



Vol.3
Issue- 7
July 2017

Agricultural Production and **Market Outlook**

The Rising Agriculture....

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Production led agriculture to market led agriculture



The Agriculture market environment is changing with unprecedented speed and in very diverse ways- locally and globally. These dynamics affect farm prices and there by farm income. Even after 68 years of independence, the quality, timely and cost effective delivery of adequate inputs remains a dream for majority of Indian farmers. They are not able to sell their surplus produce remuneratively and there are plenty of distress sales among farmers of the country. Much of the reason for the same could be increasing emphasis on enhancing production through improved technologies. Accordingly, extension efforts were directed towards transfer of production technologies and almost no or very little attention was paid for higher price realizations for the farmer's produce. This has made no substantial impact on

increasing farm incomes over decades. However, the advent of globalization and emergence of new market mechanisms has opened new opportunities for the farmers of the country across crop categories and agricultural regions. This calls for transfer of new extension approaches involving productivity to profitability, subsistence to commercial agriculture, commodity oriented to farming systems orientation, local market to export market, mono cropping to crop diversity and so on.

The majority of the rural producers are unable to understand and interpret the market and price behaviour to their advantage. The most important marketing information input needed by a farmer in the current scenario is the price intelligence. Successful marketing of high value crops like plantation crops, spices and other commercial crops need to have a fairly good understanding of markets prices and consumers preferences by the stakeholders. Some crops observed too much price volatility with poor price fluctuation and better marketing information. Most of the farmers still lack a good understanding and capacity to use market intelligence in guiding their production and marketing decisions.

Therefore, in the present scenario, Market led extension is the perfect blend for reaching at the

door steps of our farmers. With globalization of the market, farmers need to transform themselves from mere producers-sellers in the domestic market to producers cum sellers in a wider market sense to best realize the returns on their investments, risks and efforts. Besides the production technologies, the extension workers now have to get equipped with market information which requires imparting new training skills to the extensionists. In order to bridge the gap, a regular monthly market outlook in English and Gujarati has been published by the Agro Economic research Centre (AERC), Sardar Patel University, Vallabh Vidyanagar since July 2015. The Market outlook is not only timely but also extremely effective in reorientation of the farming community to market driven agricultural practices. In 2016-17, the theme covered in issue of market outlook were agriculture input (price and subsidy of seed, fertilizer etc.) Expected & actual agriculture production in kharif and Rabi season, Minimum Support price (MSP), Milk Production, New agriculture policy and Scheme , Soil health card, Budget, Agriculture marketing and price forecasting news were covered in market outlook to help the farming community, traders and researchers.

WE AIM TO

- Provide improved regional linkages in the generation, dissemination and sharing of agriculture information for better decision making.
- Provide improved access and use of market intelligence with better production and marketing strategies to all stakeholders in the marketing chain.
- Help the farmers in realizing higher net Income and Living of Standard.

Minimum Support Price (MSP)

Assurance of a remunerative and stable price environment for growers/farmers is very important for increasing agricultural production and productivity. The market price for agricultural produce many times tends to be unstable and volatile which may result into undue losses to the growers and discourage adoption of the modern technology and required inputs.

The Government's price policy for agricultural

commodities seeks to ensure remunerative prices to the growers for their produce with a view to encourage higher investment and production and to safeguard the interest of consumers by making available supplies at reasonable prices with low cost of intermediation. The price policy also seeks to evolve a balanced and integrated price structure in the perspective of the overall needs of the economy.

As of now, CACP recommends MSPs of 23 commodities, which comprise 7 cereals (paddy, wheat, maize, sorghum, pearl millet, barley and ragi), 5 pulses (gram, tur, moong, urad, lentil), 7 oilseeds (groundnut, rapeseed-mustard, soyabean, seasmum, sunflower, safflower, nigerseed), and 4 commercial crops (copra, sugarcane, cotton and raw jute).

Determinants of MSP

The Commission keeps in mind the various Terms of Reference (ToR) given to CACP in 2009. Accordingly, it analyzes

- 1) demand and supply;
- 2) cost of production;
- 3) price trends in the market, both domestic and international;
- 4) Inter-crop price parity;
- 5) terms of trade between agriculture and non-agriculture; and
- 6) likely implications of MSP on consumers of that product.

