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Address for correspondence:
Nagaraja U
Associate Professor, Department of Commerce, SKVMS GFGC Kundapura, Karnataka
Email: madhu991615@gmail.com

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The Role of Agricultural Produce Market Committees (APMCS) In Agricultural Produce Marketing in Karnataka

Nagaraja U
Associate Professor, Department of Commerce, SKVMS GFGC Kundapura, Karnataka

Abstract

The agriculture sector plays a very important role for the economic and social development of India, and it is especially important in Karnataka where a considerable section of the population is directly or indirectly involved in agriculture. Farm income is more than agricultural production, the efficiency of the marketing system, its transparency and competitiveness, also affect returns to farmers. State Governments have set up Agricultural Produce Market Committees (APMCs) to control agricultural markets, create market infrastructure, enable effective price discovery in agricultural markets, and ensure fair practices in the markets. Karnataka has since then taken steps for institutional and technological changes like introduction of e-tendering, computerisation of markets and e-NAM integration. This paper analyses the functions performed by APMC in agricultural produce markets, assesses major functions performed by APMC with farmers, highlights the entrenched constraints in the institutionalised agricultural produce markets and explores the role of e-NAM and allied digital initiatives. The study uses a descriptive and analytical research design and has mostly used secondary information obtained from government publications, e-NAM documents, scholarly literature and policy reports. The evidence suggests that APMCs have helped in the development of regulated market yards, auction facilities, weighing and grading systems, storage and market-information systems. However, there are still some issues in agriculture marketing such as lack of infrastructure, need for intermediaries, lack of information, price fluctuations, poor storage, and limited access to alternative marketing channels. The analysis indicates that the reform of the APMC should be directed towards improving the competitive environment of the APMC, its infrastructure, transparency, digitalization, farmer groups/cooperatives and value addition, and should be aimed at regulated markets and alternate marketing channels as complementary institutional arrangements not mutually exclusive.

Keywords: *agricultural marketing, agricultural price discovery, agricultural produce, farmers, market infrastructure, e-NAM, APMC, Karnataka.*

Introduction

Agricultural production is just a part of the agricultural value chain. Farmers need to move their produce, store it, grade it, process it and market it after producing it before they can realize the value of the agricultural activity. Thus, the performance of the agricultural marketing system is one of the key factors influencing farm income and market involvement. The various constraints faced by the farmers in India are lack of adequate market information, lack of adequate transportation and storage facilities, lack of proper weighing, distress sales, dependence on intermediaries etc. Such concerns resulted in the formation of regulated agricultural markets under state APMC laws. APMC is a statutory market institution which is set up for the regulation of marketing of notified agricultural and allied commodities in a particular market area. It is primarily meant for an organized market where agricultural products can be sold within organized conditions. The duties of APMCs are related to provision and maintenance of market infrastructure, auctioning and sale arrangements, weighing and grading, storage arrangements, information on the market and facilitation of the transactions. Karnataka has been instrumental in shaping the agricultural marketing institutions and has brought institutional and technological changes in the marketing system. According to the government, the market committees are expected to offer Transport and Marketing facilities, information about the production, sale, storage, processing, prices and movement of notified commodities.

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The data of the source reveals that there are 146 APMCs, 146 main market yards and 352 sub-market yards in the state. Notable examples of the state's experience are the introduction of electronic tendering and computerisation in the agricultural markets. The introduction of e-NAM has also brought about a change in the operational set-up of APMCs by linking markets with a common electronic platform. The desired outcomes are better price discovery, less information asymmetry and increased transparency in agriculture transactions. Technological integration is no cure, however, for structural problems. Lack of storage facilities, prices and transportation costs, reliance on commission agents, and lack of bargaining position may still be present for farmers. It is, therefore, important to understand the role and effectiveness of APMCs in the context of agricultural markets in Karnataka.

Objectives of the Study

The study is undertaken with the following objectives:

- To examine the role of APMCs in agricultural produce marketing in Karnataka.
- To assess the principal services provided by APMCs to farmers.
- To identify the major problems associated with the APMC-based agricultural marketing system.
- To examine the contribution of e-NAM and electronic marketing to the improvement of agricultural marketing.
- To identify the major constraints faced by farmers in achieving efficient and remunerative market participation.
- To suggest measures for strengthening APMCs and improving agricultural marketing in Karnataka.

