APMC ACT IN INDIA: RISING FOOD INFLATION A DECADE STORY

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ABSTRACT
In India, however, the conditions are very different. Along with economic slowdown, inflation is ruling significantly above the threshold level, beyond which inflation turns inimical to growth. Under the current macroeconomic environment, Indian policy makers have to think of various measures that can simultaneously achieve the twin objectives of higher growth and lower inflation. Rising food prices have emerged as a major policy bottleneck for the government and the Reserve Bank of India (RBI). After spiraling to 18.32% in late December, food inflation has moderated in recent weeks but still remains high. In relation to this the APMC act should be amended immediately to calm down food inflation. The efficiency of food supply chain should be improved with proper infrastructure and reduction of middle men. Encouraging competition among traders and promoting efficiency in retailing are some of the steps needed to calm food inflation. These views were given by Prime Minister Manmohan Singh to review the inflation situation and suggest corrective measures. Therefore my objective of the study is to find out the major causes of food inflation, to inquire about the role of APMC act in relation to food inflation and its effectiveness in curbing down the food inflation also to project the grey areas of APMC act in India. The research is descriptive exploratory totally based on secondary data collected from various sources like books, research papers, RBI publishing’s, economic survey, news & articles and through the internet. The study will help the policy makers in working out an effective model of APMC act in India as well as the study provides various measures to curb down the food inflation in India.

KEYWORDS: Food Inflation, APMC act, Causes, Measures, Curbing down, effective model.

Rising food inflation & APMC act in India: An Introduction

Food inflation in India has been a major challenge to policy makers, more so during recent years when it has averaged 10 percent during 2008-09 to December 2012. Given that an average household in India still spends almost half of its expenditure on food, and poor around 60 percent (NSSO, 2011), and that poor cannot easily hedge against inflation, high food inflation inflicts a strong ‘hidden tax’ on the poor.

With food prices accounting for half of overall inflation, this group stayed above 10% most of last year, higher than the overall consumer price index figure of 9.7% for rural and urban categories. A paper by Central Statistical Organization's additional director general Ashish Kumar and deputy director general G M Boopathy points to runaway food prices as the root cause of India's stubborn high inflation. Tracking inflation on a year-on-year basis, the CSO paper says, "It is seen that out of average inflation for 2012 based in CPI of 9.7%, 49.8% is attributed to food and beverages." In the food group, cereals and milk...
contributed 10% each. In a recent interview, Planning Commission member Abhijit Sen said food inflation seemed more a factor of poor food management than production shortfalls.

Agricultural Produce Market Committees constituted as per APMC Acts manage the markets. Over the years, to achieve an efficient system of buying and selling of agricultural commodities, most of the State Governments and Union Territories enacted legislations (Agricultural Produce Marketing (Regulation) Act (APMC Act) to provide for regulation of agricultural produce markets. Revising the Agriculture Produce Market Committee Act (APMC Act), encouraging competition among traders and promoting efficiency in retailing are some of the steps needed to calm food inflation. These views were discussed in the second meeting of a interministerial group appointed by Prime Minister Manmohan Singh to review the inflation situation and suggest corrective measures, according to a statement issued by the finance ministry. In another news report, Ahluwalia also quoted as saying: "the APMC laws must be amended to free farmers from the markets controlled by a few people and provide them access to consumer markets directly. Ahluwalia said all horticulture products such as onions, apples and vegetables should be exempted from APMC laws and the state governments should help farmers in better marketing of their produce. The rise in food inflation calls for urgent measures to address supply side bottlenecks- by delisting perishables from APMC Act and augmenting investment in agri-infrastructure which would improve the productivity of agriculture and lead to a further decline in inflation", said Chandrajit Banerjee, Director General, CII. The declining trajectory of both headline and core inflation has created sufficient room for RBI to cut its policy rates by 50 basis points in its review of monetary policy in March. What is significant is that core inflation continues to be stable and inflation related to food prices is supply driven and not due to excess demand.