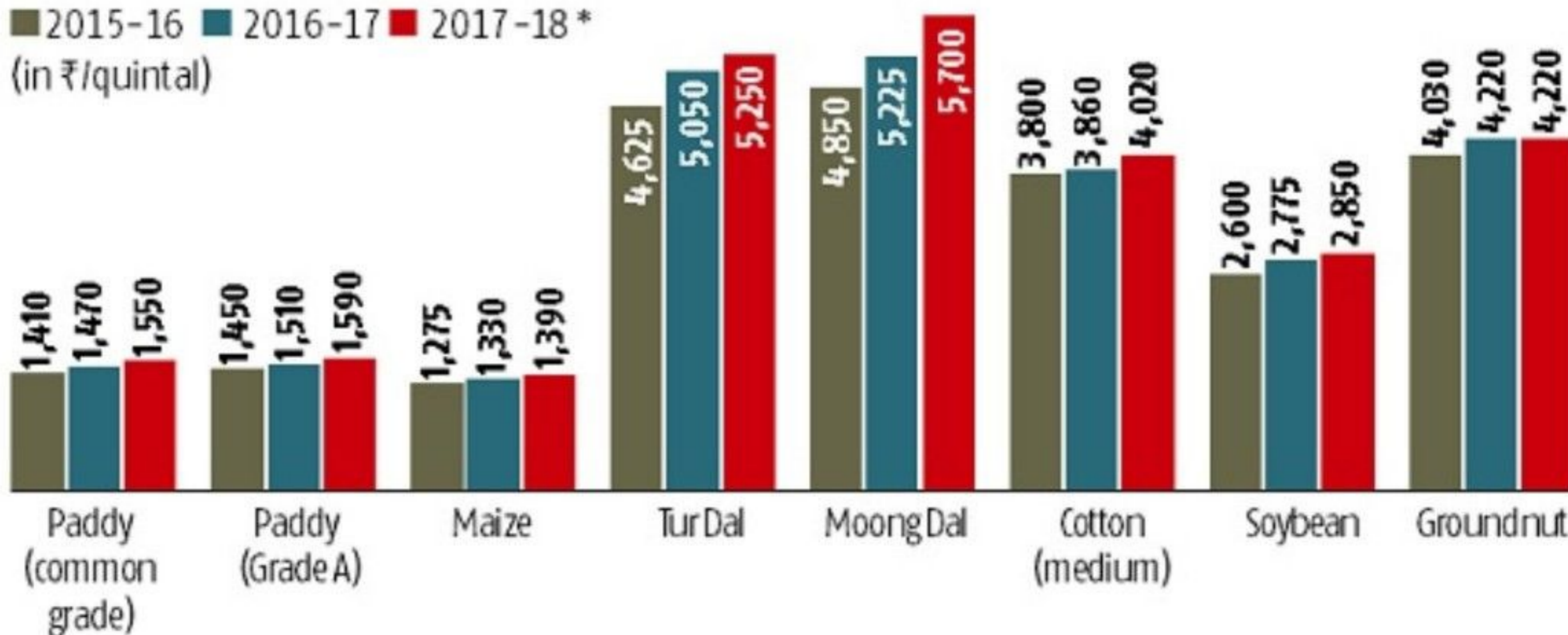
It may be noted that cost of production is an important factor that goes as an input in determination of MSP, but it is certainly not the only factor that determines MSP.

CACP submits its recommendations to the government in the form of Price Policy Reports every year, separately for five groups of commodities namely Kharif crops, Rabi crops,

Sugarcane, Raw Jute and Copra. Before preparing aforesaid five pricing policy reports, the Commission draws a comprehensive questionnaire, and sends it to all the state governments and concerned National organizations and Ministries to seek their views. Subsequently, separate meetings are also held with farmers from different states, state governments, National organizations like FCI, NAFED, Cotton Corporation of India (CCI), Jute Corporation of India (JCI), trader's organizations, processing organizations, and key central Ministries. The Commission also makes visits to states for on-the-spot assessment of the various constraints that farmers face in marketing their produce, or even raising the productivity levels of their crops. Based on all these inputs, the Commission then finalizes its recommendations/reports, which are then submitted to the government. The government, in turn, circulates the CACP reports to state governments and concerned central Ministries for their comments. After receiving the feedback from them, the Cabinet Committee on Economic Affairs (CCEA) of the Union government takes a final decision on the level of MSPs and other recommendations made by CACP. Once this decision is taken, CACP puts all its reports on the web site for various stakeholders to see the rationale behind CACP's price and non-price recommendations.

