

**Sector:**

**Agriculture**

**Project Title:**

**Agri-business Consortium for Farmers**

**Project Description:**

Although agriculture is the key sector of Indian economy and supports nearly 65% of the Country's population, the farmers are one of the poorest population segments in India. The key reasons attributed are the sensitivity of agriculture production towards seasonal vagaries and the fragmented and decentralized commodity trading structure in the Country. Due to this, farmers get only a fraction of the true value of their produce while large part is pocketed by the intermediaries.

To streamline the trading system and assist farmers realize the true potential of their produce, the Government of Madhya Pradesh proposes to establish an Agri-business consortium at Jabalpur. The proposed facility would be a high-end IT integrated unit linked with National Commodity and Derivative Exchange (NCDEX) and Multi Commodity Exchange (MCX). It would facilitate farmers to trade their produce on-line, bypassing the traditional commission agents or *adatiyas*.

The project would be set up on over 5 acres of land and would be a geographic concentration of virtual trading stations, IT center, Warehousing facility, training center and various other amenities of specific and general use. The consortium would redefined the entire agro-goods trading process and would empower the farmers to decide the price of their product based on the prevalent market price across the Country on a real time information basis.

The associated warehousing facility would enable the storage of agricultural goods for futures and spot delivery. The storage unit would enable the commodity trader to buy large amount of produce and provide instant cash delivery to the farmers, ameliorating his concern for storage and degradation of goods especially the perishable products.

The center would be linked with all the 299 mandis of the State and would assist the farmers by giving real time price information in local language. Further, the consortium staff would provide training to farmers regarding the intricacies of commodity trading.

**Project Rationale:**

Agriculture not only is the key contributor of MP's economy but the sector has large socio-economic importance as it supports more than 70% of the State

population. The State has a thriving agriculture sector and is among the leading producers of various commodities such as pulses, oilseeds, soybean, gram etc.

The present commodity trading system in the State is based on the conventional *mandi* system, under which farmers are forced to sell their goods at the throwaway prices to the local trader or intermediaries. The situation is further aggrieved due to the absence of adequate warehousing and transport facilities and small size of produce, rendering it uneconomical for long distance transport.

Even in mandis the farmer generally finds his realization affected by cartelization of traders. Currently, 25-30% of the price paid by the consumer is actually realized by the farmer while the majority of it is appropriated among the long chain of intermediaries. On the other hand in US, farmers share is between 60 to 65% of the total consumer price. In the developed world, majority of farmers use futures and options in commodity trading to sell their product at the best of market price.

The electronic exchange has the potential to ameliorate the current infirmities of mandi trading system. The electronics spot exchange would facilitate farmer's payment between one and four days of the sales of the produce. Further, farmers on the exchange will be able to set the base price for their produce and trade non – standard grades through an electronics national auction process.

Substantial opportunities are opening up in agriculture sector. With a positive market forecast for FMCG, food processing, cosmetic and herbal industry, there would be significant demand for various agro products used in these industries. The envisaged agri-business consortium would assist farmers to be benefited by the upcoming opportunities in the agriculture and its associated industries.

### Market Potential and Demand Dynamics:

Agriculture is one of the most important sectors of Indian economy. It contributes around 24% to the GDP and employs 65% of the working population in the Country. Agriculture is fundamental to the India's social, political and industrial stability.

MP is the second largest State in the Country with an estimated population of about 60 million. Agriculture is predominant sector in the State with 75% of rural population largely dependent on it. Contributing almost one third to the State GSDP, the sector forms the

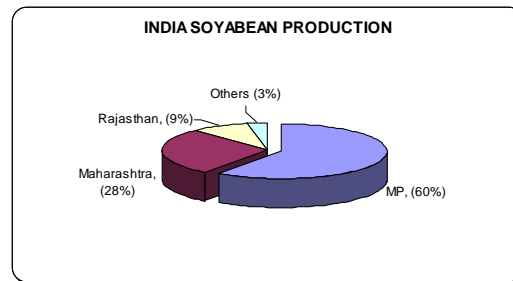
#### Major Agriculture & Horticultural Crops in MP

<b>Cereals</b>	Wheat, Sorghum (Jowar), Maize, Paddy
<b>Oilseeds</b>	Soybean, Mustard, Linseed
<b>Pulses</b>	Gram, Pigeon Pea (Tur), Lentil (Masoor)
<b>Vegetables</b>	Green Peas, Cauliflower, Okra, Tomato, Onion, Potato
<b>Fruits</b>	Mango, Guava, Orange, Papaya, Banana
<b>Spices</b>	Chillies, Garlic, Coriander, Ginger, Turmeric

backbone of the MP's economy.

The State has 5 crop zones, 11 agro climatic regions and 4 soil types, which add to the biodiversity in the State and acts favorable for the production of various agriculture and horticulture crops.

Madhya Pradesh is the largest producer of pulses and oilseeds in the Country. The State also shares a major share of the national agriculture production. About 25% of pulses and 40% of grams are grown in the State. The State is the largest producer of soya bean and gram and the second largest producer of jowar and masoor in the Country. The agricultural land in the district Narsinghpur is considered to be the most fertile land all over Asia. The district is famous for its rich agricultural production.



The State leads in spices production with the largest production of garlic, accounting for 37% of the total national production. It is the second largest producer of coriander in the Country. Further, its share in the total national production of Pea is 15 %.

The commodities that have an immense production potential are potato, spices (in the western parts), pulses (in the central part of the State), wheat (in the western and central regions) and oranges (south districts). Thus MP has a significant and diversified product portfolio of agriculture commodities for domestic consumption, industrial processing and exports.

### Why Madhya Pradesh?

- MP is the most biodiverse State in the Country with 11 agro climatic zones, 5 crop zones and 4 zones varying in soil types.
- The soil and agro climatic conditions are suitable for rapid agricultural development.
- The State has a strong base in horticulture.
- The State is in the centre of nation's commercial activities. It is located at an easy distance from all the major agricultural markets in India.
- About 75% of the population of the State is largely dependent upon agriculture for their livelihood. This ensures ample availability of economic manpower.
- The State has a large network of primary agricultural co-operative societies,

which plays a crucial role in supplying agricultural inputs including seed, fertilizer and pesticides in the far flung areas.

- The State has sufficient notified agricultural market yards and sub market yards which provide facilities for sale of agricultural produce.
- The State has a well developed mandi system with 299 small and large mandis distributed across the State.

#### **Location Analysis:**

The envisaged project would be located at Jabalpur. Initially there would be only one key exchange but later on depending on the feasibility, various extension branches would be established at different locations across the State.



#### **Proposed Investment:**

The total investment is estimated around USD 2.2 mn or INR 10 crores.

#### **Project Feasibility:**

The private player has the opportunity to build and maintain the WMS on the basis of built operate and own (BOO) model or it can charge a fixed annual amount from the Government for maintenance.

#### **Coordinating Agency:**

- ✓ Madhya Pradesh Agency For Promotion of Information Technology
- ✓ Department of Information Technology
- ✓ Department of Agriculture