

Source/Strategies for Finance and Marketing

W4 L4: Agricultural Marketing and e-NAM

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Hello friends, in today's session, we are going to discuss about one of the most promising area of entrepreneurship development in agriculture sector and also one of the most controversial area that is agricultural marketing and also one of the most ambitious solution to the agricultural marketing problem in India through ICT intervention that is e-NAM

So first we will take a look into the agricultural marketing system, its functions, limitations and then we will proceed for the AgMagnet and E Num. So marketing of agricultural commodities developed after man was able to produce more food than he needed for himself and exchange of its product with others started. So , agricultural marketing comprise of all activities involved in supply of farm inputs to the farmers and also the movement of agricultural products from the farm to the consumer. So was the importance of the agricultural marketing that in 1976 National Commission on Agriculture remarked that there is an increasing awareness that it is not enough to produce a crop or animal product, it must be marketed well. So the importance of the efficient marketing system as a vital link between the farmer and consumer was recognised way back in 1928 by Royal commission of Agriculture also.

So, before we proceed further, let us take a look into the initiation of organized agricultural marketing system in India. In India, agricultural marketing was governed by a set of public and wholesale market which were established during the colonial period under APMC Act. First regulated market under Hyderabad residency order was established in 1886.

The first legislation was Bearer Cotton and Grain Market Act of 1887, which empowered the British resident to declare any place in the assigned district a market for sale and purchase of agricultural produce and constitute a committee to supervise the markets. In 1935, Directorate of Marketing and Inspection was established and subsequently in 1937, the Act for Grading and Standardization of the Agricultural Commodities was enacted.

So what agriculture marketing is? Agriculture marketing is a comprehensive system involving wide range of functions for in the movement of agricultural commodities from producer to consumer? What are these functions? It include assembling, handling, transport, storage, sorting and grading, processing, wholesaling, retailing, export, credit and financing, brand promotion, market information and many more so.

The agricultural marketing system can be categorized into two major subsystem. One is product marketing that is supplying of agricultural product to from the producer to the final consumer and input marketing that is supplying the factor of production from the industry to the primary producer.

So, the agricultural marketing system is understood and developed as a link between the firm and non firm sectors. So, agricultural marketing can be, so there are three broad function or major function involved in the agricultural marketing operations that is exchange function, physical functions and facilitating functions.

Mostly, we, when we talk about agricultural marketing, we concentrated on the, on buying and selling activity. But it also involved physical functions like storage, transportation, processing, and facilitating function like standardization, financing, risk bearing, market intelligence, etc. The production, consumption, distribution and regulatory function or regulation are the four major subsystem of the agriculture marketing.

The supply for the distribution of agricultural product from the producer to the consumer is generally governed by a number of regulation which is enacted by the government. The marketing system should be such that it may bring about the overall welfare to all the segments that is producer, consumer, middleman and trader and government act as watchdog in ensuring the interest of all groups associated with the marketing are safeguarded.

So, in this process, the regulation play the major role. So, market regulation, the primary objective of introducing market regulation was to prevent the exploitation of the farmers and help develop an efficient and effective agricultural marketing system, ensuring remunerative price to farmers for their produce and delivery of goods to consumer at affordable price.

So regulation from implementation point of view mainly are 3 component. One is physical market, second functions that a market perform and thirdly the different players who are responsible for this performing this function. The physical market is ensured by the APMC Act for the orderly buying and selling of the product. The state have state, states are empowered for declaring any particular area as a physical market. The market participants. Need to take license from the appropriate authority. So that is the, function that a market, platforms. Okay, and thirdly, there are set up regulation. Okay, so that basically guarantees that how these market functions need to be performed by the set of, set of functionaries who are involved in marketing process.

Now when we talk about agricultural marketing, the nature of the agricultural product make this agricultural marketing process a complex and special one. So what are the characteristics of agricultural commodities which are comparison to the manufactured commodity in the industry?

