

**GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA**

UNSTARRED QUESTION NO:2405

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AGRICULTURAL MARKETING

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Will the Minister of AGRICULTURE be pleased to state:

- (a) the details of the recommendations made by the inter-ministerial task force set up for strengthening and developing agricultural marketing;
- (b) if so, the details thereof;
- (c) whether the Government proposes to decentralise the procurement process and enable the farmers to form small self-help groups for better marketing of their produce;
- (d) if so, the details thereof and steps taken in this regard;
- (e) whether the rates fixed by the future market is more scientific than the minimum support price fixed by the Government; and
- (f) if so, the details thereof and steps taken to involve farmers in future trade?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE(SHRI KANTILAL BHURIA)

(a) & (b): The details of the recommendations made by the Inter-Ministerial Task Force on Agricultural Marketing Reforms constituted by this Ministry in its report of 28.06.2002 are given in the Annexure.

(c) & (d): Government has introduced Decentralized Procurement Scheme for rice and wheat with an intent of extending the benefits of Minimum Support Price (MSP) to local farmers in non-traditional States under which State Government undertakes procurement on behalf of Government of India and also stores and distributes these foodgrains under public distribution system and other welfare schemes. Government is also encouraging farmers to form self-help groups/ common interest groups and commodity specific groups under the Support to State Extension Reforms Scheme through the District Level Agriculture Technology Management Agencies (ATMAs) and formation of such groups is expected to help farmers in aggregation/ value addition and better marketing of their produce.

(e) & (f): The purpose of Minimum Support Price (MSP) is different from that of fixing the settlement price in a futures market. Hence the two are not comparable. MSP is not intended to reflect actual market price, but, as the name indicates, it is the minimum price which the producer would get under Government purchase, if the market prices fall below the fixed MSP. Settlement price in the futures market is intended to be a representative market price on a particular day and particular time. Mostly the settlement price is higher than the MSP fixed by the Government for various commodities but in practice the settlement price could even go below MSP. It is not possible to state which one is more scientific in view of the different methodologies of determination of price in both the systems and the different purpose for which MSP is fixed by the Government. Since futures market offers transparent mechanism of price discovery and through hedging in the futures market the price risks can be mitigated, it is considered as an important platform for farmers in fetching remunerative prices for their produce. Forward Market Commission in association with other agencies including the Ministry of Agriculture has initiated various steps, such as, setting up of electronic price ticker boards in market yards/ rural post offices and conduct of farmers' awareness programmes for making farmers aware about the benefits of the futures market and to encourage them to participate in futures trading.

Annexure

v Details of the Recommendations of Inter-Ministerial Task Force

1. All the State Governments should amend the State Agricultural Produce Marketing Regulations Act (APMC Act) inter alia to provide specifically for the following:

a) Enabling private and cooperative sectors to establish and operate (including levy of service charge) agricultural marketing infrastructure and supporting services.

b) Direct marketing of agricultural commodities from producing areas and farmers' fields, without the necessity of going through licensed traders and regulated markets.

c) Permitting 'Contract farming' programs by processing or marketing firms. The APMC within whose jurisdiction the area covered by contract farming agreement lies, should record the contract farming agreements and act as a protector of producer's and processor's interests with due legal support in its jurisdiction. Incidence of taxes by way of market fee, cess, duties, taxes etc. on procurement of agricultural or horticultural produce under the 'Contract farming' program should be waived or minimized.

d) Rationalization of levy of market fee by introducing single point levy of market fee in the entire process of marketing in the State. Levy of market fee should be more in the nature of service charge based on the quality of services provided. The levy of fee can be at different slabs in consonance with the type of scale of services/facilities provided to all market users

e) To attract promoting agencies to take up the marketing infrastructure development projects, all the State Governments/UT Administrations and the concerned Departments of Central Government should be requested to additionally extend support in the following areas:-

i) Deregulation of areas where new markets will be set up, along with forward and backward linkages from the purview of the Agricultural Produce Marketing Act.

ii) Allocation of suitable and sufficient land with necessary approvals to set up agricultural produce markets;

iii) Provision of village land for Farmers Associations and Collection centers;

iv) Fast approval for services like electricity, water, sewage, telephones etc.;

v) Long term credit for initial capital investment, and

vi) Declaration of the project as an infrastructure project within the meaning of Section 10(23G) of the Income-tax Act.

