



Agricultural Produce Market Committee (APMC)

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Abstract :

Prior to Independence, the major concern of the Government policy related to agricultural marketing was to keep the prices of food for the consumers and agro – raw materials for the industry in check. However, after independence, the need to protect the interest of farmers and to provide them incentive prices to augment the production of agricultural commodities was also felt. Further, problems of local money lenders extorting high amounts of food grains from the farmer, at throwaway prices, as interest were common throughout the country. Recognizing the defects like losses to the farmers in terms of undue low prices, higher costs of marketing and considerable physical losses of the produce in the agricultural marketing system which the farmers had to face, the Government, with a view to establishing a mechanism to monitor the market conduct, introduced from time to time several mandatory regulations. Regulations and development of primary agricultural produce markets was taken up as an institutional innovation and construction of well laid out market yards was considered as an essential requirement for regulating the practices in primary wholesale markets.

Agricultural Produce Market Committee (APMC)

Agricultural Produce Market Committee (APMC) is a statutory market committee constituted by a State Government in respect of trade in certain notified agricultural or horticultural or livestock products, under the

Agricultural Produce Market Committee Act issued by that state government.

APMCs are intended to be responsible for

- ensuring transparency in pricing system and transactions taking place in market area;
- providing market-let extension services to farmers
- ensuring payment for agricultural produce sold by farmers on the same day.
- promoting agricultural processing including activities for value addition in agricultural produce;
- Publicizing data on arrivals and rates of agricultural produce brought into the market area for sale; and
- Setup and promote public private partnership in the management of agricultural markets.

There are about 2477 principal regulated markets based on geography (the APMCs) and 4843 sub-market yards regulated by the respective APMCs in India.¹

The typical amenities available in or around the APMCs are : auction halls, weigh bridges, godowns, shops for retailers, canteens, roads, lights, drinking water, police station, post-office, bore-wells, warehouse, farmers, amenity center, tanks, Water Treatment plant, soil testing Laboratory, toilet blocks etc.

The list of online APMCs may be seen here.

Legal Background of APMCs

Under Constitution of India, agricultural marketing is a state (provisional) subject. While intra-state trades fall under the jurisdiction of state governments, inter-state trading comes under Central or Federal Governments (including intra-state trading in a few commodities like raw jute, cotton etc.). Thus, agricultural markets are established and regulated mostly under the various state APMC Acts. Most of the state governments and Union Territories have since enacted legislations (Agriculture Produce Marketing Committee Act) to provide for development of agricultural produce markets and to achieve an efficient system of buying and selling of agricultural commodities. Except the States of Jammu and Kashmir, Kerala, Manipur and small Union Territories such as Dadra and Nagar Haveli, Andaman and Nicobar Islands, Lakshadweep etc., all other States and UTs in the country have enacted such State Marketing Legislations. The purpose of these Act is basically the same i.e. regulations of trading practices, increased market

efficiency through reduction in market charges, elimination superfluous intermediaries and protecting the interest of producer – seller.

The whole geographical area in the State is divided and each one of the Market Committee (APMC) constituted by the State Government. States also constitute a Market Board which supervises these market committees. APMCs generally consist of representatives of farmers, traders, warehousing entities, registrar of cooperative societies etc. Market Boards generally consists of chairmen of all APMCs, representatives from the relevant Government Departments etc.²

Once a particular area is declared as a market area and falls under the jurisdiction of a Market Committee, no person or agency is allowed to freely carry on wholesale marketing activities. APMC Acts provide that first sale in the notified agricultural commodities produced in the region such as cereals, pulses, edible oilseed, fruits and vegetables and even chicken, goat, sheep, sugar, fist etc., can be conducted only under the aegis of the APMC, through its licensed commission agents, and subject to payment of various taxes and fee. The producers of agricultural products are thus forced to do their first sale in these markets.

The Main differences in Acts of different states/UTs are noted in the following areas:

Commodity coverage - A few states cover all the commodities while others provide the list.

Market Committee – There are differences in no. of market committees and number of members therein, the appointment of committee members etc.

Agricultural Marketing Boards – variations in powers exercised by the Boards in different states. i.e. their role vary from advisory to binding.

