

# Why Karnataka scores with its eMarket model

Karnataka took the mandi system to the virtual world with Rashtriya eMarket Services

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ReMS had integrated online 105 of the 155 APMCs across 27 of the 30 districts in Karnataka through a single licensing system. Photo: HT

**Bengaluru:** Of all the APMC (agricultural produce market committee) reforms in India, Karnataka's Rashtriya eMarket Services Pvt. Ltd, or ReMS, has been arguably the most popular one. The Congress-run state's pioneering effort was mentioned even by Prime Minister Narendra Modi when he launched a national electronic trading platform called National Agriculture Market (e-NAM) earlier this year, which is supposed to operate like ReMS.

What has Karnataka done to get this much attention?

To put it simply, Karnataka took the *mandi* (farmers' market) system to the virtual world two years ago when it set up ReMS as a joint venture between the state government and NCDEX e Markets Ltd or NeML (formerly NCDEX Spot Exchange Ltd).

As of March 2016, ReMS had integrated online 105 of the 155 APMCs across 27 of the 30 districts in Karnataka through a single licensing system. This has created what the state calls a unified market platform (UMP).

UMP has multiple benefits, according to the government. Besides automating several of the crucial processes involved in the auctioning of a crop, such as weighing, invoicing and accounting, UMP helps farmers in discovering the best prices for their produce, says the government.

So, has it been a success?

The answer varies from yes to no, depending upon whom you ask, and the truth, say farmers and farm experts, lies somewhere in the middle.

To understand why, one should perhaps look at how things work in the physical *mandi* system. It works somewhat like this: The farmer brings his produce to the village-level APMC. The APMCs act as a facilitating body for storage, sale and weighing, among other things. There is an element of competitiveness in the selling, as it is done through closed tenders. However, person A can't sell the produce to person B without an intermediary or middleman, because direct one-to-one selling is not allowed in most of the APMCs in Karnataka, according to farmers and farm experts. After everyone has placed their bids, farmers say they wait until 2pm to open the tenders, after which they come to know who quoted the highest bid for their produce. If the seller is okay with the amount, the process moves to the agreement stage. If he is not, the process starts again.

In the *e-mandi* system, the farmer gets a unique licence number and instead of using a chit for bidding, he can view the lot online and decide whether he is okay with the price. Of course, this helps the farmers to get a better price because they can see rates in other APMCs too. In the electronic world too, they wait until 2pm, after which, within no time at all, they get to know how many bidders are there and what's the highest quote.

“In the physical world, you required somebody to sort out several things. In the online world, the foreground and the back-end processes are pretty much automated. There's an element of comfort also because you can make your bid from your home or in most cases, APMCs have at least 20 computers,” says a farm expert who is working closely with the government on this project, requesting anonymity.

The big issue is online payment, he says.

“Let’s not confuse e-market with online trading. The trader is making the payment to the commission agent who is taking it to the farmer in the e-market system too. The hundreds of intermediaries or commission agents who take most of the cut in this process...are still in the frame,” he adds.

Theoretically, the trader can bid for anywhere throughout Karnataka and the farmer can use the ReMS common platform, says the official. “But the problem is that the intermediaries insist that the payment should be made to them and not directly to farmers,” he adds. ReMS has not diminished the hold of the traders over the *mandi* ecosystem.

If this bottleneck is solved, the online trading could be effectively implemented in one or two years, according to him.

But, as the official puts it, only if the farmers, traders and the government come together.

This also brings us to the question of how many farmers in Karnataka are actually using the online facility.

“APMCs are used by 40-60% of farmers in Karnataka; 99% of paddy is sold outside APMCs because the farmers get more income when rice mills take it directly. This is totally illegal. Any notified commodity should be transacted within the purview of APMC under competitive bidding, as per Karnataka APMC Act, but what to do? In the good old days, fruits and vegetables were sold through APMC,” says the official.

Paddy, fruits and vegetables, and sugar cane—supposed to be the three biggest products of the state, both in terms of volume and growers—are out of APMC, physically and electronically.

“The bidding happens only for cereals, pulses and some vegetables. I could say at least 50% of farmers in Karnataka are under online trading, but whether they are using it or not is disputable,” he says.