

## **Chapter 8: Crop prices and markets**

### **I. Low and volatile output prices**

The volatility of crop prices has been a major source of income instability and distress for farmers in Andhra Pradesh. A substantial part of the recent price volatility can be related to external trade liberalisation in agricultural products. As mentioned in Chapter 2, from the first half of the 1990s onwards, the central government liberalised the imports and exports of agricultural goods, which has led farmers to become much more exposed to international price fluctuations. This has meant that prices often bear no relation to state-level or national output trends, so that even periods of poor harvest can be associated with low prices. Sharp fluctuations in crop prices over the years also provide misleading signals to farmers, who tend to have high price response in terms of deciding the acreage under different crops.

The price volatility faced by farmers has been even sharper because the public procurement agencies have not been procuring sufficiently to ensure that Minimum Support Prices are maintained. This problem is even more acute for other cash crops such as cotton and groundnut than for rice. A further problem is that since the cost of cultivation is relatively high in Andhra Pradesh, the national MSP does not cover the costs for a substantial proportion of crops in the state. In fact, the Department of Agriculture, Government of Andhra Pradesh, on the basis of its own calculations of cost of cultivation and ANGRAU estimates, has been recommending higher MSP for most crops, which are typically not accepted by the CACP of the central government. Table 8.1 gives some idea of how large this discrepancy is for kharif 2004.

Table 8.1: MSP for different crops as suggested by Government of Andhra Pradesh and MSP announced by the Government of India

Crop	Suggested MSP (Rs. Per quintal)	Declared MSP (Rs. Per quintal)
Paddy – Common	645	560
Paddy – Fine	680	590
Jowar	800	515
Bajra	706	515
Maize	538	525
Ragi	754	515
Red gram	1784	1390
Green gram	1700	1410
Black gram	1859	1410
Groundnut shell	2268	1500
Sunflower seed	2035	1340
Cotton – medium staple	2700	1760
Cotton – long staple	2487	1960

Source: Department of Agriculture, Government of Andhra Pradesh

## II. Marketing:

The marketing of agricultural produce has become one of the critical areas where the farmers are exploited. A comprehensive Act of 1966 covers the marketing arrangements in the state. The marketing committees are autonomous entities representing growers, traders and local authorities. The government has a supervisory role to ensure that the market regulations are implemented properly. The objectives of the Agriculture Department and Markets Act, 1966 were: the creation of market areas and markets to ensure fair transactions; the rationalisation of market charges and prohibition of collection of excess charges;

the regulation of market prices; the licensing of market functionaries; and the dissemination and display of market information.

There are 299 Agriculture Market Committees constituted in the state to enforce the provisions of the Markets Act. The Chairman and members of these Market Committees are appointed by the government, and not elected. These Market Committees have notified 870 market yards. Out of these, only 481 markets have land, and only 381 also have infrastructure and other facilities. Currently there are 202 functional and 179 non-functional market yards in the state. Other markets yards are yet to be developed. The sale and purchase of agricultural commodities outside the market yard is prohibited and the sale is to be carried out through open auction or sealed tender system. About Rs.200 crores is collected annually as market fees through the check posts and market committee transactions.

There are a number of schemes under the Marketing Department, such as the Rythu Bandhu Padhakam, the Rythu Mithra Padhakam, District Agricultural Advisory and Transfer of Technology centres, technical support in the form of 56 soil testing laboratories established in the market yards and Rythu Bazars. While the programmes and schemes introduced have lofty ideals, the actual position is quite different from what is expected, as reported by the farmers and their representatives during the field visits.

A large number of problems in marketing were reported. To begin with, the market yards simply do not function in most of the coastal areas except for a few commodities such as chillies in Guntur district, turmeric in Duggirala, etc. Paddy is typically procured either by middlemen or by millers from the actual place of production, especially in coastal districts. Because farmers usually do not have adequate storage facilities of their own, and existing storage facilities are difficult access because of lack of information or resources, farmers are forced to sell their produce to the traders at cheaper prices. The large fall in the market prices

during the harvest season is the most common grievance that the farmers have represented. It is widely perceived that traders, miller and officials of Marketing Department join hands to bring down market prices during the peak harvest season.

The Rythu Bandu Padhakam scheme is not helping the farmers as expected. In 2003-2004 only 22,500 farmers availed of the loan facility, with loans totalling only Rs. 54 lakhs. The scheme is not popular among small farmers and there are allegations that the benefits go to middlemen rather than to farmers. Similarly, the Rythu Mithra scheme, under which quality seeds, pesticides and fertilisers are supposed to be sold to farmers, has been relatively ineffective, with only Rs. 6.21 crores being utilised as against Rs.54 crores allotted for this scheme during 2003-04.

