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Agricultural Production and Market Outlook

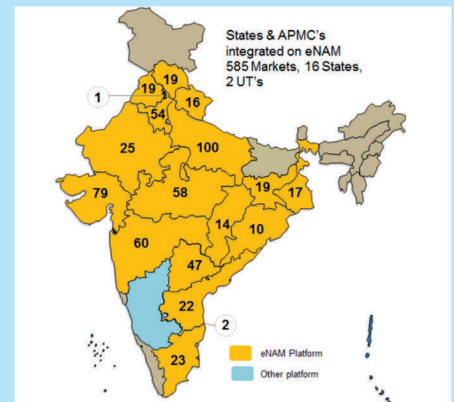
The Rising Agriculture....

STATUS OF e-NAM IN GUJARAT



Gujarat state has made rapid strides in its agriculture sector including the agribusiness sub sector during the recent past. The spectacular agricultural growth in Gujarat in recent times has been a result of a well thought out strategy, meticulously planned and coordinated scheme of action, sheer hard-work and sincere implementation of programme, political will to take bold decisions and commitments to economic policy reforms by the state government. Agriculture in Gujarat has been transforming over time from traditional to high value added commercial crops which can be seen from a shift in its cropping pattern from food grains crops to high value cash crops. Gujarat is the India's largest producer of cotton, castor, cumin and isabgul & the second largest producer of sesame and groundnut in the country.

The State government has a comprehensive Agri-Business Policy to facilitate projects of value addition in center value chain from farm to market, developed agri-Infrastructure, encourage research and development, promote food safety management system at the farm level and processing units. There were total 400 regulated markets in the State serving per market 45 villages and about 491 sq km area.



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On 14th of April 2016, eNAM scheme had been launched on a pilot basis in three selected APMCs of Gujarat, viz. Patan, Botad and Himmatnagar with specified commodities such as castor seed, chana

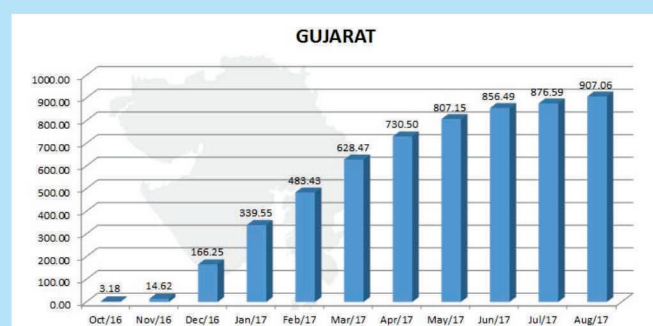
(black gram) and wheat respectively. Out of total 585 mandis selected at national level, total 40 APMCs area from 24 districts of Gujarat are selected for eNAM (Table 1).

Table 1: Selected districts and Number of APMCs connected with eNAM in Gujarat

SL.	Selected Districts and No. of APMCs in Gujarat selected for eNAM (Total 40)						
	District	No.	APMC	SL.	District Name	No.	APMC
1	Ahmedabad	3	Ahmedabad, Dholka, Sanand	13	Morbi	1	Halvad
2	Amreli	1	Savarkundala	14	Navsari	1	Bilmora
3	Anand	1	Petlad	15	Panchmahal	1	Godhra
4	Arvalli	1	Bhiloda	16	Patan	1	Patan
5	Banaskantha	5	Bhabhar, Deesa, Dhanera, Thara, Tharad	17	Porbandar	1	Porbander
6	Botad	1	Botad	18	Rajkot	2	Jasdan, Rajkot
7	Chhota Udepur	1	Pavi-Jetpur	19	Sabarkantha	2	Himmatnagar, Talod
8	Dahod	2	Dahod, Jhalod	20	Surat	1	Mahuva
9	Gir Somnath	1	Kodinar	21	Surendranagar	1	Wadhwan
10	Jamnagar	4	Dharol, Jamjodhpur, Jamkhambhaliya, Jamnagar	22	Tapi	1	Nizar
11	Junagadh	3	Junagadh, Visavadar, Bhesan	23	Vadodara	2	Vadodara, Savli
12	Mehsana	2	Vijpur, Visnagar	24	Valsad	1	Valsad

It was reported that by the completion of second phase (May 2017), all targeted 40 mandis were live on e-NAM. About 308346 farmers and 7399 buyers were registered on e-NAM portal with a turnover of Rs. 3693.164 crore from the trading of 907.05 tonne produce covering agriculture commodities like Castor Seed, Cotton, Wheat, Sesame Seed, Groundnut (Fig. 1). Though the Gujarat state has made provisions for three identified reform measures and have basic infrastructure facilities like auction platform, information dissemination mechanism, banks, etc. as compared to other states of India (IFPRI, 2016), APMCs are facing problems in implementation of this scheme.

