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Investment in Agricultural Markets and Markets Related Infrastructure in the Absence of APMC Act - A Case Study of Kerala State in India

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Abstract

Investment in agricultural markets and related infrastructure was estimated for Kerala state of India. The primary and secondary data were collected to meet out the objectives. The data was analyzed by using simple tabular analysis method. Total investment of Rs 440395.35 lakhs was made in agricultural market infrastructure in India. The selected state of Kerala was accounted for Rs 19001.22 lakhs nearly meager 4.31 share. It was found that among the various factors, processing and value addition was greatly influencing investment. The market stakeholders had suggested to develop agricultural markets and related infrastructure in numerous areas. Total investment requirement for all the suggested infrastructure items was Rs 1267 crores. All required investment can flow from Public Private Partnership mode, Central government, State Government and Local self of Government of Kerala, assistance from various agricultural marketing schemes and through Rural infrastructure development fund. Local self government markets may bring under the control of Department of Agriculture and also suggested for tax concessions, rationalizing tax structure and less interest rate for infrastructure projects. Emphasis should be given to training and awareness programs of central sector schemes for different agricultural market stakeholders.

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investment, agricultural markets, markets infrastructure, Kerala, APMC act, market stakeholders.

Introduction

Agriculture is a state subject, it is the responsibility of respective State governments to take requisite steps for reforming agricultural marketing structure to move away from controlled markets to regulation, creating competition and promoting investment in markets as per the model act. Now, many states have introduced various aspects of agricultural marketing reforms and some states are in the process of amending their (Agriculture Produce Market Committee) APMC act. The model act has been implemented since 2004 and the era of its first

phase of reforms is going to be over soon. But, there is no APMC act in Kerala. Keeping in view of the lack of APMC act, the Kerala has been selected for this study.

There is an apprehension that due to lack of APMC act in Kerala, agricultural market related investments are not coming up. Keeping this in view, this study was conducted to analyze whether due to lack of APMC act, investments are not coming up or it may be due other factors also. The paper is organised in four sections. Second section has discussed methodology adopted for carrying out this study. Investment made in agricultural

markets and related infrastructure in Kerala, factors responsible for lack of investment in agricultural market and related infrastructure, the perception of different stakeholders about agricultural marketing infrastructure investment, recommended markets and related infrastructure in Kerala and total investment required for Kerala is given in the third section, and conclusions and policy implications have been made in the final section.

Materials and Methods

Sampling Methodology

Selection of the State

The Kerala state lacks well developed agricultural market infrastructure on post harvest handling, assembling, sorting, grading, processing, packing, transportation, quality certification, palletization, labelling, pre-cooling, cold-store, ripening chambers and exports. In addition to that scenario of overcrowding, chaos and insanitary condition is apparently reflected in the markets. There is no sanitary and phytosanitary measures being adopted for the quality control of the produce. Kerala does not have APMC act.

There are no statutory regulations prevail. There are no controls for agricultural market. Government and Local self government (LSG) institutions provide marketing infrastructure. There is complete liberal market scenario prevail in Kerala markets (Govt. of Kerala, 2006). There is an apprehension that due to lack of APMC act in Kerala, agricultural market related investments are not coming up in the state. Keeping this in view, Kerala state was purposively selected for this study.

Selection of Respondents

To study the perception of different stakeholders about agricultural marketing investment in agricultural marketing infrastructure and factors responsible for lack of investment in agricultural marketing and market related infrastructure in Kerala, four districts of Kerala viz. Idukki, Cochin, Kozhikode and Wayanad were purposively selected. From the selected districts, different stakeholders namely marketing department officials, market officials, farmers, traders, entrepreneurs, bankers, self-help groups, co-operatives and exporters were randomly selected and also retail traders, processing units, self-help groups of Vegetable and Fruit Promotion Council Keralam (VFPCCK) markets, public sector organizations like Kerala State

Horticultural Products Development Corporation (HORTICORP) and state government department officials were randomly selected for this study. Table 1 depicts the number of stakeholders selected from the selected four districts.

Thus, total sample of 120 respondents were selected for this study.

