AGRICULTURAL MARKETING IN RAJASTHAN
Ensuring effective farmer-market linkages in Rajasthan
Agricultural marketing plays an important role in bridging or moving goods from farm to the end user and stimulates both production and consumption, thereby accelerating the pace of economic development.

Agricultural marketing comprises commercial functions which enable an effective and efficient transfer of agricultural products (consisting of farm, horticultural and other allied products) from the producer to the consumer. It involves multiple activities including pre and post-harvest operations, assembling, grading, storage, transportation and distribution. The end objective of agricultural marketing is to ensure a fair price to the producer and a reasonable price to the consumers.

In India, the organised marketing of agricultural commodities has been promoted through a network of regulated markets. Most state governments and Union Territory administrations have enacted legislations to regulate the agricultural produce markets. The advent of regulated markets has helped in mitigating the market handicaps of producers and sellers.
Agricultural Markets in India

In India, farmers' produce is distributed through village/rural level primary markets or secondary agricultural markets. The primary wholesale markets are located in production area while secondary markets are of distributive nature wherein trader to trader transaction takes place. These regulated markets are managed by Agricultural Produce Market Committees or APMCs, though in some states they may be given different names such as Agricultural Market Committees (AMCs) in Andhra Pradesh, Regulated Market Committees (RMCs) in West Bengal, and Krishi Upaj Mandi Samiti in Rajasthan, etc.

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 enacted by that state government.

The key responsibilities of APMCs include:
- ensuring transparency in pricing system and transactions taking place in market area
- providing market-led 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
- publicising data on arrivals and rates of agricultural produce brought into the market area for sale
- setting up and promoting public private partnership in the management of agricultural markets

Under Constitution of India, agricultural marketing is a state (provincial) subject, and hence agricultural markets are established and regulated mostly under the various State APMC Acts.

APMC Act provides that the 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, fish, etc. can be conducted only under the aegis of the APMC, through its licensed commission agents, and subject to payment of various taxes and fees.

Shortcoming of the APMC Act

While the motive of APMC Act was to develop an efficient system of buying and selling agricultural produce, and thereby protect the interests of all agri value chain stakeholders from farmers to the end consumer, various shortcomings were identified as part of the act:
- Under APMC Act, farmers are free to sell their produce at place or in market of their choice, but restricts bulk buyer to purchase only through regulated markets. Due to smaller quantity of sale available with most farmers, they had limited choice of markets
- There was very less flexibility offered to the farmers, as one had to sell produce only in the designated market yards
- Given that APMCs are government managed and controlled, there was limited infrastructure that could be developed and hence the network and reach of market yards was getting limited and limiting new entrants or restricting new players
- Wide variation in the governance of mandis, where in some states operated APMCs under Panchayati Raj Distribution, while some under district administration
- With inadequate market level information on prices and less flexibility to sell the produce, the farmers were not able to reap the complete benefits of the system

To address the above shortcomings, market reforms were initiated by the central government and a Model APMC Act was developed in 2003.

Model APMC Act: The State Agricultural Produce Marketing (Development & Regulation) Act, 2003

The 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 deregulation 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 alternate marketing options to the 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 competitiveness of the market of agricultural produce by increasing alternate market channels and enhancing competition.

Rajasthan has amended its APMC Act and incorporated most of the provisions of the Model APMC Act in 2005.
Agricultural Marketing in Rajasthan

Rajasthan is amongst the leading states in India in terms of agricultural marketing systems, infrastructure and reforms. In addition to the laid rules and guidelines of the Model APMC Act 2003, the state went a step further and initiated additional interventions like declaring warehouses as sub market yard, development of mandi yards by private sector and on PPP model to enable and develop an efficient agri-marketing system in the state.

Further to the above, the state’s Agro Processing & Agri-Marketing Policy 2015 encourages the value addition of agricultural produce, enables a reduction in post-harvest losses and brings in new technologies in agriculture marketing.

The agri-marketing initiatives in Rajasthan are being undertaken by two key bodies at the apex level
1. Department of Agricultural Marketing (DAM)
2. Rajasthan State Agricultural Marketing Board (RSAMB)

Department of Agricultural Marketing (DAM)

The primary objective of the department is to establish agricultural markets in the state and regulate buying and selling process of agriculture commodities.

Key responsibilities of the department include:
• Ensuring a successful implementation of APMC Act and other policies of the state
• Providing suggestions to the government in agri-marketing policy matters
• Responsible for creation of APMCs and development thereof – notification, land acquisition, budgeting, elections in APMCs, ensuring compliance of provisions of act, rules by APMCs
• Sanctioning of administrative and development budget proposed by APMCs

Rsamb has devoted itself whole-heartedly to the development of Agricultural Marketing since its inception in 1974. The Board is headed by a Chairman/Administrator and is an autonomous body. RSAMB is responsible for the entire gamut of post-harvest management and agricultural marketing developmental activities in the state.

