CHAPTER I
INTRODUCTION

Agriculture is the largest sector of the economic activity and has a crucial role to play in the country’s economic development by providing food and raw materials, employment to a very large proportion of population, capital for its own development and surpluses for national economic development. The growth of agriculture depends on monsoon and production of farm products. The demand of agricultural goods is inelastic and prices of these agricultural goods fluctuate more than those of industrial goods, hence they have enormous human and political implications especially in developing country like India, so price and arrival play a more important role in agricultural sector. (Dave, 2015)

Agricultural markets in most parts of the country are established and regulated under the State APMC Acts. The whole geographical area in the State is divided and declared as a market area wherein the markets are managed by the Market Committees constituted by the State Governments. Once a particular area is declared a market area and falls under the jurisdiction of a Market Committee, no person or agency is allowed freely to carry on wholesale marketing activities. The monopoly of Government regulated wholesale markets has prevented development of a competitive marketing system in the country. The agricultural produce marketing committee is a marketing board established by the state governments of India. In order to facilitate farmers, the state government to sale their produce and get reasonable price and constituted APMC in many towns. Most of APMC have market yard where traders and other marketing agents are provided godowns and shops for purchase of agriculture produce from farmers. Farmers can sale their produce to agents or traders under supervision of APMC. (Singh, 2010)

The major functions of the APMC are: grant, renew, refuse, suspend or cancel license; provide the necessary facilities; regulate and supervise the auctions; maintain and manage the markets; regulate the sales, promote and organize grading and standardization of the agricultural produce and ware housing facilities in the market area. The APMC generates many benefits to the farmer community, farmers are get fair price; correct weighing for agricultural produces; maintenance of daily list of prices of commodities for
the benefits of formers and immediate payment after disposal of the produce (within 24 hrs.). As on 31-3-2010 the markets covered under regulation is 7177 in India. In addition there are 27924 rural periodical markets or hats, about 15 percent of these in markets have been brought under the ambit of the regulation. (Kadrolkar, 2012)

1.1 What is APMC?

An Agricultural Produce Market Committee (APMC) is a marketing board established by state governments of India, one main function of which is basically to provide a platform for farmers to sale their produce.

1.2 Why do we need one?

What we often saw in old Bollywood village movies, there being one Lala/Muneem type character who lends money to farmers for seeds/cattle/marriage expenses, then arbitrarily purchases his wheat/rice at low prices and high interests leading to farmers always being indebted to these Cartels, was not far from reality.

1.3 What else does the APMC do?

These Market Committees are engaged in development of market yards for the benefit of agriculturists and the buyers. They may also provide storage structures, godowns, etc. They may also arrange farmers markets which help farmers’ sale their produce directly to consumers. Examples of Farmer Market initiatives in Indian states include: Rythu Bazar in Andhra Pradesh, Apni Mandi in Punjab and Haryana, Kisan Mandi in Rajasthan, Shetkari Bazar in Maharashtra, Uzhavar Shanthigal in Tamil Nadu, etc.

They may also provide training to farmers on various aspects and help control price fluctuations in the market when properly managed. (Anon, 2014a)

1.4 APMC operate on two principles:

- Ensure that farmers are not exploited by intermediaries (or money lenders) who compel farmers to sale their produce at the farm gate for an extremely low price.
- All food produce should first be brought to a market yard and then sold through auction.

1.5 Features of APMC:

Each state which operates APMC markets geographically divide the state and markets (mandis) are established at different places within the state. Farmers are required
to sale their produce via auction at the mandi in their region. Traders require a license to operate within a mandi. Wholesale and retail traders (e.g. shopping mall owners) and food processing companies cannot buy produce directly from a farmer. (Anon, 2016g)

1.6 How is it formed?

A State is geographically divided and Market (Mandis) are established at different places within the states where farmers have to sale their products through auctions. State APMC Market Committees have 10-17 members elected or nominated by Government in accordance with provisions of the respective State APMC Act.