Data Collection

In order to study the factors responsible for lack of investment in agricultural marketing and market related infrastructure and the perception of different stakeholders about agricultural marketing investment in agricultural marketing infrastructure in Kerala, the primary information was collected from selected respondents through well structured and pre-tested schedules by personal interview method.

The data on category of project wise investment made under Scheme for development /Strengthening of agricultural marketing infrastructure, grading and standardization (AMIGS scheme) in Kerala during 2005-06 to 2010-11 and State-wise investment under AMIGS scheme (as on 31-08-2011) since inception by National Bank for Agriculture and Rural Development (NABARD), National Co-operative Development Corporation (NCDC) and State agencies were collected from Directorate of Marketing and Inspection, Faridabad, Ministry of Agriculture.

The secondary information on number of whole sale markets under Directorate of Agriculture, number of markets under Vegetable and Fruit Promotion Council Keralam (VFPCCK), number of Grama Panchayat, Municipality area, Municipal Corporation agricultural markets (Govt. of Kerala, 2006) and other information on area, production and productivity of principal agricultural crops of Kerala and related information was collected from Directorate of Economics and Statistics, Trivandrum, Kerala (Govt. of Kerala, 2011) and also secondary information on quantity of agricultural and horticultural commodities procured and marketed were collected from respective organizations and departments.

Analytical Framework

The perception of different stakeholders about investment in agricultural marketing infrastructure, investment made in agricultural marketing and factors responsible for lack of investment in agricultural

marketing and market related infrastructure in Kerala was analyzed by using tabular analysis method.

Results and Discussion

Investment made under agricultural marketing infrastructure

State wise investment under AMIGS scheme (as on 31-08-2011) since inception by different organizations (per cent)

To attract investment in agricultural marketing infrastructure, the Ministry of Agriculture, Govt. of India launched a reform-linked scheme in October, 2004. Under the scheme, subsidy to private and public entrepreneurs is provided for a wide range of projects.

The scheme is credit linked with 25 per cent to 33 per cent back ended subsidy depending on the area and category of beneficiaries. The maximum subsidy limit is Rs 50 to 60 lakhs per project for the private sector, where as there is no limit for the subsidy for the public sector investment. Being a reform linked scheme, only 16 states /union territories have taken the benefit of the scheme.

State wise spread of investment has been worked out and presented in table 2. Out of 28 States and Union territories, only 16 states came forward for making investment in different projects of agricultural marketing infrastructures. Of the total investment of Rs 440395.35 lakhs made, the selected state of Kerala was accounted for (Rs 19001.22 lakhs) only 4.31 share. In the total investment, the Maharashtra alone accounted for nearly 17 per cent, followed by Andhra Pradesh (16.72 per cent) and Madhya Pradesh (16.71 per cent). The share in the total investment ranged between 10 to 15 per cent for only two states viz. Tamil Nadu and Rajasthan. The share in the total investment ranged between 7 to 10 per cent for the two states viz. Punjab and Gujarat. Sikkim and West Bengal accounted for lowest share. The share was below 1 per cent for the four states, viz. Orissa, Assam, Karnataka and Nagaland.

Investment made under Scheme for Development and Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization for different categories of projects for Kerala state

Table 3 shows Investment made under Scheme for Development and Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization

for different categories of projects for Kerala state during 2005-06 to 2010-11. It is envisaged from the table that the major share of investment was Cleaning, Grading, Storage and Packaging unit category of projects (30.07 per cent), followed by Establishment of private markets/ purchase centres/ collection centres/ Market yards category of projects (27.97 per cent), Market user common facility projects (Auction platform, Weigh bridge, Mechanical handling equipments) (21.31 percent), Primary processing and value addition facility projects (9.47 per cent) and remaining investment was contributed by other categories of projects like Pre-cooling/Cold chain facility (5.89 per cent), least by Mobile Infrastructure (3.97 per cent) and share of other infrastructures was only 1.38 per cent in the overall investment for different categories of projects. Thus, the total investment made for development of agricultural marketing infrastructure for different projects in Kerala stood at Rs 10132.69 lakhs.