MSP FOR 2017-18 KHARIF CROPS AS RECOMMENDED BY CACP

■ 2015-16 ■ 2016-17 ■ 2017-18*
(in ₹/quintal)



*As recommended by CACP

Source: Government officials

National Agriculture Market (NAM)

National Agriculture Market (NAM) is a pan-India electronic trading portal which networks the existing APMC mandis to create a unified national market for agricultural commodities.

The NAM Portal provides a single window service for all APMC related information and services. This includes commodity arrivals & prices, buy & sell trade offers, provision to respond to trade offers, among other services. While material flows (agriculture produce) continue to happen through mandis, an online market reduces transaction costs and information asymmetry.

Agriculture marketing is administered by the States as per their agri-marketing regulations, under which, the State is divided into several market areas, each of which is administered by a separate Agricultural Produce Marketing Committee (APMC) which imposes its own marketing regulation (including fees). This fragmentation of markets, even within the State, hinders free flow of agri commodities from one market area to another and multiple handling of agri-produce and multiple levels of mandi charges ends up escalating the prices for the consumers without commensurate benefit to the farmer.

NAM addresses these challenges by creating a unified market through online trading platform, both, at State and National level and promotes uniformity, streamlining of procedures across the integrated markets, removes information asymmetry between buyers and sellers and promotes real time price discovery, based on actual demand and supply, promotes transparency in auction process, and access to a nationwide market for the farmer, with prices commensurate with quality of his produce and online payment and availability of better quality produce and at more reasonable prices to the consumer.

NAM is a win-win solution for all the stakeholders in Supply Chain

Mandis

- A reduction in book keeping and reporting system (reports were previously prepared viz. daily minimum, maximum and modal prices and arrivals of commodities) which are now generated automatically
- Better monitoring and regulation of traders and commission agents (CA's).
- Completely transparent system which eliminates any scope of intentional/un-intentional manipulation of tendering / auctioning process.
- Improvement in the market fee collection by means of accounting all the transactions that are taking place in the market.
- Reduction in manpower requirements as tendering / auctioning process takes place through the system.
- Analysis and forecasting of the arrivals and prices.
- Availability of the activities of each APMC on the website directly.

Farmers

- NAM promises more options for selling produce and making competitive returns.

Traders

- NAM will provide access to larger national market for secondary trading.

Buyers, Processers & Exporters

- NAM will enable direct participation in the local mandi trade, reducing intermediation cost.

The graphic features a green header with the text 'Ministry of Information and Broadcasting Government of India' on the left and 'eNAM-National Agriculture Market' in a bold, red font on the right. Below the header, there are three bullet points with checkmarks, each accompanied by a small image: 1. 'Farmers can showcase their produce online from their nearest market and traders can quote price from anywhere' with an image of farmers in a field. 2. 'Results in increased number of traders and greater competition' with an image of a busy market. 3. 'Ensures open price discovery and better returns to farmers' with an image of a computer monitor displaying the eNAM logo. At the bottom, there is a row of social media icons for YouTube, Facebook, Twitter, LinkedIn, and a website icon, followed by the text 'eNAM India'.

Agricultural Produce Market Committee (APMC)



Agricultural marketing is the critical link between agricultural production and farm sector revenue percolating to the farmers. Apart from performing transferring agricultural goods to consumers it transmits the price signals in the marketing chain.

Today's agricultural marketing has to undergo a series of exchanges or transfers from one person to another before it reaches the consumer. Selling on any agricultural produce depends on some couple of factors like the demand of the product at that time, availability of storage, etc. The products may be sold directly in the market or it may be stored locally for the time being. Moreover, it may be sold as it is gathered from the field or it may be cleaned, graded and processed by the farmer or the merchant of the village. Sometime processing is done because consumers want it, or sometimes to conserve the quality of that product. The task of distribution system is to match the supply with the existing demand by whole selling and retailing in various points of different markets like primary, secondary or terminal markets.