Review of Literature

Role and Limitations of APMCs

The literature and policy document review shows that APMCs can play a role in increasing transparency in agricultural transactions, ensuring timely payments, disseminating market information, processing and value addition, and managing agricultural trade. One of the motives behind the establishment of the regulated-market system was to safeguard farmers' interests against "exploitative" practices of intermediaries and provide organised avenues for agricultural commodity sales. Concurrently, policy literature points to the structural constraints, such as lack of market integration, licensing constraints, multiple charges, and lack of competition and concentration of intermediaries. All of these observations show that in the absence of competition, regulatory institutions are not necessarily sufficient.

Agricultural Marketing Reform

The Model APMC Act 2003 aimed to promote more competition and investment by allowing direct marketing, contract farming, private agricultural markets. The Committee of State Ministers on Agricultural Marketing Reforms also suggested amendment of the state level APMC law and more competition in the agricultural marketing. The states play an important role in implementing reform principles into practice, given that marketing is one of the key areas of agricultural activity that is largely in the state's control.

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The source material addresses the issue of agricultural marketing reform and e-NAM in India and concludes that there are infrastructure, institutional and information related challenges in implementing e-NAM in India as discussed by Kumar and Bisen (2018). They highlighted the need to improve the back-end supply chain infrastructure and farmers' awareness for the successful implementation of EAM. According to official e-NAM, the platform is a pan-India electronic trading system that aims to connect APMC markets, enable transparent auctions, improve price discovery, minimize information asymmetry and enable online payment.

3.4 Evidence from Karnataka: Evidence is reported from studies conducted in Karnataka. Godi's study on 200 farmers cultivating chilli, groundnut and cotton in Gadag revealed that farmers were utilising government, private and APMC warehouses and that even then they were facing shortfall in storage space. Farmers also mentioned the use of APMCs, commission agents, newspapers, radio and television for market information, but complaining about the process of price determination.

Ramakrishna and Ajjappa conducted a case study on the Bellary APMC and found that the problems faced by them included the post harvest infrastructure, packaging, intermediaries and awareness of the market participants. The study also showed that the farmers and workers depended on the commission agents and dealers for market information. Incorporating the primary evidence reported in the source material from January to June 2024, small farmers' participation in e-NAM related APMC markets in South India is found to be affected by farmer characteristics, in addition to the APMC/e-NAM ecosystem**.**

Research Methodology

Research Design

The study adopts a descriptive and analytical research design. It examines the institutional role of APMCs in agricultural marketing in Karnataka, identifies limitations in the existing marketing system and considers potential areas for institutional and technological improvement.

Sources of Data

The study relies predominantly on secondary information obtained from the following sources:

- Karnataka government publications
- Government of India and Indian Economic Service reports and documents
- National Agriculture Market (e-NAM) publications
- ICAR and agricultural policy documents Published scholarly studies and journal articles
- Agricultural marketing reform reports and related policy literature

Scope of the Study

The study is limited to Karnataka and does not cover other states and focuses on APMC market infrastructure, auctions and price discovery, market information, warehousing and storage, quality assessment and grading, role of intermediaries, digital agricultural marketing and e-NAM.

Method of Analysis

The analysis is based on comparison of themes and description of secondary sources. The functions/roles of APMCs are analysed in the light of constraints and implementation difficulties mentioned in government documents and published literature.

Limited by the study

Study does not contain a State-wide primary survey of farmers. Hence, the results are not statistically representative of the total farmers population of the state of Karnataka. There may be significant variations between the agricultural marketing conditions of various districts, various commodities, various farm sizes and different APMC markets.

Analysis and Discussion

The function of APMCs in Agricultural Marketing.

APMCs are a form of institutional intermediation between farmers and wholesalers. Farmers may not have had access to reliable price information and may have been involved in informal trading prior to the establishment of regulated markets. Designated places are provided in APMC market yards where farmers can sell their agriculture produce and licensed traders could carry out transactions. In the regulated framework, auctions, weighing, payments and market charges are under institutional rules. The APMCs thus play regulatory, infrastructural and facilitative roles in agricultural marketing system**.**

Market Infrastructure

Market infrastructure provision and maintenance is a basic job of the APMC. Market yards can contain auction sites, weighing sites, storage areas, loading and unloading sites, internal roads, administration offices and other services. The main and sub-market yards form a network in Karnataka and enable agricultural produce from various production areas to enter into the organised wholesale markets. This network can only be effective if the physical facilities and equipment are adequate and of good quality.

Price Discovery

Price discovery is one of the key activities of agricultural markets since farmers need to have accurate information about market prices to determine when and where to sell their agricultural products. APMC auctions can help maximize competition among buyers and thus help in price discovery; e-NAM aims to expand this role in the future by expanding electronic trading and the scope of participation in auctions. The e-NAM framework is officially based on transparency in auctioning and better visibility of demand and supply situation.

