

# Report of The Working Group On Consumer Affairs

## 3. Recommendations and Action Plan

Sr. No.	Terms of Reference	Recommendations of Working Group	Action Plan
1.	Increasing efficiency of distribution channels from farm to consumers	<p>a) Increasing competition in Agriculture Produce Markets APMCs dominate agriculture markets. This is a monopoly situation. Private and other agriculture markets should be encouraged for better price discovery and competition. This will multiply number of distribution channels and help farmers realize better prices of their produce.</p> <p>b) Need for Single Agricultural Market A single unified market does not exist within India and there are significant inter-state barriers to</p>	<p>a.1 Private sector, Corporates, and Joint Ventures need to be encouraged to set up markets for free and competitive trade. All the State governments should amend the State Agricultural Produce Marketing Regulations Act to provide inter-alia for (a) enabling the private and cooperative sectors to establish and operate marketing services; (b) allowing direct marketing; (c) permitting contract farming; (d) rationalization of market fee; and (e) attracting agencies to take up marketing infrastructure development projects.</p> <p>a.2 Empowered Group of Agriculture Ministers' must be set up to monitor the progress with all the State governments and if needed, may consider providing Technical Support for facilitating amendments in respective State APMC Acts. All state governments should accomplish this objective within an year. Ministers of Agricultural Marketing of States may also be included in the Empowered Group.</p> <p>a.3.1 Appropriate scheme be formulated to provide credit linked assistance for development of general and commodity specific agricultural markets and for strengthening existing markets including wholesale and rural periodic markets.</p> <p>a.3.2 Also include agricultural marketing under Viability Gap Funding (VGF) scheme of GOI and 20% of the project cost should also be provided as VGF.</p> <p>b.1 VAT rates can be kept at low level and if possible exemption can be given to the agriculture produce.</p> <p>b.2.1 APMC cess should be collected at a single point to avoid cascading impact on prices.</p>

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		<p>trade. These barriers can be broadly categorized into taxation related barriers and physical barriers that should be reduced / eliminated.</p> <p>c) Addressing information asymmetry: Market place is the best mechanism of price discovery. Information asymmetry among various stake holders should be minimized. Present government (decentralized) system of data collection for preparing crop sowing/ production estimates is not so reliable or timely. On the other hand, intermediaries/ traders in agriculture produce market have much better network of information gathering. They can also serve as a useful but indirect source of reliable crop production estimates if there is a centralized system for collection of information on trade transaction/ storage from traders, dealers and warehouses/cold storages.</p>	<p>However, the service charges could be allowed to be collected by all those APMCs wherever the goods are traded after the first sale and these charges should be commensurate with the services provided by the respective APMCs.</p> <p>b.2.2 Details should be worked out by the permanent standing mechanism for regional/national co-ordination.</p> <p>c.1 GOI should establish a mechanism, if necessary by creating a dedicated agency for this purpose , to collect and widely disseminate to all stakeholders timely information on production, import, stocks and overall availability of essential commodities. Appropriate information technology based tools should be used for this purpose to minimize the time taken to collect and distribute the data to all stakeholders.</p> <p>c.2. Information so available on IT based Trading &amp; Stock Holding platform should be used to provide market-led extension services to farmers and other market functionaries. E.g. by providing ticker boards at APMC and other commodity markets.</p> <p>c.3. The gap as well as lag in availability of agricultural marketing information and statistics should be reduced by (a) strengthening statistical cells at the centre as well as state level (b) Satellite Imagery Technology should be used for ascertaining crop production estimates. Crop estimation through crop cutting experiments should be supported by satellite data for smaller areas.</p> <p>c.4 A massive programme of marketing extension should be launched. Privatization of extension services with appropriate financial backup from the public sector should be encouraged. An essential requirement for this is a 24- hour TV Kisan Channel on Door Darshan. All government schemes should be made available to private sector extension agency on a project mode with base line survey and evaluation of extension efforts by the end of crop season.</p>