Fig. 1: Status of eNAM in Gujarat (as reported)



Source: http://www.enam.gov.in/NAM/home/multi_dashboard.html

Status of Implementation & perceptions of Stakeholders about eNAM:



In order to know the extent of operation, adoption and functioning of e-NAM in selected major markets of Gujarat, field survey was conducted in two selected APMCs of Gujarat, viz. Ahmedabad and Petlad. The data were collected from the stakeholders (farmers, commission agents/traders, APMC officers and related personals). The visit to other important markets such as Patan, Sanand and Dholka was also made to know the implementation status of same. The data from all 40 APMC selected under eNAM were also collected in predesigned schedule. Besides, visit and discussion with the officials of one of the biggest mandi for spices in Gujarat, i.e. Unjha (Mehsana district) was made to understand the issues related to eNAM and non-inclusion of this APMC under eNAM. From the field visits and survey, it was observed that though (visited) APMCs are linked and now live on eNAM portal, but so far nowhere actual e-trading has been recorded or took place. Whatever the business has been reported on eNAM portal is the entry of

agricultural produce in market as uploaded in eNAM software; however produce is auctioned and sold through regular process adopted in the market premises. At few places, local commission agent/trader did try to trade through new system, but they faced some problems. In true sense, stakeholders are not yet ready to go with e-trading due to following reasons.

- Most of the farmers do not have complete knowledge about the eNAM due to which they are not ready to share their bank details and adhaar card number required for registration with system having apprehension about eNAM and subsequent use of their income details for income tax purpose. Some APMCs did organize meeting with farmers and traders as well as distributed printed leaflet for creating awareness about eNAM, but could not succeed in their goal. Thus there is urgent need to have clear time bound strategy to educate stakeholder on various aspects of eNAM concept. Also there is need to built trust among farmers and traders over new technology based system.
- As generally, one auction get completed within a minute period time in APMC, and therefore farmers and traders' perception is that eNAM process would take a lot of time to complete one auction as well as they may face difficulty in settling the payment within same day.
- The APMC management have also raised their concern about completion of auction of all produce came in APMC premises for sell during glut or harvest seasons. Besides, apathy of commission agents for online payment is another concern.
- Farmers have mentioned that they are always stay connected with local commission agents/traders and sometime they take advance money to meet the expenditure on crop cultivation and domestic needs with an agreement that produce after harvest would be sold through same commission agent or to same trader. In such cases, selling produce under eNAM to desire trader would not be possible, and therefore farmers fear that traditionally existing business relations may get spoiled.
- Most of the farmers mentioned that they sell their produce when they require some money for procurement of agriculture inputs or for other domestic requirements. Thus they sell their produce in market as and when required. In present system, they are able to sell produce and

procure inputs on same day, which may not be possible under new system.

- As per the present practice of auction, traders first physically check the quality of grains and then bids for same produce in presence of other bidders, famers and APMC inspector and then after highest quote receipt is given to farmers by APMC inspector/officer for weighing and billing process followed by payments either by cheque or cash. The traders are opposing this scheme because they are not ready to purchase agricultural commodities without physical verification, whereas electronic purchase is an important component of this scheme (providing online information on type/variety of commodities, quality specifications, moisture content, etc).
- Some of the traders have mentioned that they are aware about the soil quality and production practices followed in particular crop production by the particular farmer or by farmers of particular village/area and therefore they prefer to quote higher price for agriculture produce came for sell from those villages/areas, which would not be possible in eNAM to know about.
- Most of the farmers are marginal with small land holdings and they prefer to sell their produce in small quantity. It is not exactly clear how their produce would be sold through the process specified in eNAM and how bargaining power of these farmers will be protected.
- APMC officials and Trader have mentioned that trading of agriculture produce is not assigned HSSN code due to which they face difficulty in uploading the trade details for tax purpose.
- In order to participate in e-trading, commodities are required to be converted from physical form to electronic form, which required assaying labs and skilled manpower. At present, the availability of such labs as well as skilled personal is meager. Though few staff of all APMCs are provided training on quality parameters by AGMARK, but follow-up training with hardware support needs to be undertaken at each mandi. Besides, there is a lack of infrastructure required for eNAM such as scientific sorting/grading facilities, speedy internet connection, etc.
- There is a need to set up e-auction hall equipped with computers for uploading of buy quotes / bids by traders and large monitor / projector with speedy internet access. Broadband penetration

and digital infrastructure in rural areas is very poor. Internet-literacy is minimal among farmers which may lead to a new kind of exploitation by middlemen.

