

Panacea for Indian Farmers: Mandis, e-NAM or Amazon?



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Lead Essay

Panacea for Indian Farmers: Mandis, e-NAM or Amazon?

In June 2016 the present government allowed 100 percent foreign direct investment (FDI) in food retail provided that the food products are produced, processed or manufactured in India. Last week the Department of Industrial Policy and promotion (DIPP) approved US e-commerce giant Amazon's proposal to invest about \$500 million in the food retail business in India. Similar investment proposals to the tune of \$195 million by other online grocery companies such as Grofers and Big Basket are being considered by DIPP. The agriculture sector in India seems set for a major overhaul.

Some media reports are optimistic about the increasing FDI in food retail predicting a favourable turn of fortune for the farmers. With more investment there would be better infrastructure in the farm sector such as in cold storage, warehouses thereby ensuring a smoother food supply chain and less wastage of the produce. It is envisaged that FDI will contribute to developing modern supply chains. Big businesses will successfully eliminate the middlemen who prevent farmers from obtaining a fair price and profit for their produce through direct procurement from small farmers by forming a collective.ⁱ The following piece aims to investigate this proposition.

Recent farmers strike over low profit margins for their produce

The ensuing agitation by farmers post the announcement of a loan waiver for farmers by the newly elected BJP government in Uttar Pradesh is a grim reminder of rural distress. Last month farmers in Maharashtra shut down wholesale markets, vandalised trucks carrying vegetables and let gallons of milk flow on the road that too in a year when Maharashtra witnessed a record food harvest. Similar protests in Madhya Pradesh resulted in the death of farmers. Even the protests by farmers from Tamil Nadu at Jantar Mantar in Delhi were reflective of the dismal condition the farmers in. One important demand made by farmers from all these states was with regard to the minimum support price (MSP). While farmers in Maharashtra demanded that the MSP must be over 50 percent of the cost of productionⁱⁱ in Madhya Pradesh the farmers called off the agitation when Chief Minister Shivraj Singh Chouhan assured them that onion and moong dal will be purchased at their MSP.ⁱⁱⁱ The farmers from Tamil Nadu continue their fight for higher profit margins from their yields among other demands.^{iv}

It is reasonable to derive that inability to command a fair price and profit from the agricultural produce has pushed the Indian farmer to agitate in order to negotiate better with the consumers/government. Perhaps encouraging investment through big business in food retail sector this government is promising a brighter future to the farmers where better critical infrastructure facilities and absence of middlemen would end their days of exploitation and they would be able to negotiate a better price directly with these companies.

Failure of indigenous e-commerce platform for farmers i.e. e-NAM

One promise for a brighter future of the farmers was made by the Prime Minister in April last year while launching the electronic national agriculture market or e-NAM aimed to improve farm incomes. He stated that - "farmers are often forced to sell at distress prices in the closest *mandi* and the e-NAM platform will allow them to sell their produce anywhere in the country." Further "while farmers will earn more, traders will have a wider choice and consumers can expect lower prices."^v It was envisaged that the e-NAM portal would link 585 mandis by March 2018 to create a trading portal for farmers in order to encourage transparency in transactions and allow farmers to command competitive prices. The portal would be a fitting response to trading cartels - formed through misuse of the Agriculture Produce Market Committees Act - controlling prices and charging large commission fees per transactions from the farmers.^{vi}

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As per an internal review of the Agriculture and Farmers Welfare Ministry e-NAM has not been entirely successful. The review reveals that the *aadtis* or mandi middlemen are ‘intentionally’ not trading through the e-NAM platform as it would hit their ‘margin.’ Shortage of computer terminals at the entry gate, lack of trained manpower to handle the operational part of e-NAM and slow internet speed (out of 66 e-mandis in Uttar Pradesh there is only one e-mandi with ‘good’ internet speed) are the major impediments in the success of e-NAM, launched amidst much fanfare for the benefit of farmers.^{vii}

The e-NAM initiative intended for improving the bargaining power of farmers while trading their produce has remained mere lip service on part of this government. The inherent flaws in the system itself when closely evaluated reveal that this scheme would benefit the buyers more than the farmers.^{viii} Despite the e-NAM platform being touted as a mechanism for encouraging inter-state trade there is no specification as to how the farmers will access multiple markets in order to obtain the best price for their produce. In contrast the buyers are at an advantage as they can access market information from multiple states and accordingly make the lowest bid. Moreover, even the amendments to the APMC Act which are prerequisite for the States to adhere before launching e-NAM are biased towards the buyers. The amendments require that there should be a single license that would be valid across the State and a single point levy of market fee. Neither a license nor a market fee was a requirement for farmers to trade at a local market yard earlier thus leading to new liabilities on the farmers.