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		<p>d) Improving Agri-Infrastructure of backward and forward linkages for Agriculture Production and Marketing.</p>	<p>d.1 Carry out gap analysis in respect of following infrastructure needs and formulate appropriate schemes for mobilization of resources for creation and expansion of agri-production-marketing infrastructure over next 10 years.</p> <p>d.1.1 Agri-Infrastructure (Pre sowing linkages):</p> <ol style="list-style-type: none"> <li>i) Irrigation infrastructure,</li> <li>ii) Farm Technology,</li> <li>iii) rural electrification,</li> <li>iv) rural roads and transport,</li> <li>v) Water shed development / land development and integrated natural resource management (forest etc.),</li> <li>vi) Agriculture R&amp;D, training, extension services infrastructure for continuous expansion in productivity potential.</li> </ol> <p>d.1.2 During crop period infrastructure linkages:</p> <ol style="list-style-type: none"> <li>i) Agri-inputs such as (1) pesticides etc. (2) Fertilizers depots,</li> <li>ii) Crop loans and crop insurance through Rural Financial Institutions (RFI).</li> </ol> <p>d.1.3 Agri-infrastructure (Post harvesting linkages):</p> <ol style="list-style-type: none"> <li>i) Marketing network including yard development,</li> <li>ii) Fruits and vegetable market infrastructure,</li> <li>iii) Cleaning, storage, packaging and grading infrastructure in villages including farmers' training,</li> <li>iv) Storage and cold storage infrastructure facilities,</li> <li>v) Processing and value addition infrastructure in villages,</li> <li>vi) Market information network,</li> <li>vii) Research infrastructure for improving post harvest handling of farm produce.</li> </ol> <p>d.2.1 The private sector should be encouraged to bridge the gap in agri- infrastructure for which public assistance should be provided in PPP mode. Successful small farm mechanization models of China and Japan can be studied and adopted after suitable modifications.</p>

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		<p>e) Strengthen Spot &amp; Future markets.</p>	<p>d.2.2 In addition, the Co-operatives should be motivated to take up these activities and they should be given 70% subsidy.</p> <p>d.2.3. In times of plenty, lack of storage space poses a problem. It is imperative that both the State and centre make efforts in shoring up the storage space through its own sources and by encouraging the public private partnerships so as to create a huge cushion in lean years and minimize distress sale and purchase in times of crisis.</p> <p>d.2.4. Creation of Cold chain infrastructure is also an important aspect to provide better return to the farmers and bring down the costs for the end consumers. In addition GOI should promote research in bio-based/ solar-powered cold chains in tune with the need of Green Development.</p> <p>d.3.1 Up-to-date information on prices and other market factors enables farmers to negotiate with the traders and also facilitates spatial distribution of products from rural to urban and between markets.</p> <p>d.3.2 Govt. of India should promote the scheme of “Live Dissemination Programme” to install ticker boards in Mandis.</p> <p>d.4 Agricultural marketing should be included in GOI scheme for PPP with 20% VGF.</p> <p>d.5 Though the Warehousing Regulatory Authority has been set up, steps should be taken to create awareness among stakeholders particularly the farmers so that they benefit from such arrangement.</p> <p>e.1 Reform Spot markets by amending APMC Act as per proposed Model APMC Act as mentioned in para a.1 and a.2.</p> <p>e.2 Spot markets should be strengthened to enable farmers to get better value for their produce.</p> <p>e.3.1 Food security being the utmost concern, for the time being there should be a ban on the trading of essential commodities in the future market.</p>

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		f) Integrate warehousing/ cold chain infrastructure with spot and futures markets in the form of negotiable warehouse receipts.	<p>e.3.2 However, with regard to the long run, Maharashtra government has made a few other suggestions as per Annexure -V.</p> <p>e.4 Trading in futures of other agricultural commodities can be permitted.</p> <p>f.1 Forward Markets Commission, RBI along with Spot/Future Exchanges should work out appropriate mechanism for integration of spot market with future market that are backed by physical stocks.</p> <p>f.2 A system of certified warehouses and negotiable warehouse receipts should be introduced to improve credit delivery for marketing functions. Similarly, pledge financing should be encouraged.</p>
		g) Testing and grading of farm produce for better price realization- framework for setting up accredited agencies	<p>g.1 By an amendment in Agricultural Produce Markets Act, the utilization of funds by the AMPCs and SAMBs for support services like grading, standardization, storage and pledge finance should be made mandatory.</p> <p>g.2 Facilities for extension education and training of farmers in post-harvest value addition and quality specifications should be strengthened. Training and teaching aids in regional languages should be developed.</p> <p>g.3 PRIs, SHGs and NGOs should be effectively involved in creation of awareness about post-harvest handling and creation of infrastructure in rural periodic markets. Likewise, Primary Agricultural Credit Cooperative societies and Marketing cooperatives may be involved in a big way.</p> <p>g.4 Quality testing laboratories for inputs as well as agri-produce should be established in rural areas.</p>
		h) Development of Human Resources in the field of Agriculture Marketing: In our country, strengthening of agriculture would be critical for facing the challenges of rural poverty,	<p>h.1 SAUs and centres of ICAR should be given a mandate for applied research in agricultural marketing. Marketing organizations should be asked to set apart some funds for marketing research.</p> <p>h.2 Post-graduate degree and diploma courses in agri-business management should be</p>