- Some of the mandis have come up with mobile application to keep farmers informed about the prices on daily basis which would certainly help farmers to decide about time of sale of their produce.
- There is no proper channeling laid down for sale of produce to outside buyer and then settlement of accounts and transfer of material, which has created confusion and negative thinking about eNAM.

Problems in the Implementation of GST on Selected Agricultural Inputs in Gujarat



Key Highlights

- Value Added Tax (VAT), excise duties and other indirect taxes were replaced by Goods and Services Tax (GST) in all the Indian States including Gujarat Effectively, in July 2017.
- GST was announced on some agricultural inputs too, including on some subsidized items, such as fertilizers.
- After being introduced in July 2017, GST rates were revised on September 9, 2017; November 10, 2017 and January 18, 2018.
- Various stakeholders associated with agriculture like wholesalers and retailers lack clarity regarding GST rates and the implementation of the same.
- Lack of internet connectivity, slow speed and sometimes disrupted access to the GST portal due to server issues has made it difficult for certain vendors to complete their details in time in the new GST regime, particularly in rural areas. As consequence, they are forced to pay the

penalty on per day basis for the delay in GST compliance.

- According to vendors, net impact on farmer is largely negligible since prices did not very much alter GST as compared to the previous Maximum Retail price (MRP). Therefore, in their opinion the net monetary impact on farmers is negligible for seeds, pesticides, and fertilizers.
- Largely, Vendors felt that the GST system is better than the previous system as it induced more transparency.



Observations

- GST on seeds for sowing comes under the NIL Category and hence attracts no GST. While GST is charged on fertilizers.
- Suppliers of fertilizers are different from billing agencies and hence the bills arrive after some time lag creating inconvenience in billing for the vendors.
- While the old stock (stock purchased prior to July 1st) was to be cleared within stipulated time after the introduction of GST, it was Difficult in the case of agricultural inputs as the use of inputs is largely seasonal, restricting the purchases to specific season only.
- Certain tractor vendors were reported to have stopped their businesses. Some vendors observed that the positive impact of the GST was that some small and unorganized vendors have closed their shops and businesses.
- Various spare parts attract different rates of GST – 6 percent, 12 percent, 18 percent and 28 percent. This creates confusion both for vendors and farmers in the identification of the product and the rate being charged.
- Servicing of tractors had become expensive from around Rs. 2,300 pre-GST rates to Rs. 2,900 post-GST rates. It might result in an increase in the rent of tractors.

- The lubricant prices are observed to be lesser after the introduction of GST, Earlier, lubricants attracted 14 percent excise and 15 percent VAT (a total of 29 percent in Gujarat) as against 18 percent GST.

- A particular product of micronutrients is charged 12 percent GST in powder form and 18 percent in liquid form. Therefore, most vendors stopped selling the liquid form to reduce the confusion while preparing the bill.

- Similarly, sales and production of certain products has been affected due to cumbersome processes performed by the vendors while preparing the GST compliant bills.

- Vendors face difficulties in determining the amount of discount that they can offer to the farmers due to the uncertainty in the GST rates and also due to the lack of confidence in whether they were calculating GST appropriately.

- Vendors complained that the process of preparing bills is highly time consuming and required additional skilled manpower like accountant only for billing and updating GST during month end so that one person can address the customers' demand in a focused manner.

- Vendors who install GST compatible software like Tally, face lesser operational issues while preparing bills. An installation charge of a licensed Tally version is about Rs. 17,000 whereas an annual renewal charge is about Rs. 10,000. The professional and legal fees charged by the accountants with regard to the compliance with GST are now higher.

- Before GST implementation, vendors could replace the product with the one with which the farmer was more satisfied and could also comfortably resale it at their convenience. Now, the vendors find it difficult to extend such facilities to the farmers.

- Certified seed related claims are expected to be more difficult to be resolved in case of crop failure since the procedure of taking back the sold good by playing reverse charges increase complications and procedure in an already confusing scenario.