Agricultural Marketing & APMC Act in India

BACKGROUND

Agriculture continues to be mainstay of life for majority of the Indian population. It contributes around 25% of the GDP and employs 65% of the workforce in the country. Significant strides have been made in agriculture production since independence. The agriculture production of food grains increased from 51 million tones in 1950-51 i.e. before beginning of the 1st Five Year Plan to 213 million tones in 2003-04. The output of oilseeds went up to 23 million tones. Similarly, the production of fruit and vegetables also increased to more than 134 million tones. The subject of agriculture and agricultural marketing is dealt with both by the States as well as the Central government in the country. Starting from 1951, the different Five Year Plans laid stress on development of physical markets, on farm and off farm storage structures, facilities for standardization and grading, packaging, transportation etc. Development of horticulture marketing attracted attention of policy makers during the 3rd Five Year Plan. The year 1965 witnessed coming into existence of Central Warehousing Corporation, Food Corporation of India, Agricultural Prices Commission (later renamed as Commission for Agricultural Costs and Prices) and several other organizations. Besides number of organizations were set up in the form of commodity boards, cooperative federations and export promotion councils for monitoring and boosting the production, consumption, marketing and export of various agricultural commodities.

Most agricultural commodity markets generally operate under the normal forces of demand and supply. However, with a view to protecting farmers’ interest and to encourage them to increase production, the Government also fixes minimum support/statutory prices for some crops and makes arrangements for their purchase on state account whenever their price falls below the support level. The role of Government is promoting organized marketing of agricultural commodities in the country through a network of regulated markets. To achieve an efficient system of buying and selling of agricultural commodities, most of the state Governments and Union Territories have enacted legislations (APMC Act) to provide for regulation of agricultural produce markets. The basic objective of setting up of network of physical markets has been to ensure reasonable gain to the farmers by creating environment in markets for fair play of supply and demand forces, regulate market practices and attain transparency in transactions.
The Central Government advised all the State Governments to enact Marketing Legislation to promote competitive and transparent transactional methods to protect the interests of the farmers. There are in all 7293 wholesale markets in the country. Besides, the country has 27294 rural periodical markets, about 15% of which function under the ambit of regulation. 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. The area served per regulated market varies from 74 sq km in Punjab to 2257 sq km in Assam. On an average, a regulated market serves 459 sq km area in the country which is quite high. Farmers have to travel long distances with their produce to avail the facility of regulated markets. The National Commission on Agriculture (1976) had recommended that the facility of regulated market should be available to the farmers with in a radius of 5 km and if this is considered a bench mark, the command area of a market should not exceed 80 sq km. Auction platforms are needed in market for settlement of price of the produce in a congenial atmosphere between buyers and sellers. Both covered and open auction platforms exist in only two-thirds of the regulated markets. Some commodities when brought for sale contain higher moisture than desired level and hence there should be a space for drying. Presently only one-fourth of the markets have common drying yards. Trader modules viz. shop, godown and platform in front of shop exist in 63% of the markets. Cold storage units are needed in the markets where perishable commodities are brought for sale. They are brought for sale only in a few markets. The cold storage units exist only in 9% of the markets and grading facilities exist in less than one-third of the markets. The basic facilities viz. internal roads, boundary walls, electric lights, loading and unloading facilities and weighing equipment are available in more than 80% of the markets. Farmers’ rest houses exist in more than half of the regulated markets. It is evident from the above that there is considerable gap in the facilities available in the market yards.

CONSTRAINTS OF PRESENT MARKETS

The purpose of regulation of agricultural markets was to protect farmers from the exploitation of intermediaries and traders and also to ensure better prices and timely payment for his produce. Over a period of time these markets have, however, acquired the status of restrictive and monopolistic markets, providing no help in direct and free marketing, organized retailing, smooth raw material supplies to agro-processing, competitive trading, information exchange and adoption of innovative marketing systems and technologies. Farmer cannot sell his produce directly in bulk except on retail basis to the consumers. Farmers have to bring their produce to the Market yard. Exporters, processors and retail chain operators can not get desired quality and quantity of produce for their business due to restrictions on direct marketing. The processor can not buy the produce at the processing plant or at the warehouse. There is thus an enormous increase in the cost of marketing and the farmer end up getting a low price for his produce. Under the APMC Act, only State Governments are permitted to set up markets. Monopolistic practices and modalities of the State-controlled markets have prevented private investment in the sector. The licensing of traders in the regulated markets has led to the monopoly of the licensed traders acting as a major entry barrier for a new entrepreneur. The traders, commission agents and other functionaries organise themselves into associations, which generally do not allow easy entry of new persons, stifling the very spirit of competitive functioning.