1.7 Glimpses of APMC Act

- In India, agriculture is a “state subject”. Thus, the wholesaling of agricultural produce is governed by the Agricultural Produce Marketing Acts of various State governments. The specific objective of market regulation is to ensure that farmers are offered fair prices in a transparent manner.
- The APMC Act empowers state governments to notify the commodities, and designate markets and market areas where the regulated trade takes place.
- The Act also provides for the formation of agricultural produce market committees (APMC) that are responsible for the operation of the markets. The entire State is divided and declared as a market area wherein the markets are managed by the Market Committees constituted by the State Governments. Currently there are around 7,500 regulated markets in the country.
- Once an area is declared a market area and falls under the jurisdiction of a Market Committee, no person or agency is allowed freely to carry on wholesale marketing activities. The issues with the monopolistic behavior of these regulated wholesale markets result in:
  - No development in the competitive marketing system
  - No help to farmers in direct marketing and organizing retailing
  - No smooth raw material supply to agro-processing industries
  - No adoption of innovative marketing system and technologies.
• To tackle various issues, a report by a Government task force suggested the following: New and competitive Agricultural Market in private and cooperative sectors should be promoted,
• Direct marketing and contract farming programmers should be promoted,
• The industries and large trading companies should be facilitated to undertake procurement of agricultural commodities directly from the farmer’s fields,
• Effective linkages between the farm production and retail chains should be established.

Thus, it was suggested that there is a necessity to integrate farm production with national and international markets to enable farmers to undertake market driven production plan and adoption of modern marketing practices. To make such changes effective, the current framework of APMC Acts in various states has to be amended. Model APMC Act 2003 Union Government had prepared a Model (Anon, 2014b)

1.8 APMC Act in 2003.

Union Government had prepared a Model APMC Act in 2003. As of 2014 some 16 states have adopted this Model Act. The salient features of this act are as follows:

1.8.1 Objectives of APMC Act:
• To provide for development of efficient marketing system,
• Promotion of agri-processing and agricultural exports,
• Lay down procedures and systems for putting in place an effective infrastructure for the marketing of agricultural produce.

1.8.2 Who can establish new markets?
• Under the existing acts, the markets are setup only at the initiative of State Governments. The 2003 act provides that Legal persons (such as individuals, organizations and companies), growers and local authorities are permitted to apply for the establishment of new markets for agricultural produce in any area.
• Further, in a market area, more than one market can be established by private persons, farmers and consumers.
1.8.3 What are provisions for separate markets for some specific commodities?

- The act makes separate provision for notification of ‘Special Markets’ or ‘Special Commodities Markets’ in any market area for specified agricultural commodities to be operated in addition to existing markets.
- Ensuring complete transparency in pricing system and transactions taking place in market area,
- Providing market-led extension services to farmers;
- Ensuring payment for agricultural produce sold by farmers on the same day;
- Promoting agricultural processing including activities for value addition in agricultural produce,
- Publicizing data on arrivals and rates of agricultural produce brought into the market area for sale.
- Setup and promote public private partnership in the management of agricultural markets.

1.8.4 Under APMC Acts:

- A State is geographically divided and Market (Mandis) are established at different places within the states.
- Farmers have to sale their produce through the auction at mandi.
- To operate in Mandi, a trader has to get license.
- Wholesale, retail traders (e.g. shopping mall owner) or food processing company etc. cannot buy farm output directly from farmer. They have to get it through the Mandi.

1.9 Old APMC Acts: Problems

<table>
<thead>
<tr>
<th>Membership</th>
<th>State APMC Market Committees have 10-17 members</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Either elected or nominated by Government in accordance with provisions of the respective State APMC Act.</td>
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<tr>
<td></td>
<td>But in several States, regular elections of APMC = not held.</td>
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<tr>
<td></td>
<td>APMC board are administrated by bureaucrats. As a result</td>
</tr>
<tr>
<td></td>
<td>1. APMC bodies have lost democratic nature.</td>
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<td></td>
<td>2. Bureaucrats run the show= red tapes + bribery</td>
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</table>
**Farmers Cheated**

Most Mandi traders do following:
- Even after receiving the fruit/veggies/grains, they delay payment to farmers for weeks and months.
- If payment is done on spot, then trader would arbitrarily deduct some amount, on excuse that he has not received payments from the other parties.
- To avoid tax/cess, the traders don’t give sale slips to farmers Later it is difficult for farmer to prove his ‘income’ to get loans from banks.
- on an average basis the farmer is able to receive barely 1/4th to 1/3rd of the final retail prices

