



KARNATAKA AGRICULTURAL MARKETING POLICY 2013



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Government of Karnataka
Department of Cooperation

KARNATAKA AGRICULTURAL MARKETING POLICY 2013

1. BACKGROUND

- 1.1. Karnataka has had a long history of regulated markets, even before many other states conceived the idea. After reorganisation of states, recognising the importance of agricultural marketing, the Karnataka legislature enacted the Karnataka Agricultural Produce Marketing (Regulation and Development) Act, 1966 which came into effect on May 1, 1968 and provided for improved regulation in the marketing of agricultural produce, development of an efficient marketing system, promotion of agricultural-processing, agricultural export and the establishment and proper administration of markets for agricultural produce. It put in place an effective infrastructure for marketing of agricultural produce and laid down procedures and systems in the state.
- 1.2. Agricultural marketing scenario in the country and the state has undergone a sea change since independence, owing to the increase in the quantity and the variety of commodities produced, the marketable surpluses, changing consumption pattern in the society, linkages with the international market, etc. Therefore, the framework under which markets for agricultural produce function in the state and the factors that influence the Farmer prices has to be understood afresh and reckoned suitably.
- 1.3. Apart from the above, changing technologies, especially Information and Communication Technologies, have enabled many functions and capabilities that were simply inconceivable a few years ago. Increasing aspirations and expectations of the stakeholders in the marketing system also have an overbearing influence on the way these markets are organized and managed. Last, but not the least, fresh thinking on the economic philosophy to be adopted by governments in the country makes it necessary to recalibrate and adopt a policy for agricultural marketing in the state that is forward looking and that would provide an impetus for growth of the agrarian sector.

- 1.4. An enabling legislative environment, investment in infrastructure and well operated markets spread across the state have provided an reasonable means for farmers to market their surplus produce. Karnataka Agricultural Produce Marketing (Regulation and Development) Act, 1966 was further amended in 2007 to allow direct purchase centres, establishment of private markets, farmers-consumers market, contract farming, establishment of spot exchanges, etc. However, for want of a comprehensive policy backing these amendments, many of these farmer friendly initiatives did not shape up in a meaningful manner. Therefore, Government realises the necessity to review the existing policies applicable to this sector.
- 1.5. Having regards to the above, the policy seeks to address problems plaguing the sector, namely, small land holdings and the consequent small marketable surplus available per farm, managing seasonal supply and the heavy arrivals of farm products during harvest to meet the perennial demand throughout the year, need to physically move the commodity for accessing the market, considerable post-harvest losses, lack of formal sources of financing both for the farmer and other market participants, etc. Moreover, the policy also seeks to increase competition, better price realization to the farmer, to encourage investments in warehousing infrastructure, assaying and grading facilities, cold chains, food processing, etc. and make this sector an attractive one for generating employment in rural areas for equitable growth of the state.

2. OBJECTIVES

- 2.1 The overall objective of this policy is to create a market structure that is transparent and equitable, distinguishes quality and variety, disseminates relevant market information to all market participants for a level playing field, provides easy access to all participants and ensures fair returns to all stakeholders, with the seller having the choice to decide the time, place and avenue of sale.
- 2.2 Reduction in and/or elimination of barriers to participation in markets to foster competition and efficient determination of price, linking the primary market in the state to the national market for the benefit of all stake holders in the marketing chain.

- 2.3 Address the risks associated with clearing and settlement that arise in course of marketing of produce by the farmer or by the subsequent buyer, through technology solutions or other appropriate means with linkages to financial institutions.
- 2.4 Encourage and promote primary value addition through aggregation, grading and packaging at the village level through farmer self help groups / societies / associations / producer companies to respond to increasing and changing market demand, in domestic, regional and international markets. Create awareness on adherence to quality standards for better price realisation.
- 2.5 Enhancing the skill levels of all stakeholders in the marketing system through well designed capacity building intervention efforts, for deriving benefits arising from primary value addition, modern practices adopted in storage, processing, market systems and the like, with the state playing an active role in stakeholder education effort.
- 2.6 Improving access to finance to all market participants, scientific storage and preservation of commodities, encouraging investment in infrastructure for market access, and enabling primary value addition of the commodities.
- 2.7 Encouraging setting up new institutions and strengthening of existing ones to provide state of the art facilities to all stakeholders, fostering self-help groups and cooperative ventures for improving the bargaining and holding capacity of farmers to handle the challenges in marketing.
- 2.8 Establishment of a progressive regulatory environment distinct from the operational level that provides an environment for public and private initiatives to function in tandem for the benefit of all stakeholders, with the government playing an enabling policy making role.
- 2.9 Adopting and leveraging technology at all levels for efficient operations of markets would be critical in realising the objectives of this policy.