NEED FOR REFORMS

Agriculture sector needs well functioning markets to drive growth, employment and economic prosperity in rural areas of the country. Policies need to be put in place to encourage procurement of agricultural commodities directly from farmers’ field and to establish effective linkage between the farm production and the retail chain and food processing industries. Towards this end, the Inter-Ministerial Task Force on Agricultural Marketing Reforms constituted by this Ministry in its report of 28.06.2002 has made the following important recommendations:
i. Promotion of competitive agricultural markets in private and cooperative sectors, direct marketing and contract farming programmes by amending the State Agricultural Produce Marketing Regulation Acts and to provide central assistance for the development of marketing infrastructure subject to such deregulation and reforms;

ii. Progressive dismantling of controls and regulations under the Essential Commodities Act to remove all restrictions on production, supply, storage and movement of, and trade and commerce in respect of all agricultural commodities;

iii. Substantial step up in flow of institutional credit to farmers for marketing of crops (pledge financing) to enhance their holding capacity to obtain remunerative price for their produce;

iv. Expand availability of warehousing services in rural areas by introducing negotiable warehousing receipt system for agricultural commodities; and

v. Allow futures trading in all agricultural commodities to improve price risk management and facilitate price discovery by amending the Forward Contracts (Regulation) Act, 1952;

In view of liberalization of trade and emergence of global markets, it was necessary to promote development of a competitive marketing infrastructure in the country and to bring about professionalism in the management of existing market yards and market fee structure. The Ministry of Agriculture accordingly formulated a model law on agricultural marketing in consultation with the States Governments. The draft model legislation provides for establishment of Private Markets/Yards, Direct Purchase Centres, Consumer/Farmers Markets for direct sale and promotion of Public Private Partnership in the management and development of agricultural markets in the country. It also provides for separate constitution for Special Markets for Commodities like Onions, Fruits, vegetables, Flowers etc. A separate Chapter has been included in the legislation to regulate and promote contract-farming arrangements in the country. It provides for prohibition of commission agency in any transaction of agricultural commodities with the producers. It redefines the role of present Agricultural Produce Market Committee to promote alternative marketing system, contract farming, direct marketing and farmers/consumers markets. It also redefines the role of State Agricultural Marketing Boards to promote standardization, grading, quality certification, market led extension and training of farmers and market functionaries in marketing related areas. Provision has also been made in the Act for constitution of State Agricultural Produce Marketing Standards Bureau for promotion of Grading, Standardization and Quality Certification of agricultural produce. This would facilitate pledge financing, E-trading, direct purchasing, export, forward/future trading and introduction of negotiable warehousing receipt system in respect of agricultural commodities.

IMPLEMENTATION OF AGRICULTURAL MARKETING REFORMS

A. Implementation of Model Act on Agricultural Marketing -

The following steps have been taken to persuade the States to bring changes in the APMC Act on the lines of the Model Act:

i) National level meetings were organized with the State Governments at Delhi on 07.01.2004 and at Bangalore on 19.11.2004.

ii) Follow up letter from Union Agriculture Minister sent to State Ministers In-charge of Agricultural Marketing for amending the APMC Act on 16th July, 2004 and again on February, 2005 and to the Chief Ministers on 25-5-05.

iii) A new Central Sector Scheme to provide investment subsidy on market infrastructure development projects implemented in November, 2004. Central assistance under the scheme is to be provided in those States that amend the APMC Act on the lines of the Model Act. An amount of Rs.25 crore was also released to NABARD/ NCDC to provide investment subsidy to eligible projects through banks in March, 2005.
iv) Several States have initiated steps for amending the APMC Act. A statement indicating the latest progress state-wise is at Annexure IV. It is expected that with the initiatives already undertaken and the subsequent follow up done by the Department, most of the States may amend the APMC Act by March, 2006.

B Contract Farming – Contract farming has been prevalent in various parts of the country for commercial crops like sugarcane, cotton, tea, coffee, etc. The concept has, however, gained importance in recent times in the wake of economic liberalization. The main feature of contract farming is that farmers grow selected crops under a buy back agreement with an agency engaged in trading or processing. Small-scale farmers are frequently reluctant to adopt new technologies because of the possible risks and costs involved. In contract farming, private agribusiness will usually offer improved methods and technologies because it has a direct economic interest in improving farmers’ production to meet its needs. In many instances, the larger companies provide their own extension support to contracting farmers to ensure that production is according to the specification. Skills the farmer learns through contract farming may include record keeping, improved methods of applying chemicals and fertilizers and knowledge of the importance of quality and of the demands of export markets.