Demarcation of functions between Director Marketing and Board : Administrative structure for the implementation structure of the Act vary from state to state in terms of functions assigned.³

Functioning of APMCs : Issues involved

The APMC system was introduced to prevent distress sale by farmers to their creditors, to protect farmers from the exploitation of intermediaries and traders and to ensure better prices and timely payment for their produce through the auctions in the APMC area. However, APMC Acts restrict the farmer from entering into direct contract with any processor/manufacturer/bulk processor as the produce is required to be routed through these regulated markets. Over a period

of time, these markets have acquired the status of restrictive and Monopolistic markets, harming the farmers rather than helping them to realise remunerative prices.

The APMC Act treats APMC as an arm of the state and the market fee as the tax levied by the state, rather than as a fee charged for providing services, which acts as a major impediment in creating a national common market.

Various taxes, fees/charges and cess levied on the trades conducted in the markets or Mandis are also notified under the APMC Act. APMCs charge a market fee from buyers, APMCs operations are hidden from scrutiny as the fee collected, which are at times exorbitant, is not under State legislature's approval. Agents in an APMC may get together to form a cartel. This creates a monoposony (a market situation where there is only one buyer who then exercises control over the price at which he buys) situation. Produce is procured at manipulatively discovered price and sold at higher price, defeating the very purpose of APMCs.

Further, APMCs play dual role of regulator and Market. Consequently, their role as regulator is undetermined by vested interest in lucrative trade. Generally, member and chairman are nominated/elected out of the agents operating in that market.

Experts, processors and retail chain operators cannot procure directly from the farmers as the produce is required to be channelized through regulated markets and licensed traders. There is, in the process, an enormous increase in the cost of marketing and farmers end up getting a low price for their produce. Monopolistic practices and modalities of the state-controlled markets have prevented private investment in the sector. Thus, the monopoly of Government regulated wholesale markets has prevented development of a competitive marketing system on a pan-India basis, providing no help to farmers in direct marketing, organizing retailing, a smooth raw material supply to agro-processing industries and adoption of innovative marketing system and technologies.⁴

Model APMC Act of 2003

An efficient agricultural marketing is essential for the development of the agriculture sector as it provides outlets and incentives for increased production and contribute to the commercialization of subsistence farmers. Worldwide Governments have recognized the importance of liberalized agriculture markets. Keeping, this in view, Ministry of Agriculture formulated a model law on agricultural marketing – State Agricultural Produce Marketing (Development and Regulation) Act, 2003 and requested the state governments to suitably amend

their respective APMC Acts for deregulations of the marketing system in India, to promote investment in marketing infrastructure, thereby motivating the corporate sector to undertake direct marketing and to facilitate a national market.

The Model APMC Act, 2003 provided for the freedom of farmers to sell their produce. The farmers could sell their produce directly to the contract-sponsors or in the market set up by private individuals, consumers or producers. The Model Act also increases the competitiveness of the market of agricultural produce by allowing common registration of market intermediaries.⁵

Salient Features of the Model APMC Act :

- The Preamble of the Act is to provide for development of efficient marketing system, promotion of agri-processing and agricultural exports and to lay down procedures and system for putting in place an effective infrastructure for the marketing of agricultural produce.
- Legal persons, growers and local authorities are permitted to apply for the establishment of new markets for agricultural produce in any area. Under the existing law, markets are setup at the initiative of State Governments alone. Consequently, in a market area, more than one market can be established by private persons, farmers and consumers.
- There will be no compulsion on the growers to sell their produce through existing market administered by the Agricultural Produce Market Committee (APMC). However, agriculturist who does not bring his produce to the market area for sale will not be eligible for election to the APMC.
- Separate provision is made for notification of 'Special Markets' or 'Special Commodities Markets' in any market area for specified agricultural commodities to be operated in addition to existing markets.
- A new chapter on 'Contract Farming' added to provide for compulsory registration of all contract farming agreements, resolution of disputes, if any, arising out of such agreement, exemption from levy of market fee on produce covered by contract farming agreements and to provide for indemnity to producers title/possession over his land from any claim arising out of the agreement.
- Provisions made for the purchase of agricultural produce through private yards or directly from agriculturists in one or more than one market area.

