Need for Structural Reforms in Agri-Marketing

What is the issue?

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- Although food production has increased tremendously, farmer incomes have not been impacted positively.
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- This calls for massive structural reforms on the lines proposed by Niti Aayog.
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What is the proposal?

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- The central government is pitch for restructuring agricultural marketing to double farm income by 2022.
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- NITI Aayog member Ramesh Chand recently said that bringing agriculture marketing into the Concurrent or Union list is imperative to benefit farmers.
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- While many states too have welcomed this, some are sternly opposed to it and argue that it would be a disaster for agriculture and co-operative federalism.
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- Significantly, the “Committee on Doubling Farmer’s Income” (Dalwai Committee) has supported the Niti Aayog’s stand.
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- Besides this, the committee has also recommended rolling out the model Agriculture Produce Marketing Committee (APMC) Act 2017.
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- This, it believes is needed to facilitate pan-India operations, through single-point levy of taxes.
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- These are touted to promote direct interface between farmers and end-users, and give farmers greater freedom to sell their produce for better prices.
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Why is focus on markets needed?

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- The country’s food production has increased tremendously from just 51 million tonnes in 1950-51 to about 252 million tonnes in 2014-15.
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- However, farm income did not grow much, which was also highlighted by the National Commission on Farmers (NCF) headed by MS Swaminathan.
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- On an average, the income realised from cultivation at current prices worked out to be only about Rs.101 a day during 2012-13.
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- Significantly, as early as 1976, the “National Commission on Agriculture” had noted that higher output alone will not provide higher income to farmers.
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- This anomaly is due to the lack of proper marketability for agro-produce, and becomes amply clear in the usual distresses that follows bumber harvests.
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- Had the markets been integrated, the surplus produce would have been transferred to deficit regions to help easy the “Pleanty Paradox”.
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What is the current situation?

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- Farmer’s participation in agri-markets is equally worrisome and their share as a percentage of the Consumer Price is a merely in the range of 15- 40%.
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- Middlemen dominance is primarily responsible for farmers not getting a reasonable price for their produce, which lowers farm income and profitability.
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- Significantly, The Committee of State Ministers, in charge of Agricultural Marketing, has noted that of the regulated markets only:
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    - two-thirds have covered and open auction platforms
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    - one-fourth have common drying yards
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    - less than one-tenth have Cold storage units
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    - less than one-third grading facilities
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    - Very few have electronic weigh-bridges
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- The committee also noted that the post-harvest losses of various commodities ranged from 6 to 18%.
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- All these conditions therefore, leaves the farmers with no choice but to demand higher minimum support price (MSP) and procurement.
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What is the way ahead?

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- The country will achieve sustained food security only when the farmer incomes are secured and “production and marketing” to achieve the same.
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- While farmers need to be empowered with greater autonomy for marketing, the intermediary culture needs to be systematically scrapped.
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- Also, the seasonal spike in prices of perishable commodities that pushes up the food inflation cannot be addressed without improving the supply chain.
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- Significantly, almost 40% of all fruits and vegetables are lost annually in India between the grower and the consumer.
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- This is mainly due to lack of storage facilities, a weak transportation system, and bad roads, which needs to be addressed by inviting massive investments.
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- Also, as climate change is expected to pose more challenges, states alone can’t handle these effectively due to technological shortcomings.
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Source: Business Line

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