Mains Practice Question

Q. Evaluate the role of the e-NAM in reducing price disparities and improving market integration for agricultural commodities. What challenges does it face in its implementation? **(250 words)**

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Introduction

The **electronic National Agriculture Market (e-NAM)** is a pan-India electronic trading platform launched in **April 2016** to create a unified national market for agricultural commodities.

- By integrating various **Agricultural Produce Market Committees (APMCs)** across the country, e-NAM seeks to address the longstanding challenges of price disparities and fragmented markets

Body

Role of e-NAM in-

- **Reducing Price Disparities:**
    - **Transparency and Price Discovery:** e-NAM provides a platform for **real-time price discovery,** allowing farmers to access information about prices in different markets.
        - This transparency reduces the potential for price manipulation and exploitation by intermediaries.
    - **Expanded Market Access**: By connecting farmers with buyers across the country, e-NAM **expands their market reach,** enabling them to sell their produce to the highest bidders.
        - This reduces the dependence on local markets, which often suffer from limited competition and price fixing.
    - **Competition and Efficiency:** The **increased competition fostered by e-NAM** encourages efficiency among traders and processors, leading to lower costs and fairer prices for farmers.
- **Improving Market Integration:**
    - **Unified Market**: e-NAM creates a **unified market for agricultural commodities,** breaking down barriers between different regions and states.
        - This integration promotes a more efficient allocation of resources and helps to stabilize prices.
    - **Reduced Transaction Costs:** By streamlining the trading process and **reducing the need for physical transportation**, e-NAM lowers transaction costs for farmers and traders.

- This benefits both parties and contributes to a more integrated market.
  - **Improved Logistics:** The platform's integration with **logistics providers facilitates the efficient movement of agricultural produce,** reducing wastage and ensuring timely delivery to markets.

Challenges Faced in e-NAM Implementation:

- **Infrastructure Limitations**: Inadequate **warehousing** (since the last 5 years, w**arehousing demand** has outpaced supply by a whopping ~**40%), grading, and assaying facilitie**s in many APMCs.
- **Digital Literacy and Connectivity Issues:** Low digital literacy among farmers (Only **23.4% of adults in rural India** lack even basic digital literacy skills) and **poor internet connectivity in rural areas.**
- **Resistance from Intermediaries:** Traditional commission agents and traders often resist the transition to e-NAM.
- **Limited Participation of Private Players:** Insufficient involvement of the private sector in the e-NAM ecosystem.
  - Only **1 and 3% of farmers from Uttar Pradesh and Gujarat** were using e-NAM mobile apps as of 2020, limiting competition and price discovery.
- **Quality Assessment Challenges:** Lack of uniform quality standards and limited capacity for quick quality assessment.
- **Payment and Logistics Issues:** Delays in online payments and lack of integrated logistics solutions.

Conclusion

The **e-NAM platform** has shown potential in **reducing price disparities and improving market integration for agricultural commodities** through enhanced price discovery, expanded market access, and increased transparency. Furthermore, **greater involvement of private players and integration with logistics and warehousing services** could significantly enhance the platform's effectiveness in creating a truly unified national agricultural market.

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