- Since the reporting of GST is now done three times a month (GST1, 2 and 3), it is very tiring for the vendors to complete the formalities every 10 days in month. This spreads the burden of annual year-end completion of tax formalities in March to three times every month. However, the

vendors did not find financial year ending in March, hectic and stressful but the professional and legal charges of accounts and bookkeeping have increased.

Actions suggested:

- Vendors suggested that month-end GST should be relaxed to be submitted at quarter end. In contrast, certain vendors are also of the opinion that paying GST three times a month (GST 1, 2, and 3) induces more disciplined and timely payment.

- Frequent GST rate changes should be avoided in order to assure that confusion is minimized and the billing is made less cumbersome for small vendors, especially the ones not using the software.

- Introduction of GST is also being suggested for petrol and diesel (with an expectation of reduction in prices), which is likely to be more influential in purchase of all agricultural inputs in general and use of tractors in particular.

- Propagation of information related to GST rates and its implementation should be more extensively done so that all the stakeholders like farmers, agricultural inputs' producers and vendors are aware of the same without any confusion.

Information sources:

Observations are based on the discussion with agricultural input traders followed by a series of detailed observations of farmers and producers.

Wheat procurement surpasses government's target by 6.25% to over 34 million tonnes



Wheat procurement has crossed the government's target by 6.25 per cent to 34.08 million tonnes (MT) so far in this marketing year as purchases in Uttar Pradesh have picked following special efforts by the state authorities. Food Corporation of India (FCI) and other state agencies had procured 29.37 MT in the same period of the 2017-18 marketing year

(April-March). Total wheat procurement stood at 30.82 MT in 2017-18.

The government fixed higher target of 32 MT for this year in view of record output. According to official data, of the 34.08 MT procured so far this year, 21.45 MT has been purchased from two states Punjab and Haryana. Buying in these states has been completed. However, the procurement operation is underway in Uttar Pradesh, Madhya Pradesh and Rajasthan, which will continue till next month. More wheat is expected to be procured in UP as the state government has made extra effort to ensure a minimum support price (MSP) of Rs 1,735 per quintal to farmers, the industry players said.

So far, 3.82 MT of wheat has been procured in UP and the figure could rise by end of the procurement season. In Madhya Pradesh and Rajasthan, 7.24 MT and 1.46 MT of wheat has been procured, respectively, so far this year, the data showed. Although wheat marketing year runs from April-March, the bulk of procurement is done in first three months. FCI and state agencies undertake purchase at the MSP. As per the second estimate, wheat output is likely to decline by 1.42 per cent to 97.11 million tonnes in the 2017-18 crop year.

Government raises wheat import duty to 30%

India on Wednesday raised the import duty from



20% to 30% on wheat with immediate effect. This is to protect domestic growers from sourcing cheaper produce from overseas markets. The move comes at a time when wheat procurement in the domestic market by the government and private agencies is at peak. This measure is expected to help stem imports of wheat from Ukraine, Russia and Australia. As per the government's third advance estimate, the country is set to produce a record 98.61 million tonnes of wheat in 2017-18 crop year. Cheap imports in this scenario could hit Indian farmers hard. In 2017-18, India imported 1.48 million tonnes of wheat compared with 5.75 million tonnes

of wheat in 2016-17. Traders said no imports have taken place since April this year, but the industry is following a wait-and-watch policy.

Summer planting see a drop



Kharif sowing saw a drop of 9.70% to 11.59 million hectare owing to monsoon deficit. Last year sowing stood at 12.83 million hectare till date. According to the weather office, rainfall was 10% below normal until June 22. Sowing of oilseed was less than the previous year at 0.50 million hectare from 0.99 million hectare a year particularly in key producing states of Madhya Pradesh, Maharashtra and Gujarat. Groundnut and soybean-the main oilseed crop saw a drop in acreage. Further, cotton acreage dipped to 2.06 million hectare from 2.47 million hectare a year ago. Pulses sowing came down to 0.59 million hectare from 0.78 million hectare, a year ago. Rice and coarse grains acreage also was marginally down. Rice was planted on 1.07 million hectare which was 4.47% less than the previous year. Similarly, area under coarse cereal saw a drop with sowing done on 1.67 million hectare. However, sugarcane plantation saw an increase of 1.07% at 5 million hectare from 4.94 million hectare a year ago.