Conclusion – where can Indian farmers best negotiate for a fair price?

On close evaluation of e-NAM we can conclude in reality it is not solely aimed at contributing to improve rural distress by offering an accessible and workable trading platform to the farmers presently being exploited by middlemen. Had the government undertaken concerted efforts to launch e-NAM and address the roadblocks in its implementation mentioned above the farmers would possibly be at a better footing to determine price for their produce. An alternative perspective is offered by Indian agriculture expert Devinder Sharma. He suggests that although APMC-regulated mandis have turned into ‘a den of corruption’ the solution cannot be found in e-NAM but to modernise these mandis to improve their efficiency. Measures such as expanding the network of APMC mandis, linking the same with a network of warehouses would aid in this modernisation.^{ix}

Without emphasizing on ironing out discrepancies in e-NAM or pushing the implementation of the new model law - Agricultural Produce and Livestock Marketing (Promotion and Facilitating) Act (APLM), 2017^x – making a beginning in at least the BJP-ruled States, this government considered it exigent to allow Amazon and other big business online grocery stores to enter food retail business in India over the other two courses of action. Is the government under the impression that farmers will be able to secure a better deal while negotiating with an international e-commerce conglomerate over – possibly – a well-functioning home grown e-commerce platform or improved APMC mandis free from clouts of middlemen?

A case in point would be the recent acquisition of the Whole Foods Market Inc., an American supermarket chain committed to organic produce, by Amazon for \$14 billion. There is clear clash of business ideologies between both organisations. While Whole Foods Market puts effort in ‘regional sourcing’ with emphasis on including small food producers into regional markets and sustainable farmers and small-scale food start-ups, Amazon is focussed on efficiency to gain commercial success. Critics of this merger have cautioned that Amazon may seek to lower the price of Whole Foods produce by demanding concessions from small farmers and vendors.^{xi} It would not be far-fetched to draw a parallel between the concerns raised after the acquisition of Whole Foods and the very plausible adverse impact on the Indian farmers owing to Amazon’s foray in food retail business.

The United States Congress has called for a hearing to address the threat the Amazon-Whole Foods deal bears for small business not just affected immediately by the deal but also its long term impact on harm to small businesses.^{xii} The Ministry of Food and Processing needs to urgently need to evaluate if the approval granted to Amazon is in the best interest of farmers and the future of agriculture in India and more importantly whether there are enough checks and balances to protect the farmers from predatory practices of a competitive e-commerce platform.

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Headline

Jobs, Facts and Fiction

(Manish Sabharwal, *The Indian Express*, July 17, 2017)

India is not suffering from jobless growth but 'poor' formal job growth. This situation can be improved through better infrastructure, lesser regulations and higher human capital which would lead to the creation of non-farm jobs. Thus, the primary policy challenge is not to create jobs but wages.

Read more: <http://indianexpress.com/article/opinion/columns/jobs-facts-and-fiction-4753648/>

Date Accessed: 17.07.2017

Economy

India's Low Paid Garment Workers Seek \$7.6 Million Compensation

(The Tribune, July 17, 2017)

According to a judgment by Madras High Court in 2016 the garment and textile workers in Tamil Nadu were to be paid a monthly average of 6,500 rupees as opposed to the earlier 4,500. However, it is alleged that the managers have delayed and defaulted on the payments. Workers are even being fired on trivial grounds, while manufacturers state that the hike puts them at a disadvantage to competitors in other states.

Read more:

<http://www.tribuneindia.com/news/nation/india-s-low-paid-garment-workers-seek-7-6-million-compensation/438002.html>

Date Accessed: 17.07.2017

Governance and Development

POLITICS AND GOVERNANCE

When Too Much is Too Little

(Sanay Kumar, *The Hindu*, July 17, 2017)

Food wastage must be curtailed to tackle the issue of hunger, land degradation due to deforestation, excessive groundwater usage and unsustainable agricultural practices and to prevent the wastage of various resources that are inputs during production such as water, oil. The government needs to facilitate the formulation of national policy to reduce food wastage and the ensuing socio-economic losses.

Read more: <http://www.thehindu.com/opinion/op-ed/when-too-much-is-too-little/article19290094.ece>

Date Accessed: 17.07.2017

India's Ambitious New Energy Policy Draft Tries to Bridge Dreams and Reality

(*India Spend*, July 14, 2017)

The Draft National Energy Policy released by NITI Aayog projects that India's energy demand will increase 4.5 times over 2012 levels. To address this it is suggested that Indian vehicles become electric by 2030 and new building codes must be adopted to reduce the energy use by 50 percent in the new construction.