2.10 All Farmer friendly provisions of the Karnataka Agricultural Produce Marketing (Regulation and Development) Act, 1966 shall be implemented to safe guard the interests of the farmers.

In pursuit of the above objectives, the key initiatives of the Government would be as under.

3. POLICY INITIATIVES

3.1 Regulated markets—

- a) These markets currently operating across the state, would adopt technology required for setting up a comprehensive electronic auction system for transparent price determination.
- b) A state wide networked virtual market would be established by linking various regulated markets and warehouses, provided with assaying & grading facilities and other necessary infrastructure.

3.2 Increasing Competition—

- a) As an immediate measure, licensing procedures would be simplified and a single unified licence would be made applicable for participants.
- b) Conditions that restrict participation would be removed to increase competition in the auction of the agricultural produce.
- c) Administrative processes with regard to licence would be simplified and automated for improved efficiency.

3.3 Private markets –

- a) Private markets would be encouraged on a level playing field for providing an alternate facility for marketing of agricultural produce while being part of the networked market.
- b) Farmers and other participants would have the choice to offer/sell in any regulated or private market in the state.
- c) Private markets and regulated markets would compete to provide services to farmers and other participants.

3.4 Quality standards for Demand creation –

- a) Initiate steps for laying down quality standards for various agricultural commodities and for creating infrastructure for sampling and assaying the produce in markets and warehouses, to facilitate quality based trading of the produce; and
- b) Undertake capacity building programmes to create awareness on quality standards amongst various participants and its importance for creating demand in the domestic, regional and international markets.

3.5 Empowering Farmers –

- a) Organize farmers groups to initiate primary value addition and encourage village level aggregation, to enhance the bargaining power of farmers to improve price realization and shorten the food value chain by introducing direct marketing/ sourcing of agricultural produce from the farmers to the consumers, processors and exporters.
- b) To provide alternate and safe storage options through accreditation of warehouses and encourage Warehouse based sales enabling farmers to sell from accredited warehouses.
- c) Creating an enabling environment and facilitate the farmers to avail pledge loans to avoid distress sale.
- d) Effective dissemination of market price information enabling farmer to know the prevailing price of the produce, before he decides to sell.
- e) Simplified processes and online timely payment to the farmers account.
- f) Enabling the Farmer to decide when to sell the produce and at what price, with a right to reject the price offered.

3.6 Market development –

- a) Through an appropriate public private partnership arrangement, Government would provide state of the art technology for marketing of produce and attendant requirements.

- b) Facilitate the development of an efficient and effective agricultural marketing information system and establish a reliable information dissemination system for the benefit of all stakeholders.
- c) Establish linkages with the secondary market in select commodities to participants in the state, encouraging producer companies, aggregation of farmer produce and other measures for realisation of better prices.
- d) Linkages with financial institution would be established to facilitate seamless clearing and settlement mechanism as well as facilitate pledge loans to the farmers and other market participants.
- e) All safeguards will be put in place to ensure timely online payments to the farmers, even in case of default by traders/ disputes with Commission Agents/ Assayers or any other market participants.

3.7 Contract Farming—

- a) To promote contract farming in the state and have a single point for registering contract-farming sponsors with procedures for timely settlement of disputes by the registering authority.

3.8 Infrastructure—

- a) Key and strategic agricultural marketing infrastructure will be developed;
- b) The Government will put in place enabling and conducive environment for private sector and other stakeholders' investment in the agricultural marketing infrastructures with appropriate incentives.

3.9 Regulatory and legislative environment –

- a) The Karnataka Agricultural Produce Marketing (Regulation and Development) Act, 1966 would be reviewed to facilitate the aforesaid policy objectives and initiatives and to create a distinct, level playing regulatory environment for the transparent and efficient functioning of agricultural markets in the state.

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