Firstly, related to the production system, agricultural producer generally, came from a number of small and marginal producer who are dispersed in the geographical area. Also thus agricultural product are only grown in a specialized area or geographical area. So, there is in agricultural production involves seasonality in production, that is the produce can be harvested only at the end of the season when the large number of produce appeared, appeared in the market and thus bringing down the price of the product. Also the, there is a huge irregularity involved in the production process because the agricultural production is totally dependent on nature and it cannot be guarantee the quality and the quantity of the production in a particular season.

Secondly, when related to the farm products, mostly agricultural products are perishable in nature. Perishability ranges from the few hour to the, few month and that is why it, it also affect the agricultural marketing. Also the agricultural product are bulky in nature, thus their transportation is very costly and the quality of the product is not uniform in case of agricultural production.

And, now if you look into the characteristics of the agricultural commodity related to the consumption. So, most of the agricultural product required primary processing before their final consumption. Also, the demand for the agricultural products are inelastic. So, if the price does not affected by the, demand.

Secondly, the consumption of the product is necessary for all of the consumer from the birth to the till. So, given the peculiarity of the agricultural commodities or peculiarity in the characteristics of the agricultural commodity so, marketing of the agricultural product generally suffer from a number of problems.

First one is the improper warehouse. Due to unscientific nature of storage by the farmers in their home, on an average 1.5 percent of the harvest generally get rotten in the farmer's home itself. Also, there are lack of grading and standardization, mostly the all quality of the agricultural products are heaped together and sold in a same price.

So, and thus dividing the better quality producer from the better quality prices. Also, there are inadequate transport facility. Most of the villages are not linked with the mandis in, in terms of, Pakka road or railway infrastructure. So, there are huge number of middlemen involved in the agricultural, business, that is the transfer of the product from farmer to the final consumer.

On an average, agricultural production or agricultural marketing involve at least 8 to 10 middlemen. So, there are huge number of unregulated market in India where the farmers are basically, exploited in terms of a number of unspecified, charges like , for the commission agent, also like, Palledari that is for the, unloading of the product from the Bullock like this. Also, there are inadequate market information and also inadequate credit facility for the

farmers. And also the market agent they sometimes delayed the payment, to the farmers and even there is an also instances of the non payment for the long period of the time.

Now, as I told, one of the problem in the agricultural marketing is the presence of the large number of intermediaries. So, who are these intermediaries? So, who are these market intermediaries? The movement of agricultural commodity from producer to consumer is traditionally dominated by the market middleman or intermediary.

So, middleman or intermediary are those individual or business concern who specialize in performing various marketing function and vendor services involved in the marketing of the goods. So, as I already told on an average around 8 to 10 middlemen are involved in any agricultural supply chain. So, these market intermediaries can be grouped into 5 broad categories.

So, there are merchant middlemen who take the titles of the goods. The example of the market middlemen are wholesaler, retailer, village itinerant, trader, all are the example of the merchant middlemen. There are agent middlemen. agent middlemen, do not take the title of the product they only facilitate the buying and selling of the product. Example, the , Arhtiyas they're the one of them, agent middlemen. They are brokers. They're also agent middleman who, broke or who basically, make the contact between the buyer and seller for selling or buying of the product and charge commission based on that particular volume of the trade.

So, there are speculative middlemen who buy in the low prices and store the product for getting benefit at the future by selling at the higher prices. So, there are processor who generally employ middlemen to buy from the primary producer for their industry or processing industry. And, also there are facilitative middlemen. Facilitative middlemen they do not take part directly in the buying and selling, instead they perform different marketing function like they are OMN, there are grading agent, there are auctioner. So, those are basically facilitative middlemen. In India, the producer generally get less than 40 percent of the consumer retail price of the agro products, where the middlemen they garner around 43 percent of the producer price from the customer.

So what should be the characteristics of an developed market? So when we think about a developed market, mostly we think from the, perspective of a consumer. But what should be the character of a market from the perspective of the seller, here the farmers. So, in a developed market, the producer should be able to sell the his or her product quickly and get a price which is consistent with the demand and supply of the situation.