Read more:

<http://www.indiaspend.com/cover-story/indias-ambitious-new-energy-policy-draft-tries-to-bridge-dreams-and-reality-91749>

Date Accessed: 17.07.2017

Rethinking Regulators and Regulatory Acts

(Geeta Gouri, *Live Mint*, July 14, 2017)

“Telecommunications is one sector where the changes have been disruptive and innovative, covering a wide range of services far removed from the traditional fixed-line telephones—the natural monopoly segment associated with the sector.”

The telecommunication sector now includes networks, internet services, virtual markets, the Internet of Things, cloud computing and the entire gamut of services using the information highway with innovative approaches to combining voice and data. It is the digital space of virtual markets that promises growth to Indian start-ups and multifold benefits to consumers.

Should this sector come under the purview of the Telecom Regulatory Authority of India (Trai) or the Competition Commission of India (CCI)?

Read More: <http://www.livemint.com/Opinion/Ng74b4p6D0j1RrOVIN7XEJ/Rethinking-regulators-and-regulatory-Acts.html>

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GENDER

Gender Empowerment

(Krishnadas Rajagopal, *The Hindu*, July 14, 2017)

The Transgender Persons (Protection of Rights) Bill, 2016 is still pending in Parliament. It attempts to bring the community into the mainstream. Decades after the Indian Constitution guaranteed the fundamental right to equality, freedom from discrimination on the basis of sex and gender and freedom of speech and expression, transgender persons face problems ranging from social exclusion to discrimination, lack of education facilities, unemployment, lack of medical facilities, to name a few.

Read More: <http://www.thehindu.com/todays-paper/tp-opinion/gender-empowerment/article19274074.ece>

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Governance and Development

AGRICULTURE

From Plate to Plough: Lessons for the field

(Ashok Gulati & Siraj Hussain, *The Indian Express*, July 17, 2017)

“Punjab was Indian agriculture’s star performer during the Green Revolution’s heyday. The state averaged an agri-GDP growth of 5.7 per cent per annum between 1972 to 1986, more than double the all-India average of 2.3 per cent in the same period. But thereafter, the Green Revolution began to gray. The growth rate of Punjab’s agriculture fell to 3 per cent per between 1987 to 2005 — almost the same as that of the 2.9 per cent growth rate registered by the country in agriculture during this period. Between 2006 and 2015, the state’s agri-growth rate plummeted to 1.6 per cent — less than half the all-India average of 3.5 per cent (see Graph 1). During this period, states such as Madhya Pradesh registered a growth rate of more than 9 per cent in agriculture.”

Read More: <http://indianexpress.com/article/opinion/columns/from-plate-to-plough-punjab-agriculture-lessons-for-the-field-green-revolutions-heyday-gdp-growth-4753622/>

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HEALTH

Five-year roadmap towards eliminating malaria — zone by zone, year by year

(Adil Akhzer, *The Indian Express*, July 17, 2017)

According to the World Malaria Report 2016, India contributed 89% of the incidence of malaria in the South-East Asia region. The Health Ministry has now released its vision for ridding the country of malaria by 2027, and of eliminating the disease by 2030. To be declared malaria-free, a country has to report zero incidence for at least three years. The ambitious National Strategic Plan (NSP) for Malaria Elimination (2017-22) was launched last week in New Delhi by Health Minister J P Nadda. The NSP, a year-wise roadmap for malaria elimination across the country, is based on last year’s National Framework for Malaria Elimination, which was, in turn, spurred by World Health Organisation’s Global Technical Strategy for Malaria, 2016-2030.

Read More: <http://indianexpress.com/article/explained/five-year-roadmap-towards-eliminating-malaria-zone-by-zone-year-by-year-4753710/>

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HISTORY

Hurting heritage

(Vandana Chavan, *The Indian Express*, July 15, 2017)

The government has approved changes to the Ancient Monuments and Archaeological Sites and Remains (AMASR) Act, 1958 to allow “public works” near these structures. If Parliament clears these amendments, national monuments will be threatened. Encroachments and illegal construction close to these monuments were happening on a large-scale and the penal provisions in the AMASR Act for endangering ancient monuments were not stringent enough to provide effective deterrence. As a result of the increased pressure of habitation, especially in urban areas, protected monuments and sites were getting hemmed in from all sides. This affected their safety, security and aesthetics. The AMASR Act was substantially amended in 2010 to strengthen several of its provisions.

Read More: <http://indianexpress.com/article/opinion/columns/hurting-heritage-amendments-to-the-monuments-act-threaten-historical-structures-ancient-monuments-and-archaeological-sites-and-remains-amasr-act-4751098/>

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