Key responsibilities of the board include:
• Engineering work including development, repair and maintenance of market yards
• Construction of approach roads and missing links – Kisan Path
• Financing of weak APMCs; arranging funds for development of market infrastructures – RIDF, subsidies, etc.
• Maintaining and operating market development fund (MDF), farmers’ development fund (Kisan Kalyan Kosh), etc.
• Construction of culverts in canal irrigated areas

These bodies play a major role in the development and effective policy implementation of agricultural marketing in the state. In Rajasthan, there are 135 Krishi Upaj Mandi Samities (APMCs), 311 Sub Market Yards, 8 Private Sub Market Yards (Licensed), 1 Consumer-Farmer Market Yard. The market yards in Rajasthan handle both food as well as non food products such as Guar, Isabgol, cotton and minor forest produce like lac, resin, gum, etc.

These APMCs earn revenue by levying a marginal market fee on the produce to the sourcing agencies/companies. The APMCs are then classified into 5 classes based on the total fee collected. The total market fee collected in 2015-16 was INR 538.05 crore.

<table>
<thead>
<tr>
<th>Class</th>
<th>Income from Market Fee (in lakh INR)</th>
<th>No.of Markets</th>
<th>Contribution to Market Development Fund</th>
<th>Contribution to Kisan Kalyan Kosh</th>
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<tbody>
<tr>
<td>Super</td>
<td>&gt;350</td>
<td>15</td>
<td>30%</td>
<td>5%</td>
</tr>
<tr>
<td>A</td>
<td>200-350</td>
<td>29</td>
<td>20%</td>
<td>5%</td>
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<tr>
<td>B</td>
<td>125-200</td>
<td>17</td>
<td>20%</td>
<td>Exempted</td>
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<td>C</td>
<td>50-125</td>
<td>47</td>
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<td>D</td>
<td>&lt;50</td>
<td>27</td>
<td>Exempted</td>
<td>Exempted</td>
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Interests of all agri value chain stakeholders from farmers, traders, yard workers, hammal to the end buyers are protected through the democratic setup of the AMPC committee, which is an elected local body with rightful participation of these stakeholders. For instance, a large APMC will constitute 17 elected/nominated members which include 8 farmers, 2 traders (market yard + outside), 1 district level nomination, 2 cooperative members (society + finance), 1 licensed porter and 1 Member of Legislative Assembly, and 2 members nominated by state government. The chairman of the committee is from a farming community and this ensures that the farmer is provided with decision making ability and provides inclusiveness at the grass root level.

Market Reforms in Rajasthan
The market reforms in Rajasthan have been classified under initiatives adhering to the Model APMC Act 2003 and other initiatives undertaken over and above specifically by Rajasthan. Alternate market channels were developed as a part of market reforms, wherein the exporter, processor or bulk buyer could directly purchase from the farmers through various licenses. This ensured that the farmers get better prices given the buyer need not bear transportation and commission fees, which is passed on to the farmer.

- Direct Purchasing License: Traders, processors and/or exporters of agricultural commodities were allowed to purchase directly from farmers. This ensured a better price realisation for farmers, backward linkage to processors & exporters, immediate cash payment, savings on marketing expenses and an alternate competitive marketing channel.

- Single/Special License: A buyer with a single license can purchase across the mandis of the state. The buyer needs to open purchase centers with required infrastructure as per the set guidelines in the production area and display the mandi price of the local jurisdiction mandi, to ensure that the farmer gets the market information effectively to make his decision. The government is also planning to display prices of nearby 4-5 mandis in addition to the above to further enhance the effectiveness of the system.

- Private Mandi Yards: Rajasthan is a leading state in implementation of this provision of APMC Act. Private Mandi Yards ensure alternative channel, availability of organised market in uncovered areas as well as effective competition among the mandi and has freed up monopoly of state government on agri marketing infrastructural supply in the state. The state has issued 10 licenses for the same, 3 such yards are already operational. Digital technology is also being leveraged by establishment of e-Sub Market Yards such as M/s NeML.
Other Private Sub Market Yards that have been incorporated in Rajasthan are as follows:

- Marudhara Private Sub Market Yard, Nohar (APMC-Nohar), Hanumangarh district
- Pallu Sub Market Yard (APMC – Rawatsar), Hanumangarh district
- Rayfam Infrastructure Ltd., Deegod, (APMC – Kota), Kota district
- VS Krishi Mandi, Pabupura (APMC – Barmer), Barmer district
- Balaji Agritrdae Pvt. Ltd. (APMC – Sriganganagar) Sri Ganganagar District
- Bidasar Sub Market Yard Pvt. Ltd. (APMC – Suratgarh) Churu District
- PTM Krishi Mandi Yard (APMC, Jaisalmer) Jaisalmer District
- Vinayak Sub Market Yard (APMC – Suratgarh district) Sri Ganganagar