- Provisions made for the establishment of consumers' farmers' market to facilitate direct sale of agricultural produce to consumers.
- Provisions made for resolving of disputes, if any, arising between private market/consumer market and market committee.
- State governments conferred power to exempt any agricultural produce brought for sale in market area, from payment of market fee.
- Market Committees permitted to use its funds among others to create facilities like grading, standardization and quality certification; to create infrastructure on its own or through public private partnership for post harvest handling of agricultural produce and development of modern marketing system.
- The State Agricultural Marketing Board made specifically responsible for :
 - setting up of a separate marketing extension cell in the Board to provide market-led extension services to farmers.
 - promoting grading, standardization and quality certification of notified agricultural produce and for the purpose to set up a separate Agricultural Produce Marketing Standards Bureau.
- Funds of the State Agricultural Marketing Board permitted to be utilized for promoting either on its own or through public private partnership, for the following :
 - market survey, research, grading standardization, quality certification etc.
 - Development of quality testing and communication infrastructure.
 - Development of media, cyber and long distance infrastructure relevant to marketing of agricultural and allied commodities.⁶

As per the final report of the Committee of State Ministers, in-charge of Agricultural Marketing to Promote Reforms, submitted in January 2013, only 16 states have amended their Act and only six states have notified the amendment Rules. There are some states which do not have APMC Act and some have partially amended their Act. Karnataka Model provides for a single licensing system, offers automated auction and post auction facilities. It also facilitate warehouses-based sale of produce, facilitate commodity funding, prices dissemination by leveraging technology and private sector investment in marketing infrastructure.

The model APMC Acts does not go far enough to create a national or even state level common market for agriculture commodities. The Act retains the mandatory requirement of the buyers having to pay APMC charges even when the produce is sold directly outside the APMC

area. Though the Model Act provides for setting up of markets by private sector, this is not adequate to create competition even within in the state since the owner will have to collect fees/taxes on behalf of the APMC in addition to their own charges.

Suggestions in Economic Survey 2014-15 to create a National Common Market in Agricultural Commodities : The Economic Survey 2014-15 emphasizes on the need for a national common agricultural market (a budget announcement of 2014-15) and identifies un-integrated and distortion ridden agricultural market as the one of the most striking problems in agriculture growth. The Economic Survey suggests 3 incremental steps as possible solutions for setting up a national market.

- It may be possible to get all states to drop fruits and vegetables from APMC schedule of regulated commodities and followed by other commodities. State governments may be specifically persuaded to provide policy support for alternative or special markets in private sector.
- State governments may be specifically persuaded to provide policy support for alternative or special markets in private sector.
- In view of the difficulties in attracting domestic capital for the setting-up marketing infrastructure, liberalization in FDI in retail could create possibilities for filling in the massive investment and infrastructure deficit in supply chain inefficiencies.⁷

As a last resort, the Economic survey suggests using constitutional provision to create a national common market for agricultural commodities.

Economic survey reemphasize that India needs a national common market for agricultural commodities by making the Agricultural Produce Market committee just one among many options available for the farmers to sell their produce.

The National Agricultural Market (NAM)

Union Budget 2014-15 (Para 82) and Union Budget 2015-16 (Para 83) had suggested the creation of a National Agricultural Market (NAM) as a priority issue. On 2nd July 2015, Union Cabinet unveiled its plan to go ahead with the project amidst the constitutional constrains as mentioned above.⁸

The National Agriculture Market is envisaged as a Pan-India electronic trading portal which seeks to network the existing APMCs and other market yards to create a unified national market for agricultural commodities. NAM is a 'virtual' market but it has a physical market

(mandi) at the back end. NAM is proposed to be achieved through the setting up of a common e-platform to which initially 585 APMCs selected by the states will be linked. The Central Government will provide the software free of cost to the states and in addition a grant of up to Rs. 30 lakhs per mandi will be given as a onetime measure for related equipment and infrastructure requirements. In order to promote genuine price discovery, it is proposed to provide the private mandis also with access to the software but they would not have any monetary support from Government.

Reference :

1. Source : Economic Survey 2014-15.
2. Constitutional Provisions regarding Agricultural Markets Schedule VII of the Constitution of India.
3. Report of Task Force on Agricultural Marketing Reforms.
4. Salient Features of the Model Act on Agricultural Marketing.
5. Chapter 8 of Volume 1 of Economic Survey 2014-15.
6. PIB release of Cabinet Committee on Economic Affairs dated 2 July 2015.
7. STATE APMC Acts.
8. Rythu Bazar