Market Regulation and Oversight

The APMCs also have a regulatory role by enforcing the rules of the market and providing a procedure in agricultural transactions. Improper weighing and unauthorized trading can be minimised with proper control measures. This function is especially important if the farmers have less bargaining power than the buyers. A well-structured market environment may offer means for weighing, auctioning and settlement of transactions, following defined institutional procedures.

Market Information

Timely information about arrival, price, demand and market conditions are crucial for farmers' marketing. The agricultural marketing system of Karnataka needs to provide the collection and dissemination of information about agriculture production, sale, storage, processing and prices and movement through market committees. However, access to information is not a guarantee of its availability or use. Limited access to internet, lack of knowledge about digital technologies and markets may be a constraint for small and marginal farmers.

Grading and Quality Assurance

Agricultural commodities are not all of uniform quality and hence grading and quality assessment is important for efficient price determination. Scientific grading and assaying can offer a more objective distinction of agricultural produce, which can minimize disagreements between buyers and sellers. The e-NAM framework also acknowledges the significance of facilities related to cleaning, sorting, grading and quality. Quality assessment can allow farmers who can produce higher quality commodities, to get the right price differentiation.

Major Issues in the APMC Based Marketing System

Dependence on Intermediaries

The use of intermediaries is still a major problem in agriculture marketing. Commission agents offer valuable services such as credit, market information, aggregation and developed buyer relationships. But too many intermediaries could limit the bargaining power of farmers. The Bellary APMC study shows that farmers and workers obtained market information through commission agents and dealers. The policy implication can be not necessarily the complete elimination of intermediaries, but rather provide alternative channels and improved negotiating forums for farmers, ensuring that intermediaries compete based on service quality and transaction terms.

Inadequate Storage

One of the most significant reasons for storage is that agriculture production is seasonal, and consumption is year round. In cases of insufficient storage capacity, farmers might be forced to sell shortly after harvest, especially when a large number of farmers sell at the same time the same product. The farmer experience about the availability of storage space along with the multiple arrangements of warehouse in gadad showed evidence that farmers faced the problem of storage space in spite of having made multiple arrangements. Farmers can benefit from increased flexibility in sales if they invest in storage facilities, such as warehouses, cold storage facilities and scientific storage.

Price Volatility

Seasonal supply, weather, production and consumer demand have an impact on agricultural prices. Farmer groups with no storage facilities and farmers who are not well informed about market timings could be vulnerable to negative price fluctuations. Price signals and forecasting are also mentioned as an important aspect of the policy review in the source material to look for conditions that can lead to distress sales.

Logistics and Transportation Constraints

The movement of agricultural produce is from villages to APMC yards, and then to processors, distributors and consumers. Farmers' net returns may be affected by high transportation cost and losses can be high if there is poor logistics, especially for perishable commodities. Therefore, the agricultural marketing policy should be designed to take into account and incorporate the overall supply chain rather than focus only on the auction process within the APMC yard.

Information Asymmetry

Price disparities may exist if farmers know little about price variations in different markets whereas traders, commission agents or larger buyers have more information and it is more current. While digital platforms can help minimize this gap, access to the internet, digital literacy and the availability of credible and comprehensible market information are critical.

Limited Direct Marketing

The farmers can also have alternative market avenues like direct sale, farmer producer organisations and contract farming. It is mentioned in the source material that direct marketing is a small percentage of the transactions and policy recommendations are made to build better coordination between farmers, industry and APMCs. Expansion of farmers' choice does not necessarily mean the end of regulated markets, as an alternative channel can be linked to the regulated market system in economy.

Enhancing the APMC Markets with e-NAM

National Agriculture Market (e-NAM) is one of the great technological advancements in the agricultural marketing sector. e-NAM is not an alternative to APMCs, but it is meant to serve as a platform to link APMC markets. It aims to reduce the information gap, transparent auctions, better price discovery and quicker electronic payments, and market integration. Electronic trading arrangements, trading licenses and single-point levy mechanisms are some of the institutional reforms introduced in the context of e-NAM.

Potential benefits of effective e-NAM integration include:

- Expansion of the pool of potential buyers
- Greater transparency in auction processe
- Creation of electronic transaction records
- Improved access to price information
- More efficient monitoring of arrivals and transactions
- Potential reduction in information asymmetry

However, agricultural marketing constraints cannot be resolved through technology alone. Digital market platforms require supporting physical infrastructure, including grading laboratories, warehouses, logistics facilities and reliable connectivity. They also require trained personnel and farmer awareness. Accordingly, e-NAM should be implemented as a complement to, rather than a substitute for, investment in physical agricultural-market infrastructure and institutional capacity.

