

'e-NAM is better than APMC, but it needs a framework that all states find compatible'

THE UNION Finance Minister Nirmala Sitharaman recently urged states to move away from the Agricultural Produce Market Committee (APMC) framework and push for greater adoption of the electronic National Agriculture Market (or e-NAM). SUDHA NARAYANAN of the Indira Gandhi Institute of Development Research tell UDIT MISRA the issues plaguing APMC Act.

What ails with the APMC framework? Why have the reforms not worked?

To understand why the APMC framework is viewed as problematic, we need to understand that both "agriculture" and "markets" are state subjects as per the Constitution. Each state has therefore historically had its own APMC Act, with provisions that can vary quite a bit. This lack of uniformity, or rather compatibility, has led to the fragmentation of agricultural markets, where each state functions as a separate market.

The original purpose of these Acts was to prevent the exploitation of farmers by traders, by bringing all trade into regulated markets. We know now, that creating fragmented markets also enabled restrictive practices and collusion among traders. It also led, inadvertently, to excessive dependence of farmers on middlemen, who are financiers, information brokers, providers of storage facilities, all rolled into one.

The architecture of state-specific APMC laws also introduces a lot of friction in interstate trade. As commodities move across market areas, they typically attract multiple fees. These transaction costs lead to large price dispersions between the producer and consumer.

Reforms of APMC across many states have allowed for more space for private players — allowing private market yards etc. I would not say that reforms have not worked — rather, different states have reformed their APMC Acts (or not) in different ways — in ways that serve local interests. In 2006, Bihar, for example, chose to repeal it. Different states also choose to enforce some aspects of the Acts more than others. In short, states don't necessarily consider the consequences of state-level reform beyond their narrow, local interests.

How does e-NAM correct for the weaknesses of APMC Act?

The e-NAM is an online trading platform, constructed with the goal of creating a seamless national market where buyers and sellers can transact without being in the same location. When this happens, more buyers



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can bid for a specific lot. Given that they are dispersed and bid anonymously online, it reduces the opportunities traders have for colluding. This is the main advantage of e-NAM.

For this to materialise, e-NAM needs a legal framework across states that is mutually compatible. Therein lies the challenge. So, rather than the e-NAM correcting for the weakness of the APMC Act, the e-NAM requires the weaknesses of the APMC Act to be corrected first, as a precondition, for its thriving.

The Model APLM Act of 2017 sought to provide a reference point for states so that they can align state-level laws to enable e-NAM. But as I mentioned before, it is politically difficult for state governments to do so. So the e-NAM is only a shade of what it can be.

Are there any downsides with eNAM?

The eNAM is reportedly functional in several states — it is not clear though how it is doing and whether it has the potential to reach a threshold where it can begin to make a difference. Apart from the issue with legal frameworks, there are several practical issues. For a trader to bid from another location, there needs to be a reliable way to assess the quality of the produce. Also, traders often prefer and trust visual inspection by their own agents. Settlement of trade with immediate online payments is also an intrinsic part of e-NAM — here too traders are reluctant to pay until they receive the goods.

Full interview on indianexpress.com