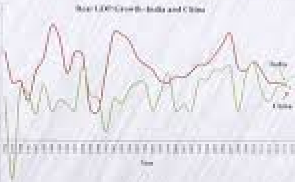
Economic Survey

2014–15

Volume I



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amended provisions, which indicate hesitancy on the part of state governments to liberalize the statutory compulsion on farmers to sell their produce through APMCs. Some states —— such as Karnataka —— have however adopted changes to create greater competition within state.

8.5 Karnataka model

In Karnataka, 51 of the 155 main market yards and 354 sub-yards have been integrated into a single licensing system. Rashtriya e-market Servies Ltd. (ReMS), a joint venture created by the State government and NCDEX Spot Exchange, offers automated auction and post auction facilities (weighting, invoicing, market fee collection, accounting), assaying facilities in the markets, facilitate warehouse-based sale of produce, facilitate commodity funding, price dissemination by leveraging technology. The wider geographical scope afforded by breaking up fragmented markets has enabled private sector investment in marketing infrastructure.

8.6 Inadequacies of Model APMC Act

The provisions of the Model APMC Act do not go far enough to create a national – or even state-level common market for agricultural commodities. The reason is that the model APMC Act retains the mandatory requirement of the buyers having to pay APMC charges even when the produce is sold directly outside the APMC area, say, to the contract sponsors or in a market set up by private individuals even though no facility provided by the APMC is used. The relevant provision (No.42) in the model APMC Act is:

"**Power to levy market fee "(single point levy)**: Every market shall levy market fee (i) on the sale or purchase of notified agricultural produce, whether brought from within the State or from outside the State into the market area."

Though the model APMC Act bars the APMCs and commission agents from deducting the market fee/commission from the seller, the incidence of these fees/commission falls on the farmers since buyers would discount their bids to the extent of the fees/commission charged by the APMC and the Commission agents.

Though the model APMC Act provides for setting up of markets by private sector, this provision is not adequate to create competition for APMCs even within the State, since the owner of the private market will have to collect the APMC fees/taxes, for and on behalf of the APMC, from the buyers/sellers in addition to the fee that he wants to charge for providing trading platform and other services, such as loading, unloading, grading, weighing etc.

8.7 Alternative ways of creating national market for agricultural commodities

The 2014 budget recognizes the need for setting up a national market and stated that the central government will work closely with the state governments to reorient their respective APMC Acts to provide for the establishment of private market yards/private markets. The budget also announced that the state governments will also be encouraged to develop farmers' markets in towns to enable farmers to sell their produce directly.

More steps may have to be taken and incremental moves may need to be considered to get the states on board. For example, first, it may be possible to get all the states to drop fruits and vegetables from the APMC schedule of regulated commodities; this could be followed by cereals, pulse and oil seeds, and then all remaining commodities.

State governments should also be specifically persuaded to provide policy support for setting up infrastructure, making available land etc. for alternative or special markets in private sector, since the players in the private sector cannot viably compete with the APMCs in which the initial investment was made by the government on land and other infrastructure. In view of the difficulties in attracting domestic capital for setting up marketing infrastructure, particularly, warehousing,