

Agriculture should not be a State subject

CII today organized a Seminar on Reforms in the APMC (Agricultural Produce Market Committee) Act, and its impact in the Southern States. This is an initiative of the Agri Business Sub-Committee, CII-Southern Region. Speaking at the occasion, Mr. Shankarlal Guru, Chairman-International Society for Agricultural Marketing said Agricultural sector is in urgent need of reforms by the respective State governments to help drive the economy to a higher growth rate that is expected by the policy makers, but a comprehensive agenda for reforms in this crucial sector is yet to emerge. Hence, the need for Agriculture to be made a central subject and not a state subject, thus alienating it from politics, said Mr. Guru. Contract farming should be encouraged as it will help bring technology and modern practices into the agriculture sector - opined Mr. Guru. The APMC Act in each state of India requires all agricultural products to be sold only in government - regulated markets. These markets impose substantial taxes on buyers, in addition to commissions and fees taken by middlemen, but typically provide little service in areas such as price discovery, grading or inspection. A key impact of this regulation is the inability of private sector processors and retailers to integrate their enterprises directly with farmers or other sellers, eliminating middlemen in the process. Farmers also are unable to legally enter into contracts with buyers. This leaves no incentives for farmers to upgrade, and inhibits private and foreign investments in the food process sector. Also addressing the audience was Mr. Sivakumar, Chairman Agri Business Sub-Committee, CII-Southern Region and Chief Executive - Agri, ITC Ltd. Said that Agri business in India is at a transition point. Having sailed through the shortage economy to an economy with surplus in grains, it is important that Governments at the Centre and State recognize the need for inclusive growth to take agriculture forward in India. Setting the context for the day's discussion, Mr. Sivakumar emphasized that in spite of employing about 57% of the population of the country, agriculture contributes 27% to the GDP of India. This distortion makes agriculture not a lucrative employment generator and hence, keeping with the global view, India needs to carve out opportunities in agri-exports sector. Contract farming and direct marketing to retail chains and processing units are the need of the hour he said. Regulations to keep pace with these needs are required, which need alternative marketing mechanisms. Hence, reforms in the APMC Act are recommended in various fields, he added. Making a presentation on "Aligning State Policies with emerging new marketing models", Prof. S Raghunath from the Indian Institute of Management-Bangalore, emphasized the need for an effective and efficient distribution system for agri-produce and provision for supply-demand transparency. Since the main objective of the APMC Act was to prevent exploitation of farmers by various intermediaries, reforms were required in the Act, with changing face of agriculture and the agricultural supply chain, opined Prof Raghunath. India is the largest producer of vegetable in the world, with a total share of 15% of global produce. 8% of world's fruits are produced in India, ranking it second in the world market. In spite of this, there is a high cumulative wastage of 40% in India, informed Prof. Raghunath. Inadequate infrastructure and lack of organized supply chain were the main cause for such a disparity, he said. Thus, reforms in this sector need to catch up with the pace of development in the economy and dis-intermediation and participation of organized players in the sector will remove the lacunae, opined Prof. Raghunath. Centre asks states to amend APMC Act In a move to allow farmers to directly sell their produce to industry, contract farming and setting up of competitive markets in private and cooperative sector, the Centre has asked the state government to amend the Agricultural Produce Marketing Act. Under the present Act, the processing industry cannot buy directly from farmers. The farmer is also restricted from entering into direct contract with any manufacturer because the produce is required to be canalised through regulated markets. These restrictions are acting as a disincentive to farmers, trade and industries. The government has recently approved a central sector scheme titled Development/strengthening of agricultural marketing infrastructure, grading and standardisation. Under the scheme, credit linked investment subsidy shall be provided on the capital cost of general or commodity specific infrastructure for marketing of agricultural commodities and for strengthening and modernisation of existing agricultural markets, wholesale, rural periodic or in tribal areas. The scheme is linked to reforms in state law dealing with agricultural markets (APMC Act). Assistance under the new scheme will be provided in those states that amend the APMC Act. The Centre has asked the state governments to inform as to whether necessary amendments to the APMC Act have been carried out, in order to notify the reforming states for applicability of the scheme. Along with the Centre, the industry is also interested in the amendment to the APMC Act as it restricts the growth of trade in agricultural commodities. The policy regime pertaining to internal trade is particularly restrictive. The agricultural sector continues to be hamstrung by a plethora of controls, which were introduced during the era of shortages, said the PHDCCI. Meanwhile, a decentralised system of procuring wheat and rice would make the Public Distribution System more cost effective, the government has said.

About the Author

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