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A review on Grameen agricultural markets (GrAMs): Linking farm gates to consumers

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Abstract

A very old saying “India resides in its villages” is very true in its sense as the majority of the population of our country resides in a rural background around 833.1 million people are scattered in 236,004 villages in India. Agriculture has been the mainstay in India, feeding million mouths around the globe and providing income to 61.5% of 1300 million Indian population (Agricultural Census, 2011). The farming households, amount to 159.6 million (Census, 2011) consisting largely of small and marginal farmers with an average size of about 1.1 hectares forms the base of Indian agriculture. Rural markets play a significant role in connecting the farmers to their consumers. More than 22,000 periodical markets form an integral part of rural and semi-urban agriculture marketing system. eNAM was a government initiative to connect the farmers and consumers around the country on a single platform through the APMCs. In order to increase the efficiency and benefits of eNAM, government in union budget 2018-19 to ensure better connectivity of markets and hence increase the producers’ share in consumers’ rupee by launching the concept of Grameen Agricultural Markets (GrAMs). The study reveals that around 22,000 GrAMs were planned to made functional to serve as first mile facilitator to organise marketing chain and ease farmers to retail agricultural marketing at village level. This will assist farmers to sell produce locally and directly link with terminal markets through physical or online transaction. GrAMs will facilitate two principal activities which include direct sale and aggregation of lots. Thus, an effective marketing system will be a boon for a progressive agrarian nation like India through linking between its producers and consumers.

Keywords: GrAMs, APMCs, retail agriculture market, rural market, and Grameen agriculture

Introduction

India is an agriculture driven country with 68.84% of its population residing in rural areas indicating that a large part of the world’s rural population lives in rural India. India is the leading producer nation in agriculture goods on global platform, still the Indian farmers face travail situations. Thus, in a nation like India, agricultural marketing is of high paramountcy to increase connectivity between the producers and consumers, boosting the production and consumption process. 833 million people of the total 1.21 billion Indians, resides in 236,004 villages in India (Census, 2011). Continuous fragmentation of land has led to increase in number of small and marginal farmers accounting for 86% of total farmers, resulting to decrease in the average land holding size to about 1.1 hectares challenging both production and post production activities on efficiency grounds. This lion’s share group faces issues like inadequate marketable surplus, long-distance to nearest APMC markets, and lack of transportation facilities, in selling their produce in the APMC market (Standing Committee Report 2019). The government has established APMCs or Agricultural Produce Market Committee to resolve these obstacles and linked them through an online trading platform electronic National Agriculture Market (eNAM) to expedite the farmers, traders and buyers to increase their income share. The eNAM was launched primarily aimed at cutting down the role of middlemen and reduce the drudgery of Indian farmers. Fragmentation of markets reduces competition and exposes farmers to a cartel-like situation within APMC (FICCI 2017). Lack of coverage, flawed MSP provision, exclusion of livestock sector and ignorance of role Arthiyas (commission agents) have reduced the significance of APMCs. Only two or three states contribute to the bulk of trading that happens online in e-NAM (FICCI 2017) opposing the main aim of eNAM of connecting the nation through a single platform. Understanding the loopholes and identifying the need for market integration starting from the basic level i.e. the farmer’s field, the concept of Gramin Agriculture Markets (GrAM) was put forward in the Union Budget 2018-19 to facilitate retail agricultural marketing in the country. The purpose of Gramin Agriculture Markets (GrAMs) is to organize the marketing chains that will connect the rural markets at terminal destinations and form a linkage between the primary, secondary and tertiary markets. This study tries to review the Gramin Agricultural Markets (GrAMs).

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Material and Methods

The paper is based on a descriptive research approach. Various published sources were consulted to review the concept.

Results and Discussion

The existing marketing situation

India is the second principal producer and exporter of major cereals such as rice and wheat, and also the principal producer of pulses and milk. It also ranks second in fruit and vegetable production. It is among the major producer nations of all major agricultural goods, giving it the tag of agriculture driven nation. Despite such a glorious production record, 28% of the rural population is below the poverty line (NSSO 2016) and year after year adds to the increasing number of farmer suicides. This demands for fair and remunerative prices to the producers and minimum cost-benefit to consumers and transforming the farming from, production-centric to profit-centric. Rural markets play a pivotal role in price realisation and connecting farm gates to buyers as they act as profitable business units. A rural market is defined as, "A village with a population of less than 54,000, with 85% of the male population engaged in agricultural actions" (IRDA). In Indian scenario, agricultural marketing is a combination of all the major activities comprising of procurement, transportation, grading and standardization, storage and trading. Majorly four different channels of marketing system are prevalent concerning for to agriculture, (i) village sale: where the farmers auction their agricultural produce at low prices to sellers mainly comprising of local traders, moneylenders etc. (ii) market sale: where the farmers unload of their surplus