Establishment of Consumer Farmer Market Yards Private Sector

- Mali (Saini) Samaj Krishak Upbhokta Mandi Yard, Piparcity Jodhpur district

Contract Farming

Contract farming has also been initiated in the state where the corporate entity directly enters into an agreement with the farmer and provides inputs and technology which in turn provided the buyer with his choice of produce at the agreed rates. There is no need for the produce to enter the market yard for the same.

Farmer Producer Organisations (FPO)

The small land holding size leads to a limited usage of technology, mechanisation and value addition capabilities. In order to address the above challenges, farmer producer organisations are being encouraged in the state. It is aimed at engaging the farmer companies to leverage their strengths, to procure agricultural inputs and products and sell them.

Small Farmers’ Agribusiness Consortium (SFAC), a society promoted by Ministry of Agriculture and Cooperation, Govt. of India has been designated as the Nodal FPO Promotion and support agency in India and they have promoted around 250 FPOs at the National level till date. Currently there are 100-150 licensed FPOs in the state. Rate of Market fee charged may be given as it matters in cost of produce to the buyer. It may also be noted that no separate development cess/rural development fee, etc. is charged as being done in Punjab, Haryana, MP, UP.

Specific interventions and reforms being undertaken by Rajasthan

- Commodity Specific Markets
  There are 22 commodity specific markets in Rajasthan. For instance, Jodhpur and Merta market yards cater to cumin, while Ramganj mandi caters to coriander. A special market yard for Minor Forest Produce (Honey, Lac, medicinal plants) has been established in Udaipur.

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Rajasthan Agro Processing and Agri Marketing Policy 2015 enables an inclusive growth for the agro processing and agri marketing sector.

- Initiatives for reduction of Post-Harvest Losses
  The state is encouraging private players to setup pack houses, cold storages, processing units in mandi yards with vacant and available land parcels to help reduce post-harvest losses.

- Agri-Export Zones
  Currently there are 2 agri-export zones operational in the state, covering 5 districts each with focus on key spices of coriander and cumin.

  All eligible warehouses accredited by WDRA and desirous of operating as mandi yards may be given licenses.

- Warehousing Development and Authority Regulatory accredited warehouses are being converted as purchase points and declared as mandi yards.

- No user charge or market fee for trade on fruits and vegetables outside the mandi yard.

- The government is also planning to establish scientific labs in all major mustard markets for quality judgment/assurance and in helping price discovery free of cost for farmers. 16 such labs have been established in the state while 12 more are under process.

- Rajasthan Agro Processing and Agri Marketing Policy 2015 enables an inclusive growth for the agro processing and agri marketing sector through investment promotion in the state and higher tax/rebate benefits for these units.
  - For Post-Harvest Activities
    - 5% interest subsidy on term loans
    - 50% of Electricity Duty, Land Tax, Mandi Fee exemption for seven years;
    - 50% of Stamp Duty exemption on purchase of land / 100% exemption of conversion charges / 50% exemption of Entry Tax on Plant & Machinery

  - For Agro-Processing Manufacturing Activities
    - Export subsidy scheme for seed spices both for inland and container freight
      - Surface Transportation: 25% of rail/truck freight or INR 1,000/MT
      - Sea Transportation per container: INR 5,000 (20’/20MT) & INR 10,000 (40’/40MT)
      - Transport Subsidy for Fruits & Vegetables
        - Domestic trade for more than 300 km at 25% of
Innovations are driving the global agricultural marketing models, with a significantly high level of thrust towards ensuring a sustained income for the farmers. Direct market linkage either via aggregator models, or contract farming and market extension services through training of farmers is reaping benefit to the producer as well as the consumer. Some of these changes are being reflected in the Indian agri marketing system as well, as shown below:

3 Global Best Practices & Innovations in Agricultural Marketing Models

Market Extension Training of Community Based Organisations/Farmer Groups in Bangladesh

Background: Marketing training was provided to ~80 community-based organisations/farmer groups across 3 districts of Bangladesh, by Swiss funded Livelihoods, Empowerment and Agro-Forestry (LEAF) project and 12 local NGOs. These farmer groups consisted of, on an average 28% small farmers, 35% marginal farmers and 37% extremely poor farmers.