Model law on marketing has been formulated keeping these requirements in view. This law inter-alia provides for an institutional arrangement for registration of sponsoring companies, recording of Contract Farming Agreement, indemnity to farmers’ land and lays down a time bound dispute resolution mechanism. Several State Governments have already initiated legal amendments to APMC Act. Haryana and Gujarat are among the first States to take steps in establishing an institutional set up for supporting contract farming in these States

**Progress of Reforms in Agricultural Markets (APMC Act) as on 30.11.2009**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Stage of Reforms</th>
<th>Name of States/ Union Territories</th>
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<tbody>
<tr>
<td>1.</td>
<td>States/ UTs where reforms to APMC Act has been done for Direct Marketing; Contract Farming and Markets in Private/ Coop Sectors</td>
<td>Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim and Tripura.</td>
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| 2.      | States/ UTs where reforms to APMC Act has been done partially | a) Direct Marketing: NCT of Delhi.  
c) Private markets: Punjab and Chandigarh |
| 3.      | States/ UTs where there is no APMC Act and hence not requiring reforms | Bihar*, Kerala, Manipur, Andaman & Nicobar Islands, Dadra & Nagar Haveli, Daman & Diu, and Lakshadweep. |
| 4.      | States/ UTs where APMC Act already provides for the reforms | Tamil Nadu |
| 5.      | States/ UTs where administrative action is initiated for the reforms | Mizoram, Meghalaya, Haryana, J&K, Uttrakhand, West Bengal, Puducherry, NCT of Delhi and Uttar Pradesh. |

APMC Act is repealed w.e.f. 1.9.2006.
Rising Food Inflation In India

Rising food inflation is probably the most urgent issue in India today. This is not surprising as the country has experienced one of the most sustained periods of food price hikes since the early 1970s. In the past two years, wholesale prices of food have risen by nearly 40 per cent, and retail prices have gone up even faster. This has been much faster than the non-food inflation rates. In the past year, inflation has moved across food items, with wheat, sugar, edible oils and vegetables experiencing price spikes at different times, but always within very high average food inflation.

Inflation in general implies increase in prices of commodities resulting from demand-supply mismatch or excess of money circulation in the market. Thus food inflation can be defined as increase in the prices of food articles such as vegetables, fruits and grains (comprising of wheat, rice, pulses etc.). The inflation rate in India as measured by the Wholesale Price Index (WPI) has been rising continuously over the past three years. Inflation in food products has driven overall inflation. Food inflation in India over the last three years was to a large extent due to increases in the prices of perishable goods (fruits and vegetables, milk and milk products). While demand for perishable goods is high, supply is constrained by insufficient market infrastructure. A large proportion of production does not reach consumers because of the lack of roads and cold storage. Traders and middlemen put a wedge between the prices faced by consumers and farmers, and geographical and temporal market segmentations lead to regional and temporal price variability. In fact, the constraints discourage farmers from producing more of these otherwise high-value crops in the first place. Better functioning of markets and availability of marketing channels would therefore greatly increase the supply of perishable items.

<table>
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<tr>
<th>WPI Inflation (year-on-year)</th>
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<tr>
<td>All Commodities</td>
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<tr>
<td>Food</td>
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Source: Office of the Economic Adviser, Ministry of Commerce and Industry, GoI

Above table shows that food inflation is rising at much faster rate then actual overall inflation rate.

