economics*, 58(3).
- Ghosh, M. 2011. Agricultural Policy Reforms and Spatial Integration of Food Grain Markets in India. *Journal of Economic Development*, 36(2).
- Rao, C.H. Hanumantha 2003. Reform Agenda for Agriculture. *Economic and Political Weekly*, Feb 15.
- Vyas, V.S. 2007. Market Reforms in Indian Agriculture: One Step Forward, Two Steps Back", in Gulati, A. and S. Fan (eds. 2007), *The Dragon and the Elephant: Agriculture and Rural Reforms in India and China*, Oxford University Press, New Delhi.