<table>
<thead>
<tr>
<th>Double Commission</th>
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<tbody>
<tr>
<td>• Middlemen at Mandi charge commission on both seller (farmer) + buyer (the urban retailer / food processor)</td>
</tr>
<tr>
<td>• double commission=final consumer has to pay even more!</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Hurting Both Sides</th>
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<tbody>
<tr>
<td>Middlemen do not pass the benefit to either side</td>
</tr>
<tr>
<td>1. During peak season, when they buy from farmer @low prices, they don’t drastically reduce the prices to final consumer.</td>
</tr>
<tr>
<td>2. During lean season, when consumer’s prices are high, the farmers do not get higher returns on their produce.</td>
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<thead>
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<th>Resistance To Reform</th>
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<tbody>
<tr>
<td>• Middlemen have rent-seekers mentality.</td>
</tr>
<tr>
<td>• They resist anything that’ll increase transparency or reduce transaction cost and time.</td>
</tr>
<tr>
<td>• Even when electronic auction centers were established like the Safal National Exchange in Bangalore, the existing markets did not allow the transition to a transparent system.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>No Value Addition</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Middlemen have no facilities to do grading/sorting, all they do is pass the produce from farmer to final consumer and charge truckload of commission in between.</td>
</tr>
<tr>
<td>• Thus, post-harvest losses continue to be in the range of 18 to 40 per cent for several commodities</td>
</tr>
</tbody>
</table>
### Price Discovery
- For cereal, pulses and oilseeds, government announces Minimum support prices (MSP). So farmers know in advance, what the price of their produce.
- But for most perishables fruits/veggies, government doesn’t declare MSP.
- thus, farmers are completely dependent for price discovery and on intermediaries
- During peak production of seasonal crops, prices drop so drastically, the farmers can’t even cover the cash expenses of transportation to markets, leave alone the cost of production.

### No auction
- The licensee traders and commission agents have formed informal cartels at mandis. No auction takes place. Even if auction is held, collectively these traders keep low bidding so farmer never benefits.

### Cess
- Cess= tax on tax
- In every Mandi, every transaction is subjected to market tax + market cess.
- This Cess money is to be used for further development of Mandi infrastructure- sorting grading storage facilities etc.
- But money is not used for that purpose (Raja/Kalmadi-type elements omnipresent.)
- As a result, fruits and veggies often get rotten due to lack of processing, storage facilities at the Mandi. Even the good produce gets contaminated due to flies and larvae gastrointestinal diseases.

There are many problems faced by farmers due to the restrictions imposed by the APMC Act. Even after receiving the produce, some traders delay payment to farmers for weeks or months. If payment is made at the time of sale, then the trader may arbitrarily deduct some amount, on the excuse that he has not received payments from the other parties. To avoid tax, some traders do not give sale slips to farmers. As a result, it is difficult for the farmer to prove his income to get loans from banks. On average, the farmer is able to receive barely 25% to 33% of the final retail price. Middlemen receive double commission (both from seller and buyer), thus making consumers pay for this spread. Also middlemen do not pass the benefit to either side. During peak seasons, when they buy from farmers at low prices, they do not drastically reduce the prices to final consumers.
Conversely, during lean seasons, when consumer prices are high, the farmers do not get higher returns on their produce.

The APMC system was introduced to prevent distress sale by farmers to their creditors, to protect farmers from the exploitation of intermediaries and traders and to ensure better prices and timely payment for their produce through the auctions in the APMC area. However, APMC Acts restrict the farmer from entering into direct contract with any processor/ manufacturer/ bulk processor as the produce is required to be routed through these regulated markets. Over a period of time, these markets have acquired the status of restrictive and Monopolistic markets, harming the farmers rather than helping them to realize remunerative prices. (Anon, 2015f)

Exporters, processors and retail chain operators cannot procure directly from the farmers as the produce is required to be channelized through regulated markets and licensed traders. There is, in the process, an enormous increase in the cost of marketing and farmers end up getting a low price for their produce. Monopolistic practices and modalities of the state-controlled markets have prevented private investment in the sector. Thus, the monopoly of Government regulated wholesale markets has prevented development of a competitive marketing system on a pan-India basis, providing no help to farmers in direct marketing, organizing retailing, a smooth raw material supply to agro-processing industries and adoption of innovative marketing system and technologies.

