

Consultative Conferences on APMC Model Rules

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Speech of Shri Sharad Pawar, Union Minister of Agriculture & Consumer Affairs, Food and Public Distribution

Dr. P.K. Mishra, Secretary, Department of Agriculture & Cooperation, Shri Rajeev Chandrasekhar, President (Elect), FICCI, Shri P.M. Sinha, Chairman of FICCI's Agriculture and Rural Development Committee, Dr. Amit Mitra, Secretary General of FICCI, Distinguished Experts and Resource Persons, Representatives of State Governments, other Delegates of the Conference and Friends,

2. I am delighted to be here with you this morning. I congratulate FICCI for taking this very significant and timely initiative, in collaboration with my Ministry. This is the First Regional Consultative Conference on Agricultural Marketing Reforms, following the circulation of Model APMC Rules by the Central Government. Agricultural marketing is the key to better incomes for farmers, as India is one of the largest producers of several agri-commodities. Despite the evolution of a large regulated market system, the Indian farmer is, very often, unable to go beyond the subsistence level, as he is not able to effectively market his produce.

3. In the last couple of years, the Ministry of Agriculture has initiated several policies and programmes to increase crop production in the country, improve farm incomes and to achieve the targeted growth of 4% in the agricultural GDP. Steps have been taken to increase public sector investment in agriculture and also to improve the institutional credit flow to this sector. The launch of the National Horticulture Mission, Micro-Irrigation Scheme and the National Bamboo Mission are some of the significant steps taken during the recent past to encourage crop diversification and stimulate growth in hitherto untapped areas of agriculture.

4. The Government of India has recently launched two major Schemes, viz. the National Food Security Mission for Rice, Wheat and Pulses and additional Central assistance to the States through the National Agriculture Development Programme. Further, it is our effort to cover all the remaining districts of the country, under the ATMA Programme, to revamp our agriculture extension system and to ensure that technology adoption and improvement in productivity takes place all over.

5. Based on the Draft National Policy recommended by the National Commission on Farmers headed by Dr. M.S. Swaminathan, the Central Government has formulated the first ever National Policy for Farmers 2007. The new Policy aims at achieving several important goals including the improvement of economic viability of farming by substantially improving the net income of farmers. It aims to provide appropriate price policy and trade policy mechanisms to enhance farmers' income. It further aims to introduce measures which can help to attract and retain youth in farming and processing of farm products for higher value addition by making it both intellectually stimulating and economically rewarding.

6. These recent initiatives are definitely going to help farmers in increasing productivity and agricultural production along with diversification to high value crops. We have already seen a significant growth in sugarcane, cotton and foodgrains production over the last two years. The production in horticulture sector is expected to be doubled by the end of the XI Plan period. This growth in agricultural production would definitely throw up new challenges of finding suitable markets for the surplus. As it is, our farmers get only a minor share of the final price paid by the consumers due to a long value chain which is further lower in the case of fruits and vegetables. We need to shorten these long value chains and encourage their vertical integration and consolidation for ensuring remunerative prices for our farmers.

7. Unfortunately, the infrastructural facilities in our regulated markets have remained highly inadequate due to inappropriate market infrastructure, lack of standardization and grading facilities, fragmented supply chain, multiple intermediaries leading to high losses and wastages. Even the availability of these markets is quite limited in several States. Farmers have to travel long distances to avail of market facilities which increases transaction costs and, therefore, most of the farmers remain confined to selling their produce in rural primary markets or through the commission agents at non-remunerative prices. Over a period of time, regulated markets have acquired the status of restrictive and monopolistic markets devoid of competition. Even the lack of application of the modern but cost effective technology for reducing losses and wastages in the supply chain has neither helped the farmer nor the consumer. This has also perpetuated the low utilization of the processing capacity. The lack of proper information on overseas markets, particularly in respect to sanitary and phytosanitary measures, as well as lack of domestic value addition needs to be addressed immediately to help improve the export segment. The prevalent organized retailing, and smooth raw material supplies for agro-processing, competitive trading, information exchange and adoption of innovative marketing systems and technologies.

8. Today, more than anything else, the Agriculture sector needs well functioning markets to drive growth, employment and economic prosperity in rural areas of the country. In order to provide dynamism and efficiency into the marketing system, large investments are required for the development of post harvest and cold chain infrastructure nearer to the farmers' field. A major portion of this investment is expected from the private sector, for which an appropriate regulatory and policy environment is necessary. Alongside, enabling policies need to be put in place to encourage procurement of agricultural commodities directly from the farmers' field and to establish effective linkages between farm production and the retail chain & food processing industries.

9. While providing a Model Agricultural Marketing Law for guidance to the States in 2003, the Central Government had requested the State Governments to suitably amend their respective Agricultural Produce Marketing Committee (APMC) Acts for deregulation of marketing system in the country. This is mainly to promote investment in marketing infrastructure, to motivate corporate sector to undertake direct marketing and to facilitate contract farming. By now, 17 States & UTs have

amended their APMC Acts and Bihar has repealed the Act. Seven other States & UTs do not have any APMC Act. We expect that the remaining States would complete these amendments by March, 2008. A set of Draft Model APMC Rules, prepared by my Ministry, have also been circulated to the States in November, 2007 to help them move forward in completing the reforms.

10. Agricultural marketing, specially that of perishables, is a key driver for achieving higher growth in agriculture. Market-driven production is the order of the day and an efficient and seamless supply chain management has become a necessity for us. The availability of prompt and reliable market information about what is happening in the market for different commodities can considerably improve the decision making capability of the farmers and strengthen their bargaining power. In this regard, the newly proposed Electronic Spot Markets could provide a viable alternative to the existing practice of the mandi system. Forward and futures markets can also serve as a low cost, highly efficient and transparent mechanism for discovering prices in the future. The hedging and price discovery functions of future markets are likely to promote more efficient production, storage, marketing and agro-processing operations, financing and overall agricultural marketing performance.

11. Today, we need to closely look at alternative models for marketing which can assist farmers in better price discovery. We need to discuss ways to make the Commodity Exchanges work better for the farmers by strengthening farmers' linkages with them. We also need to analyze as to how the marketing infrastructure development programmes are performing and how this development can be catalyzed in the public-private partnership mode. Efforts are required to be made to further strengthen infrastructure for warehousing, grading and packaging. There is a need for expediting various regulatory changes and implementation of the Negotiable Warehouse Receipt System. Strengthening of our domestic marketing system should be in such a way that it must help us in responding to the challenges and opportunities that the global markets offer in the liberalized trade regime.

12. Friends, I believe that this Regional Consultative Conference has been organized at a very opportune time, so that the reform process undertaken by various States gets appropriately oriented to enable the farmers to get better prices for the produce and the consumers get better value for their purchase. This Conference, I am sure, will help in evolving a consensus on various debatable issues and developing a roadmap for implementation of agri-marketing reforms in the country.

13. I wish all success to this Regional Consultative Conference on APMC Model Rules and Market Reforms.

Thank you.