Farmers must have access to the truthful market information in a ready and transparent manner. So, proper grading facilities should be available so that there are no wastage of the product in the market and also the grading will ensure the quality oriented price discovery. So,

there should be facility of the adequate and efficient storage, transportation, weighting and processing facility also should be available to avoid wastage of the product, there should not be any pressure on the producer to sell their product to a particular trader or class of trader. And lastly, no extra cost burden to the farmer except those are legally permitted.

So Agriculture Produce Market Committee is a system operating under the state government. So when you talk about regulated market in India, the regulated market generally evolve around the wholesale market under APMC. For the buying and selling of the physical buying and selling of the product. The APMC has yards and mandis in the market area that regulates the notified agricultural produce and livestock.

The basic idea behind APMC was to limit the of occurrence distress sale by the farmers under the pressure and exploitation of the creditors and other intermediaries, so APMC ensure, or devices and timely payments to the farmer for their produce. And also APMC is responsible for regulation of the agricultural trading practices, and this results in multiple benefit, like needless intermediaries are eliminated improve market efficiency through decrease in the market charges, the producer seller interest is well protected. So, in 2003, one model APMC act was introduced. So, the government of India designed a model agricultural produce market committee act in 2003 as a first attempt to bring reform to the agricultural market system in India. So, the new provision under this act was, so new market channel other than APMC market. So the APMC, any private agency or any private organization can set up physical market with permission from the proper authority. The private wholesale market, the growers are not liable or it is not mandatory for the growers to sell in the APMC market, they can sell their product into private wholesale market also. Also, the provision made for the direct purchase of the product from the farmers and the contact farming that is a contact for the buyers and farmers was promoted or was also introduced. So , the market committee under APMC Act 2003 is now responsible for ensuring transparency in the transaction and pricing system of the market area, providing market led extension service to the farmers ensuring that farmers are paid for the produce sold on the same day, promoting agricultural processing that will increase the value for the produce, making the availability of the dates public on which the agricultural produce bought into the market. This will help in the proper price discovery and promotion and establishing public private partnership in this market area.

But despite of all this reform, the agricultural produce committee based marketing system has a number of limitations. The first limitation was the monopoly of the APMC. So this monopoly basically deprives farmers of better customer and consumer from original suppliers also there are a number of entry barriers.

So, because license fee in this market are highly prohibitive and many market the farmers are generally not allowed to operate and also the any rent or value or rent and value for this,

market shops or the place in this market are generally keeps very high for keep away competition. So, there is also the instances of cartelization, often the agents in an AMPC get together and form a cartel and deliberately restraints from higher bidding and produce is thus procured at a manipulative prices and manipulative low prices.

Also there are the instances of high commission, taxes and levies. Also there is conflict of the interest in the role of APMC itself. Because, APMC plays the dual role of regulator and market. So, the role of the regulator is undermined, often undermined by vested interest in the lucrative or in the, from the vested interest for the participating into the lucrative trade.

And also, there are other manipulation also. The agents have the tendency to mostly the, block the part of the payment for unexplained and fictitious reason. And often the farmers are even refused from the, sending or, giving the payment slip which is essential for him to get any loan.

So, these are the some of the limitation in the APMC prevailing APMC based marketing system in India. So, looking into this, limitation of APMC based marketing. So, in 2000, the Agricultural Marketing Information Network was introduced by Union Ministry of agriculture to provide ICT based solution to this problem.

The director ate of marketing and inspection under the ministry links around 7,000 agricultural w holes ale market in India with the state agricultural marketing boards, and the directorates for effective information exchange. So, this AGMARKNET is an G2C e- governance portal that caters the need of farmers, industry, policymaker, even the academic institution providing agricultural marketing related information in a single window. So, it is a single window marketing related information disbursement or information dissemination system. So, that data transmitted from all the markets is available on the AGMARKNET portal and it And, it is also available into 8 regional languages including English. So, what are the functions of the AGMARKNET portal?

