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Agricultural Marketing Reforms and Price Realization for Farmers in India

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Agriculture continues to play a central role in the Indian economy, contributing more than 15% to national Gross Domestic Product (GDP) and providing livelihood support to nearly half of the country's workforce. Beyond its economic contribution, agriculture is deeply intertwined with food security, rural employment, and socio-economic stability in India. Despite notable gains in production, especially after the Green Revolution, Indian farmers continue to face persistent challenges in obtaining remunerative prices for their produce. A major reason for this paradox lies in inefficiencies within the agricultural marketing system, which restrict farmers' access to competitive markets and fair price discovery.

Although India is among the world's largest producers of cereals, pulses, fruits, and vegetables, farmers often realise only a small share of the final consumer price. The dominance of intermediaries, fragmented markets, inadequate infrastructure, and lack of transparent pricing mechanisms have historically resulted in low farm incomes and high marketing margins. These challenges have triggered widespread policy debates and reform initiatives aimed at restructuring agricultural marketing to enhance price realisation for farmers.

The primary objective of this review paper is to analyse major agricultural marketing reforms in India and assess their impact on farmers' price realisation. The study critically examines policy interventions such as the Model APMC Act, electronic National Agriculture Market (e-NAM), direct marketing initiatives, price deficiency payment schemes, and contract farming frameworks, while identifying both achievements and implementation gaps.

Historical Context of Indian Agricultural Marketing

Traditional Agricultural Marketing System

The traditional agricultural marketing system in India has been largely governed by the Agricultural Produce Market Committee (APMC) Acts, enacted by individual states since the 1960s. Under this framework, farmers were required to sell their produce only through designated regulated markets or mandis. While the original intent of APMC regulation was to protect farmers from exploitation by traders and moneylenders, over time, the system became increasingly restrictive and inefficient. In most APMC mandis, commission agents (arthiyas) and licensed traders dominate market transactions. Farmers, especially small and marginal ones, have limited bargaining power and often rely on these intermediaries for credit, storage, and market access. This dependency frequently results in distressed sales, delayed payments, and non-transparent price formation. High market fees, commissions, and multiple handling costs further reduce the farmer's share in the consumer rupee. As a consequence, despite regulated markets, transaction costs remain high and buyer access is restricted, leading to poor price realisation. Several studies have shown that farmers typically receive only 25–35% of the final retail price, particularly for perishable commodities such as fruits and vegetables.

Need for Agricultural Marketing Reforms

The growing disconnect between agricultural production growth and farmer income highlighted the urgent need for marketing reforms. Policymakers recognised that increasing productivity alone would not improve farmer welfare unless supported by efficient marketing channels. Calls for liberalisation emerged to dismantle monopolistic market structures, promote competition, reduce intermediation, and enable farmers to access national and global markets directly. Reforms were also driven by structural changes such as diversification toward high-value crops, rising urban demand, globalisation of agri-food markets, and technological advancements in digital trading. These factors necessitated a shift from rigid, state-controlled markets to farmer-centric, market-oriented systems capable of ensuring better price discovery and income stability.

Key Agricultural Marketing Reforms in India

Model APMC Act

The Model APMC Act, first introduced in 2003 and subsequently revised, aimed to reform state-level agricultural marketing regulations by reducing the monopoly of APMC mandis. Key provisions included allowing direct marketing, private markets, contract farming, and multiple marketing channels for farmers. Several states adopted these reforms partially, leading to increased competition in agricultural marketing. However, uneven implementation across states limited the overall impact. In many cases, existing market fees and regulatory barriers continued to restrict farmer participation in alternative markets.

Electronic National Agriculture Market (e-NAM)

The electronic National Agriculture Market (e-NAM) represents one of India's most significant digital marketing reforms. Launched in 2016, e-NAM seeks to integrate APMC mandis across states into a unified national online trading platform. The system facilitates electronic bidding, transparent price discovery, and improved access to buyers beyond local markets. Empirical studies indicate that e-NAM has improved price transparency and competition, particularly for cereals and oilseeds. However, challenges such as limited digital literacy, inadequate assaying facilities, and uneven internet connectivity have constrained its benefits for small and marginal farmers.

