CHAPTER 1

INTRODUCTION

1.1 Introduction

In order to facilitate farmers to sell their produce and get reasonable prices, Government created Agricultural produce marketing committee(APMCs) in many towns. Most of the APMC have market where traders and other marketing agents are provided stalls and shops for purchase of agriculture produce from farmers. Farmers can sell their produce to agents or traders under supervision of APMC.

Farmers cannot sell produce outside the APMC mechanism. However now govt. is encouraging direct selling through 'Raita Bazar' or to super markets directly. The present system of APMC makes farmers vulnerable to traders 'and marketing agents' price manipulations. The government of India is considering improving the APMC Act to benefit all parties involved. It is a platform for farmers to sell their produce.

There are many problems faced by farmers due to the restrictions imposed by APMC Act. Even after receiving the fruit/veggies/grains, APMCs delay payment to farmers for weeks and months. If payment is done on spot, then trader would arbitrarily deduct some amount, on excuse that he has not received payments from the other parties. To avoid tax, the traders don’t give sale slips to farmers. As a result, later it is difficult for farmer to prove his ‘income’ to get loans from banks. On an average a farmer is able to receive barely 1/4th to 1/3rd of the final retail prices Middlemen get double commission (both from seller and buyer) thus makes consumer to pay for this spread. Also middlemen do not pass the benefit to either side during peak season, when they buy from farmer at low prices, they don’t drastically reduce the prices to final consumer during lean season, when consumer’s prices are high, thefarmers do not get higher returns on their produce.

One of the major challenges we face in national commodity trade today is mastering the art of connecting buyers and sellers in an effective manner where price, quantity, finance and logistics work in harmony.

Usually buyers and sellers do not have time to deal with negotiations, finance, and logistics personally, which is why they assign special agents called Mandates to facilitate negotiations and strategize the movement of large amounts of commodities across international borders. Mandates may be company employees/departments, or independent companies, that earn a commission on the transactions they manage for the buyers or sellers. However, Mandates can also include farmers, processors, exporters, importers, retailers, investors and government agencies.When a buyer is interested in a certain commodity, they draft a Letter of Intent (LOI), which contains price(s), quantities, and payment terms, and then they assign a Mandate to look for a suitable supplier that matches their requests. In most cases, the Mandate will distribute the LOI to a number of "middlemen" who then will redistribute the LOI to other Middlemen in search of the best deal. Each middleman prepares a protection agreement that the Mandates have to sign, securing their commission. The brokers will then search for best suppliers, and/or Mandates (through other middlemen), who then issue a Soft Corporate Offer (SCO), that must align with the LOI, which is rare. Through the middlemen, usually an average of five on each side, the negotiation process begins and usually ends in disagreement and frustration.

Problems:

- There are too many middlemen in the picture, resulting in disagreements on commissions, which extends the timeline.
- The price of the commodity does not reflect its true value to the lack of transparency between Mandates and the desire of the middlemen to capitalize on the deal.
- The costs associated with negotiations are high.
- The Mandates are at risk of losing credibility with their clients due to delays caused during the negotiation process.
- The rate of success on commodity deals is low causing market inefficiency.

To forestall all these problems we are introducing a new e commerce systems to each panchayaths of states which eliminates middle man commission and provisions for the betterment of farmers. We are giving an interface to panchayats to directly exchange commodities between panchayats via APMC's. Detailed description is furnished below in the report.

1.2 Literature Survey

<u>ReMS</u>

Vision:-

"To be a leader in agricultural marketing and to harmonize the well-being of all market participants"