The Status of Indian Agriculture and Role of APMC System

Info Sphere
A Centre for New Economics Studies Initiative
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This edition aims to provide a deeper understanding of the APMC (Agricultural Produce Marketing Committee) system in India that has existed since the 1960s.

We provide a brief glimpse of:

- India’s agricultural status compared to the rest of the world. We also look at gendered form and nature of India’s agri-system.

- A look into India’s agricultural performance under the APMC system here focuses on:
  1. Area, Production and Yield for some of the most commonly covered crops by the MSP namely Rice, Wheat, Pulses and Oilseeds
  2. Agricultural Wages, Wage Disparity across gender (female-male) and States
  3. The MSP rate for Paddy, Wheat, Pulses and Oilseeds

- The role of APMC Model, Functioning and responsibilities and its caveats.

- The new Farm Laws, 2020
India employs approximately 60% of its population in agriculture. About 42% of the total employment in the country comes through agriculture. As a result, agricultural contribution to the GDP is higher than the rest of the world.
Gender-wise Comparison of Workforce Involved in Agriculture

Here we see women are more likely to be working in the (unorganized) agricultural space, largely due to a lack of better, alternative employment opportunity. This might be true for the world, still, the proportion is much higher in India.

Source: World Bank
The Agricultural Produce Marketing Committee (APMC) is a marketing board established by each Indian state to ensure MSP stability and prevent exploitation of farmers by large retailers. India has been under this system since the 1960s. The system has seen many reforms including the Farm Acts of 2020. Here are a few indicators of Indian agricultural performance:

Source: [https://eands.dacnet.nic.in/MSP/msp-11.08-2004.htm](https://eands.dacnet.nic.in/MSP/msp-11.08-2004.htm)
India is the 2nd largest producer of wheat and rice.

However, yield of these crops is still very low compared to the rest of the world.

Most productive countries in the production of Rice and Wheat are Australia and Netherlands respectively.

Their yield is 3 times more than ours in the case of both the crops.

This is major agricultural challenge in India given the extent to which we produce.

Source - https://eands.dacnet.nic.in/MSP/msp-11-08-2004.htm
Agricultural Wages and Disparity Across Gender

Despite higher female involvement in agriculture, there continues to exist wage disparities between both the genders. Wage disparity has only marginally fallen in the year 2019. It seems from the graphs that while male wage rates are rising, female rates are rising slower comparatively.

All India Average Agricultural Wage Rates for Field Labour (in Rupees)

Agricultural Wage Disparity (male wage – female wage, in Rupees)

Source: https://eands.dacnet.nic.in/MSP/msp-11-08-2004.htm
Almost all states have witnessed a rise in agricultural wage rates for men and women. However, only 8 of 20 States have shown a rise in wages for women to be faster than men. Although Maharashtra has shown a significant rise in wage rates for both the genders wage rate for men is Rs. 273 as opposed to Rs. 673 in Kerala.

Source: https://eands.deanet.nic.in/MSP/mpp-11-08-2004.htm
The Minimum Support Price (MSP)

Crops Covered under the MSP

**Kharif**
- Paddy
- Jowar
- Bajra
- Maize
- Ragi
- Arhar
- Moong
- Urad
- Groundnut
- Soyabean
- Sunflower
- Sesamum
- Nigerseed
- Cotton

**Rabi**
- Wheat
- Barley
- Gram
- Masoor
- Safflower
- Rapeseed & Mustard

**Commercial**
- Jute
- Copra

Factors Affecting MSP

- Cost of production
- Demand-supply (world and domestic)
- Domestic and international prices
- Inter-crop parity
- Terms of trade between agricultural and non-agricultural sector

MSP Rate for Paddy, Wheat, Pulses and Oilseeds (in rupees)

Paddy and Wheat

Paddy (common) | Paddy (A grade) | Wheat

Pulses

Pulses (Arhar) | Pulses (Moong) | Pulses (Urad) | Pulses (Gram) | Pulses (Masoor)