2. With a view to attract requisite investment for the development of marketing infrastructure in the country, a new central scheme should be formulated to provide credit linked assistance for development of general and commodity specific agricultural produce markets and for strengthening of existing agricultural markets, wholesale, rural periodic and in tribal areas. For the construction of storage, cold storage and cold chain infrastructure, the ongoing central schemes should be further expanded to create additional capacity of rural storage of 85 lakhs MT, cold storage of 56.00 lakhs MT and requisite cold chain infrastructure during the Xth Plan Period. Central assistance should be conditional and linked to reforms by the States in the APMC Acts and deregulation. Considering the magnitude of outlay required external funding should be sought, if need be, to augment the resources of Central and State Governments to support the infrastructure development program.

3. Credit for marketing of crops (pledge financing) should be substantially stepped up to reach a level of at least Rs.7000 crores by the end of 10th Five Year Plan Period in 2007. RBI need to formulate appropriate marketing credit policies and to introduce a separate MIS for loans given for pledge financing in order to monitor progress. NABARD need to augment the resources of State Marketing Cooperatives to provide pledge financing facilities to farmers and to provide 100% refinance to RRBs, on similar lines as that of cooperative banks. RBI should also consider evolving an appropriate arrangement to ensure that warehousing receipts/godown receipts issued by licensed operators of rural godowns are acceptable to bankers for providing credit to farmers. To facilitate easy access to pledge loan, RBI should evolve a simplified procedure in consultation with commercial banks.

4. For the introduction of a system of negotiable warehousing receipt system in respect of agricultural commodities, the Central Warehousing Corporation and the State Warehousing Corporations should evolve commercially acceptable quality standards in respect of various commodities in order to ensure quality maintenance of the stored goods over a sufficiently longer period of time. The Warehousing Corporations should enforce standards both for quality and quantity at the warehouses, for which required infrastructure as to the measurement of grades and standards also need to be put in place, so as to reduce disputes on account of quality and quantity standards, and to improve the credibility of the Warehouse Receipt.

5. In order to grant the status of 'negotiability' to godown receipts issued by licensed godown operators, the Negotiable Instruments Act should be amended or in the alternative, a Central legislation on the pattern of The Multimodal Transportation of Goods Act, 1993, be enacted for the Warehouse Receipts to be made fully negotiable instrument. Law should be framed in such a way that it gives full enforceability and transparency of the Warehouse Receipts.

6. For the promotion of Forward and Futures markets in agricultural commodities, the following action is recommended:

a) The negative list under section 17 of the FC (R) Act may be given a fresh look so as to drastically prune it. Prohibition and regulation of NTSD contracts under the Act may also be discontinued.

b) Commodity specific approach to futures trading may be discontinued. Instead recognized associations/exchanges could apply for permission for trading in any 'contracts' other than for the commodities in the negative list from the Commodity Market Regulator under the overall rules, procedures and guidelines of the regulator.

c) Exchanges should come out with feasibility studies on commodities and products based on a cost benefit analysis of futures trading in such commodities/products. The system of piecemeal opening up and permission based on the Regulator's/Government's evaluation may be discontinued. Contracts proposed by the Exchanges based on proper feasibility studies should be studied and approved by the Regulator.

d) The design of contracts and the type of contracts (TSD, futures, options – (as and when statutorily permitted) should be left to the

Exchanges to be decided. Only the appropriate regulatory mechanism and enabling provisions should be finalized with the approval of the market regulator.

e) The system of warehouse receipts need to be universalized in futures trading for enhancing volumes and for minimizing transaction costs.

f) The regulator (presently FMC) needs to be strengthened and made an autonomous organization similar to SEBI with adequate powers and professional capabilities to monitor and surveillance in an expanded and liberalized futures market in the country.

g) The role of commodity market regulator may be redefined to regulate all derivative products, not just for commodity futures – like CFTC in the US – so that their specialized expertise can be optimally used.