Most of the agricultural products in India are sold by farmers in the private sector to moneylenders (to whom the farmer may be indebted) or to village traders. Products are sold in various ways. For example, it might be sold at a weekly village market in the farmer's village or in a neighboring village. If these outlets are not available, then produce might be sold at irregularly held markets in a nearby village or town, or in the mandi.

In India, there are several central government organisations, who are involved in agricultural

marketing like, Commission of Agricultural Costs and Prices, Food Corporation of India, Cotton Corporation of India, Jute Corporation of India, etc. There are also specialized marketing bodies for rubber, tea, coffee, tobacco, spices and vegetables.

Although the regulation of commodity markets is a function of state government, the directorate of marketing and inspection provides marketing and inspection services and financial aid down to the village level to help set up commodity grading centers in selected markets.

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-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; 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.

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.

Importance of Proper Agriculture Marketing

Farmers are mostly distress sellers. Being unable to store their products they are forced to sell their products at low price to the middlemen after the harvest and cannot even cover the production cost. Due to lack of proper storage facilities, adequate and cheap transport facilities, organized and regulated retail market, correct information about the product price and market conditions, Indian system of agricultural

market does not operate efficiently and farmers do not get fair price for their crops.

Thus an efficient marketing system enables producers to get the best possible revenue by reducing gap between the price earned by actual producer and price paid by the ultimate consumer. Direct linkage always gives higher returns to the producer and the consumers are also benefitted as they get the goods at reasonable price far less than the price paid through other channels either through different groups of intermediaries.

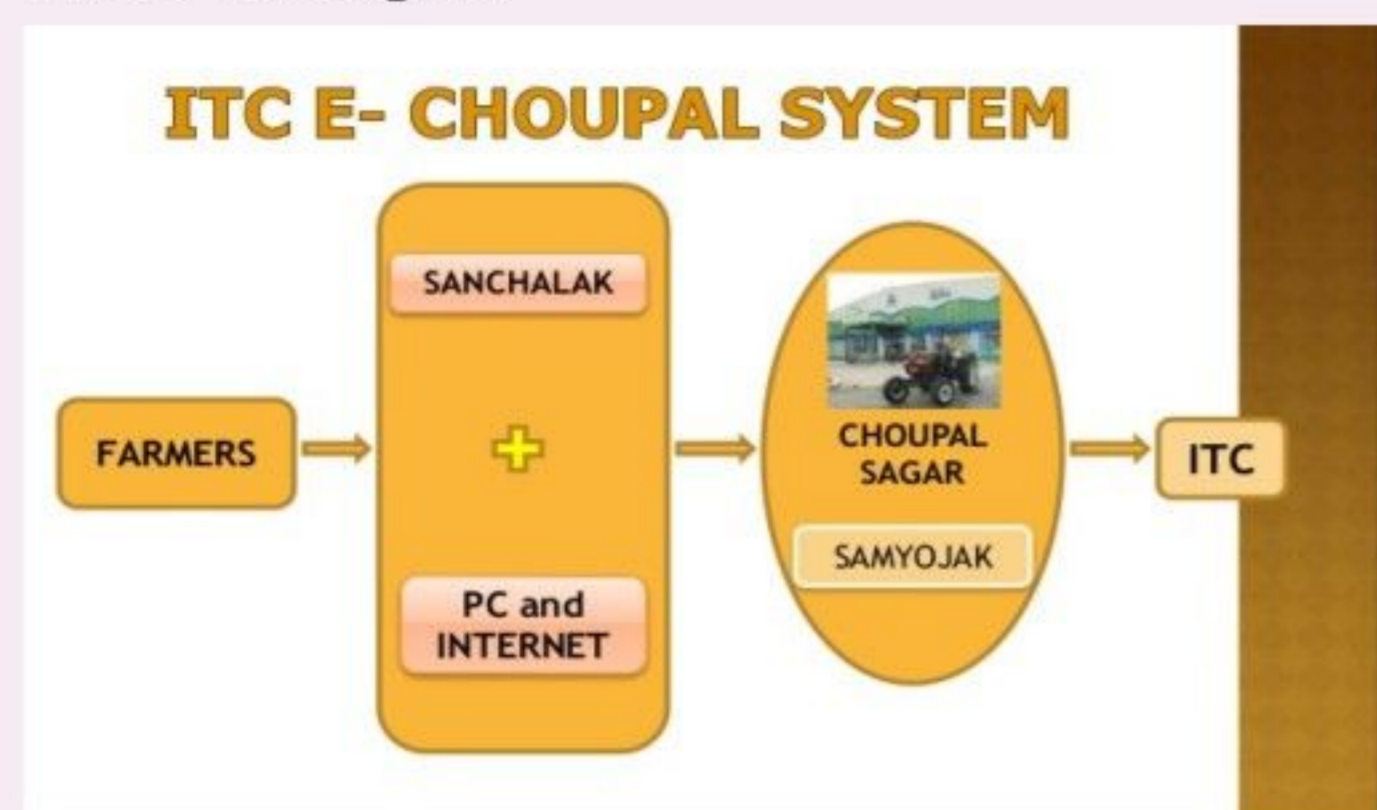
Some Emerging Alternative Marketing Models