So, it generally provide information about prices and arrival, it also provide information about grades and standard, commodity profiles of the many crops. It provide market profiles of the trader involved in the marketing process. Also it involve other reports like best marketing practices, market directory, scheme guidelines, terminal market, etcetera. It also provides scope for the research studies based on this particular data and it also provide information about the companies who are involved in their contract farming, and also provide information about the schemes of the directorate of marketing and inspection for the strengthening the agricultural marketing infrastructure.

So up to 2015, around 3,245 market across the country have been covered under this project. So looking into the success of the AGMARKNET in the latter stages in 2016, a more ambitious program or initiative was launched to ensure the online trading platform for agricultural

commodities. So, this market is facilitating the farmers, traders and buyers with online trading of commodity and further helps in the better price discovery of their produce. So, this is E-National Agricultural Market. So, National Agricultural Market or E- NAM is a pan India electronic trading platform which networks the existing agricultural produce marketing committee or APMC mandis to create a unified national market for agricultural commodities. So thus, e-NAM portal provides a single window service for the all A PMC related information and services. So apart from the information provided by the Ag market, e-NAM is also facilitate the marketing process. So this include commodity arrival and prices buy and sell trade offers, permission to respond to the trade offer among the other services. So while the material for agriculture produce continue to happen in the mandi or physical handling continue to happen in the mandis an online market reduce the transaction cost information asymmetry which was prevalent earlier. so, what was the reason to introduce the AGMARKNET or to introduce the e-NAM. So , a study by FAO, titled an Indian single market moving towards an Indian single market suggests a number of problem faced by internal agricultural trade in India. What was the problem? Like there were, diversity of control exercised by the multiple authorities at different levels.

So, any commercial vehicle moving across border face a multiple of checks from different authorities relating to the road tax, license fee, payment exercise, VAT, Essential Commodity Act and many other. Also, there are restriction on interstate as well as inter district movement of the goods. And also, there are lack of uniformity in standard laid down by the different authorities and agencies and also the taxes.

So, it generally, the higher cost involved in terms of the time and resources lead to the inefficiency in the trading operation and breaking the vast Indian market into large number of smaller regional market. And because of all these reason, the firm incomes are lagging behind from the average Indian incomes and the poorest section of the non firm society at the same time they are spending more of portion of their income on the food grain but, farmers are not receiving this particular increased portion of the spending which is done by the non farm sector. So, to come across this problem, this e national agricultural market was introduced and what is the, workflow pattern or what is the pattern of trade in the e-NAM ? See if a farmer registered under e-NAM, so if they arrived in a particular mandi which is linked with the e-NAM , so at the arrival, they're generally provided with a gate pass and also an unique lot number. So then there product is unload ed in the set and hit and displayed. Okay. And there lot number also displayed with the this particular heap, then the collection of the sample from the heap is generally done and after the analysis of the this sample, this report is generally uploaded into the electronic platform. So, in those areas where this facility has not available, so generally the buyers or trader used to physically visit the heap and as generally analyze the quality of the product.

Then, after the analysis of the quality of the product, the electronic bidding started along the lot number and winners are generally announced at the designated time and winners are informed by the printout or by display board in the market. Okay. So, now, it is the time for the acceptance or rejection by the farmers.

They generally get 30 minutes for the acceptance or rejection of the offer placed by the bidder. If it is accepted, then weighting of the lot and is generally carried out, then the value of the produce is worked out and generation of sale receipt is generally generated by excluding the, all the market charges the charges for the market functions and the payment is made to the farmers.

Once the payment is made to the farmers, generally exit pass is generated and farmer can leave the market. So, this basically structured or this basically put the whole marketing operation in a very super very efficient structural mode.

So, for the functioning of the E NAM, technical assistance is generally provided by small farmer agro business consortium. And the strategic partner Nagarjun Fertilizer and Chemical generally is acting as a strategic partner of ENAM program. And generally this they provide and to one particular mandi analyst to each of the APMC Mandies for the day to day hand holding support of the stakeholder for the useful or the for successful implementation of this program and the cost is generally borne by the SFAC and Nagarjuna Fertilizer Chemical Limited.

