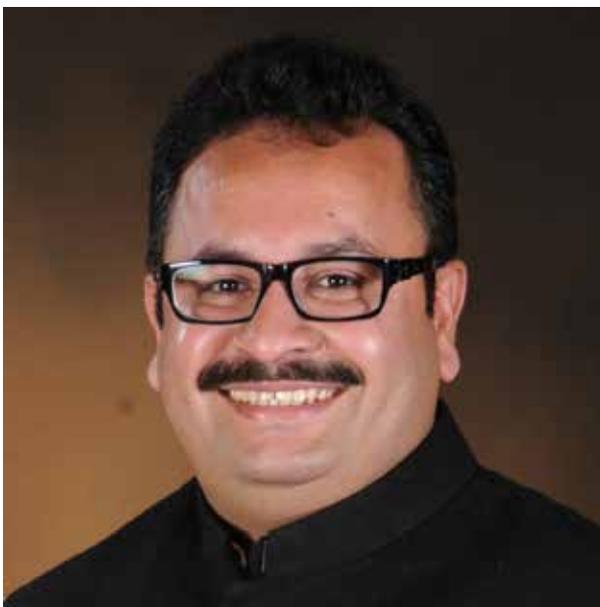


Online Agricultural Markets in Karnataka- “My Produce My price”

Mr. Manoj Rajan - Additional Secretary, Govt. of Karnataka and MD & CEO, Rashtriya e-Market Services (ReMS)



Please tell us about the E-trading system, how they work and its benefits to the farmers?

Agricultural Marketing in the state had made notable

progress but many challenges remained unaddressed. Primary agricultural markets are characterized by fragmented markets, opaque bidding process, cartelization, limited market access, restricted free-flow of agricultural produce, limited competition, indifference to quality, limited financial linkage, information asymmetry and inefficient settlement system. Manual methods of bidding like Handkerchief method, Open outcry auction, Manual Tendering system existed which paved the way to inefficient price discovery and lower price realization.

The “Karnataka model” of agricultural reforms, with its advanced electronic platform provides efficient price discovery mechanisms, bringing transparency in market operations. Unified trader license enabling buyer anywhere in the state (or the country) to participate in all markets of the state. The wide reach of the electronic

platform facilitates participation of buyers across the country and leads to price quotes that factor broader demand-supply information. Providing real time information to farmers, enabling them to decide whether to sell and if so at what price. Creating assaying infrastructure in the markets and disseminating the assayed results on the platform, encourages quality based bidding.

KARNATAKA AGRI MARKET ECOSYSTEM



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|--|---|
| 01 7 TH Largest State | 05 35,000 Crore Annual Turnover |
| 02 62 Million Population | 06 32 thousand Traders |
| 03 92 Notified Agri Commodities | 07 17 thousand Commission Agents |
| 04 161 Main Markets & 351 Sub-Markets | 08 153 Main Markets Now Online |

What was the root cause to initiate the E-trading system.

With a view to bringing efficiency and transparency in the agriculture market sector, In the year 2013, the Government of Karnataka constituted an Agricultural Marketing Reforms Committee with a mandate to develop a comprehensive roadmap for reforms along with identification of necessary interventions in Agricultural Marketing. The recommendations were well accepted by the Government and ushered in the Agricultural Marketing Policy of the state during September 2013. To give effect to the policy, the Government effected necessary amendments to KAPM(R&D) Act and Rules to enable Single trader license, warehouse based sales, encouraging private markets and direct purchase centers, waiver of market fee for perishables, exemptions for FPOs and simplifying contract farming arrangements, notifying online trading and online payment in markets, online dispute resolution mechanism and assaying.

An important recommendation in the policy was to constitute a Special Purpose Vehicle to bring in the technology requirements for modernising agricultural markets. An SPV Rashtriya e-Market Services (ReMS), a joint venture of Karnataka Government and NCDEX Spot Exchange was incorporated in January 2014. ReMS has been conceived for establishing, operating, managing, a specialized electronic trading platform called Unified Market Platform (UMP) for auctioning of farmer's produce to implement the ambitious reform agenda.

How many farmers are being part of this system and how is the awareness created to the farmers who have not yet started using the online trading method?

Total of 157 markets spread across 29 districts have been brought under the Unified Market Platform. About 82 lakh lots having value of Rs. 56,696 crores, with a

total quantity of 298 Lakh tons have been transacted on the platform.

A massive Stakeholder Education Program has been undertaken to create awareness about the benefits of the online markets to all stakeholders, importance of cleaning & grading the produce before offering to the market, availability of assaying facilities at markets, transparency of transactions on the electronic platform.

This unique participative farmers campaign where "farmers teach farmers" has been initiated to cover 18,000 villages through 1400 clusters to reach out 3.5 million farmers. The cluster team concept has been followed where each cluster has the APMC elected farmer representative as the team leader, selecting 3 farmer volunteers. The APMC train the cluster team of four. The cluster selects 10 villages in their vicinity to educate fellow farmers giving due publicity for the program by playing an awareness video, using informative posters and FAQs booklets. Information department has helped us in our awareness campaign with their mobile campaign vans. Apart from this, we have established Orientation centers in more than 100 Markets to disseminate relevant information to farmers and other market participants.

What is E-trading auction process and please tell us the uniqueness of E-trading.