About AERC & CCS in India

Agro-Economic Research Centres

The agriculture sector is considered as the backbone of Indian economy. From the very beginning of the planning process, the policy makers and planners in India have given high priority to the development of this sector. For better understanding of Indian agriculture, the Agro-Economic Research Centers (AERCs) were established in various agro-climatic regions of the country. Agro-Economic Research Centre (AERC) Vallabh Vidyanagar was established in 1961 at Sardar Patel University by the Ministry of Agriculture, Government of India to carry out research in agricultural economics in the states of Gujarat and Rajasthan. The Center is fully funded by the Ministry of Agriculture, Government of India, and it operates under the administrative controller of Vice-Chancellor. This is one of the 15 AER Centers established by the Government of India.



Agro-Economic Research Centres (AERCs)/ Agro-Economic Research Units (AERUs) in India

Location	Institution where located	Est. in	Area of coverage
Delhi	Delhi University	1954	Delhi, Haryana, Uttarakhand
Chennai	Madras University	1954	Tamil Nadu, Kerala, Pondicherry, Laksh'p
Pune	GIPE, Pune	1954	Maharashtra, Karnataka, Daman & Diu
Shantiniketan	Visva-Bharati University	1954	WB, Sikkim, Andaman & Nicobar Islands
Jabalpur	J.N. Krishi Vishwa Vidyalaya	1958	Madhya Pradesh, Chhattisgarh
Jorhat	Assam Agricultural University	1960	Assam, Meghalaya, Nagaland, Manipur, Mizoram.
VVN Anand	Sardar Patel University, Vallabh Vidyanagar, Anand, Gujarat	1961	Gujarat, Rajasthan, Dadra and Nagar Haveli/ All India
Allahabad	Allahabad University	1963	Uttar Pradesh
Waltair	Andhra University	1967	Andhra Pradesh, Orissa.
Shimla	Himachal Pradesh University	1972	Himachal Pradesh, Jammu & Kashmir
Bhagalpur	Tilka Manihi Bhagalpur	1996	Bihar, Jharkhand
Ludhiana	Punjab Agricultural University	1996	Punjab
Delhi	Institute of Economic Growth	1961	All-India
Ahmadabad	IIM, Ahmedabad	1965	All-India
Bangalore	ISEC, Bangalore	1972	All-India

Cost of Cultivation Scheme

Comprehensive Scheme for Studying the Cost of Cultivation of Principal Crops in India”, is being implemented by the Ministry through grants-in-aid to 16 Agricultural Universities/ Institutions in 20 States .The list of these agencies is given below. The Scheme generates estimates of cost of cultivation/production in respect of 25 selected crops.



Field Agencies Implementing the Comprehensive Scheme for Estimating the Cost of Cultivation and Cost of Production in Different States

S.No.	State	Implementing Agency
1	Andhra Pradesh	Acharya N. G. Ranga Agricultural University, Hyderabad
2	Assam	Assam Agricultural University, Jorhat
3	Bihar	Rajendra Agriculture University, Pusa, Samastipur
4	Gujarat	Sardar Patel University, Vallabh Vidya Nagar
5	Haryana	Haryana Agriculture University, Hissar
6	Himachal Pradesh	Himachal Pradesh University, Shimla
7	Karnataka	University of Agricultural Sciences, Hebbal, Bangalore.
8	Kerala	University of Kerala, Thiruvananthapuram.
9	Madhya Pradesh	Jawahar Lal Nehru Krishi Viswavidhyalaya, Jabalpur.
10	Maharashtra	Mahatma Phule Agriculture University, Rahuri
11	Odisha	Orissa University of Agril. & Technology, Bhubaneswar.
12	Punjab	Punjab Agricultural University, Ludhiana.
13	Rajasthan	M.P.U.A.T, Udaipur
14	Tamil Nadu	Tamil Nadu Agriculture, University Coimbatore
15	Uttar Pradesh	R. B. S. College. Bichpuri, Agra.
16	West Bengal	Bidhan Chandra Krishi, Viswavidyalaya, Kalyani, Nadia.
17	Chhattisgarh	Jawahar Lal Nehru Krishi Viswavidhyalaya, Jabalpur.
18	Jharkhand	Rajendra Agriculture University, Pusa, Samastipur
19	Telangana	Acharya N.G.Ranga Agricultural University, Hyderabad
20	Uttarakhand	R. B. S. College. Bichpuri, Agra

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