

E-linking farmers with markets

While the Agri-Tech Infrastructure Fund is a welcome move, an action plan on going beyond 585 markets needs to be put in place



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The government recently announced a country-wide e-marketing platform for agricultural produce. This is expected to aid price discovery, provide greater returns to farmers, and ensure seamless availability of agricultural commodities, thereby taming price spikes. It would further enhance marketing efficiency and eliminate rent-seeking practices.

The Agri-Tech Infrastructure Fund will be rolled out by the Department of Agriculture & Cooperation with the Small Farmers' Agribusiness Consortium as the executing arm. The scheme proposes to integrate 585 regulated *mandis* across the country over 2015-16 to 2017-18.

An amount of ₹200 crore has been earmarked for the scheme for two years, which includes provision for supplying free software to states and Union Territories. The cost of related hardware and infrastructure will also be subsidised by the central government up to ₹30 lakh per *mandi* (except private *mandis*). While there is no state-specific allocation, states will need to meet certain prerequisites including a single licence to be valid across the state, single-point levy of market fee and provision for electronic auction for price discovery.

The scheme promises to benefit farmers by enhancing prospects for marketing of produce; improved access to market-related information and better price discovery; access to a greater number of buyers through transparent auction processes; and increased access to markets through warehouse-based sales, thereby bypassing the need to physically transport commodities. It would also curb rent-seeking and 'finger-touching' or call-out auction, thereby alleviating the stranglehold of large wholesale traders and commission agents.

However, the scheme further needs to consider certain policy and institutional changes. For instance, farmers often do not sell their produce directly and this is typically done through aggregators, transporters or traders. Hence, intermediation might still continue, although in a different form. Without the farmer's actual participation in the e-auction through guaranteed access to the e-platform, the opportunity for fair price realisation despite a fair price discovery may be limited.

Second, credit and advances for growing and harvesting the crops are provided by the intermediaries and local aggregators, often, at hid-

den and exorbitant interest rates. The farmers are thus locked-in with contracts and are unable to exercise their freedom to sell. The access to affordable credit would need to be addressed as well.

Also, *mandis* guarantee sale of commodities, particularly fresh produce of any quality, which raises farmer dependence on these markets. This may not be possible through the e-platform, although increasingly buyers are providing the necessary inputs to ensure that farmers are able to grow the quality they are looking for.

Third, the scheme provides for warehouse facilities which will be subject to investment. Despite the warehouse receipt system, there has been little progress in farmers' access to warehousing.

According to a CII study on agriculture marketing, reforms beyond marketing and upgrading the existing system are required to benefit farmers and consumers. One, institutional arrangements for credit and insurance are required to eliminate the grip of intermediaries in the traditional *mandis*. Often farmers lack the resources to travel distances to sell their produce in the *mandi* and it makes more economic sense for someone else in the chain to facilitate the transaction.

Two, although some state marketing boards have moved towards simplifying multiple licensing, the current licensing regime lends itself to a strong informal economy where rent-seeking and malpractices are prevalent, with discretion on issuance of licences residing with APMC authorities. States need to be guided on the single licence system, with a fee structure that makes up for potential revenue losses. Piloting of this model in different production zones taking into account the diversity of commodities, farmers and marketing channels will be important to

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ensure the scalability and replicability of this model.

Three, the e-platform needs to be backed up with monitoring of actual use and training of market staff due to poor infrastructure in the *mandi*. Also, sorting and grading facilities—critical to better price realisation for farmers—did not exist in the markets surveyed in the CII report. The facilitation and maintenance of these platforms will require technical knowhow and hence there is need to have the right human resources within the *mandi* system.

Four, payment settlement and mode of payment are increasingly through cash transfers and within a day to a month depending on the

