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Are we ready for a national agriculture market?

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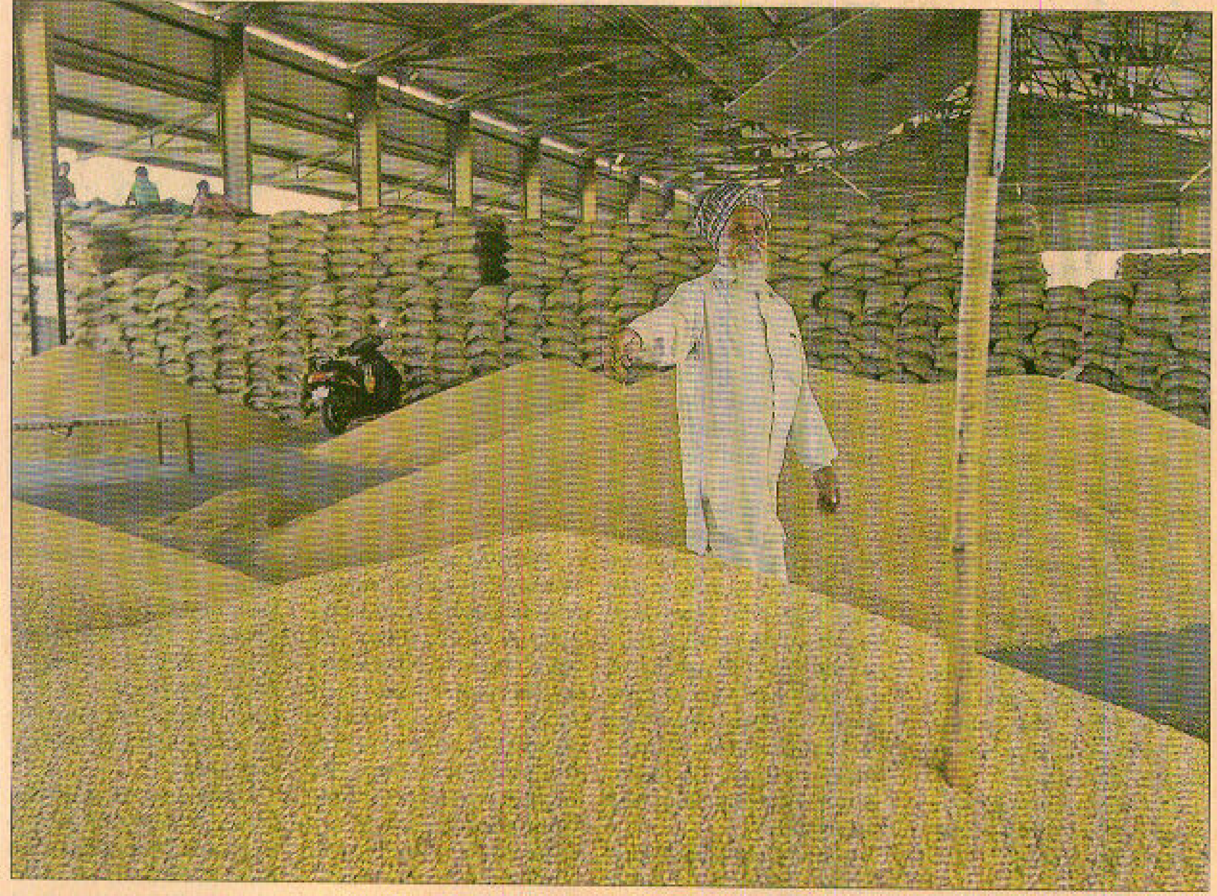
Lack of preparedness on infrastructure front means the National Agriculture Market (NAM) could face hurdles similar to GST on revenue, expenses and authority domains



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On BR Ambedkar's birth anniversary on April 14, the government will launch the National Agriculture Market (NAM)—a nationwide electronic trading portal comprising a network of *mandis* and market yards. It envisions one licence state-wide, a single-point levy and use of electronic auctions for price discovery. Since taxes and charges would apply, that's why the proposal of a common market, not a single market.

Common market implies no institutional or legal barriers to free circulation of commodities. Farmers or traders can sell with the same freedom across states as within their own state. The Small Farmers' Agribusiness Consortium (SFAC)—the nodal agency for NAM—has argued that a fragmented and high-cost agricultural economy prevents economies of scale and seamless movement of goods; it seeks to change this by lowering intermediation costs, wastage and ultimately prices for consumers. As for traders, they can benefit from volume expansion. In NAM, the existing *mandis* provide the backend support for the electronic platform, which will initially be deployable in select regulated markets.