yield at weekly village markets, (iii) mandi sale: where the farmers sell their surplus products through mandis located in various small and large towns, and (iv) cooperative marketing sale: where the farmers sell their output collectively through a cooperative society to get the advantage of better price. Thus, the purchasing power of the people in rural areas is mainly dependent on the profitable marketable surplus and rural-urban trade. The Indian agriculture market system, so far, has been unbalanced. The main lacunas of Indian agricultural marketing system include lack of proper storage facility, poor transportation arrangements, lack of market intelligence, too many middlemen or intermediaries, defective weights and grades, illiteracy and absence of unity among the farmers, dearth of financial resources, and unavailability of organized marketing system. To combat the above-stated issues, the government had launched an online trading platform named e-NAM or National Agricultural Market in 2016, established various APMCs (Agricultural Produce Market Committee) and linked them. In India, since 14 February 2016 to 05 March 2018, 498 mandis have been integrated with e-NAM with a total of 23,41,901 farmers using it (*indiastat.com*). Major states where this integration was a success were Uttar Pradesh, Gujarat, Madhya Pradesh and Haryana (*indiastat.com*). On basis of location of market, the number of principal APMCs is 2477, while the regulated sub-market yards total to 4843. In order to enhance the marketing efficiency, over the last two decades, many states have taken various initiatives to set up direct producer-seller markets, with varying degrees of success. The prevailing direct marketing system in India are given in table 3.1 below-

Table 1: Direct Agriculture Markets in India

S. No	Forms of Agricultural Marketing	Working State
1.	ApniMandi	Punjab
2.	Rythu Bazar	Andhra Pradesh
3.	UzhavarSanthai	Tamil Nadu
4.	Krushak Bazar	Orissa
5.	Hadaspur Vegetable Market	Pune

With the transition of Indian agriculture from commoditization to commercialization, the prevailing market systems needs a strengthening makeover by boosting the existing regulated market system for the ease of market access and efficient market intelligence to occur. Altogether, in the present Indian scenario the prevailing market structure is less farmer-friendly and hence, calls for an alternate market architecture.

Grameen Agricultural Marketing

Definition of GrAMs: They are defined as "Retail agricultural markets in close proximity of the farm gate that promote and service a more efficient transaction of the farmers' produce across the agricultural sub-sectors, by enabling both direct sale, between the producer and consumer, and aggregation of small produce-lots for subsequent transaction, both of which can occur either physically or online". (Committee on Doubling Farmers' Income)

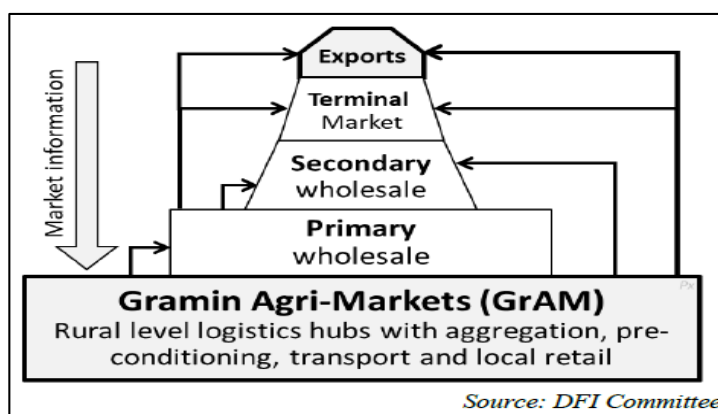


Fig 1: Gramin Agri-Marketing

Agri-Market Infrastructure Fund (AMIF)

Agri-Market Infrastructure Fund (AMIF) was created to support GrAMs by strengthening the infrastructure required and achieving operational upgradation of the 585 e-NAM on-board markets. The Department of Agriculture Co-operation & Farmers Welfare will aid this Corpus Fund to be present at NABARD, empowering the state governments and union territories to borrow funds at concessional interest rate of about 6 percent to develop the infrastructure required.