Modern Terminal Markets (TMC): has been conceptualized and introduced as a new item under National Horticulture Mission (NHM), which is proposed to be implemented in a Public Private Partnership (PPP) mode by establishing the Hub (Main Market) and Spokes (Collection Centers) model by private entrepreneurs. There is a provision of equity participation by Producer Associations upto 26% of the total equity in the TMC. This Scheme is reform linked and would be implemented in those States who have amended their APMC Act. The Terminal Market complex (based on PPP model) at Patna (Bihar) and Perundurai and Chennai (Tamil Nadu) has been approved under National Horticulture mission (NHM). In principle approval to the TMC projects of Madurai (T.N.), Nagpur, Babangaon (Mumbai) and Sambalpur (Odisha) have been accorded. However, no Terminal Market has been established anywhere as yet. TMC would ensure direct procurement from producers which will enhance better price realization by the producers and lower prices for the final consumers. The private sector can bring in the required investment and management skills for successful development of these markets.

Contract farming: Farming under contracts, which confer benefits to both producer and purchasers, for ensuring assured and

remunerative marketing opportunities to the farmers by way of assured procurement of the produce of desired quality by the contract farming sponsor from the contract (producer at a pre-determined price (either at a fixed rate or formula) is called contract farming. The contract-farming sponsor may also provide input and technology support to the contract producer including extension support for desired quality and specification/standards of agricultural produce. The model APMC Act 2003 stipulates institutional arrangement for registration of sponsoring companies, recording of Contract Farming Agreement, indemnity for securing farmers land and lays down a time bound dispute resolution mechanism. Contract farming has been prevalent in various parts of the country for commercial crops like sugarcane, cotton, tea and coffee, etc. There have been several recent private sector initiatives in direct procurement from farmers i.e. M/s Pepsi Foods Pvt. Ltd, Tata Rallies, Mahindra Shubh Labh, Cargill India, etc. These corporate are entering into partnership with farmers and providing those inputs, R & D and extension support, credit, processing services and marketing avenues. The focus on the contract arrangement has been towards the elimination of waste, productivity enhancement and increase in farm income.

ITC e-Choupal:



ITC e-choupal model promoted by ITC seeks to address the constraints faced by the Indian farmer arising out of small and fragmented farm holding, weak infrastructure, supply chain intermediaries and the lack of quality and real time information. ITC has set up small internet kiosks at the village level to provide farmers real time market information related to prices, availability of inputs, weather data and other matters related the farmers. Local level farmers, called “Sanchalak man these kiosks. Online extension services are also provided. It is estimated that ITC intervention in supply chain has permitted farmers to increase their sales realization by 10-15%. Further, ITC has succeeded in generating procurement cost saving to the tune of 3-4% allowing it to incrementally improve its competitive position. ITC e-chaupals had made a major impact in the soya bean market in Madhya Pradesh and we need to encourage such systems that bridge information symmetry and deliver superior solutions.