It is also visualized from the same table that an investment of Rs 347.62 lakhs was made during the first year (2005-06). During the next year (2006-07), this investment rose to 744.35 lakhs recording a 114.13 per cent increase. During 2007-08, investment reached a level of Rs 2847.16 lakhs, recording the highest (282.50 per cent) increase over the previous year. Next year (2008-09), investment increased to 4198.41 lakhs, recorded only 47.46 per cent increase from the previous year.

During the year (2009-10), it decreased to Rs 725.71 lakhs and registered a 82.71 per cent decrease over previous year. Again, it increased to Rs 1269.43 lakhs from the previous year and registered an increase of 74.92 per cent from 2009-10. The overall per cent rise in end of 2010-11 as compared to 2005-06 recorded an extraordinary increase of 265.18 per cent.

Factors influencing and responsible for lack of investment in agricultural marketing and market related infrastructure in Kerala

It can be inferred from table 4 that among the various factors influencing investment in agricultural marketing infrastructure, 100 percent of respondents reported that processing and value addition was highly influencing agricultural marketing infrastructure investment, followed by lack of APMC act (92.86 per cent), very less exports (92.86 percent), lack of public-private partnership in market infrastructure (92.86 per cent) and less public sector investment (92.86 per cent).

Table.1 Total number of market stakeholders selected from Kerala

S. No.	Name of Stakeholder	Number of Stakeholders
1	Marketing department officials	20
2	Market officials	10
3	Farmers	40
4	Traders	20
5	Entrepreneurs	5
6	Bankers	3
7	Self-help groups	5
8	VFPCCK markets	5
9	Co-operatives	2
13	Processing units	4
14	Exporters	6
	Total	120

Table.2 State wise investment (Rs Lakhs) under AMIGS scheme (as on 31-08-2011) since inception by different organizations (per cent)

S. No	Name of the state	NABARD	NCDC	STATE AGENCY	Grand total (Rs Lakhs)	Per cent
		TFO (Total Financial outlay)	TFO (Total Financial outlay)	TFO (Total Financial outlay)		
1	Andhra Pradesh	73638.98	0.00	0.00	73638.98	16.72
2	Madhya Pradesh	56641.23	0.00	16969.26	73610.49	16.71
3	Punjab	19235.60	648.40	20996.17	40880.17	9.28
4	Kerala	13704.87	4863.62	432.73	19001.22	4.31
5	Tamil Nadu	24079.63	30096.60	100.00	54276.23	12.32
6	Rajasthan	32136.18	0.00	15378.19	47514.37	10.79
7	Chhattisgarh	7427.15	0.00	5798.46	13225.61	3.00
8	Himachal Pradesh	2408.97	0.00	2735.84	5144.81	1.17
9	Maharashtra	58509.40	3365.00	12599.59	74473.99	16.91
10	Orissa	482.40	0.00	0.00	482.40	0.11
11	Gujarat	15517.72	17485.49	815.42	33818.63	7.68
12	Sikkim	60.42	0.00	0.00	60.42	0.01
13	Karnataka	552.90	0.00	177.91	730.81	0.17
14	Assam	1052.50	0.00	0.00	1052.50	0.24
15	Nagaland	0.00	0.00	1713.20	1713.20	0.39
16	West Bengal	0.00	30.41	0.00	30.41	0.01
	Total	305447.94	57230.64	77716.77	440395.35	100.00

Source: Directorate of Marketing and Inspection, Faridabad, Ministry of Agriculture, Govt. Of India, 2011.

Table.3 Investment (Rs Lakhs) under Scheme for Development and Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization during 2005-06 to 2010-11 (Category of project wise investment for Kerala state) and Per cent Change in Investment for different categories of projects in Kerala