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		<p>food insecurity, unemployment and sustainability of natural resources. But, there is a need to redefine agriculture as the science and practice of activities relating to production, processing, marketing, distribution, utilization and trade of food, feed and fibre, which implies that agricultural development strategy must address not only farmers but also those in marketing, trade, processing and agri-business.</p>	<p>introduced in all the SAUs/ open universities.</p> <p>h.3 Training facilities in agricultural marketing for all the stakeholders and database for marketing should be strengthened.</p> <p>The services of the Agriculture University and the Agriculture Departments could be fully utilized in this regard.</p>
2.	Reducing intermediation costs and for reducing gap between farm gate and retail prices	<p>a) Promoting Farmer's Market: Ideally farmers could directly sell their produce to the consumers. However, given the fragmented nature of agriculture production and spatial distribution of consumers, presence of intermediaries is a must for smooth functioning of the agri-commodity market. To improve the efficiency of the distribution channels and reduce the market intermediation Government should promote direct or near direct marketing of those agri-produce which do not involve processing.</p> <p>b) Reduction in Farmer's Marketing Risk will help improve farmers' income and thus the Agriculture production.</p>	<p>a.1 In a few cases such as vegetable and fruits, efficiency of distribution channel can be increased by providing direct access of markets to the farmers. Farmers' Market can be promoted for the direct marketing of products like perishables from the farmers directly to the consumers in the towns and in semi urban areas.</p> <p>a.2 Direct marketing by farmers, cooperatives or through Self Help Groups (SHGs) should be promoted. Some common code of conduct and modalities for ownership, and operation should be prescribed.</p> <p>b.1 Advance declaration of MSP: Until markets become sufficiently competitive, there is a case for intervention by the government. In order to achieve self sufficiency in food production, Government of India may continue the policy of declaring minimum support price (MSP) of various</p>

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			<p>crops well before the start of sowing season. Further, MSP could be linked to inflation and farmers can get some idea as to how much revision would occur in the MSP. Moreover, MSP so announced should be reviewed where necessary. This will help in encouraging farmers to produce crops such as oilseeds and pulses where India has become a net importer.</p> <p>b.2 The market intervention for perishable products could also be introduced on cost sharing basis by GOI with the States.</p> <p>b.3 Enforce MSP: Since intermediaries play a vital role in the functioning of the market and at times they have advance contract with farmers. In respect of all essential commodities, we should protect farmer's interests by mandating through statutory provisions that no farmer - trader transaction should be below MSP, wherever prescribed.</p> <p>b.4.1 Promote contract farming which are in a way future contracts on prices. A Model Contract has also been formulated and circulated to states. However, several complementary measures are needed for contract farming to expand on a large scale. It will need (a) organization of farmers/ producers groups; (b) legislation and effective implementation of the contract law; (c) improvement in the quality of input delivery and research &amp; extension services; (d) training of farmers in maintenance of quality standards; (e) provision of complementary infrastructure including IT kiosks (like e-Choupals) in rural areas; and (f) development of an effective land administration system.</p> <p>b.4.2 This will also require identification of a group of villages for each niche commodity and provision of credit and incentives to farmers to shift to the identified commodity.</p> <p>c.1.1 The price difference in the case of items like pulses which involves processing and passing through various hands is very high. The main reason for such high price</p>
		c) Promote setting up of agro-processing infrastructure	