The APMC Act treats APMC as an arm of the state and the market fee as the tax levied by the state, rather than as a fee charged for providing services, which acts as a major impediment in creating a national common market. Various taxes, fees/charges and cess levied on the trades conducted in the markets or Mandis are also notified under the APMC Act. APMC charge a market fee from buyers, and a licensing fee from the commissioning agents who mediate between buyers and farmers. They also charge small licensing fees from a whole range of functionaries (warehousing agents, loading agents etc.). In addition, commissioning agents charge commission fees on transactions between buyers and farmers. The levies and other market charges imposed by states vary widely. Statutory levies/mandi tax, VAT etc. all add up to hefty amounts, create market distortions with cascading effects and strong entry barriers. Further, multiple licenses are necessary to trade in different market areas in the same State. All this has led to a highly fragmented and high-
cost agricultural economy, which prevents economies of scale and seamless movement of agri goods across district and State borders.

APMC operations are hidden from scrutiny as the fee collected, which are at times exorbitant, is not under State legislature’s approval. Agents in an APMC may get together to form a cartel. This creates a monopsony (a market situation where there is only one buyer who then exercises control over the price at which he buys) situation. Produce is procured at manipulatively discovered price and sold at higher price, defeating the very purpose of APMC.

Further, APMC play dual role of regulator and Market. Consequently, their role as regulator is undermined by vested interest in lucrative trade. Generally, member and chairman are nominated/elected out of the agents operating in that market

1.10 Where is the problem?

To operate in an APMC Market (Mandi), you need to get a license, the pre-conditions for which is you must own a shop or warehouse in the Mandi. But Shops/warehouses are limited number and very expensive. Commission agent/middleman/trader have to make heavy investment to start a business in APMC. Even weigh men, Paddlers, Hamals have to get license. And we all know of the bribe culture in India that goes along with all License requirements. The Mandi people sometimes overcharge the farmers to recover their investment. (Anon, 2014d)

In several Indian States, regular elections of APMC are not held and APMC board are administrated by bureaucrats. There is wide variation in the governance of the Mandis. Some states run them under Panchayati Raj institutions, some states put them under supervision of district administration.

In every Mandi, every transaction is subjected to market tax + market cess. To avoid tax/cess, the traders don’t give sale slips to farmers. Later it becomes difficult for farmer to prove his ‘income’ to get loans from banks. Even after receiving the fruit/veggies/grains, they delay payment to farmers for weeks and months. Middlemen at Mandi charge commission on both seller (farmer) + buyer (the urban retailer / food processor). Basically, Middlemen have no facilities to do grading/sorting, all they do is pass the produce from farmer to final consumer and charge truckload of commission in between.
1.10.1 What has the government done to address these problems?

Government declares minimum support prices (MSP) for many cereal, pulses and oilseeds crops so, middleman at APMC cannot exploit the farmers beyond a level (otherwise he can sale it to the FCI). But for fruits and veggies, government doesn’t declare minimum support prices (MSP) gives plenty of opportunity for the middleman to exploit farmer (as well as end consumer). In 2003, the Union Agricultural Ministry introduced a new reformed model of the APMC act.

1.11 Present Scenario of APMC:

India has been undertaking significant structural change in Agriculture the post-liberalization period. While the farm sector is slowly diversifying and its growth is declining, it continues to maintenance or provides a living to more than half the country's populace. But farming is not a remunerative profession, especially in India. To develop exciting, stable and fair agricultural markets, the government has to reduce its interference in the pricing and movement of agricultural commodities and, instead, focus on developing adequate market infrastructure in rural areas, where farmers can get good prices for their products. In some eastern states, farmers are not even getting fair price of their produce.

