

FARM ORDINANCES

One Nation, one market

The agri-reforms are a step towards a single national agri-market



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One OF THE most crucial agricultural reforms, The Farmer's Produce Trade and Commerce (Promotion and Facilitation) Bill, promulgated earlier this year as an ordinance, has been passed in the Lok Sabha. The ordinance, by creating new opportunities for farmers to trade in agricultural produce at remunerative prices, independent of the Agricultural Produce Market Committee (APMC) regime, expresses the 'one nation, one market' vision, in Indian agri-markets.

India's agricultural sector has under-gone transitional phases, where food security has improved and food surplus created. Recently, however, ironically, surplus food stocks coexist with agrarian distress. The Report on Doubling Farmer's Income ascribes this to inadequate attention paid to strategically strengthening Indian distribution and supply chains for agricultural produce in India.

e- NAM as the first step

One of the market reforms proposed to double farmer's income by 2022-23 has been a 'unified national market' directly connecting farmers with buyers, for selling agricultural produce. Introducing the electronic National Agricultural Market (e-NAM) in 2016, was a step in this direction. e-NAM is a pan-India electronic trading platform for agricultural commodities, integrating existing state-level physical APMC *mandis* to create a common national e- market. While the APMC infrastructure, where in a physically located 'market' for trading, served its purpose in pre-internet time, continuing physical boundaries severely dampens the freedom to trade, which electronic interconnectedness can transform.

e- NAM and the ordinance.

e-NAM is linked to the 'physical' APMC *mandi* infrastructure. The most challenging aspect for implementing e-NAM has been to ensure homogeneity across states, and dealing with the number of APMC *mandis* to be interconnected electronically. Accordingly, a complicated regime for electronically trading in agricultural produce was envisioned under the Model Agricultural Produce and Livestock Marketing (Promotion & Facilitation) Act, 2017 (APLM), which provided a framework for states to adopt e-NAM. The ordinance, on the other hand, provides for setting up electronic trading and transaction platform (ETTP) in a 'trade area', entirely outside the existing APMC ecosystem, for facilitating direct online intrastate and interstate trade in farmer's produce.

Creating a unified national market for agricultural produce:

(1) Simplifying requirements to establish e-trading platforms: Persons establishing an electronic trading platform (ETP) under APLM are required to apply for a license, with a fee and security/bank guarantee and other prescribed conditions; grant of license remains discretionary. The ordinance simplifies this process, by requiring interested persons to merely have a PAN card, along with other documents. It incentivizes establishment of ETTPs by substantially simplifying the process to set up an online trading platform, and replacing the erstwhile 'licensing' regime with simpler 'registration'.

(2) Integrating electronic markets with physical markets: Given the fragmented APMC framework, the APLM tries to integrate innumerable physical market yards with e-NAM, and e-trading portals. But the unclear manner in which the provision are framed impact implementation. Resultantly, reports suggest smooth integration, while ground-level realities suggest low interstate trade, as well as low participation of farmers on e-NAM.

The ordinance provides an independent trading forum 'trade areas', outside the APMC regime. This makes interstate and intrastate trade uncomplicated, by doing away with the task of integrating physical APMC *mandis*.

(3) Rationalising market fees: The APLM provides for single-point levy of market fees, a welcome change. Further, licensees of ETPs are permitted to collect user charge on sale transaction on the ETP. However, the ordinance states that no market fee or cess shall be levied on any farmer or trader, including an ETTP, for trade and commerce in agricultural produce in a 'trade area'.

(4) Applicability: The APLM is a framework proposed to states wishing to establish electronic platforms for trading in agricultural produce. Resultantly, only some states have incorporated the APLM into state APMC laws, with such adoption often being inconsistent. The ordinance, however, governs all trade in agricultural produce carried out in a 'trade area', and is not simply a model.

Hence, straightforward licensing requirements, zero taxes on both sellers and buyers, and consistent application of the law make the ordinance a strong alternative to the APMC regime.

Conclusion :

e-NAM was a first step towards creating national market for agricultural produce in India, but it was constrained by a fairly restrictive APMC regime. Weaknesses pointed out in the implementation of e-NAM, pertaining to inadequate infrastructure, trust deficit between sellers and buyers, managing digital payments, strengthening of FPOs, and developing knowhow, have persisted. Resultantly, participation of the private sector in India's agricultural sector has remained low, even though private investment is critical to develop agricultural markets.

While ETPPs are merely a means to an end, the true import of the ordinance is designating the entirety of India as a 'trade area' (excluding small market-yards governed under state-level APMC law), thereby achieving 'one nation, one market'. With the Bill being passed in the Lok Sabha, it must be built upon to create a seamless electronic trading experience in agricultural produce through ETPPs.

***(Anirban Bhattacharya, partner,
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