

NATIONAL AGRICULTURE MARKET (NAM)

Some basic facts

1. What is NAM?

NAM is envisaged as a pan-India electronic trading portal which seeks to network the existing APMC and other market yards to create a unified national market for agricultural commodities. NAM is a “virtual” market but it has a physical market (mandi) at the back end.

2. What is the difference between NAM and the existing mandi system?

NAM is not a parallel marketing structure but rather a device to create a national network of physical mandis which can be accessed online. It seeks to leverage the physical infrastructure of the mandis through an online trading portal, enabling buyers situated even outside the State to participate in trading at the local level.

3. Why is NAM necessary?

It is necessary to create NAM to facilitate the emergence of a common national market for agricultural commodities. Current APMC regulated market yards limit the scope of trading in agricultural commodities at the first point of sale (i.e. when farmers offer produce after the harvest) in the local mandi, typically at the level of Taluka / Tahsil or at best the district. Even one State is not a unified agricultural market and there are transaction costs on moving produce from one market area to another within the same State. Multiple licences are necessary to trade in different market areas in the same State. All this has led to a highly fragmented and high-cost agricultural economy, which prevents economies of scale and seamless movement of agri goods across district and State borders. NAM seeks to address and reverse this process of fragmentation of markets, ultimately lowering intermediation costs, wastage and prices for the final consumer. It builds on the strength of the local mandi and allows it to offer its produce at the national level.

4. How will NAM operate?

The NAM electronic trading platform will be created with an investment by the Government of India (through the Ministry of Agriculture). It will offer a “plug-in” to any market yard existing in a State (whether regulated or private). The special software to be developed for NAM will be offered to each mandi which agrees to join the national network free of cost and necessary customization will be undertaken to conform to the regulations of each State Mandi Act.

5. Are there any conditions for joining NAM?

There are three basic criteria for a State to propose mandis for “plug-in” to NAM:

- a) The State APMC Act must have a specific provision for electronic trading
- b) The State APMC Act must provide for issue of licences to anyone in India to trade through the NAM in the local mandis.
- c) There must be one single licence for each State to facilitate trading in all the mandis of that State and a single point levy of transaction fee.

6. Will the APMC mandis lose out business due to NAM?

Not true. The NAM basically increases the choice of the farmer when he brings his produce to the mandi for sale. Local traders can bid for the produce, as also traders on the electronic platform sitting in other States. The farmer may chose to accept either the local offer or the online offer. In either case the transaction will be on the books of the local mandi and they will continue to earn the transaction fee. In fact, the volume of business will significantly increase as there will be greater competition for specific produce, resulting in higher transaction fees for the mandi.

7. Who will bear the costs of running the NAM?

The national level platform is being developed by the Ministry of Agriculture, which will also bear the maintenance costs. As stated above, the integration costs for local mandis and customization of software, training etc. will also be paid for by the

Ministry of Agriculture as a one-time grant at the time of accepting the mandi in the national network. Thereafter, the running costs of the software at the local level, staff costs for quality check etc. will be met from the transaction fee to be generated through the sale of produce. The intention is to avoid any upfront investment by the mandi when it integrates into NAM, and also enable it to support the running cost through additional generation of revenue.

8. Will NAM require special legislation?

No, NAM is being set up as part of an administrative arrangement and requires no enabling legislation as an electronic trading platform.

9. Who will actually operate the NAM platform?

Ministry of Agriculture, Department of Agriculture & Cooperation (DAC) have mandated Small Farmers' Agribusiness Consortium (SFAC) to act as the Lead Promoter of NAM. SFAC will select a Strategic Partner (SP) through open tender to develop, operate and maintain the NAM platform. DAC will provide budgetary grant support for this initiative. SFAC will operate the NAM with technical support by the SP.

10. How soon will NAM be functional?

The process of setting up NAM has commenced on 1st June, 2015 with the issue of an EOI by SFAC to select a Transaction Adviser to help it develop detailed bidding documents to select the SP. Another RFP was issued on 12th June, 2015 to invite offers to create a dedicated Project Management Unit (PMU) in SFAC to anchor the roll out of NAM. The PMU will have experts in agribusiness, IT, project management etc. and provide technical and administrative support to the NAM project. It is expected that the selection of the Strategic Partner will be completed by 30th September, 2015 and the process of holding road shows in States to promote the concept will begin in October, 2015. Simultaneously, the NAM trading software will be developed and tested and the full launch is expected by December, 2015

11. What are the likely benefits of NAM?

NAM is envisaged as a win-win solution for all stakeholders. For the farmers, NAM promises more options for sale at his nearest mandi. For the local trader in the mandi, NAM offers the opportunity to access a larger national market for secondary trading. Bulk buyers, processors, exporters etc. benefit from being able to participate directly in trading at the local mandi level through the NAM platform, thereby reducing their intermediation costs. The gradual integration of all the major mandis in the States into NAM will ensure common procedures for issue of licences, levy of fee and movement of produce. In a period of 5-7 years we can expect significant benefits through higher returns to farmers, lower transaction costs to buyers and stable prices and availability to consumers. The NAM will also facilitate the emergence of integrated value chains in major agricultural commodities across the country and help to promote scientific storage and movement of agri goods.