1.12 State wise primary, secondary and non-regulate market in India

<table>
<thead>
<tr>
<th>No.</th>
<th>State</th>
<th>Regulate</th>
<th>Non-Regulate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Primary</td>
<td>Secondary</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>127</td>
<td>2</td>
<td>176</td>
</tr>
<tr>
<td>2</td>
<td>Arunachal Pradesh</td>
<td>1</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>Assam</td>
<td>22</td>
<td>63</td>
<td>28</td>
</tr>
<tr>
<td>4</td>
<td>Bihar</td>
<td>97</td>
<td>208</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Chhatisgarh</td>
<td>70</td>
<td>83</td>
<td>1</td>
</tr>
<tr>
<td>6</td>
<td>Delhi</td>
<td>10</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Goa</td>
<td>1</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>Gujarat</td>
<td>166</td>
<td>232</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Haryana</td>
<td>105</td>
<td>177</td>
<td></td>
</tr>
</tbody>
</table>
From the table 1.6, about 5,847 APMC are working in India. The APMC market is divided into two markets *i.e.* regulated and non-regulated respectively. Regulated market consist of primary and secondary market. According to table, the total primary APMC in
India were 2016 and secondary APMC were 2814 respectively under regulated market. Further, the non-regulated market consist of 1017 markets working in India. The primary market is run by merchants and traders. In primary market, the Government purchase and sale commodities in bulk arrivals. Likewise most of the secondary market is run by farmers’ commodities. They directly sale commodities in this market. Maharashtra state was recorded highest APMC i.e. 735 working APMC markets. Uttar Pradesh ranks second in APMC. i.e. 510 working APMC market. Further West Bengal ranks third with having 489 APMC. Gujarat state has 398 APMC working in India.

1.13 District wise primary and secondary market in Gujarat

<table>
<thead>
<tr>
<th>No</th>
<th>District</th>
<th>Primer Market</th>
<th>Secondary Market</th>
<th>Total market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ahmedabad</td>
<td>6</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>2</td>
<td>Amreli</td>
<td>1</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>3</td>
<td>Anand</td>
<td>11</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>4</td>
<td>Banaskantha</td>
<td>8</td>
<td>15</td>
<td>23</td>
</tr>
<tr>
<td>5</td>
<td>Bharuch</td>
<td>7</td>
<td>14</td>
<td>21</td>
</tr>
<tr>
<td>6</td>
<td>Bhavnagar</td>
<td>4</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>7</td>
<td>Dang</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>8</td>
<td>Dahod</td>
<td>4</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>9</td>
<td>Gandhinagar</td>
<td>4</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>10</td>
<td>Jamnagar</td>
<td>7</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>11</td>
<td>Junagadh</td>
<td>13</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>12</td>
<td>Kheda</td>
<td>7</td>
<td>14</td>
<td>21</td>
</tr>
<tr>
<td>13</td>
<td>Kutch (Kuchchh)</td>
<td>7</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>14</td>
<td>Mehsana</td>
<td>6</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>15</td>
<td>Narmada</td>
<td>3</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>16</td>
<td>Navsari</td>
<td>4</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>17</td>
<td>Panchmahal</td>
<td>6</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>18</td>
<td>Patan</td>
<td>7</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>19</td>
<td>Porbandar</td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>20</td>
<td>Rajkot</td>
<td>8</td>
<td>9</td>
<td>17</td>
</tr>
</tbody>
</table>
In Gujarat state, all the APMC are regulated market. Total market in Gujarat were recorded 398 APMC. From that, primary market was 166 working market and secondary market was 232 working markets in various district.

Surat district was recorded 37 working APMC in the state which is highest in Gujarat. Further, Rajkot district was recorded with 17 working APMC. Rajkot covers three APMC *i.e.* Rajkot APMC, Rajkot Shripeeth and Vegetable market. Likewise, Gondal taluka also consist of three working APMC *i.e.* Gondal APMC, Vegetable market and Animal market. (Anon, 2004c)

### 1.14 Suggestions in Economic Survey 2014-15 to Create a National Common Market in Agricultural Commodities:

The Economic Survey 2014-15 emphasizes on the need for a national common agricultural market and identifies un-integrated and distortion ridden agricultural market as the one of the most striking problems in agriculture growth. The Economic Survey suggests 3 incremental steps as possible solutions for setting up a national market. (Anon, 2014e)

- It may be possible to get all States to drop fruits and vegetables from APMC schedule of regulated commodities and followed by other commodities.
- State governments may be specifically persuaded to provide policy support for alternative or special markets in private sector.
- In view of the difficulties in attracting domestic capital for the setting-up marketing infrastructure, liberalization in FDI in retail could create possibilities for filling in the massive investment and infrastructure deficit in supply chain inefficiencies.

As a last resort, the Economic Survey suggests using Constitutional provisions to create a national common market for agricultural commodities.
Economic Survey reemphasize that India needs a national common market for agricultural commodities by making the Agricultural Produce Market Committee just one among many options available for the farmers to sale their produce.

