

Breaking the middleman's hold

Vishwanath Kulkarni

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Selling time: A farmer with his crop of groundnuts at Hubballi APMC market. - R N SOMASHEK

Agriculture market reform in Karnataka has made a start, but a lot needs to be done

It is close to 3pm at the APMC market in Tiptur, about 150 km from Bengaluru. A group of farmers is glued to a television screen in the market courtyard. Within a few minutes, there is an increase in the decibel levels as farmers talk excitedly to each other.

No, the farmers are not watching a cricket match and are not getting worked up on a boundary or fall of wicket. Instead, they are tracking the screen for the price of their produce. Everyday at about 3pm, the screen starts flashing results of an online auction of the produce these farmers bring to the market. The bids are made by buyers, mostly traders and millers, for commodities such as ball copra, the edible variety of dried coconut.

The excited chatter is about the results of the online auction. Shankaraiah, one of the farmers in the crowd, is pleased to find that a particular grade of his produce of copra has fetched a higher price than the previous day. But the whole process has also left him confused. "I have no clue as to how the pricing was arrived at as auctions are no longer held in the 'open' like in the past," says the 55-year-old farmer.

The online auction is a new initiative launched under the Unified Market Platform (UMP), which is part of the agriculture market reforms being rolled out by the Karnataka government from February. Till November, 44 of the 155 'main' APMC markets in the State had replaced the traditional, offline practice of auctioning in the open, with the online version.

Almost the entire range of commodities, except perishables such as onions and potatoes, is now being auctioned online. Rashtriya e-Market Services Pvt Ltd (REMS), the 50:50 joint venture between the Karnataka Government

and N-Spot (NCDEX Spot Exchange) is rolling out the UMP under the public-private partnership mode as part of market reforms.

Reforming the sector

APMC reforms have been a contentious issue over the past year in India, especially after a dramatic rise in onion prices prompted Congress Vice-President Rahul Gandhi to exhort States ruled by his party to delist the perishables from APMC-- a move aimed at allowing farmers to sell their produce outside the regulated markets and also tame rising food prices.

One of the major decisions of the government at the Centre has been to ask States to delist fruits and vegetables from the APMC purview. Delhi was the latest to delist perishables, while 18 other states have made amendments to their APMC act. Agriculture is a state subject.

"The farmer should be given the freedom to sell wherever he wants -- be it to the consumer directly or at the marketplace -- which would bring efficiency and competency in the system," says Ashok Gulati, former chairman, Commission for Agricultural Costs and Prices.

Traditionally, commission agents or *adatiyas* have been the link between the producer (farmer) and the consumer (buyer) and have controlled the chain. In many parts, the agents also became money-lenders to farmers who are always looking for easily accessible credit. Though the commission agent charges as high as 3 per cent per month or 36 per cent per annum, farmers like Shankaraiah go to them as they are assured of getting a loan without much hassle. Even as the UMP in Karnataka attracts the attention of other states like Andhra Pradesh, Telangana and Uttar Pradesh, experiments of alternative linkages are on. The Small Farmers Agri Business Consortium, for instance, is creating farmer collectives by organising farmer producer companies (FPOs).

"Farmers need the right kind of linkages and an institutional mechanism to market their produce," says Pravesh Sharma, Managing Director of the Consortium. About 350 FPOs have been successfully created across the country, while another 500 are in the pipeline. Apart from collectively bargaining with manufacturers of input such as fertiliser and agri-equipment, the FPOs can sell directly to consumers by setting up their own outlets. The FPO model, which is still in a nascent stage, will provide an additional marketing avenue , says Sharma.

The UMP system

Like the FPO model, the UMP being implemented in Karnataka intends also to break this dominance of middlemen. Under the new system, which is under implementation, farmers will be registered and are issued bar-coded identity cards. At the APMC yards, as a farmer enters, data on his produce is collected at the gate. Once the data on all the crops of the day are collected, buyers or traders place their bids online on the UMP either through their own terminals or from the facility provided in the APMC offices. The bids are finalised at 3 pm every day and the results are flashed on TV screens.

While at present the farmers are paid off-line, pilots are being conducted in a few of the APMC markets that give some idea on how the system will work. Traders will put in their margin money - 5 per cent of the total value of the produce they intend to buy that day - into a pool operated by the APMCs before they start bidding. Once the bid is finalised, the trader has to make full payment into the account and after deducting the fees and levy, if any, the payment will be directly credited into the farmer's account. If a trader backs off after placing the bid and fails to take delivery of the produce, the margin money will be forfeited and distributed among the farmer - who gets the lion's share -- the commission agent and the APMC. If the farmer is unhappy with the bids generated, he can again offer his produce for sale on the next trading day. There are also plans to start a facility for a farmer to store his produce and access credit through warehouse receipts.

Long way to go, still

The initial feedback from the stakeholders has been mixed. While farmers like Shankaraiah are pleased with the initiative that can bring them better prices, they are still unsure of the new technology. Also, "measures like assaying will add up to the cost of the transactions and that will be loaded on to the farmers account," says Basavaraj Ingin, President of the Karnataka Tur Growers Association. Assaying is quantitative and qualitative analysis of crops.

The agents, unsurprisingly, are not happy about the new system that can undermine their influence. "When the Government could have modernised the existing systems, what was the necessity to include private players," asks Ramesh Chandra Lahoti, President of Bangalore Wholesale Foodgrains and Pulses Merchant Association. He is also the managing committee member of the Federation of Karnataka Chamber of Commerce and Industry that has opposed amendments to the APMC Act.

But most think it is a step in the right direction. "The Government should immediately enable the e-payment mechanism in the UMP, which will help attract buyers from other states," says HS Shrikant of Tiptur-based NGO, Maithreya Institute for Environment & Rural Studies.

"Efforts are on to invite buyers from other places. We are also looking at providing some link up with logistics players so that a buyer from other state can participate in the auction, place his bid, conclude the deal and take delivery of the produce through the logistics company," says R Manoj, Additional Secretary, Agriculture (Market Reforms), Government of Karnataka and CEO of ReMSL.

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