S. No	Type/ Category of Project	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Total (Rs Lakhs)	Per cent share
1	Primary Processing and Value Addition Facility	5.87	126.44	235.31	214.38	249.26	128.12	959.38	9.47
2	Cleaning, Grading, Storage and Packaging Unit	341.12	362.66	1245.70	682.89	19.08	395.53	3046.98	30.07
3	Pre-cooling/Cold chain facility (Cold Storages, Reefregrated Vans, Milk Chilling Plants etc)	0.00	0.00	298.50	298.50	0.00	0.00	597.00	5.89
4	Market User Common Facility (Auction platform, Weigh Bridge, Mechanical Handling Equipments)	0.00	0.00	0.00	2138.92	20.00	0.00	2158.92	21.31
5	Mobile Infrastructure	0.00	18.50	23.60	157.52	18.50	184.16	402.28	3.97
6	Establishment of private markets/ Purchase Centres/ Collection Centres/ Market Yards	6.50	236.75	1044.05	566.27	418.87	561.63	2834.08	27.97
7	Other Infrastructures	0.00	0.00	0.00	139.93	0.00	0.00	139.93	1.38
	Grand Total (Rs Lakhs)	347.62	744.35	2847.16	4198.41	725.71	1269.43	10132.69	100.00
	Per cent increase /decrease (change)		114.13	282.50	47.46	-82.71	74.92		

Source: Directorate of Marketing and Inspection, Faridabad, Ministry of Agriculture, [Govt. Of India, 2011](#).

Table.4 Factors responsible for lack of investment in agricultural marketing and market related infrastructure in Kerala

S. No	Important Factors	Per cent
1	Processing and value addition is less.	100.00
2	There is no APMC act.	92.86
3	Exports are very less except spices, fish and few commodities.	92.86
4	Public -private partnership of market infrastructure is not there	92.86
5	Public sector investment is less.	92.86
6	There are no market regulations (legislations) / Regulatory environment for agricultural markets.	85.71
7	Access to finance / Financial institutions is not easy	85.71
8	Market rate of interest / Real interest rate for market investment should be less.	85.71
10	Lack of availability of State Govt. subsidy for market infrastructure investment schemes.	85.71
11	Not favourable State Government policies.	85.71
12	Farmers involvement in marketing is less and traders involvement is more.	85.71
13	Most of the markets are Local self-government markets (grampanchayat, municipality and municipal corporation markets).	85.71
14	Less market development activities and Poor management of local self govt. markets by owners of the markets except market cess collection.	85.71
15	Lack of awareness about Central government. Subsidy for market infrastructure investment schemes.	78.57
16	Strong trade unions and labour problem	78.57
17	Less raw material availability (Agricultural production is less except for few agricultural commodities)	78.57
18	Land availability and land acts for market development is not conducive.	78.57
19	Not favourable Central government policies.	71.43
20	Tax concessions /Tax incentives for market investment should be more.	71.43
21	Private sector investment is less.	71.43
22	People working culture - not active people.	64.29

Source: Author calculations

Table.5 Total investment requirement for all the suggested infrastructure (Rs Crores)

S. No.	Particulars	Estimated Investment (crores)	Per cent
1	Modernization and renovation of six markets under Directorate Of Agriculture	36	2.84
2	Modernization of Local self govt. markets	610	48.15
3	Market intervention fund	50	3.95
4	Market Information and Market intelligence	100	7.89
5	VFPCCK markets (Modernization)	14	1.10
6	HORTICORP (Retail units)	51	4.03
7	State Warehousing Corporation (Warehouses Construction and modernization)	100	7.89
8	Exporters (Steam sterilization units and Export testing labs)	20	1.58
9	Spice Crops infrastructure	126.5	9.98
10	Paddy infrastructure	17.5	1.38
11	Processing units	62	4.89
12	Common infrastructure	80	6.31
	Total	1267.00	100.00

Source: Author calculations

Around 80 to 90 percent of respondents reported that factors like lack of regulatory environment for agricultural markets, access to finance / financial institutions, market rate of interest, lack of availability of

state government subsidy schemes, state government policies, farmers involvement in marketing is less and traders involvement is more, most of the markets are local self-government markets, poor management of local self-government markets and less market development activities were influencing investment in agricultural marketing infrastructure. The other respondents reported (70 to 80 per cent) that lack of awareness about central government subsidy, strong trade unions and labour problem, less raw material availability, land availability and land acts for market development, central government policies, tax concessions /tax incentives for market investment, private sector investment were considerably influencing investment and also people working culture (64.29 per cent) was least influencing factor for market investment.