Role of APMC act in Raising Food Inflation

Agricultural markets in India, in particular the supply chain management and business models, are inefficient. In India, farmers’ produce is generally disposed of in the village, rural/primary market or secondary agricultural market. The challenges facing supply-chain management and agri-business in India can be broadly classified into three, namely, 1) lack of accessibility to regulated markets, 2) lack of competition under the Agricultural Produce Market Committee (APMC) Act, and 3) absence of a nationwide common agriculture market. These are challenges that run across the various channels through which the supply-chain and agri-business models operate. These channels are (i) Producer-Consumer, (ii)
Producer-Retailer-Consumer, (iii) Producer-Wholesaler-Retailer-Consumer, (iv) Producer-Commission agent-Wholesaler-Retailer-Consumer and (v) Producer-Village Merchant-Wholesaler-Retailer-Consumer. Agriculture markets in India are regulated through the model APMC Acts. The number of regulated (secondary) agricultural markets stood at 7,157 as of March 2010 as compared to just 286 in 1950. There are also about 22,221 rural periodical markets, about 15 per cent of which function under the ambit of APMC regulation. The model APMC Act allows States to collect market fees from the buyers/traders on the sale of notified agricultural produce which are generally high. The high incidence of commission charges on agricultural/horticultural produce renders marketing cost high. There are other charges like entry tax/octroi tax that vary across states as well as across commodities. These charges prevent the emergence of a nationwide common market for agricultural produce. Moreover, restrictions on the movement of goods under the Essential Commodities Act remain in place in various states. These had inhibited free access of agriculture markets. Most of the agricultural markets are also characterized by dominance of cash based transactions where issues of cash management also become important. Also, there are issues of weights and measurements as well as the presence of brokers and commission agents. There is reason to believe that regulatory barriers have constrained investments in development of storage and processing facilities, hampered the development of effective institutions, and lowered the capacity of agricultural producers to be internationally competitive.

Beside this some important reasons are highlighted and explained below –

1- Difference between demand & supply- The demand of food in current scenario is rising as well as is diversified that is variety of food items is being demanded by the people. Another important facet of increasing demand is that money supply (M3) has been growing at the rate of 20% and above during 2006-07 and 2008-09 and nearly 20% in 2009-10. Gross market borrowings by central and state governments have increased manifold, from Rs 1817.5 billion in 2005-06 to Rs 6236.2 billion in 2009-10. These together with reduction in repo rate and cash reserve ratio in response to the economic slowdown have resulted in pumping in of excess liquidity in the system, now hitting back with a lag in terms of uncontrollable food price inflation. Supply of the food item is not sufficient to meet the rising demand of the people. Production of staples and other essential commodities is constrained by stagnating area under cultivation and plateauing of crop yields and hence not matching up with increasing demand. The drought in 2009 caused by deficient south-west monsoon was an immediate reason for supply shortfalls and consequent inflation during later half of year 2009, extended to 2010 (Chand, 2010). In addition to this, black marketing and hoarding also add to flaring up of margins, as perhaps was the case in onions.

2- Government policies affecting agriculture and food marketing - The central proposition is that restrictive policies disallow or discourage private investment in agriculture and food marketing, while the public sector interventions are narrowly focused on food grains, of which there is currently an excess of supply over demand leading to a large accumulation of stocks. Reducing the burden of regulation could lead to more private investment to alleviate supply bottlenecks, higher incomes for farmers (who could sell more high-value crops rather than grains), and lower prices for consumers by increasing supply and reducing wastage, and by reducing the role of middlemen.

3- Investment in agriculture is low, and private corporate investment is negligible-Agricultural investment has increased to about 3 percent of GDP in FY2008-09 and FY2009-10, from 2.6 percent in the five years prior to that. With the falling share of agriculture in overall GDP, this is brought about by a significant increase in investment as a share of agricultural GDP: this climbed to about 20 percent in FY2009-10 from 13.5 percent in FY2004-05. Data for private corporate investment is incomplete. According to the Federation of Indian Chambers of Commerce and Industry (FICCI), 661 projects (completed and under construction) between 1992 and 2012-13 amounted to a total of about Rs.200bn in real terms, a very small amount when looking at average yearly flows.
4- Absence of cold storage facilities: Cold storage facilities are required to store the yield in a hygienic and safe environment. India has inefficient storage facilities Punjab and Haryana which account for 60% of India’s grain production saw tonnes of wheat rotting because of absence of granaries. The government did nothing to save the production.

Penetration of corporates: The growing penetration of big corporate retailers has weakened the government’s capacity to control food prices. Government has manipulated trade policies to allow corporate retailers to make huge profits through import and export of essential food items like wheat, sugar and onions.

5- Poor distribution system: While there are genuine concerns about supply trailing behind increasing demand, better food grain management and prudent trade decisions can be effective strategies to counter inflation in the short-run. On one hand, the government is grappling with high food inflation, and on the other hand, it faces the problem of managing large volume of stocks, much above stipulated buffer stock norms. Inflation in recent months is being driven by commodities like fruits and vegetables, milk and meat for which no public stocks are held and therefore, remedy largely involves augmenting the supplies and improving efficiency in distribution. In the case of high-value commodities, fragmented markets and lack of integration result in higher price volatility. The problem lies not as much with production as with post-harvest losses and wastage due to lack of advanced supply chains infrastructure to ensure smooth delivery from farms to markets and finally to consumers. In addition to this, black marketing and hoarding also add to flaring up of margins, as perhaps was the case in onions.