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		<p>d) Role of Monetary Policy: Priority sector credit should be made available for agri-marketing activities as well. Also the government should strictly monitor the extent of flow of priority sector credit by banks to the farmers. Ratio of priority sector credit to agriculture sector should be raised further from the current level of 18%.</p> <p>e) Promote retailing by organized sector/ cooperatives: While direct marketing by farmers establishes direct link between producers and consumers, organized</p>	<p>difference is due to erratic supply. It would be better to promote the development of processing facilities which is cost efficient and create competitiveness.</p> <p>c.1.2 Private entrepreneurs should be motivated to set up more processing units which will be cost efficient and thereby create competitiveness. Likewise, decentralized processing units may be promoted at the village level with public assistance.</p> <p>c.2 Set up Technology Upgradation Fund for modernization of agro-processing facilities.</p> <p>d.1 Agri-marketing activities should be made eligible by RBI for priority sector lending by banks and financial institutions.</p> <p>d.2.1 Each farmer, either individually or as member of cooperative/ SHG, should be provided with farm credit duly linked with an appropriate crop insurance scheme.</p> <p>d.2.2 The responsibility of providing farm credit should be shared proportionately between the nationalized banks and the cooperatives. The recovery mechanism should be tuned up because of the risky nature of this activity. In this regard the Maharashtra government has made certain specific suggestions as per Annexure- V.</p> <p>d.3 Currently, about 50% of the farming households receive agriculture credit under priority sector lending scheme. There should be a time bound action plan of say 3 years to provide coverage under KCC scheme to all remaining farming households. As the coverage of farming households under Kisan Credit Card scheme expands, ratio of priority sector lending to the agriculture should be increased.</p> <p>e.1 Organized retail should be incentivized to make direct purchase from farmers but ensure that for essential commodities (i) they obtain trading/dealers license under EC Act wherever required (ii) do their purchase transactions in a transparent manner.</p>



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3.	State interventions for retailing essential commodities at reasonable prices	<p>retail sector because of scale of operations and access to financial resources, has the potential to minimize the marketing channel between farmers and consumers</p> <p>a) Maintain adequate stock of essential commodities across the country</p>	<p>e.2 Cooperatives may be given higher subsidy of upto 70% for setting up/augmenting marketing infrastructure.</p> <p>e.3 Where there are end to end projects involving farmers through backward integration and consumers through forward integration no restrictions should be placed.</p> <p>a.1.1 A few states are surplus in food grain production while most of the states have net deficit of food grains. Depending upon the annual food grain consumption of that region, certain level of stocks of food grains should always be maintained in food deficit states at all times in FCI warehouses especially in the food crop deficit areas/ regions using rail transport in the lean period. This will help in curbing expectation of food shortages.</p> <p>a.1.2 GOI should provide financial assistance for construction of godowns. This should also be done at village level using godowns with PACS.</p> <p>a.1.3 Moreover, looking to the food security needs of the country, augmentation of storage capacity by FCI should be treated as a long term infrastructure and it should not be limited to 10 years period.</p> <p>a.1.4 Improvement in FCI's operational efficiencies can also help reduce prices. For instance, FCI's procurement and storage/ transportation functions are distinct functions and those could be unbundled. Therefore, it is suggested to carry out Third Party evaluation of FCI's operations.</p> <p>a.2 Government of India should develop a system for constant monitoring of the availability and prices of essential commodities in an appropriate price band and in the event of such price band being exceeded; Government of India could start maintaining minimum stocks of such essential commodities for their release through public distribution system at affordable prices. The private sector should also be involved in the process of storage of</p>

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			<p>such stocks for release at the appropriate time. Such releases to the deficit States should be at the price and rates fixed for TPDS rather than the economic cost which is usually the case.</p> <p>a.3 Government of India should be liberal and timely in releasing OMSS allotment of rice, wheat &amp; sugar to States to be sold through PDS in times of need and sharp rise in prices. OMSS prices need to be made more reasonable and affordable to ensure a good response.</p> <p>a.4 During shortage of a particular commodity, State Government agency(s) be authorized to import essential commodities directly from the international market and the subsidy payable to the central procuring agency should also be paid to the State Government agency at the same rates.</p> <p>a.5 Sale of commodities in short supply through PDS/ private outlets at pre-determined MRP may also be explored.</p> <p>a.6 Government of India should strengthen Public distribution System by supplying sufficient quantities of subsidized Pulses, Oil to State governments. GOI should procure and supply the pulses/oil and the subsidy should also be adequate. Present subsidy on pulses at the rate of Rs 10 per kg should be raised to Rs 20 per kg.</p> <p>b.1 A market price stabilization Fund should be established by Central Government and financial institutions to support procurement/ distribution of essential commodities in short supply or surplus production for protecting consumers and farmers respectively through Government agencies/ cooperatives. In this regard, the State Governments should also be consulted through the permanent standing mechanism for regional/national co-ordination.</p> <p>c.1.1 In addition to MSP, there should be a credible institutional set up for procurement in each part of the country. For instance, if the reach of central organizations such as</p>
		b) Set up Price Stabilization Fund	
		c) In case of crops having minimum support price (MSP), set up credible procurement system	