Oilseeds (YR 2020-21)

Groundnut | Sunflower seed | Soyabean | Sesame | Nigerseed | Rapeseed & Mustard | Safflower

Source: [https://eands.dacnet.nic.in/MSP/msp-11-08-2004.htm](https://eands.dacnet.nic.in/MSP/msp-11-08-2004.htm)
The APMCs are responsible for:

- Ensuring complete 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.
- Publicizing data on arrivals and rates of agricultural produce brought into the market area for sale.
- Setup and promote public private partnership in the management of agricultural markets.

For more information: Agricoop.nic.in
Agricultural Markets in most parts of the Country are established and regulated under the State APMC Acts.

The whole geographical area in the State is divided and declared as a market area wherein the markets are managed by the Market Committees constituted by the State Governments. Once a particular area is declared a market area and falls under the jurisdiction of a Market Committee, no person or agency is allowed freely to carry on wholesale marketing activities.

The monopoly of Government regulated wholesale markets has prevented development of a competitive marketing system in the country, providing limited 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.

For more information: Agricoop.nic.in
State-wise Details of Regulated Markets Including Principal Markets (2019)

The main marketing infrastructure for wholesale of agricultural produce in the country is being set up by the APMCs/RMCs. Under these APMCs/RMCs there exist: Principal Market Yards, Sub-Market Yards and Purchase Centre(s) also in some States.

<table>
<thead>
<tr>
<th>Sl.</th>
<th>Name of the State/UT</th>
<th>Area in Sq.Km</th>
<th>No. of APMC Markets (Regulated PMYs)</th>
<th>No. of APMC Markets (Regulated SMYs)</th>
<th>Total No. of APMC Markets (Regulated PMYs+SMYs) D+E</th>
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<td>Andhra Pradesh</td>
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<td>Sl.</td>
<td>Name of the State/UT</td>
<td>Area in Sq.Km</td>
<td>No. of APMC Markets (Regulated PMYs)</td>
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<td>Total No. of APMC Markets (Regulated PMYs+SMYs) D+E</td>
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<td>36.</td>
<td>West Bengal</td>
<td>88752</td>
<td>20</td>
<td>455</td>
<td>475</td>
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<tr>
<td></td>
<td>Total</td>
<td>3290840</td>
<td>2332</td>
<td>4298</td>
<td>6630</td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture and Farmers Welfare
Ranking of States in Terms of Implementation of Marketing and Other Farmer Friendly Reforms

No state in the country implemented entire set of market reforms. Also, land leasing and harvest and marketing of some trees species on private farm land are subjected to various degrees of restrictions in almost all the states/UTs.

The state of Maharashtra achieved first rank in implementation of various reforms. The state has implemented most of the marketing reforms and it offers best environment for doing agribusiness among all the states and UTs.

The state of Karnataka, which is considered progressive in implementing market reforms, did not figure among the top states for two reasons. It is lagging in liberalization of land lease and restrictions on felling of trees on private land. Two, it is not yet integrated with eNAM.

However, the state has its own Unified Market Platform operated by ReMS which has all the provisions as envisaged under eNAM. If this reform in the state is treated at par with eNAM then Karnataka earns additional score of 7.4. This increases the score of the State in AMFFRI from 55.5 to 62.9 and raises its rank from 8th place to the 6th place.

Agriculturally developed state of Punjab ranks 14th with a score of 43.9. This is because of poor implementation of market reforms in the state.

Almost two thirds states/UTs could not reach even halfway mark of reforms score. Major states like U.P., Punjab, West Bengal, Assam, Jharkhand, Tamil Nadu and J&K are in this group.

It is also pertinent to mention that some states/UTs do not have APMC Act. It is a challenge to provide ranking to these states in market reforms.