Central government is giving priority to agriculture sector

The government aims at increasing the agriculture production, determining productivity and boosting dairy/ livestock/ fisheries while promoting agriculture education, research and extension organisation.

To achieve Prime Minister Narendra Modi's target of doubling farmers' income by 2022, Agriculture Ministry has written letters to the

state governments urging them to strategise and work on it. The government has launched various schemes for the farmers. Pradhan Mantri Krishi Sinchayee Yojana, Pradhan Mantri Fasal Bima Yojana, Soil Health Management, Paramparagat Krishi Vikas Yojana, E-Nam, Agro forestry (Medh Par Ped) and Neem coated Urea to name a few. To increase milk production, National Dairy Mission was initiated. Blue Revolution is emphasising on inland fisheries and deep sea fishing. The schemes aim to increase the agricultural productivity and improve farmers' income.

For the welfare of agriculture sector, the Agriculture and Farmers Welfare Ministry has converted all its schemes into special missions, schemes and programmes. With joint efforts of all stakeholders, the 3rd advance estimates predict about 273.38 MT production of food grain, which is 8.67 percent higher as compared to the year 2015-16.

The farmers have started reaping the benefit of the schemes initiated by the department of Agriculture Cooperation & Farmers Welfare. The schemes include National Food Security Mission (NFSM), National Horticulture Mission (NHM), Rashtriya Krishi Vikas Yojana (RKVY), and Total Direct Benefit Transfer (DBT).

The National Food Security Mission (NFSM), one of the most important schemes of the agriculture ministry covers rice, wheat, pulses, cereals and other main crops. Before the current government came to the power, NFSM was being implemented in 482 districts of 19 states. When the NDA government came to the power, the implementation of NFSM was extended to 638 districts of 29 states. Apart from that, 2.70 lakh hectare area is being used for organic farming. While ensuring the overall growth of agriculture and allied sectors, Rashtriya Krishi Vikas Yojana or RKVY's aims at achieving



annual growth and maintaining the same during the 12th Plan.

The Ministry is focusing on the production and productivity of oilseeds and equal attention is also being given to the fruits, vegetables and horticulture. The government is also focusing on quality and availability of seeds. Apart from that national seed mission has been initiated under the scheme grants will be given for seed processing, seed storage, improving the quality of seeds and storing of seeds for the emergency.

The government is trying to safeguard farmers' interest by announcing a minimum support price for main agricultural commodities. The thrust of the policy is to create a balanced and integrated structure to meet the overall needs of the economy. To support the prices, central nodal agencies such as FCI, CCI, JCI, NAFED, SFAC etc. start procurement process to ensure that the market price doesn't slip below the MSP fixed by the government. In case the market price of the commodity falls below the announced minimum price, govt agencies intervenes under Market Intervention Scheme (MIS) and

procures the entire quantity offered by the farmers at the announced minimum price. During the period of 2014-15 to 2016-17, Indian government procured chilli, apple, ginger, potato, oil palm, grapes, onion betelnut, etc from the farmers of Uttar Pradesh, Andhra Pradesh, Karnataka, Telangana, Tamil Nadu, Arunachal Pradesh, Himachal Pradesh, Mizoram and Nagaland. Any sharp rise or fall in prices not only causes harm to consumers but farmers too. To mitigate volatility in the prices of agricultural produce, a Price Stabilisation Fund of Rs.500 Crore for agricultural commodities was announced, which has been now increased to Rs.1500 crore. To control the rising pulses price, 40,000 metric tonne pulses have been distributed to the states at their behest and meanwhile, the government is creating a buffer stock of 20 lakh metric tonne pulses. Simultaneously government is procuring 20,000 metric tonne onion for buffer stock.

To ensure that the farmers avail the benefits of Fasal Bima Yojana, the government launched Pradhan Mantri Fasal Bima Yojana from 2016 Kharif season after improvising the earlier insurance scheme. The insurance is vast and covers the pre-sowing to post-harvest losses. For soil health, the government has started Soil Health Card scheme. To promote organic farming, Paramparagat Krishi Vikas Yojana has been launched. To increase farmers' income, the government is also focusing on agro forestry and bee-keeping.

DOI : June- 16, 2017

Book Post

To,

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