On the face of it, linking all markets on one platform is indeed a welcome step. However, the question remains: To what extent are the systems in place for such an innovative initiative like NAM to take shape and take off?

NAM from a market integration perspective

Taking the core periphery approach, a study by the International Food Policy Research Institute finds that, for several commodities, there is a clear lack of spatial integration in agricultural markets. Barring comparatively low-value and homogeneous wheat, cereals and, to some extent, soybean, there is a lack of spatial integration for most commodities. Perishables like onions, in particular, exhibit this anomaly to a greater extent where shortages lead to recurrent localised price spikes. In most years, onion prices in Lucknow and Patna, for example, have been significantly higher than in Delhi (considered a core/central market). The pattern of significant and persistent price differences is generic, not specific to markets or commodities. The robust evidence on the absence of spatial integration for most agricultural commodities makes a clear case for NAM.

Basic infrastructural indicators in different markets across states

States	States' indicators (in percentage)							
	Information notice	Public notice board	Auction platform	Bank	Public address system	Grading lab	Mechanical grader	Sieves
Andhra Pradesh	87	79	77	7	17	15	5	63
Gujarat	65	59	65	32	2	29	9	6
Haryana	86	73	82	55	1	9	5	64
Karnataka	100	100	67	36	5	9	3	6
Madhya Pradesh	65	62	59	21	12	3	0	18
Maharashtra	81	79	73	40	5	6	8	31

An issue fundamental to NAM is a uniform and single point levy of taxes, which implies a trade-off between fiscal autonomy on one hand and higher administrative and compliance cost on the other

Elements of a functional marketing platform

The NAM portal can bring up virtual offers and bids, but it would also need fruition of transactions. Hence, functionally, NAM would require systems such as weighing, grading and transport, food safety certification mechanisms, cold storage, and quality standards particularly for perishables. The NAM trade will ultimately be based on assessment/grade specification, albeit electronically.

The agricultural produce market committees (APMC), under the jurisdiction of state governments, regulate agricultural markets. Even though the Centre itself is putting money into NAM, states will also need to co-contribute financially as well as in terms of policy support. The idea of integrating APMC markets through a common e-platform came from Karnataka, where the government established the Rashtriya e-Market Services Private Ltd (ReMS), a 50:50 joint venture with NCDEX Spot Exchange, to offer an automated auction platform connecting the *mandis*. Backend support is embedded in this system with single licensing and automated auction and post-auction facilities (weighting, invoicing, market fee collection and accounting), assaying facilities, facilitation of warehouse-based sale of produce, commodity funding, and price dissemination. Clearly, NAM will need all this on a much larger scale and with greater scope.

Backend challenges

Are markets in India NAM-ready? Very few agricultural markets have been established over the last three decades. Markets are comparatively old in parts of Madhya Pradesh, Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu. Barring few first-mover states, market density is strikingly small for most parts of Rajasthan, Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Odisha and North-Eastern states. Punjab has 163 markets, while undivided Andhra Pradesh—which is four times Punjab's size—has just 169 markets. In fact, per million people, there are less than five agricultural markets.

On paper, there are several amenities available in or around APMCs—auction halls, weigh bridges, godowns, post offices, banks and warehouses. In reality, the spread of these facilities is thin and widely variant across space. The accompanying table presents the situation for most basic infrastructure in some major markets. Only 60% markets have facilities like notice boards, public notice systems and auction platforms, and more importantly for NAM, 80% markets do not have facilities like mechanical graders, sieves and public address system. Under NAM, these would be required on a much larger scale, along with additional systems such as grading and certification.

Notwithstanding the lack of preparedness on the infrastructure front, NAM is likely to face hurdles similar to GST on aspects dealing with revenue, expenses and authority domains. NAM would necessitate harmonisation of rules and regulations which are different currently, shared financing and co-ordination in implementation. Most pertinent issue that is fundamental to NAM is the case of a uniform and single point levy of taxes, which implies a trade-off between fiscal autonomy on one hand and higher administrative and compliance cost on the other.

Finally, NAM needs to be customised to the reality of Indian agricultural landscape, i.e. preponderance of small farmers. Individually small and marginal farmers will have negligible marketable surplus. Transaction and marketing costs could then easily make NAM meaningless for them. NAM will likely work if there is collectivisation of output for the portal. The government's programmes on the promotion of farmer producer organisations can build important synergies with NAM. It is not mere coincidence that SFAC is playing a pivotal role in both.

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