7. The Minimum Price Support Policy (MSP) has served the country well in the past three decades. However, in recent years it has started encountering problems mainly because of surpluses of several agricultural commodities and also the resultant excessive foodstocks with FCI. In the changing environment it is essential to think of an alternative policy delinking MSP from procurement particularly if the private sector is to be restored its rightful role in the marketing of agricultural produce. The alternative policy should allow market forces to determine the price and provide financial support through an insurance programme to farmers for protection of their incomes in falling markets. The income protection programme could be taken up initially in a few selected States for agricultural commodities like oilseeds, pulses, rice and wheat. Till the alternative policies are developed and implemented, the existing nodal/central agencies and State organizations need to be strengthened to undertake decentralised procurement of foodgrains.

8. The Fair Average Quality (FAQ) norms fixed for different agricultural commodities should not be relaxed frequently, as such relaxation breeds inefficiency and difficulties in disposal of stocks. At present, there is no reliable and transparent system existing at the field level and the grading is done more or less on discretionary basis. This system of subjective assessment needs to be replaced by a system of objective criteria by providing moisture measuring equipments and other equipments, which can help in measuring Fair Average Quality. FAQ norms have to be strictly enforced while providing wide publicity and educating the farmers on quality issues. The nodal agencies should decide, in consultation with the State Governments, the location and number of purchase centres to be set up much in advance of the marketing season. The information regarding number and location of purchase centres should be given wide publicity through media, radio, television, leaflets, etc

9. The Market Intervention Scheme (MIS) needs to be reviewed to make it more flexible and easy. The provision of sharing of losses by the State Government(s) under the Scheme also needs to be re-examined.

10. Use of Information Technology need to be extensively promoted to provide market-led extension services to farmers and other market functionaries. The ongoing Central Sector Scheme of establishing 'market information network' should provide coverage to all the wholesale agricultural markets in the country during the 10th Plan period. It should also be diversified to promote nationally and internationally acceptable standards of grading and standardization, packaging and labelling, storage and warehousing and sanitary and phyto-sanitary measures and quality certification to enable trade and processing sector to undertake large scale agricultural marketing operations in domestic as well as international markets. In markets where there is manpower constraint to operate the scheme, services can be procured from private entrepreneurs with suitable incentives and provision of necessary infrastructure in the market yards.

11. Marketing Research, Training and Extension services to stake holders would aim to create an ambiance of Good Marketing Practices in the country to protect the interest of farmers as well as consumers. The National Institute of Agricultural Marketing (NIAM), Jaipur should be the nodal agency for implementation of training, extension and research programs in Agricultural Marketing. For the purpose, the Institute will collaborate with State Agricultural Universities, State Agricultural Marketing Boards, Directorate of Marketing, Ministry of Agriculture & Cooperation and International Agencies involved in promoting agricultural Marketing.

12. The endeavour of the Government at the Central as well as State level should be to operationalize the recommendations made in this report in a time bound manner. The measures relating to infrastructure development should be taken up for implementation during the X Plan period through appropriate schemes and programmes.

13. With a view to monitor the implementation of the aforesaid recommendations, a Monitoring Committee of officials may be constituted under the Chairmanship of the Joint Secretary (Agricultural Marketing), Department of Agriculture & Cooperation, along with representatives from the Department of Consumer Affairs, the Department of Food and Public Distribution, Ministry of Law, Ministry of Finance, Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NABARD) and National Cooperative Development Corporation (NCDC).

14. The agriculture markets have the potential to act as a powerful tool for improving the economic viability of agriculture, for reduction of rural poverty and for achieving sustainable agriculture development. The Task Force believes that with effective implementation of the recommended measures by the concerned Governments and the Agencies, agricultural markets will achieve nationwide integration enabling the country to meet the challenges posed by liberalization of trade. The reforms package would also enhance the competitiveness of the Indian farmer in the global market empowering him to take advantage of the emerging market access opportunities in the wake of WTO.

15. A marketing system backed by strong, adequate infrastructure is at the core of agricultural marketing. Market infrastructure is important not only for the performance of various marketing functions and expansion of the size of the market but also for transfer of appropriate price signals leading to improved marketing efficiency. High investment and entrepreneurial skills are required for creation and management of the agricultural marketing infrastructure. The situation of control by the state has to be eased to facilitate greater participation of the private sector, particularly to engender massive investments required for the development of marketing infrastructure and supporting services. Investment requirement for the development of marketing, storage and cold storage

infrastructure in the country during 10th Plan has been estimated to be of the order of Rs. 12,230 crores.