Agricultural Marketing Reform Through Elimination of Intermediaries

Agricultural markets in most states of India are established and regulated under State APMC (Agriculture and Marketing Committee) Acts. These led to the creation of regulated markets, also called mandis. Today, the country has 7,246 such mandis each of which caters to an average area of nearly 450 sq km. The mandis control almost the entire wholesale trade of agricultural goods. How these mandis operate has a huge bearing on the retail prices of fruits, vegetables and other agriculture produce.

Introduced in the 1960s, APMC Acts prohibited farmers from dealing directly with retailers and required them to sell their produce to licensed middlemen or market functionaries. In the absence of market information farmers have not got remunerative prices and the middlemen have got the major share in profit. Post the circulation of Model APMC Act by the Central government to States in 2003, many states have amended their APMC Acts to allow for transparency in agricultural marketing. The Model APMC Act provides for Direct Marketing and Contract Farming, which would help in the elimination of intermediaries leading to better prices for consumers and returns for farmers. By 2012, 16 States had reformed their APMC Acts to provide for Direct Marketing and Contract Farming, which include- Andhra Pradesh, Arunachal Pradesh, Assam, Chhattisgarh, Goa, Gujarat, Himachal Pradesh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Nagaland, Orissa, Rajasthan, Sikkim and Tripura.

Strategy 1 : Contract Farming

Contract farming is characterized by a pre-agreed price, quality, quantity and time of procurement between a producer and a buyer. Often the buyer offers farm inputs and extension services to the farmer, which along with reduction of price risk and elimination of intermediaries, makes contract farming attractive for the farmer. It is also beneficial for the company entering into a contract with the farmers, as it assures fixed supply of raw material of good quality avoiding price fluctuations. The National Agriculture Policy seeks to encourage private sector participation in agriculture through contract farming.

Transparent Market for Cotton Growers, Karnataka

Farmers in the Kabini reservoir region of western ghats were facing problems in cotton cultivation right from procuring seeds to selling produce due to the presence of local moneylenders and middlemen. Most of the farmers were small, marginal or tribal growers, and were being exploited. Amidst these problems, Appachi cotton entered into a contract with the farmers and registered it with the Agricultural Marketing Department, Govt. of Karnataka. It also tied up with selected seed companies to provide cotton seeds to the farmers. Each farmer was supplied with one packet of seeds on interest free credit. They were also provided support in sourcing farm inputs. Apart from providing inputs, the firm also conducted regular training and workshops for capacity building of the farmers. Selected farmers’ representatives were taken on exposure visits to Pollachi, Tamil Nadu to show them the ginning, spinning and weaving process and to make them understand the value of production and supply of clean cotton which ultimately decides the quality of the end product, i.e, the fabric.

A price fixing committee is formed with farmer representatives who decide on weekly prices every Saturday. This is the first initiative of its kind, where farmers have a say in deciding the price for their own community. Price so fixed is communicated through bulk SMS and voice SMS to all registered farmers. The project covers nearly 1200 farmers spread over 1875 acres.
Strategy 2: Direct Marketing

Direct Marketing allows farmers to sell their produce directly to consumers without control and regulation of the APMCs. Most importantly, the requirement to obtain a license from APMC is done away with. Direct marketing has been experimented in the country through Apni Mandis in Punjab and Haryana, Rythu Bazaars in Andhra Pradesh and Uzhavar Santhaigal in Tamil Nadu. At present these markets are being run at the expense of the State exchequer, to promote marketing by small and marginal farmers without the help of middlemen.

A study undertaken by V.P. Gandhi and N.V. Namboodri in 2002 revealed that in traditional markets controlled by APMCs only 1/3rd of the price earned by selling the produce went to the farmers. The study also indicates that the system of sale followed by APMC agents is secret and closed with around 40% of transactions taking place through secret bidding.

Direct Marketing through Rythu Bazars, Andhra Pradesh

Rythu Bazaars were introduced to eliminate middlemen and allow farmers to sell their produce directly to consumers at reasonable rates fixed every day. The first Rythu Bazaar was established in Hyderabad in 1999. Presently there are 106 Rythu Bazars operating in 23 districts of Andhra Pradesh. Rythu Bazaars operate outside the Agricultural Produce Market Committees and are managed by Estate Officers under the Revenue Department of the State government. Rythu Bazaars cater to millers who sell paddy and other kharif crops, SHGs of Department of Women and Child Development in Rural Areas who deal with commercial vegetables like potato and onions and farmers who sell other vegetables. While millers and SHG members pay monthly rent of Rs 10,000 and Rs 800 for each shop, farmers can sell their produce free of cost. Typically a Rythu bazaar caters to 10 to 15 villages covering a minimum of 250 farmers.

Every seller at the Rythu Bazar is issued a photo identity card that includes details like name, address, products grown, and size of land. This identity card is issued with the aim to prevent entry of middlemen into the market. Only a person with a valid photo identity is allowed to enter the Rythu Bazaar to sell his/her produce. Shops are allocated to the sellers daily on a first come first serve basis. The prices are fixed every morning by Estate Officers based on the rule that it should be 25% more than wholesale price and 25% less than retail price. An online market information system has been developed to keep officials at all the Rythu Bazars updated about current prices and to help consumers make informed choices. Furthermore storage, transportation and communication facilities are also provided at the Bazaar.

Rythu Bazaars have also encouraged farmers to diversify their produce and grow a variety of vegetables and fruits. Rythu Bazar consumers can avail the benefits of good quality products at reasonable rates. These markets are not located very far from residential areas, allowing for easy access for consumers.
### Available Resources

<table>
<thead>
<tr>
<th>Schemes</th>
<th>Name of the scheme</th>
<th>Description</th>
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<tbody>
<tr>
<td>Central Sector Scheme</td>
<td>Scheme for Development/ Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization* (under Integrated Scheme for Agricultural Marketing in the XIIth Plan)</td>
<td>Provides 25% of capital cost upto Rs 50 lakh in each project providing ‘Direct Service Delivery’ to producers/ farmers. (No upper limit on subsidy for infrastructure projects of State Agencies)</td>
</tr>
<tr>
<td>Centrally Sponsored Scheme</td>
<td>National Horticulture Mission*</td>
<td>Facilitating alternate marketing by farmers/farmer groups involved in horticulture limited to a maximum of Rs 50 crore for terminal markets and Rs 25 crore for wholesale markets will be provided.</td>
</tr>
<tr>
<td>NABARD Scheme</td>
<td>Refinancing farmers under Contract Farming</td>
<td>NABARD provides 100% refinance on bank loan to farmers under contract farming in Agri Export Zones.</td>
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<tr>
<td>Key Resource People</td>
<td>Directorate of Marketing and Inspection, Dept. of Agriculture and Cooperation, State Marketing Boards</td>
<td>Will be responsible for implementation of Agri. Marketing Infrastructure Development Scheme.</td>
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<td></td>
<td>District Magistrate / CEO of Zila Parishad</td>
<td>Responsible for project formulation, implementation and monitoring under National Horticulture Mission.</td>
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*Only for those states who have amended their APMC Act.

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