

# National Agricultural Market

an Established System in Karnataka

In the year 2013, the Government of Karnataka appointed Agricultural Marketing Reform Committee to develop a comprehensive roadmap for reforms along with identification of necessary interventions in the Agricultural Marketing Sector. Accordingly, the Government of Karnataka incorporated a company under Public Private Partnership namely Rashtriya e-Market Services Private Limited in January 2014.

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Nearly 58 per cent of people in the country continues to depend upon agriculture for their livelihood, the critical role of the sector can't be neglected at all. The sector is highly vulnerable to natural calamities and unfavourable weather. It is also exposed to the current weaknesses of the agricultural marketing system.

Compulsion to sell only in regulated market yards having limited infrastructure, a market loaded against the farmer, monopoly practices, restricted competition amongst buyers, high transaction cost, considerable post-harvest losses and a host of other unhealthy practices characterise the agricultural markets today.

Primary agricultural markets are characterised by low efficiency due to fragmented markets, each administered by separate APMC, multiple levy of

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mandi fees, requirement for multiple license for trading in different APMCs, licensing barriers leading to conditions of monopoly, poor quality of infrastructure and low use of technology, high level of market charges, movement controls, opaque bidding process, information asymmetry, indifference to quality, low transparency in market operations, lack of use of information technology, poor dissemination of market price information and limited competition. All these weigh against the farmers, leading to poor price realization. The annual income of a farmer depends upon both yield and price that his produce fetches.

The need to unify the markets both at State and National level is therefore clearly the requirement of time, in order to provide better price to farmers, improve supply chain, reduce wastages and create a unified national market.

Farmers in Karnataka are a privileged lot in comparison to the existing marketing situation as they get the best price not only in the mandis, but from traders based anywhere in the state as well, and that too on transparent online platform. Karnataka is the only pioneering state to adapt an online agricultural marketing platform and it has covered 103 markets out of 157 major markets in the state. When a farmer sells his produce on the Karnataka's common market platform, he gets the best price quoted by any trader from any mandi. The concept of National Agricultural Marketing (NAM) has been already rooted in the state.

The Central Government also realizes the active participation of the State Governments as a pre-requisite for successful implementation of the scheme. After conducting a study on the e-auction platform of Karnataka, the Hon'ble

Agriculture Minister, Shri Radha Mohan Singh personally led a team of 23 Ministers and officers in-charge of agricultural marketing in the States and UTs to APMC, Hubballi in Karnataka. The Department of Agriculture & Cooperation in the Union Government's Ministry of Agriculture is keen to create a unified market that is well integrated across the nation.

The three pre-requisites for States/UTs for integration with the e-platform are (i) a single license to be valid across the State, (ii) single point levy of market fee and (iii) provision for electronic auction as a mode for price discovery. 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 decide whether to sell and if so at what price.

Rashtriya e-Market Services Pvt Ltd has been conceived to blend public interest with the initiative of a private enterprise 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 envisaged in Karnataka state.

The initial indicators of the reforms process have shown increased arrivals to markets, increased competition by participation outside the state, more bids per lot, higher price realization and better share in the end consumers rupee by farmers compared to pre reform years. Karnataka's path-breaking reform in agricultural marketing is acknowledged as the lead player in the country and Government of India is largely adopting the Karnataka model for its National Agricultural market program.

UMP enables automated price discovery mechanisms and post auction process (weighing, invoicing, market fee collection, accounting, payment of sale proceeds directly to farmers, e permit generation) in the agricultural markets. The platform also facilitates assaying, warehouse-based sale of produce and supports commodity funding to benefit all stakeholders.

The New market structure was piloted in 3 markets in February 2014 and now extended to 103 major markets by December 2015. Till now the agricultural commodities transacted on the UMP in these markets are 130 million quintals valued Rs.170 billion from 3.5 million farmer's

lots that have been sold on this platform. E-permit system has been introduced and a centralized permit verification system is in place for all 157 markets of the State. This facilitates market stakeholders to generate

e-permits "Anytime-Anywhere" from the UMP for transporting Agricultural commodities they have bought from the Markets. The Unified market platform have extended to the agricultural markets of Andhra Pradesh. Today 10 major markets in Andhra Pradesh are transacting on this platform. Other states like Orissa, Rajasthan, Tamil Nadu, Gujarat, and Uttar Pradesh also have evinced keen interest in replicating the Karnataka model in their state.

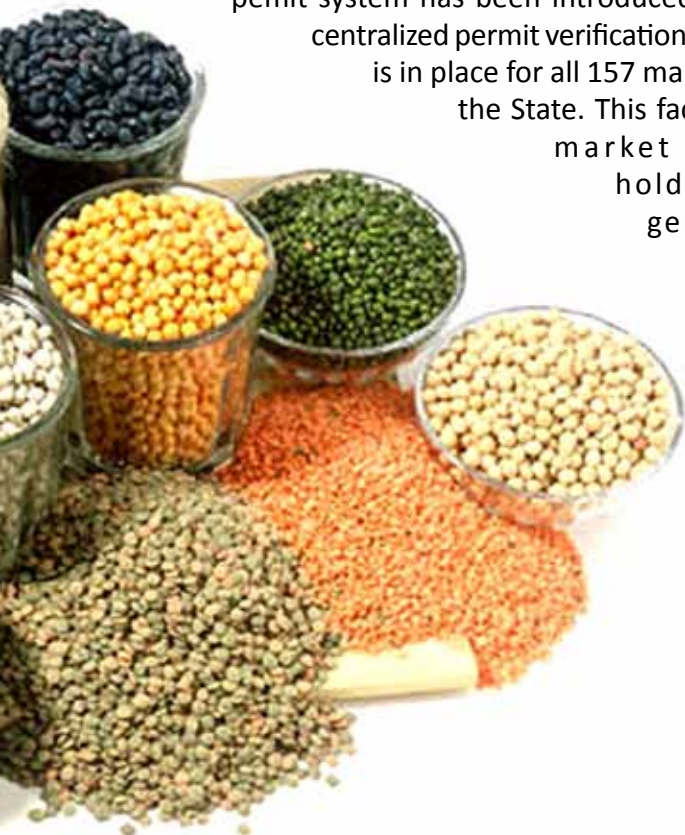
### **What was the Initiation to Start this Venture of Online Marketing Platform?**