Suggested agricultural markets and market related investment by various stakeholders

The selected respondents had suggested to develop agricultural market and market related infrastructure in several areas viz. modernization and renovation of whole sale markets of Department of agriculture, renovation and modernization of Local self-government markets, strengthening of market Information and market intelligence system for agricultural markets, price stabilization and market intervention fund for agricultural commodities, Infrastructure and facilities for VFPC markets, Kerala State Horticultural Products Development Corporation Limited (HORTICORP), State Warehousing Corporation, exporters and export oriented spice crops and also commodity specific infrastructure for Pine apple, Banana, Mango, Tapioca etc.

Total investment requirement for all the suggested infrastructure

Table 5 depicts that total investment requirement for all the suggested infrastructure items was Rs 1267 crores. It is envisaged from the table that major area of investment requirement was for local self government markets modernization (48.15 per cent) followed by spice crops (9.98 per cent), market information and market intelligence (7.89 per cent), construction and modernization of warehouses (7.89 per cent), common infrastructure (6.31 per cent), processing infrastructure (4.89 per cent), HORTICORP (4.03 per cent), market intervention fund (3.95 per cent), modernization and renovation of six markets under Directorate Of Agriculture (2.84 per cent), exporters (1.58 per cent), paddy(1.38 per cent) and share of VFPC markets was

lowest as 1.10 per cent. The few results of the study are in similar with the findings of [Maurice and Mary \(2009\)](#); [Planning Commission \(2007\)](#) and [Andrew \(2004\)](#).

Conclusion

It may be concluded from this study that total investment of Rs 440395.35 lakhs was made in agricultural market and market related investment in different states (since the inception of AMIGS scheme from 2004), the selected state of Kerala was accounted for Rs 19001.22 lakhs nearly meager 4.31 share. In that, the total investment made for development of agricultural marketing infrastructure in Kerala stood at 10132.69 lakhs under AMIGS scheme during 2005-06 to 2010-11 for different categories of projects.

It was found that among the various factors influencing investment in agricultural marketing infrastructure, 100 percent of respondents reported that processing and value addition was highly influencing agricultural marketing infrastructure investment, followed by other factors like lack of APMC act, very less exports, lack of public-private partnership in market infrastructure, less public sector investment, lack of regulatory environment for agricultural markets, poor management of local self-government markets, lack of awareness about central government schemes, strong trade unions and labour problems were influencing investment in agricultural marketing infrastructure. The selected respondents had suggested to develop agricultural market and market related infrastructure in several areas. Hence, total investment requirement for all the suggested infrastructure items was Rs 1267 crores.

Policy Implications

Long term policy measures

- i. This research study recommended that development of agricultural market and market related infrastructure in several areas for Kerala. The development of Kerala agricultural markets would require huge investment resources. Kerala government and Central government alone cannot provide these resources. Hence, Kerala need to mobilize private sector investments. So, Public Private Partnership should be promoted and private sector participation may bring in the much needed investment and contribute significantly to process of development of market infrastructure in Kerala. In addition to that funds can flow from Central government assistance, State government of Kerala,

Local self of Government of Kerala and RIDF (Rural infrastructure development fund) etc. to meet out all the suggested investment and part of funds may be from Central government agricultural marketing related schemes as subsidy, matching funds from State Government of Kerala and banks assistance for various schemes if Kerala is willing to attract investment under various marketing schemes.

- ii. More number of markets were controlled by Local self-government. Poor management and less market development activities of local self govt. markets by owners of the markets except market cess collection. So, Kerala government may bring all these Local self of Government markets under the control of Department of Agriculture, Government of Kerala and also may set up separate agricultural marketing department under Department of Agriculture.

Medium term policy measures

Training should be given in the area of agricultural marketing infrastructure and awareness should be created about central government schemes for market and market related infrastructure like AMIGS scheme and Rural godown scheme etc. to avail subsidy and promote market investment under various central government schemes.

Short term policy measures

- i. Tax concessions /Tax incentives should be given for market related investment projects for market stakeholders and tax structure should be rationalized.

- ii. Financial Institutions should fix less interest rate for market and market infrastructure related projects.

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