Major Findings of the Study

- **Finding 1:** APMCs as institutional marketplaces APMCs have provided an organised institutional framework for agricultural trade and have contributed to the development of market infrastructure in Karnataka.
- **Finding 2:** Provision of essential market services APMC functions include market regulation, auctioning, weighing, grading, storage, dissemination of market information and facilitation of transactions.
- **Finding 3:** Persistence of infrastructure gaps Evidence from Karnataka indicates that inadequate storage and post-harvest facilities continue to constrain the effectiveness of agricultural marketing.
- **Finding 4:** Continuing importance of intermediaries Commission agents and traders can provide useful market and transaction services, but excessive dependence on them may weaken farmers' bargaining power.
- **Finding 5:** Expansion of opportunities through digitalisation e-NAM supports electronic auctions, information sharing and integration among agricultural markets, although effective implementation depends on infrastructure and institutional capacity.
- **Finding 6:** Need for diversified marketing channels An effective agricultural marketing system can combine APMC markets with direct marketing, farmer-producer organisations, cooperatives, processors and electronic market channels to provide farmers with greater choice.

Recommendations Modernisation of APMC Infrastructure

In the wake of recommendations, infrastructure of APMC has been modernised

The yards of APMC should be backed by modern warehouses, cold storage units, grading laboratories, electronic weighing systems, quality-testing units and efficient loading and unloading system. Enhance e-NAM Implementation in Karnataka: Enhance e-NAM Implementation: Make electronic trading more robust and conduct practical training for farmers on registration, electronic auctions, and interpretation and digital payments in the market. FPOs can help coordinate the gathering of produce from small farmers, help reduce marketing costs and improve collective bargaining. Collective marketing can also help meet the standard and quality standards of larger buyers. Ensuring Quality of Information Farmers must be informed in time about the prices, arrivals, demand and quality via mobile application, SMS services, local information centres

and APMC information systems. Enhanced Logistics and Storage Investment in warehouse, Cold Chain, Rural Roads and Transport System can minimize post-harvest loss and offer flexibility to farmers by controlling the time and place of farmers' sale. Strengthen scientific grading and assaying and farmer training in cleaning, sorting, packing and meeting quality criteria for grading and quality certification. More transparency in market charges: Market fees and other charges should be clearly communicated to farmers and buyers. Electronic transaction ledgers can enhance transparency and accountability. Supporting Direct Marketing: APMCs can facilitate economically viable direct-marketing arrangements of farmers, FPOs, processors, retailers and consumers to enhance the farmers' options and allow them to save on transaction costs. Continuous training on APMC procedures, e-NAM, grading, storage, market prices, digital payments, Government initiatives etc. is necessary for the Training and Awareness Farmers. Enhance Dispute Resolution APMCs: establish time-bound and accessible dispute resolution mechanisms for the farmers, traders and other market participants.

Conclusion

The Agricultural Produce Market Committees have contributed greatly in organising agricultural marketing in Karnataka. APMCs have created an important institutional framework for agricultural trade through the regulation of market yards, organised transactions for auction, weighing, grading, storage, information dissemination and regulation. The Karnataka experience is timely for Karnataka as it has also initiated the reforms in agricultural marketing with the introduction of Electronic tendering and e-NAM integration. Concurrently, regulated markets alone do not ensure an efficient and competitive agriculture marketing system. These problems in storage, post harvest infrastructure, information asymmetry, price volatility, intermediary dependence and limited direct marketing are highlighted by the government reports and academic studies cited in the source material, which indicate that these issues still exist. These constraints can differ in nature and degree by district, commodity, farm size and availability of alternate marketing channels. The evidence is thus indicative of a strategy that involves developing the regulatory, infrastructural and information functions of APMCs and promoting more competition and choice in markets. Investment in quality testing, storage, logistics and market information should be linked with the development of appropriate farmer group-based alternative marketing arrangements, and physical market infrastructure linked with digital platforms like e-NAM. Agricultural marketing reform must not only broaden the range of transactions but also enhance the quality, transparency and competitiveness of the marketing system in general. Farmers need to have clear price discovery, accurate market information, efficient logistics, and various legal marketing channels. A modernized APMC system, backed by farmer-producer organisations and cooperatives, and a system that allows for a feasible direct selling approach, can play a role in improving the responsiveness of the agricultural marketing system in Karnataka, which is supported by e-NAM. The impact of reform should be judged in the end by the role it plays in lowering the cost of transactions, making them more transparent, improving the bargaining power of farmers, and boosting the yield of agricultural production.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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