

‘Online payments will now gain momentum in agri markets’

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Manoj Rajan, Managing Director and CEO of Rashtriya e-Market Services

Bengaluru, November 20 Demonetisation has jeopardised trading in agricultural markets across the country. In Karnataka, considered a pioneer in agri-marketing reforms — most APMC [Agricultural Produce Market Committee] market yards in the State are already automated — it was no different. *BusinessLine* caught up with Manoj Rajan, Managing Director and CEO of Rashtriya e-Market Services (ReMS), the joint venture between the Karnataka government and NCDEX e-Markets Ltd, which has linked 152 of the 158 APMC markets in the State by rolling out its Unified Markets Platform (UMP). Excerpts from the interview:

What has been the impact of demonetisation in Karnataka’s APMCs?

Market participants have been cautious. Farmers are sceptical of bringing their produce, while traders and commission agents are not fully participating in the markets, which has adversely impacted transactions. We have analysed the market arrivals and trade data in the week preceding the announcement of demonetisation, and the week after that. During the November 1-8 period (First Block) a total of 74,619 lots were traded, whereas during November 9-16 (Second Block) 48,892 lots were traded — a decline of 34 per cent in market arrivals. Traded volumes have dropped 38 per cent — from 137 lakh quintals during the First Block to 85.1 lakh lots in the Second Block. Also, the traded value has dropped 35 per cent — from ₹633 crore to ₹414 crore.

Has there been an impact on the price movement of commodities and payments during this period?

There was no major change in prices of commodities. However, maize prices moved up by 10 per cent in Hubballi and Gadag; bengal gram showed an uptrend in Bidar, cotton in Raichur and onion

in Hubballi and Raichur. Also, tur declined by 10 per cent in Kalburgi, groundnut by 15 per cent in Davangere and potato by 5 per cent in Bengaluru.

How is settlement happening in these markets?

Compared to traditional cash payments, a section of traders have now deferred payments or are now using RTGS and cheques to settle the deals. However, there were no instances of complete shutdown of markets in the State.

How will normality return to the markets?

As an immediate measure, banks have to open extension counters enabling farmers to exchange cheques received on the spot at par. The farmers may be allowed a withdrawal limit of ₹50,000, which would take care of any liquidity issues for the majority of the farmers in the agricultural markets.

The next step is for banks/financial institutions to launch a series of commodity pledge schemes. Farmers who don't get traders to buy their produce or who don't want to sell under distress can stock their produce in the APMC warehouses and seek commodity funding from banks. Once normality re-appears, the commodity to be sold and banks get their funding and the balance to farmers.

In the long term, it would be online payments directly paid to the farmers account from the trader/ commission agents, for this to happen banks have to extend credit facilities to traders/ commission agents.

Despite bringing a majority of the markets under the UMP, why hasn't the system of online payments taken off?

Online payment began in three markets of Karnataka on a pilot basis in Gadag, Tiptur and Hubballi, where a total of 197 lots worth ₹1.36 crore have been settled online. The UMP has a clearing and settlement module, which enables such direct payment from the accounts of traders to farmers. Due to resistance from traders and commission agents, we did not make online payments compulsory. Post demonetisation, traders have begun making online payments in Tiptur. Around 11 lots of ₹5.5 lakh has been deposited in bank account of farmers.

Ground-level preparations such as Farmer Registration and the stakeholder awareness programme – the precursor to the online payment – is being carried out, wherein 29 lakh farmers have been registered and a massive stakeholder education programme in 11,000 villages covered. The environment is conducive now to start online payments. I think post-demonetisation, online payments in markets will gain momentum.