Post-harvest management, especially agricultural marketing has not kept pace with the change in times even though self-sufficiency has been the hallmark of Government policy in agriculture since independence. There had been a growing concern over several aspects of our agricultural marketing system. The government has made changes in several areas to respond to some of the concerns. A number of committees have examined the major issues pertaining to agricultural marketing and have made a number of recommendations.

In the year 2013, the Government of Karnataka appointed Agricultural Marketing Reform Committee (AMRC) to develop a comprehensive roadmap for reforms along with identification of necessary interventions in the Agricultural Marketing Sector. The AMRC recommendations were accepted entirety by the Government and accordingly effected necessary amendments to Karnataka Agricultural Produce Marketing (Regulation & Development) Act and Rules in 2013-14 enabling the reform process to start. Government with the aim to implement market reforms, incorporated a company under a PPP (Public Private Partnership) initiative namely Rashtriya e-Market Services Private Limited (ReMS), with NCDEX Spot Exchange Limited as the private partner in January 2014.

### **Services rendered by ReMS to the Farming Community**

Department of Agricultural Marketing, ReMS and the Markets, work in close coordination to implement the reforms agenda of the State. ReMS implements the Unified Market Platform in all markets, progressively bring in best practices



to markets in the state, arrange and establish assaying facilities in markets, develop secondary markets to benefit primary market participants and capacity building for stakeholders.

### How does the UMP function?

UMP technology seamlessly covers all operations of markets starting from goods entering the market till the goods exit the market and beyond. Platform uses state of the art technology and highly available data centres designed for more than 99% uptime. Systems are accessible from any web-enabled devices; Mobile App and Desktop application is offering best connectivity solutions for locations with low bandwidth.

The trading platform enables to provide multiple price discovery mechanisms. It brings traders from anywhere inside or outside the state to this electronic platform and let bid for the commodity. The platform also facilitates material accounting for all transactions taking place in the market. All trade related activities, post auction activities, clearing and settlement of funds, documentation and reports are carried out by the UMP platform.

### UMP Process Flow in the APMC Market Yard

A farmer enters the APMC market yard with a loaded produce. At the gate of the APMC, gate entry is done by quoting the basic details of the farmer. The produce gets unloaded at the preferred commission agent, followed by lot wise entry and lot ID creation of his produce. Commission agent update the Inventory details and sampling of the produce the produce is done in the market yard. The quality parameters will be uploaded on the electronic platform. Commodities brought for sale by farmers are displayed in the godowns of the commission agents, and rates are quoted by traders in an open auction or in a tender system of sale.

A trader who possess a Unified Trader License can participate in trade in any of the APMCs. The electronic bidding will be started by the traders on unique lot ID based on the quality parameters examined. The market committees declare the buyer for every lot displayed for sale. The highest price quoted/ bidder will be communicated through SMS. Trade cancellation by the farmer is allowed in case of unsatisfactory price quotes. Otherwise the trade happens after final e-weighment of the lot.

It'd be followed by generation of a sale receipt for the traded lot by the UMP.

Payment is settled directly between the farmer and the commission agent. Payment to the farmer can be done by the trader or by the associated commission agent. A farmer's receipt is generated for the same. Payment from trader's account is done through online transaction to the farmer's account on the same day trade happens. The buyer inventory also would be updated then. Centrally verifiable 'anytime anywhere' e-permit is required by the trader for transporting the produce.

### ReMS Focus on Capacity Building to the Stakeholders

Imparting necessary skills to the producer is essential for taking informed decisions. Stakeholders in the market have been exposed to the characteristics and structure of the new marketing system. Opportunities and facilities available in markets, duties and responsibilities of stakeholders, determinants of demand and supply, price discovery, accessing and using market information services, importance of assaying, contract farming and its provisions etc. are given prime importance.

### An Effective Awareness Creation and Information Dissemination for UMP

Art forms, Hand drawn eye catching illustrations developed by professional artists, brochures to answer all the Frequently asked questions, awareness videos on reform process, role and responsibility of the farmers, post-harvest methods and the new market structure using animated illustrations were made to disseminate "effective one message to all".

Stakeholder education program is being carried out. A large campaign has been initiated to cover 11,000 villages and 2.5 million farmers on a cluster team concept. It's an unique awareness programme where 3 farmer volunteers along with the elected farmer representative will take lead to educate fellow farmers and playing the awareness video in the program. Tie up with Doordarshan and Radio & FM for publicity. Dissemination of market information (Prices of commodities) is done daily through free SMSs, scrolls in TV channels and newspapers. At market classroom sessions for all market stakeholders and APMC staff. ■