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		<p>d) Set up Global Food/crop production monitoring system for providing advisories to the farmers regarding crop sowing decisions; and inputs to the govt. for import/export of essential food crops</p> <p>e) In the short term encourage substitution of pulses while implement policies to achieve self sufficiency in the production of pulses.</p>	<p>FCI is limited, State Civil Supplies Corporations and Cooperative institutions should be incentivized and encouraged to assist in procurement operations.</p> <p>c.1.2 FCI should play an equal, if not greater role, in undertaking procurement operations within the states.</p> <p>c.2 Funding for procurement could come from Price Stabilization Fund.</p> <p>d.1 In respect of essential food crops, there should a system for monitoring of crop sowing and production as different crops have different maturity periods in major producing areas around the globe. Based on demand and supply projections, advisories should be issued to the farmers as to what should be sown and this could also become the guiding system for import and export of essential food crops.</p> <p>e.1.1 India has deficits in edible oil and pulse production. While GOI may initiate policies for incentivizing farmers' to increase production of these crops, for the time being product substitution could be a viable alternative to keep prices under check. In case of edible oil, imported Palmolein oil has been a widely acceptable cheaper alternative. Similar alternative could be worked out and promoted in case of pulses but India needs to be self sufficient to meet the domestic demand. For instance, imported yellow peas Dal, red lentils could be made available at reasonable prices to consumers for a period until these are widely accepted in the society. To find alternatives, the yellow peas Dal and the red lentils may be distributed on pilot basis in a few districts and after taking into consideration the results thereof, it would be better to think of implementing all over the country.</p> <p>e.1.2 Imported varieties of pulses should be considered only so long as there is shortfall in domestic supply of pulses. In the long run, substitutes available in country should be promoted and used.</p>

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4.	Enforcement of statutory provisions to improve availability of essential commodities at reasonable prices	a) To strengthen Essential Commodities (EC) Act & Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities (PBMMSEC) Act:	<p>a.1 The EC Act should be amended to put non perishable essential commodities under licensing/ registration order. There should be centralized authority for issuing registration. Like VAT registration, all dealers/ traders need to seek license for turnover in excess of the prescribed quantity.</p> <p>a.2 Special courts should be set up for speedy trial of offences under the EC Act. The EC Act should be amended, if necessary, to give states the flexibility to set up such special courts if required.</p> <p>a.3 The offences under Section 10-A of the Essential Commodities Act should be made non-bailable.</p> <p>a.4 Section 6B (2) of the EC Act which provides that no order of confiscation shall be made if the owner of the vehicle, vessel etc. proves that he or his agent etc. has no knowledge of the use of the vehicle involved in the offence may be amended, if necessary, to provide that the owners of the vehicles involved in offences are given due punishment.</p> <p>a.5 The word “foodstuffs” may be defined in the EC Act as “any substance which is used as a final food product by human beings and will also include raw food articles which may after processing be used as food by human beings”.</p> <p>a.6 Section 2A(3) of the EC Act should be deleted</p> <p>a.7 PBMMSEC Act should be amended to provide that the time period within which the report is to be sent by the State Governments to the Central Governments regarding each detention case should be increased from seven days to fifteen days. Similarly, the time limit for approval of the detention order by the State Governments should be increased from twelve days to fifteen days.</p> <p>a.8 PBMMSEC Act should be amended to include Sec.8(3) as under:”Representation, if any, either from the detainee or from any</p>

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		<p>b) Need for enabling provisions to improve transparency in Trading/ storage of essential commodities:</p>	<p>person, including a relative, a friend or an advocate on behalf of the detainee may be preferred to the Central Government only after the State Government confirms the said detention order under Section 12 (1).”</p> <p>a.9 Section 13 of PBMMSEC Act should be amended to provide for a maximum period of detention of 12 months instead of the existing period of 6 months.</p> <p>b.1 Need suitable statutory provisions so as to facilitate protection of farmer’s interests such that all farmer-trader transactions would be reported online. Similarly, all transactions between traders would be through spot exchanges only. For this purpose, a trader, as specified (i.e. the trader having annual turnover in excess of the prescribed limit), should obtain license/ registration under the Essential Commodities Act as well as under relevant commodity exchange. However, the Maharashtra government has expressed its disagreement with this suggestion (Annexure- V).</p> <p>b.2 Under normal circumstances there could be no stock ceilings but online stock declaration and godown/ warehouse declaration by traders should be must. Government should use provisions of EC Act for imposing stock limits on commodities in short supply.</p> <p>b.3 Orders imposing stock limits / licensing requirements issued by State Governments should be sent to the Government of India only for information and not for concurrence.</p>