There were numerous complaints about the functioning of the market yards. It appears that Commission agents are openly collecting double the approved commission from the farmers. Typically, farmers are not paid for their produce on the day of the transaction, and have to wait for 15 to 30 days to receive payment. In case any farmer wants the payment on the same day, an amount varying between 3 to 5 per cent of the price is deducted from the payment. The marketing yards still do not have electronic weighing machines in sufficient numbers, and even when these machines are used, farmers are not issued computer printouts indicating the weight of produce. There are complaints of malpractices like collection of extra quantities by the workers, in the name of local tradition and custom. The farmers tend to be at the receiving end and have to compromise at every point of selling their produce.

Administrative problems make matters worse. The absence of elections to the market committees has led to party-based nominations whenever the market committees are constituted. This keeps genuine farmers out of the management of marketing committees, in favour of those who happen to have the support of

political parties. Partly in consequence, the funds collected by marketing committees are not being used for creating additional infrastructure in the markets; instead, they are being used for non-market related activities. There is a perception that the staff working in the market yards owe their loyalty to traders rather than to farmers. All in all, there appears to be a clear nexus between the traders, officials and market management bodies, all working against the interests of farmers.

Inadequate infrastructure is also the source of several problems. When the farmers bring the produce to the market yards, they expect to follow certain quality parameters, which require tools such as moisture meters, seals, calipers, tarpaulins, which are often lacking. There are complaints of inadequate drying yards in case the produce is found to have a high moisture content. There are no qualified graders to determine the quality of produce brought to the market yards. In some yards, the price across the different market yards in the state as well as in the country is being displayed, but in the majority of market yards there is no such provision. The godown capacity of some market yards appears to be inadequate. For certain new commodities like sunflower, safflower, etc. there are no market yards. All this suggests that despite the substantial resources at the command of the Marketing Department and the Marketing Committees, the farmers' interests are not adequately served.

## **Recommendations**

### **On prices and procurement**

1. The state government should demand from the central government the introduction of a system of variable tariffs and if necessary Quantitative Restrictions on certain agricultural commodities, in order to ensure stable import prices that protect domestic cultivators and their livelihood.

2. A state-level procurement coordination committee under the chairmanship of Chief Secretary may be constituted in which the agencies of GOI and State government and departments should be members. This Committee should meet before the commencement of procurement season. The capacity of the agencies for procuring agricultural commodities needs to be assessed well in advance of the harvest, and appropriate arrangements should be made to enhance the capacities of the procurement agencies.

3. The state government should request the FCI and other central procurement agencies to take up the procurement of jowar, bajra, maize, ragi and grams of various kinds as well as related crops, so that these may also become cash crops.

4. The state government must in any case institute facilities for the public procurement of nutritious cereals (such as jowar, bajra, ragi) and grams at high incentive prices to encourage their cultivation. Such procurement would have to be locally distributed at low prices to create an incentive for purchasing these food grains in the public distribution system.

6. A market price stabilisation fund should be set up, either from the market surpluses or through an exclusively created fund for this purpose.

**On marketing arrangements:**

**1. The provision of adequate and non-exploitative marketing arrangements must be the basic goal of the Marketing Department.**

2. The move to create parallel private markets is fraught with many possible dangers and therefore the Commission strongly opposes any such moves. However, the existing market yards need to be increased, strengthened and their functioning has to be improved.

3. Each *mandal* should have a market and, depending on the need, purchasing centers may be created for a group of 5-6 villages.

4. Market committees must be managed by the farmers themselves. The present practice of nominating the Chairmen and other members to the market committees should be stopped and elections should be conducted to the market committees. Suitable guidelines and procedures may be worked out to ensure that the management of these bodies is kept in the hands of farmers.

5. The following proposals are made for infrastructure in market yards:

- The funds collected as market fee from the farmers should be utilised exclusively to improve the requirements in the market yards.
- The procedures being adopted in the market yards require to be studied in depth by a specialised body constituted exclusively for this purpose. The body may go into various aspects of functioning of market committees and come up with suitable report for overhauling the marketing committees' structure and functions.
- There is ample scope for modernising of existing markets by utilising the information technology and other developments in the field of electronics and communications.
- All the market committees should be equipped with adequate electronic scales and duly fitted with printers, and printed receipts must be given to the farmers.
- Physical facilities in the form of clean toilets, drinking water, shelters , rest sheds and canteens have to be created keeping in view the number of farmers attending the market yard especially during the peak seasons.
- Additional facilities and other infrastructure including cold storages have to be assessed market committee-wise and a plan of action should be prepared for developing the required infrastructure keeping in view with actual requirements.

6. The following proposals are suggested for market procedures:

- The payment procedures and procurement procedures need to be transparent and publicised widely to dispel the rumours and suspicions in the farmers.
- The unauthorised collection of commissions must be curbed immediately.
- The petty malpractices which are leading to harassment of the farmers in the market yards should be eliminated by educating the farmers and other stakeholders operating in the market yards.
- The practice of deferred payments and delayed payments must be stopped, and payment across the counter should be arranged on the same day of transaction.
- As the commodities are graded and prices are being fixed according to the grades, there is a need for trained graders in each market yard with laboratory facility.
- The procedures and rules covering the Rythu Bandhu scheme have to be revisited to make them farmer- friendly while ensuring that the scheme is not misused by the others.