So what are other salient feature of e- NAM ? So it, E- NAM is a nationwide e market portal for transparent sale and transaction and price discovery in the regulated market. It also provide liberal licensing for the trader or buyer and commission agent by state authority without any precondition of the physical presence or possession of the individual shop or premises in the market yet it also involved the one license for the trader valid across the all market in that particular state, harmonization of the quality standard of agriculture produce, and also have the provision for, assaying the infrastructure in every market to enable that inform bidding by buyers.

Single point levy for the market fees and on the first wholesale purchase from the firm. Provision for there is also provision for the soil testing, setting up soil testing laboratories in the near the Mandi area. So, a toll free number is also available and email support is available for the enable the stakeholder for the in case of the grievance redressal as a grievance redressal mechanism.

So, what will be the, what are the benefits of the e -nam? So, for farmers, the e-NAM provide more option for selling their produce at a competitive returns. For local traders, eNAM provides access to the larger nationwide market for secondary trading, for bulk buyers, the processor, exporter and also for the other who are involved in the, this process, the eNAM

enable direct participation in the local mandatory trade, reducing the intermediary cost and also stable price and availability to the consumer.

eNAM provide for the contactless, remote bidding and mobile based any time payment for which the trader do not need to either visit the mandi or banks for any for the same. And for the mandis, the eNAM benefits in terms of the reduction of the bookkeeping and reporting system better monitoring and regulation for the traders and commission agent it completely transparency in the system, eliminate the scope of the any intentional or unintentional manipulation. It also add transparency to the auction process, improve the market fee collection by means of accounting all the transaction, there are taking place in the market. It also reduce the manpower recruitments, requirements also in the auctioning process and auctioning take place as the auctioning mostly take place through the system or so it also provide the real time analysis and forecasting of the arrival and the prices and the availability of the products. So these are the, some of the benefit for the e-NAM of the, for the imandi system also.

So what are the achievement till now for this eNAM initiative? So as of 2023, more than 1.8 crore farmers and 1.5 lakh traders have registered on the e-NAM platform along with the 1,361 mandis , around 1,844 F PO s also onboarded on the eNAM platform. So in terms of trade inter-mandi in the eNAM, witness a double digit growth. Okay, from 436.3 crore in 2022 2 0 23 to 1,137 crore in 2023 - 24. The volume of the interstate trade also increased of December, 2023 the total 10 value of 3 lack crore recorded into the e_NAM platform.

So, thus this e-NAM platform or e-NAM instrument has an potential to be a game changer for leveraging the ICT platform for the integration of marketing function and stimulating the entrepreneurship, but it required a number of further improvement for specially targeting towards the inter facilitating the inter mandi trade in the e-NAM .

So, what are these reformed area or focus area should be? Reforms in the APMC Act for single license, single point levy of the fees and online trade that should be done by the state. A need based grading and assaying system should be included into the all mandis. So, that is a need for integration of weighrment, warehousing, banking, logistic and all in a computerized system of the e-NAM and also the need to have a better dispute redressal system for resolving possible interstate dispute on the e-NAM platform.

So, in today's class, we talk about the, we discussed about the agricultural marketing, its functions, its limitation. The traditional agricultural marketing system in India based on the APMC, different intermediaries involved in the agricultural marketing system, the special nature of the agricultural marketing system, as well as the limitation of the APMC based agriculture marketing system.

The one of the first intervention to improve the marketing condition in India through Agmarknet which are mostly an information dissemination platform. Then the further improvement in terms of the introduction of the e-NAM , which also include along with the information, which also include the service part.

So today lecture I will conclude with the, one of the quote from the, our Honorable Prime Minister Narendra Modi, who regarding this e-NAM platform. He told that I firmly believe that now my farmers would decide where, when and at what price that produce will be sold. And it is my belief that there would be no burden on the consumer.

So this statement itself talk about the promising or the promise the e-NAM bring to the agricultural trade in India.

Thank you.