

# FARM LAWS AND APMC: A RIDDLE OF AGRICULTURE MARKETING IN INDIA

## INTRODUCTION

It is alleged that the recently enacted the Farmers' Produce Trade and Commerce (Promotion & Facilitation) Act, 2020 [hereinafter referred to as 'the Act'] is one of the ways in which the government wants to get out of the agriculture business and by opening the market for private players the APMC markets will get uprooted eventually. In this short article, we will try to understand the agriculture marketing in India in *general* and markets/mandis set up by APMC laws in various states in *particular*.

## AGRICULTURE PRODUCE MARKETING PLATFORMS

Traditionally, farmers in India used to sell their surplus produce to the traders, merchants and moneylenders and that too at a very low price. Some farmers were selling their surplus produce through mandis in nearby towns and cities. Co-operating marketing societies are another way where farmers obtain a better price for their produce through collective bargaining. The other wholesale agriculture marketing infrastructures which have been setup in various states in India are by the Agriculture Marketing Produce Committees (APMC) laws. There generally exists Principle Market Yards, Sub-Market Yards and Purchase Centres under these APMCs. Also, there are number of weekly village markets which are popularly known as 'graminhaats' resorted to majorly by small and marginal farmers mainly for retail sell of their agriculture produce.

## STATUS OF APMC MARKETS

Soon after independence, during 1960s and 70s a number of state legislatures have come up with their Agriculture Produce Markets (Regulation) Act in order to regulate primary wholesale market practice. To enforce these state laws and regulations, an Agriculture Produce Market Committee was constituted for each market area. However,

not every state in India has APMC market/mandi. States like Kerala, Manipur, Sikkim and Mizoram and Union Territories like Daman & Diu and Dadra & Nagar Haveli<sup>1</sup>, Lakshadweep and Andaman & Nicobar Islands never had APMC like laws. Whereas the state of Bihar initially had provision for APMC but was later revoked in the year 2006.

As per the 2018-19 report of the Standing committee on Agriculture<sup>2</sup>, there are total 6630 APMC markets in India and having an average distance of 12 kms. between 2 APMC markets. Further, in states in which APMCs exists the average distance between 2 APMCs markets varies from 6.03, 6.08 and 7.07 kms in Chandigarh, Punjab and Haryana respectively to as high as 59.76, 53.21 and 45.29 in Meghalaya, Jammu & Kashmir<sup>3</sup> and Arunachal Pradesh respectively. The all-India average area served by a regulated market is 496 sq. kms. as against recommendation of 2006 National Commission on Farmers that a regulated market should be available to farmers within a radius of 5 kms. (corresponding market area of about 80 sq. kms.).

Out of the these existing APMCs, as per the survey conducted by the Directorate of Marketing Inspection (DMI), an administrative agency under the control of Department of Agriculture, Cooperation and Farmers welfare, in 2015, only 83% and 66% of the APMC markets have the go down and covered platform facility respectively. Further, only 15% have the cold storage facility. The basic amenities like drinking water and toilet facility were also around 76 and 65 percent only.

As to the status of agriculture produce marketing in states (where there is no APMC law), in Kerala there exists private collection shops in the vicinity of producing centre and Vegetable Fruit Promotion Council (VFPC) for facilitating marketing of



**Amit Meharia**

Managing Partner, MCO Legals

LLB (Hons) King's  
College London

Solicitor (Supreme Court of  
England & Wales)

## Expertise:

Corporate Due Diligence &  
Corporate/Commercial Arbitration

✉ amit.m@mcolegals.co.in



**Amit Singhal**

Research Partner

B.A. LLB. (Hons)

National Law Institute University

<sup>1</sup>Please note, with effect from Dec. 19, 2019 the Union Territories of Dadra and Nagar Haveli and Daman and Diu are now one. Refer the Dadra and Nagar Haveli and Daman and Diu (Merger of Union Territories) Act, 2019.

<sup>2</sup>The Sixty Second Report (Sixteenth Lok Sabha) of the Standing Committee on Agriculture (2018-19), available at [http://164.100.47.193/lssccommittee/Agriculture/16\\_Agriculture\\_62.pdf](http://164.100.47.193/lssccommittee/Agriculture/16_Agriculture_62.pdf) (last visited March 03, 2021, 10:01 PM).

<sup>3</sup>The report since was published before the revocation of special status of the state of Jammu & Kashmir and before the enactment of the Jammu & Kashmir Reorganisation Act, 2019, therefore the figures relating to the present Union Territories of Ladakh and Jammu & Kashmir has been mentioned as collectively for the erstwhile state of Jammu & Kashmir.

agriculture as well as fruit produce. Whereas in the state of Sikkim Rural Periodical Markets or Kisan Bazaar and Weekly Grameen Haat exist. In Andaman & Nicobar Islands small agriculture markets exist with very little infrastructure hence catering to only a small population. In the states of Mizoram and Manipur, there is no systematic marketing infrastructure. In Bihar where APMCs markets used to function but after the repealing of APMC law these markets also eroded with time.