6- Multiple tax regime and multiple licensing system: The current marketing system also suffers from multiple tax regime and multiple licensing system. Apart from the market fees, commission charges, octroi entry tax, sales tax, weighing charges, labour charges for handling, loading and unloading, purchase tax, Rural Development cess etc. are charged. A commission charge in the market area varies between 2-5% in food grains and 4-8% in case of fruit and vegetables for different commodities across the States. There is lack of uniformity in market fee across States. Multi-point levy of market fee in sales transactions leads to high marketing cost. Separate mandies for cereals and fruits-vegetables require obtaining more than one license. There is also variation in period of validity of license. Separate license to be obtained for other market functionaries viz weighmen, Palledars etc. These restrictions result in logistical complexities and create inefficiencies in the value chain. Declaration of warehouses at the time of applying license increases warehousing and logistics costs. Procedure for filing of APMC returns and mandi fee payment (periodicity) is not uniform across the States.

7- Neglected Rural Periodic markets: primary assembly markets such as Haat, Bazaar are most neglected. There is wide variation in their governance. While in some States they come under the purview of Panchayati Raj institutions, in other states they are directly under the local administration. The numbers of such Rural Periodic Markets may vary from 21,000 to 70,000. Most of them do not have even basic amenities like sheds to protect the users from the scorching heat of the sun or drinking water. The condition of cattle markets and fish markets are even move appalling. In most States they do not come under the purview of Agriculture Marketing Board/Department and are in a state of utter neglect.

**Major Reforms Recommended in APMC act to tackle inflation**

In the present scenario Agriculture Produce Marketing Committee (APMC) Act was required to safeguard farmers’ interests. Direct buyers were far off. No organized markets existed for bulk sales. Contract farming concept did not exist. Farmers lacked buyers and markets to sell their produce. But in 21st century, APMC Act is stifling the growth of agriculture and farmers. It is leading to cartelization by traders and stopping free movement of essential commodities. Today, APMC act is bane for farmers and boon for middlemen, traders, whole sellers and exploitative companies. In view of the existing conditions as described above, it is felt urgent reforms are needed in agricultural marketing. To be effective, the reforms must try to a) empower producers with knowledge, information and capability to undertake
market-driven production b) provide multiple choice and competitive marketing channels to farmers c) provide efficient service at a reasonable transaction cost, and d) attract large scale investment needed for building post-harvest infrastructure

Some major reforms to be made are as discussed below –

1- Establishment of Private Markets/Yards, Direct Purchase Centers, Consumer/Farmers Markets for direct sale and promotion of Public Private Partnership in the management and development of agricultural markets in the country.

2- To regulate and promote contract-farming arrangements in the country.

3- Prohibition of commission agency in any transaction of agricultural commodities with the producers.

4- Redefines the role of present Agricultural Produce Market Committee to promote alternative marketing system, contract farming, direct marketing and farmers/consumers markets.

5- Redefines the role of State Agricultural Marketing Boards to promote standardization, grading, quality certification, market led extension and training of farmers and market functionaries in marketing related areas.

6- Provision to be made in the Act for constitution of State Agricultural Produce Marketing Standards Bureau for promotion of Grading, Standardization and Quality Certification of agricultural produce. This would facilitate pledge financing, e-trading, direct purchasing, export, forward/futures trading and introduction of negotiable warehousing receipt system in respect of agricultural commodities.

7- Reforming the mandi system, it is suggested that fruits and vegetables be exempted (or de-listed) from the APMC.

8- The states need to be incentivized to encourage direct marketing between farmers and buyers without having to pay any mandi fee or commission fee to the agents.

9- Taxation on primary agricultural goods needs to be replaced by value-added taxation.

10- Existing impediments in moving agricultural commodities need to be removed to allow free flow of goods across the country (Gulati and Ganguly, 2011).

11- The private sector can be incentivized to upgrade marketing infrastructure through public private partnership model and create competition to cut down the transaction costs.

12- Direct farm-firm linkage is an alternative to the mandi system and there are success stories in the agricultural sector (for example, Safal (Mother dairy), Mahagrapes (marketing wing of grape growers’ cooperative in Maharashtra, and the like) that can be further experimented and scaled up.