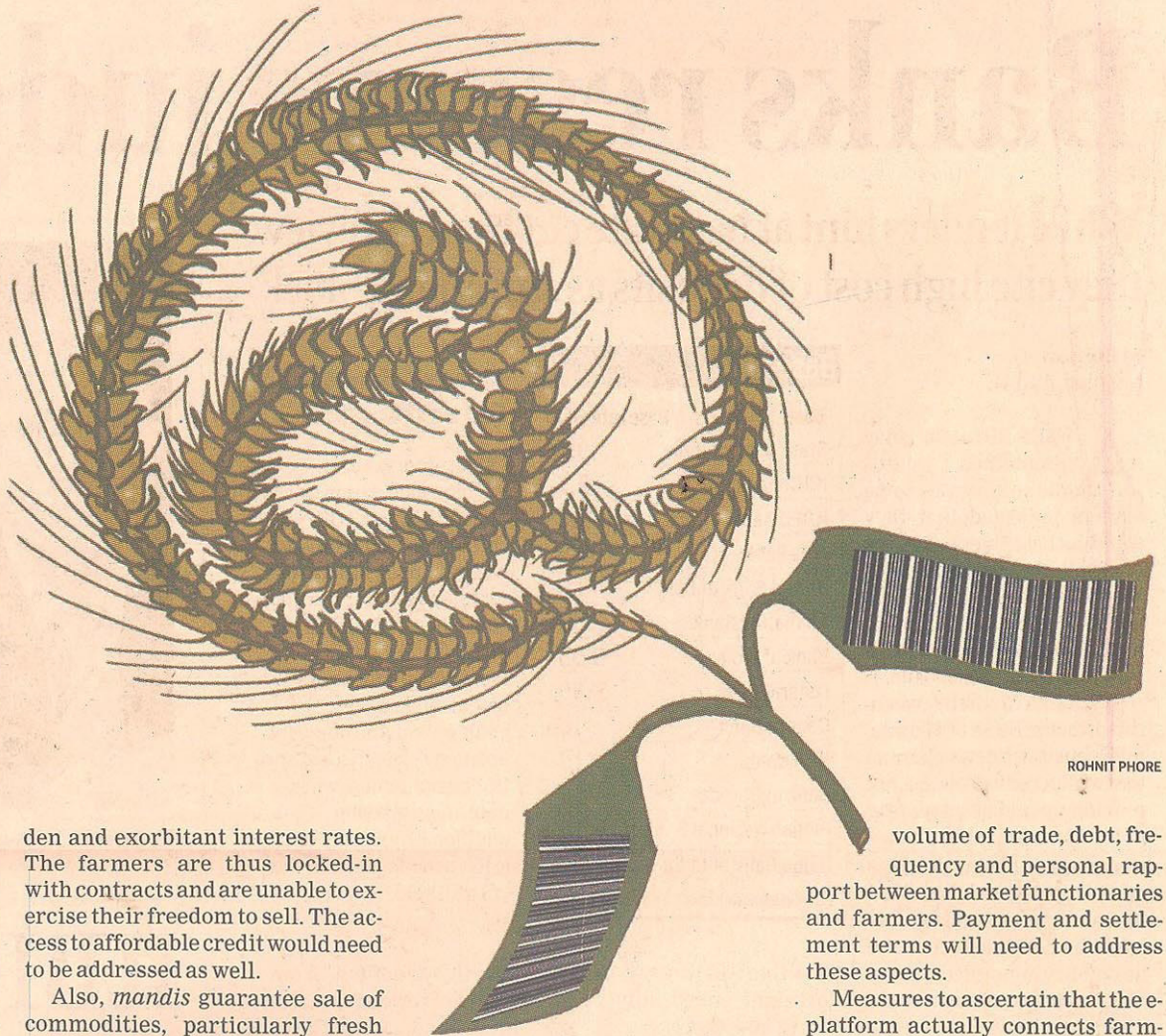
volume of trade, debt, frequency and personal rapport between market functionaries and farmers. Payment and settlement terms will need to address these aspects.

Measures to ascertain that the e-platform actually connects farmers with buyers and does not remain with the traders and intermediaries will be critical to ensure that fair price discovery translates into price realisation. This will entail educating the farmers about the e-platform and handholding them into the process.

While this scheme is for three years ending 2017-18, an action plan on how to move beyond 585 markets needs to be put in place. Also, with the current 585 markets that will be integrated in a phased manner, the choice of such markets and commodities to be included needs to be drawn out. The challenge will lie with perishable commodities.

The e-marketing platform will benefit farmers subject to certain critical reforms that extend beyond marketing. It is definitely one of the models that will see their way into the future of agriculture marketing, but other models of direct linkages such as private markets need to be encouraged to be able to connect maximum number of farmers with markets. Also, with increasing demand and awareness about safe and quality food, it will be imperative to ensure that farming practices conform to higher food safety standards, and traceability along the value chain will be critical. This will need private sector coming into the agricultural marketing space in a major way and investing in the backend, thus creating an enabling environment for such practices that cater to consumer demand.

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