1.15 How the act allows Direct Marketing?

- Direct marketing helps the farmers to
  - Reach and fulfil specific demands of the wholesalers or traders
  - Dynamically take advantage of favorable prices
  - Reduce marketing cost
    - Direct marketing also allows the farmer to undertake sorting, grading and quality marking at the farm gate itself. It helps him to obviate the regulated markets which are not necessarily equipped with all required services and facilities affecting the marketing efficiency adversely.
- The impact of direct marketing is that
  - The elongated chain of intermediaries is eliminated
  - There is a reduction of consumer prices
  - Producers receive better prices.
- In India, the direct marketing model this model has been experimented in Punjab and Haryana via the Apni Mandis, in Andhra Pradesh via the Rythu Bazar and in Tamil Nadu via the Uzhavar Santhaigal.
- The Model APMC Act 2003 makes provisions for establishment of consumers’/farmers’ market to facilitate direct sale of agricultural produce to consumers.

1.16 Private Investments in market yards

The ultimate objective of this act is to attract private investment in constructing market yards and creating the post-harvest value chain comprising cold stores, warehouses and logistics infrastructure.

Some of these measures are meant for high-value and perishable produce, such as fruit, vegetables and livestock products, which contribute substantially to food inflation.
Other important Provisions

- Imposition of single point levy of market fee
- Resolving of disputes, if any, arising between private market/ consumer market and Market Committee
- State Governments conferred power to exempt any agricultural produce brought for sale in market area, from payment of market fee.
- Market Committees permitted to use its funds to create infrastructure on its own or through public private partnership

1.17 Various Issues and need of amendment of APMC Act

In our country, the Agricultural marketing suffers from inefficiencies and infrastructural inadequacy. Needless curbs and controls, including movement restrictions, further constrain free and fair trade. Except for those who produce wheat and rice or the crops covered by the MSP regime, the gap between the prices received by producers and those paid by consumers is wide. Marketing operations lack transparency and are marked by high price volatility. The much-needed market intelligence, especially price information, is not readily available to most farmers. Various Issues with the APMC act are as follows:

- Centre had circulated the Model Agricultural Produce Marketing Committee (APMC) Act in 2003 and asked them to amend their APMC laws accordingly.
- The act provides for the setting up of private markets, direct deals between the growers and end-users of agro-commodities, including out of Mandi transactions, and legalization of contract farming etc.
- While many states have altered their marketing laws on constant prodding from the Centre, most of the amended laws do not conform strictly to the spirit of the Model statute.
- Vested interests in retaining the present Mandi system along with virtual monopoly of the APMC over the farm produce marketing are too strong to allow the needed legal changes.
Introduction

- The state level statues have so far unable to address the key issues such as expansion and modernization of marketing facilities, improvement in marketing information communication and linking small producers with efficient marketing channels.
- Further, task of establishing infrastructure needs massive investment, which the government alone cannot bear. So, Private participation is a must.
- But private investment of this magnitude is unlikely to come about in the absence of a favorable legal framework and policy environment.
- A planning commission working group report said that present model of marketing reforms, which seeks to create space for a new set of modern markets to operate along with the much less transparent APMC regulated markets, is unlikely to attract much private investment in modern marketing infrastructure.
- This report also maintained that private and APMC markets can coexist when some common standard operating procedure is introduced for all markets, including the existing ones.
- However, the existing APMC Mandis will not adopt such measures if they are not legally bound to do so.

The above discussion leads us to conclude that one more round of amendment of state APMC laws is needed. But this is a lengthy process.

A faster alternative can be enacting a central law for agricultural marketing that overrides the state laws. Though the agriculture is a state subject, yet the parliament of India is empowered to enact a law on any of the state subject using the power conferred upon it by virtue of the Article 249 of the constitution of India. Such an approach has been adopted in some other sectors that fall in the states’ jurisdiction under the Constitution.

1.18 Objectives of the study

1. To analyzed growth rate, trend and instability in price of groundnut, sesame and garlic in Gondal and Rajkot APMC.
2. To examine the seasonal variation in price of groundnut, sesame and garlic in Gondal APMC.
3. To study the degree of market co-integration and causality between Gondal APMC with Rajkot APMC in groundnut prices.
4. To identify the problems faced by farmers in Gondal APMC.