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Challenges in Creation of National Agricultural Market in Post GST Era

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Introduction

Creation of National Agricultural Market was a dream some thought was impossible considering the differences in tax regimes, Agriculture Produce Marketing Committee (APMC) Laws in each state etc. The Atal Bihari Vajpayee Government was the first Government to work in this regard when it embarked upon designing the Model Agriculture Committee Act, 2003. Almost 22 states have adopted the refined Model APMC Act in one form or the other. But the implementation of this act has been hap hazardous. It is interesting to note that against this backdrop the manifesto of the BJP in 2014 elections promised the creation of National Agriculture Market. This move aimed at transparent and better pricing for farmers as well as customers. This was likely to create a win-win situation for farmers as well as customers. This piece of research aims at evaluating the implementation of this scheme towards the end of the tenure of the Modi Government in 2019. This article further tries to delve upon the challenges faced by the NAM on account of Implementation of GST since July, 2017.

Status of National Agricultural Market at present

The National Agricultural Market scheme was launched on 14th April, 2016. The objectives of the scheme are :

1. Creation of National E-market Platform for transparent sale transaction of agricultural commodities.
2. One license for traders across state.

3. Liberal licensing of traders, buyers, commission agents by state governments without any precondition of physical presence or possession of shop/premises in market yard.
4. Harmonisation of quality standards and creation of facilities for assaying the quality of produce in market yards.
5. Single point levy of Market Fees on the first wholesale purchase from farmer.

This e platform for trading is managed by Small Farmers Agrobusiness Consortium which is a registered society working under the Ministry of Agriculture and Family Welfare. Whereas the Nagarjuna Fertilisers is the strategic partner which is responsible for development, operation and maintainance of the platform.

Currently 585 Mandis from across 16 states and 2 Union Territories are live on e-NAM platform trading in over 90 commodities. Uttar Pradesh has largest amount of mandis listed on the platform. Many states are slow in amending the state AMPC Laws and Government data show that the six States with the most mandis under eNAM are Uttar Pradesh – 66; Madhya Pradesh – 58; Haryana: 54; Maharashtra – 54; Telangana – 44 and Gujarat – 40. Currently only 4% of total agriculture produce is being traded through this platform. But considering the pace of developments this is going to be the largest invisible market place for farmers in the country. That's why the developments and challenges on this front are very important because they are related to the future of 52% of India's population which relies on agriculture. But many states

Benefits for the stakeholders

- **Farmers-** Under this scheme Farmers can showcase their produce online through their nearest mandi after going through the quality check. This ensures open price discovery and better prices for farmers. This online sale ensures competition for the produce and transparent pricing.
- **Traders-** NAM will provide greater opportunities for secondary sale.

- **Buyers and Processors, Exporters-** The NAM ensures quality, reduced intermediaries and larger options for buyers of all sorts.

Major commodities that are being traded on NAM are Paddy, Wheat, Potato, castor seeds, maize, ground nuts, guar seeds. Presently, it seems that more than farmers, the traders have taken in lead in being benefited from this platform. Prices on this platform are internalizing the movements in the National Commodities Derivative Exchange.

Challenges in implantation of National Agricultural Market

The agricultural markets are crowded by middlemen and agents. The Ashok Dalwai Committee on Doubling the Farmers Income pointed out that the farmers share in consumer price varies from 15 to 40 percent only. The committee points out that there are 29547 marketing points of which only 6615 markets are regulated markets while others are Regional Periodic Markets. Out of these 6615 markets only 500 odd markets have currently enrolled under the NAM and even in them the creation of infrastructure required for NAM is in preliminary stage. The data from the NAM website reveals that most of the transaction on the NAM Platform are Intra Mandi in Nature and Inter Mandi and Inter State business is yet to take off in a real way. Some of the challenges in this regard are:

- Over hauling of State APMC Acts to suit NAM conditions
- Creation of Nationally acceptable standards
- Creating suitable infrastructure at Mandi Level
- Uniformity in Commission and Fee Structures across states
- Formation of National Integrated Dispute Resolution Mechanism

NAM AND GST

GST was rolled out in July 2017 but the deliberation for it was being done for over a decade. But that has not been the case with the NAM. Like GST it is a game changer for the stakeholders in agriculture. But it seems neither these stakeholders nor the state governments have understood the potential of this particular and very important reform for the agriculture and on the 52% population.

Both, GST and NAM aim at creation of national market space by regulating the difference in tax structure, rules and Laws. In case of both of them the Federal structure of India's Constitution is at stake. Like GST, the NAM also aims to create a harmonized market for agricultural commodities. NAM will allow free flow of goods across state once it is operational on full scale.

The implementation of GST is likely to support the implementation of NAM in the coming years as it subsumes all the taxes, cess on interstate movement of agricultural produce. This will improve the virtual market by reducing the cost of marketing.

The present state makes it difficult to implement tax support extended by the central government due to heterogeneity of state laws and structures. But great degrees of deliberation are needed for bringing clarity on CGST and SGST on agricultural produce. The octroi in Maharashtra earns it 13000 crore rupees, for Gujarat the figure stands around 5000 crores. The states such as Haryana and Punjab earn around 2000 crore rupees as purchase tax. The loss of potential revenue its repayment mechanism would be a key area of debate. Besides the non agreement on inclusion of Diesel in GST makes the cost of inputs different in different states. The NAM is definitely going to affect the terms of trade for many states. The billing structure and interstate movement under e-way system is likely to ensure greater collection of tax. All these developments put NAM and GST face to face. It's going to be a key area of research in the coming years.

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