## Issues with APMC Model

<table>
<thead>
<tr>
<th>Poor Market Infrastructure</th>
<th>High Commission Charges</th>
<th>High Logistics Costs</th>
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<tbody>
<tr>
<td>The market suffers from a poor market infrastructure due to which the farmer’s are not left with a choice of whom to sell and are exploited by middlemen. A higher quantity of the produce is often sold outside the markets.</td>
<td>APMC Markets have not remained a form of infrastructural arrangement, but have been made a source of revenues. “In several states, commission charges were increased without any improvement in the services. To avoid any protests from farmers against these high charges, most of these were required to be paid by buyers like the FCI.”</td>
<td>“In Haryana and Punjab, mandi fees and rural development charges for wheat and non-basmati rice purchased by FCI are four to six times the charges for basmati rice purchased by private players.” This weighs on the Centre, hurts trade competitiveness and increases the logistics cost for domestic producers.</td>
</tr>
</tbody>
</table>

For more information: [Indian Express](https://www.indianexpress.com)
The reforms in agricultural marketing sector were ushered in with adoption of Agriculture Produce Marketing (Regulation) Act, popularly known as APMC Act by various States and Union Territories in 1960s and 1970s.

While they brought in a great improvement from the preceding village trader-dominated exploitative system, they failed to serve the full objective of price discovery in a fair and transparent manner.

Unfortunately, the market functionaries have over a period of time learnt to circumvent the basic objective of marketing regulation by cartelizing. More importantly, the APMCs have caused fragmentation of the markets thereby inducing inefficiency over space and time.
Intended Objectives of Farm Act 2020

Agriculture sector was not a part of the 1991 economic reforms. This sector had a regulated market system.

- Private Investment
- Efficiency Gain
- Reducing disguised unemployment
- Price assurance through contract forming
- Avenue for domestic production of certain imported agricultural products
- Price equalization with international markets
- Reducing the essential commodities list for exports
- Doing away with the middle man system
- Reducing government expenditure
The Farmers’ Produce Trade and Commerce (Promotion and Facilitation) Act, 2020

- Permits intra-state and inter-state trade of farmers’ produce beyond the physical premises of Agricultural Produce Market Committee (APMC) market yards (mandis) and other markets notified under state APMC Acts.

- Prohibits state governments from levying any market fee or cess on farmers, traders, and electronic-trading platforms for trading the produce of farmers in such areas.
Farm Acts 2020

Pre-Act conditions
Private parties can’t directly buy produce. All agricultural marketing in most states was regulated by the Agricultural Produce Marketing Committees (APMCs).

Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020

Current Act
Creates a national framework for contract farming through an agreement between a farmer and a buyer before the production or rearing of any farm produces.
The commodities that have been deregulated are food items, including cereals, pulses, potatoes, onion, edible oilseeds, and oils.
CONCLUSION

1. Females are more involved in agriculture than men but earn lesser in India, comparatively.
2. India’s production of Rice and Wheat are significantly higher compared to their yield which is one of the most prominent challenges of our agricultural industry today.
3. Wage disparity exists across different states in India as well. Some of the higher paying agricultural jobs exist in states like Kerala and Punjab.
4. The MSP is an integral component of the what the APMCs were established to do. MSP has risen over the years for all major crops in India (states like Punjab, Haryana and Western parts of UP have farmers more increasingly dependent on MSP supported prices due to existing cropping pattern). There is substantive scope to bring more crops under this price-safety net.
5. The recent farm laws may, in principle, encourage a more liberal system of buying-selling as opposed to the previous system where APMCs held the highest regard in terms of ideal marketplaces. Still, without a strong MSP-backed price-safety net, many farmers are likely to find it difficult to adapt to the intended goals behind these laws. Ad hoc liberalization and an uneven bargaining power (on price determination) in favor of private buyers may make a majority of APMC-MSP dependent farmers more vulnerable to exploitation. What is perhaps required is a balance between the two processes.
For any inputs, comments or clarifications please contact The Centre for New Economics Studies at cnes@jgu.edu.in.

Thank you!