In the e trading system, the farmer enters the APMC with the produce, at the gate, he will be given a unique lot number for his produce that will be put up for sale. The lots available for sale on the platform are displayed locally. If the farmer desires, assaying is done free of cost and details are uploaded on the UMP for distant traders to check the quality before bidding on the electronic platform. Traders use platform to submit bids

INTERVIEW

for commodity procurement. Bidding normally starts at 9 am and is open till 3 pm. Transactional SMS alerts would be sent to all participants of the trade helping to take decisions instantaneously. The farmer in case of unsatisfactory price can reject traded price and the produce is put up for sale the next day. Accepting the bid leads to next stage, i.e. post auction activity. Settlement bills, primary sale bills etc. are generated bringing in transparency and complete trust in the trade. “Anytime-Anywhere e-Permit” module offers best way and flexibility to generate permit against available stocks to transport commodity.

UMP enables automated price discovery mechanisms and post auction processes (weighing, invoicing, market fee collection, accounting, payment of sale directly to farmers, e permit generation) to the agricultural markets. The platform also facilitates assaying, warehouse-based sale of produce and supports commodity funding to benefit all stakeholders. The UMP has brought in transparency in market operations by making available real time information of the produce and by providing equal chance for every lot for being bid by a wider participation of buyers.

Tell us about online payment method

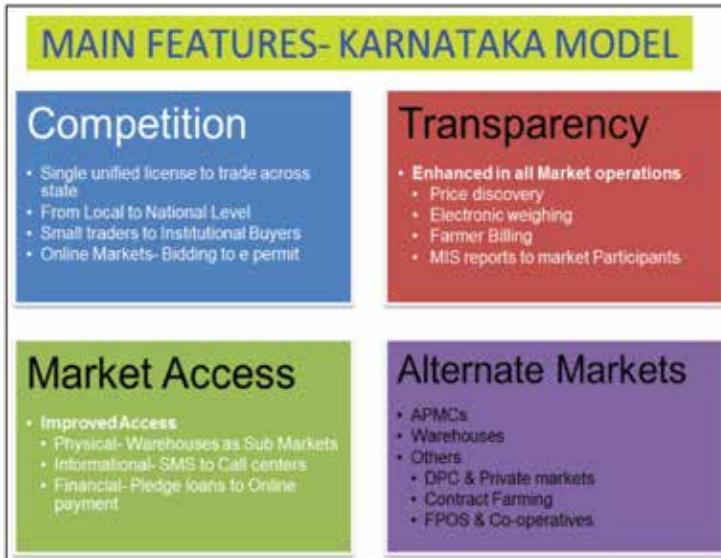
Technology for making payments directly to farmers’ account has been established. On-line payment of the sale proceeding to the bank accounts of the farmers has been carried out on a pilot basis in 3 APMCs namely: Tiptur, Hubli, Gadag, 439 farmers with sale proceeds of Rs. 2.72 crores have been paid directly to their bank account.

As a primary step to online payment the farmer’s accounts are to be integrated to the UMP. State wide farmer registration drive has started, till now we have 42 Lakh farmers registered on the UMP. The State Government has had consultation with the market participants. We have held multiple meetings with bankers for providing cash credit to the traders. Traders are now moving towards formal banking arrangements where the traders are now provided with cash credit accounts. Online payments in other markets will be taken up in a phased manner.

What do you think is the success of E-Trading system in Karnataka.

The initial indicators of the reforms process have shown, enhanced transparency in the price discovery mechanism. Farmers get computerized bills and SMSes indicating the total value of the produce. Increased arrivals in the markets and greater competition from trader’s within and outside the state. We have recorded more bids per lot in the online bidding process. Quality & Price awareness among farmers has increased leading to informed decisions on when to sell and how to prepare the produce for sale. Better price realization to farmers compared to the prices prevailing in earlier





markets to cover a minimum 25% of the arrivals in the market. We are taking adequate steps to publicize the importance of assaying. Assaying in 50 markets is being taken up in the next batch.

Department has an ambitious program of installing automated cleaning and grading machinery in our APMC markets where the farmer's produce will be machine cleaned and packed before sale. The project is planned in 65 markets; we will be implementing this project this year.

years. Post reforms farmers share in the end consumer's rupee has increased.

What is the change in farmers share in consumer rupee pre and post reform?

Efficiency in the market chain has been improved, increased share of farmers in consumer's rupee justifies the change. During Pre-reforms period, farmers received share of 45-55% of consumer rupee for food grains, cereals, pulses depending on the commodity. During Post reforms period, Tur, green gram, black gram and Bengal gram have shown increased farmers' share in the consumers end rupee of more than 9-14%. In case of dry chilli, groundnut, tamarind, paddy commodities, farmer's share is increased by 7-10 %. This I would say is the litmus test of market reforms, this shows that market chain has improved, shortened and coupled with improved efficiency, resulting in farmer getting better share in the end consumers rupee.

The reforms was to bring in newer concepts in markets what's ahead

We have commenced assaying services in 40 major

Warehouse based sale will be taken up this year. Orientation centres have been established to have a perpetual information dissemination centre for the farmers. Price display boards have been established in our markets. Basic facilities have been enhanced in the markets.

This year we will be "Year of App" we will be introducing apps to carry out market operations like, gate entry, bidding, weighing, price and market information for farmer, trader and the department.

About Mr. Manoj Rajan

Mr. Manoj Rajan is an IFS officer from the 1999 batch; presently the Additional Secretary, Government of Karnataka & Managing Director and CEO at Rashtriya eMarket Services (ReMS). He is the Chairman of the Agricultural Market Reforms Committee whose recommendations are being implemented.