Principal activities of GrAMs

GrAMs will promote two principal activities which include direct sale and aggregation of lots.

Direct Sale- Direct sale activity of GrAMs provides a platform to producers (farmers) to transact any of their agri-produce in any amount to the buyers (consumers) directly. Farmers can auction their produce without going through the market regulations. The consumers involved in the trade can be retail or bulk purchasers. The trade can take place face to face or else on online platform such as eNAM. The less interference of middlemen will improve the position of farmer in marketing channel along with increase in their share in consumers' rupee providing maximum value of the produce to its producer.

Aggregation of lots- Aggregation of lots is the accumulation of small lots collected from different farmers through an institutional mechanism (like FPO, VPO, etc.) to strengthen the farmers position as a bargain hunter. This also authorize them to sale their produce either at the GrAMs via an online trade platform like e-NAM or by availing various preliminary services, like assaying, cooling, packaging, and transporting from GrAMs to nearest APMCs/RMCs or any other agricultural markets (i.e. primary or secondary or terminal wholesale market).

Working of GrAMs

Technically, GrAMs is a version of the existing local periodical markets, owned and managed by private individuals and government authorities both at rural level (Gram Panchayat) and urban level (Municipalities, APMCs/RMCs, etc). At larger platform, the ownership of markets by different authorities is illustrated below:

S. No	Ownership	Number
1.	Under local bodies including councils	11,811
2.	Under marketing boards, APMCs	1,274
3.	Under the private sector	9,856

Source: Ministry of Agriculture and Farmers' Welfare

These periodic markets are located at a reach of 5-6km distance from the farm gates and will assemble at regular intervals of 7 days, 15days and at times seasonally. The current marketing scenario and farmers state directs the focus on market led production, to enhance the profit share of the producers and raises the requirement of States and UTs to keep the GrAMs outside the extent of State Marketing Act or any other such regulatory framework, while and appropriate 'Management Framework' can be taken on by the respective governments.

Infrastructure for GrAMs

The infrastructure of GrAMs is categorised into two broad categories viz: off-market structure and on-market structure.

Off-market structure- Transportation is the core feature of this structure, which primarily includes efficient connectivity

through roads forming a linkage from the farm gates to GrAMs, then from GrAMs to wholesale markets or any other consumption centres. To enhance transportation facilities well connected roads are pre requisite, the road connectivity can be enhanced and developed under many government schemes such as MGNREGA, PMGSY, PWD works (state & district roads) to strengthen major route-links that connects habitation to agricultural and rural markets (GrAMs).

On- market structure- Once the produce reaches the markets the on-market structure starts functioning. The on-market infrastructure includes two sub-categories basic and supports infrastructure and market transaction infrastructure.

Basic and supports infrastructure- The basic and supports infrastructure will identify a place and establish it as a market by creating the primary environment to undertake various trade activities. Some of the major inventories included under this are boundary walls, electricity, and back-up system, infrastructure for livestock and fish market, storage (dry, cold, ventilated), etc.

Market transaction infrastructure- The market transaction infrastructure generally includes weighing (both by normal and electronic medium), cleaning, sorting, grading, washing, waxing, etc. unit of minimum capacity; appropriate storage and transport facilities. It also provides IT infrastructure to integrate with e-NAM and for market information including electronic ticker board/ market information systems etc.

Conclusion

An agrarian nation like India, principal producer and exporter of major agricultural goods at global levels, feels the immediate need of an effective marketing system to enhance the socioeconomic status of its farming community by better price realisation and linkage of producer-consumer. Although APMCs were established to provide a platform to farmers to get a fair share for their products and safeguard them from the hands of the middlemen, they failed to prove so much efficient as they were aimed to be. APMCs were not beneficial to small and marginal farmers due to inadequate marketable surplus, long-distance to nearest APMC markets, and lack of transportation facilities for selling their produce in those markets. GrAMs were established to overcome the shortcomings observed in the APMC marketing system and enhance the marketing efficiency. GrAMs are aim to act as a link between farmers present at the village level to primary, secondary and terminal markets directly. These retail markets may prove as a foundation of robust market structure in India as it enables both direct sales between producer-consumer and aggregation of small produce-lots for the following transactions, provide the transactions can be offline/physically or online through eNAM. GrAMs are thus, a good initiative by the government in connecting the local markets to the electronic marketplace where the farmers can sell their products at the national level and can lead to an increase in the share of producers in consumers' rupee.

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