#### **COMMON SHORTCOMINGS FOUND IN STATE APMC LAWS AND MARKETS**

The APMC laws organized the agriculture marketing in India through regulated specified markets. Generally, APMC markets provide a platform for both traders and sellers to trade in agriculture produce, also you can find retail shops as well, soil testing facility is also available, licensed commission agents (referred to as 'arthiyas' in Punjab and Haryana) facilitate the trade, more importantly the auction is recorded and registered and trade happens at Minimum support price (MSP). However, like any other system over a period of time, these regulated markets also started to show some of the shortcomings in the APMC system. Some of the major issues that the present agriculture marketing faces are:

- Politicization of APMCs.
- As per the APMC laws, the commission charges and market fee have to be borne by traders but actually the same is collected from the net proceeds of farmers.
- For traders, multiple licenses are required and multiple fee is collected for trading in multiple APMC markets.
- Bidding process was also turned out to be either completely opaque or partially transparent.
- Traders are limited in number and therefore leading to adoption of monopolistic and cartelization practices.
- APMC laws discourage competition and restrict promotion of multiple channels of agriculture marketing.
- Some of these APMC markets are established at a place where no surplus is generated.
- Existence of information asymmetry.

#### **EARLIER EFFORTS BY CENTRAL GOVERNMENT**

Since the subjects pertaining to the agriculture marketing within a state are the prerogative of the respective state governments under the 7<sup>th</sup> schedule of the Indian Constitution, the Central Government cannot do much except to recommend a uniform framework to be followed by all the states in India.

After the opening up of market by India in 1990s, a need was felt to encourage competition and capital formation in the agriculture sector as well. In pursuance to this, the Central Government set up an *Expert Committee* in 2000 to review the present system of agricultural marketing. The Committee in its report dated 29<sup>th</sup> June, 2001 suggested various reforms as well as the re-orientation of the policies and programmes. Later, in 2001, the Ministry of Agriculture constituted an *Inter-Ministerial Task Force* to suggest measures to implement the findings and recommendations of the Expert

Committee. This Committee submitted its report in 2002. In 2003, a Model '**The State Agricultural Produce Marketing (Development & Regulation) Act**' was formulated followed by a formulation of **Model Rules** in the year 2007.

In 2010, the Ministry of Agriculture constituted an *Empowered Committee* of 10 State Ministers in order to persuade state governments to implement the Model APMC laws in their states. After having 9 meetings in different states, the Committee submitted its report in 2013 but no favorable input was received.

In the year 2016, the 2003 Model APMC Act and 2007 Rules were reviewed by the NITI Aayog where the Principal Secretaries of all the states participated. In this review exercise, it came out that the Model Act has not been adopted by some of the state governments and those who have adopted it but not in entirety. For these reasons, the Ministry of Agriculture decided to come up with a new Model Law short titled as '**Model Agriculture Producers and Livestock Marketing (Promotion and Facilitation) Act, 2017**'. This new Model APMC Act inter alia aimed to promote alternative agriculture marketing and increase competition, eliminate monopoly, cartel of traders and for better price discovery for farmers. But again, this new Model APMC Act also received a lukewarm response from the state governments. Even the Standing Committee on Agriculture Report 2018-19 recommended a pressing need for a radical reform in APMC laws.

#### **CONCLUSION**

The state APMC Acts and Rules, if otherwise not provided, prohibit sale of agriculture produce in places other than APMC regulated market yards. Now this requirement has been done away with by the First Farm Act, 2020 and creates an ecosystem where farmers and traders enjoy freedom of choice of sale and purchase of agriculture produce and also promotes barrier free inter-state and intra-state trade and commerce outside the physical premises of markets notified under the state APMC laws. As we have already discussed, the discussion to open up the market has been carrying on for number of years since 1999-2000 and the provisions which this new Farm Act has, are more or less similar to what the Model laws on APMC way back in 2003 and 2017 have already talked about. Interestingly, 22 states and UTs has already amended their APMC laws in conformity with the 2003 Model law and whereas 2017 Model law by mid-2019, has been adopted by states of Uttar Pradesh, Andhra Pradesh and Chhattisgarh and state of Punjab has adopted it partially. Further, alternative marketing channels such as private markets, direct marketing and farmer-consumer markets have already come up in states like Maharashtra, Karnataka, Gujarat, Rajasthan and Madhya Pradesh.

Further, the 2020 Act also provides for electronic trading in transaction platform for ensuring a seamless trade electronically. Again it's not like that this is very new instead we already have something called e-NAM (electronic National Agriculture Marketing, 2015) a pan-India electronic trading portal which intends to provide a single window service for

all APMC related information and services. In sixteen States and two UTs, 585 mandis are already integrated to the e-NAM platform.

With the initiation of economic liberalization in India during 1990s, why the agriculture sector should be left is an issue which was hovering for over the past 2 decades. There was a urgent need of robust markets adequately equipped with participation of private sector in order to overcome the limitations and constraints of present agricultural marketing

system and to develop a competitive, transparent and barrier free markets with the choices to the farmers to sell their produce in the markets and to the buyers offering better price to them in transparent manner. All these reasons created and felt the need among all stakeholders including Central Government to bring out a central Farm Act to be applicable in addition to the state APMC laws. Hopefully, these new farm laws solve the never ending riddle of agriculture marketing in India.