Figure: New-age Agricultural Marketing System in India

Export trade: INR 4.50 per kg or 20% of fob value

- Enterprises making an investment up to INR 25 lakh shall get 30% investment subsidy / 20% Employment Generation Subsidy of VAT and CST deposited for seven years
- Enterprises making an investment more than INR 25 lakh (besides above benefits) shall be granted 60% Investment subsidy / 10% Employment Generation Subsidy of VAT and CST deposited for seven years
- Capital Subsidy on Zero Liquid Discharge based Treatment Plant
- Enterprises making investment in manufacturing of cattle feed and/or poultry feed shall get 5% interest subsidy
- Customised Package for Enterprises making investment of INR 100 crore and above on providing employment to at least 250 persons
- Enterprises in Food Park will be eligible for 50% exemption on stamp duty and all other benefits available under the Policy

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The training included a six-step marketing course, including a resource audit to identify marketing problems, analysis of products, in-depth market research, post which a marketing strategy and an action plan allocating tasks and responsibilities was prepared.

While carrying out market research, farmers were able to establish linkages with large-scale traders and developed a partnership approach, adapting production to meet their new trading contacts’ recommendations, e.g., value-added products such as jute mats, improved varieties of crops, introduction of hybrid chickens, and creation of a milk collection center. Potato farmers collectively rented cold storage space which reduced costs and enabled them to sell during the off-season at higher prices.

Key Learnings: The marketing training enabled the farmers to conduct their own market research, develop an action plan, negotiate with traders, develop new products and to organise themselves. After having identified their own markets and product niches, about 75% of farmer groups have diversified into new products and have value added their produce significantly. The training course has lifted individual family incomes for participating members by up to 32% in a year.

Cluster Farming and Direct Market Linkage in Philippines

Background: Farmers in south Philippines currently sell their produce in local markets or through traditional marketing channels that involved village collectors and wholesalers in small towns followed by wholesalers and retailers in the major buying cities, such as Cebu and Manila. However, the farmers were struggling with the intermediaries involved, as they could not seek an optimum price for their produce.

To solve this problem, five lettuce farms in a small town of Philippines established a “cluster” of farmers to supply to the markets directly. The main market for lettuce identified by this cluster was “fast food” companies, notably McDonalds and Kentucky Fried Chicken, while a cash and carry chain was identified as a market for up to 10 percent of production, particularly off-sizes.

Marketing activities were coordinated by the largest of the five farms and this involved:

1. Contacting each grower for confirmation of weekly supply and matching any individual shortfalls with production by others in the cluster;
2. Transmitting weekly outturn reports and payments to the other growers and discussing identified quality problems;
3. Liaising with the crate supplier, transporters and input suppliers; and
4. Ensuring traceability of the produce and effective bank payments, based on each farmers’ produce

Impact: The marketing initiative and activities undertaken by the cluster farmers ensured a fair price for their lettuce supply, thereby bypassing the intermediary and identifying the right suppliers. It is seen that the cluster provides a model of an integrated approach that involves close liaison with input suppliers, transporters and buyers and ensures interest protection of all the stakeholders.
and assaying facilities, registration of buyers and sellers, online display of lots, real time bidding and online confirmation of dispatch and payments at the markets are also being planned.

Modernisation and Traceability Mechanisms on Agri-Produce
Technology enabled traceability systems are being planned to be employed for agri produce at the farm level till the last level of the value chain (farm gate, transport, warehouse, market yard and customer). These traceability systems enable quality and quantity reviews across the value chain thereby leading to a significant reduction in losses and also ensure that higher quality produce would be sold at agricultural markets.

Improving Agricultural Marketing Mechanisms
A common platform with enterprises, Local Service Providers (LSPs), agribusinesses, collection centres and banks to develop and streamline the agricultural marketing practices is being planned to help with increased collaboration across the agri-marketing value chain. The government may also promote and fund the scaling up of technology solutions like Kisan Call Centers and mobile solutions to ensure complete price transparency for the farmer.

Marketing Extension Programs
Marketing Extension Programs through training of farmer groups on marketing methods, tools, price discovery and enhancing value addition of the produce will ensure a sustained and an increased income level for the farmer of Rajasthan and will enable him to get linked with the mainstream markets.

Other reforms
Other reforms currently under implementation in the state are as follows:

- Rajasthan Integrated Mandi Management System Project (Mandi Computerisation) to ensure real time price dissemination across mandis
- Development and construction of agro trade towers to enhance the number of traders in the Market Yards ensuring a greater competition
- Declaring warehouses as mandi yards to increase supply of selling points and logistics with pledge financing options
- Developing mandi yard on PPP mode

These reforms and interventions would enable the farmers of Rajasthan to access real time market knowledge and information, encourage higher value addition for the farmers’ produce to garner a higher price premium, assist in establishing multiple farmer-market linkages till the last mile, and hence ensure the establishment of an effective agricultural marketing system in the state.