Direct Marketing Schemes

Direct marketing initiatives aim to eliminate intermediaries by enabling farmers to sell produce directly to consumers, retailers, or institutional buyers. A notable example is Uzhavar Santhai in Tamil Nadu, where farmers sell fruits and vegetables directly in urban markets. These schemes have demonstrated higher price realisation for farmers and lower prices for consumers. However, their scale remains limited, and logistical constraints restrict participation to farmers located near urban centers.

Price Deficiency Payment Scheme (Bhavantar Bhugtan Yojana)

The Bhavantar Bhugtan Yojana (BBY), implemented in Madhya Pradesh, represents an innovative approach to income support. Instead of physical procurement, farmers are compensated for the difference between market price and MSP when prices fall below the support level. While the scheme reduced distress sales and improved income stability for certain crops, concerns related to price manipulation, administrative delays, and limited crop coverage remain significant challenges.

Contract Farming and Private Market Entry

Contract farming reforms enable farmers to enter into pre-harvest agreements with agribusiness firms, processors, and exporters. These contracts provide assured markets, predetermined prices, and access to technology and inputs. Although contract farming has improved price realisation and reduced market risks for participating farmers, issues related to power asymmetry, contract enforcement, and dispute resolution continue to raise concerns, particularly for smallholders.

Pricing Mechanisms and Price Realization for Farmers

Minimum Support Price (MSP)

The Minimum Support Price (MSP) system remains a cornerstone of India's agricultural price policy. MSP provides a price floor to protect farmers against sharp market fluctuations. However, effective procurement is concentrated mainly in wheat and rice-producing states, leading to uneven benefits across regions and crops. Recent MSP hikes have the potential to enhance farm incomes, but their effectiveness depends on robust procurement mechanisms, timely payments, and wider crop coverage.

Market-Linked Prices

Market-oriented reforms emphasize competitive pricing through open markets. Liberalized systems can improve price realization by linking farmers directly to demand signals. However, infrastructure deficits, lack of market information, and weak bargaining power often prevent farmers from fully benefiting from market-linked pricing mechanisms .

Impact of Reforms on Price Realization

Benefits

Reform	Impact on Price Realization
e-NAM	Improved transparency and wider market access
Direct marketing	Reduced intermediation
MSP schemes	Income protection through price floor
Digital markets	Better price discovery

Recent studies demonstrate that integrated reforms, when combined with storage, logistics, and institutional support, lead to measurable improvements in farmer incomes .

Challenges and Limitations

Despite positive outcomes, reforms face several constraints including uneven state adoption, persistent digital divides, and inadequate post-harvest infrastructure such as cold storage and transport facilities. These challenges limit the inclusiveness and scalability of reform outcomes .

Case Studies

Bihar's APMC Abolition Experience

Bihar abolished its APMC Act in 2006 to promote free trade. However, empirical evidence suggests that market liberalization alone did not guarantee higher prices for farmers due to weak infrastructure and lack of institutional support .

Bhavantar Bhugtan Yojana in Madhya Pradesh

The BBY scheme demonstrated income stabilization effects for selected crops, with significant budgetary transfers to farmers. However, its long-term sustainability and replicability remain under debate .

Tables and Figures (Suggested)

Table 1: Comparison of Price Realization Before and After Reforms
Figure 1: Growth of e-NAM Transactions (2016–2025)
Figure 2: MSP Procurement Coverage by State
(These can be developed using official reports and peer-reviewed studies.)

Discussion

Agricultural marketing reforms have introduced competition, transparency, and digital integration into India's agri-markets. However, regulatory clarity, infrastructure development, and financial inclusion remain critical to achieving inclusive price realization. Reforms must be complemented by capacity building and institutional strengthening.

Policy Recommendations

- Expand rural digital infrastructure and literacy
- Strengthen Farmer Producer Organizations (FPOs)
- Invest in post-harvest and cold-chain infrastructure
- Provide legal backing for MSP linked to cost of production
- Promote public–private partnerships in agri-marketing

Conclusion

Agricultural marketing reforms in India have created opportunities for improved price realization, yet benefits remain unevenly distributed. Sustained policy commitment, infrastructure investment, and farmer-centric implementation are essential to ensure that reforms translate into equitable and durable income gains for farmers.

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