13- Investments in backward linkages in terms of supply of agri-inputs, extension and agri-advisory and risk mitigation can help strengthen the firm-farm linkage.

14- There is a need to establish a commercial intelligence agency that maintains records of production, stocks, and trade and also tracks prices, and can generate advance signals to help tame abnormal flaring up of prices.

15- There is a need for greater synergy between various agencies and departments dealing with production, stocking, and trade that will have a cumulative impact on availability and prices.

16- It is an opportune time to remove all obstacles to private investments in agri-marketing so as to improve competition and provide the right impetus in developing value chains that include storage and warehousing facilities and critical backend services for the farmers.

17- Rationalization of agricultural policies for high value products, and overhauling of the food grain management system, together with a winding down of fiscal deficits by restructuring and rationalizing food and fertilizer subsidies, promoting appropriate farm mechanization and dovetailing of MNREGA with agri-operations, and predictable and stable trade policy for agriculture, will surely go a long way in taming Indian food inflation.
18- The government needs to invest in the creation of infrastructure to assist it in tackling the growing demand for food products.

19- Technological assistance needs to be taken in order to improve the efficiency and reduce the leakages in the system. Efforts need to be made to strengthen the marketing infrastructure so that both the producer as well as the consumer benefit. An integrated supply chain infrastructure should promote better synergies between collection centers, cold chains, storage, wholesale market, and retail market.

20- The scheme for Technology Upgradation/Establishment/Modernization of Ministry of Food Processing Industries which is meant to promote latest technology in the preservation of perishable commodities including processing of horticultural produce.

21- Perishable food items could be taken out of ambit of the APMC Act. The Government regulatory markets sometimes prevent retailers from integrating their enterprises with those of farmers. In view of this perishable may have to be exempted from this regulation.

22- There should be a single point market fee system for facilitating free movement of produce, bringing price stabilization, and reducing price differences between the producer and consumer market segments.

23- Use of Information & Communications Technology (ICT) solutions (for example, pre-paid card based payments at octroi posts) would facilitate easy movement of agricultural produce.

24- Besides boosting productivity on a sustained basis, cleaning, grading and packaging of agricultural produce would have to be popularized for greater market penetration.

25- Facilitating entry and competition among buyers, for example, improving the rural infrastructure or establishing collection centers to reduce the transaction costs involved in sourcing from small scale farmers;

26- Organizing farmers into formal or informal groups to meet the volume requirements and strengthen farmers’ bargaining power;

27- Reforms in tenancy laws and legalizing tenancy farming to facilitate establishment of production rights and credit flow;

28- Enhancing farmers’ capacity to adopt improved production and post-harvest techniques to meet the required higher quality standards;

29- Assisting farmers to obtain the capital, in addition to short-term production loans given by banks, to make on-farm improvements and other required investments, for example, micro-irrigation, greenhouse, grading, or cooling facilities and acquire essential national and international certifications;

30- Efficient dissemination of market information to the producers by leveraging ICT (for example, mobile phone based market information propagation);

31- Training farmers and buyers about their rights and obligations under contract farming arrangement and in the design of contracts; and

32- Developing institutions that assist farmers to settle contract disputes, such as, commodity or market associations.

**Conclusion**

With the effective implementation of the above reform measures that should be initiated by the Government of India, agricultural marketing sector is expected to achieve nation wide integration and thereby enhance the competitiveness of Indian agriculture in global markets. These measures would also facilitate private sector in making massive investments for development of agriculture infrastructure and ago-processing industries in the years to come. Indian agriculture is in dire need of some major reforms to deliver high performance. It is evident that piecemeal and patchy reform approach in a business-as-usual scenario will not work any longer. Agricultural reforms should not be confined to farming alone but extend to other activities along the agri-system such as input supplies,
logistics, processing, and marketing, warehousing, database management system, research & development, proper tax system and licensing, technology innovation etc. The argument of tackling food inflation from supply side measures further gets strengthened by looking at what the RBI Governor said at the 25th Annual Conference of the Indian Society of Agricultural Marketing at Hyderabad where he says that “A lasting solution to food price pressures lies in a supply response that raises agricultural production and productivity, improves supply chain management and sets the right incentive framework for both producers and consumers. This will require reforming the existing incentive patterns, removing institutional rigidities to boost investments critical for innovations. Government should take some bold and prudent steps rather than having a generalized and short sighted approach.

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