

e-NAM: Opportunities As An Integrated Market Platform For Agricultural Produce

by Sivakumar Surampudi / Apr 19, 2019



Snapshot

- *On the occasion of the **third anniversary of e-NAM**, I post this blog, envisioning the opportunities for the platform beyond merely linking mandies.*

There are four sources of arbitrage that offer an opportunity to capture value and raise farmer incomes:

1. Price difference between the producing and the consuming regions
2. Price rise between the harvesting season and a few months later
3. Gap between the price a consumer pays and the price a farmer receives
4. Price a consumer is willing to pay for superior value, such as safety through traceability.

e-NAM is primarily built to capture the value from the first of these opportunities, i.e. the price difference between the producing and the consuming regions. e-NAM can also play a key role as an integrated market platform and capture the value from the other three opportunities by working in conjunction with other initiatives of the government and/or private sector.

1. The basic logic of capturing value from the price difference between the producing and consuming regions is to extend the participation of buyers from across the country, going beyond the physical mandies (APMC Market Yards). In order to that, the e-NAM ecosystem has to integrate a few critical activities like quality assaying, payment mechanism, and logistics to actually enable long-distance buyers to participate. I am glad, e-NAM has added or is in the process of adding these features in different locations. It is important to keep the costs of these services competitive versus the post-mandi physical chain's so that they do not eat away the arbitrage between regions and leave nothing for the farmer. One must recognise that our traditional intermediary system is very efficient in this regard.

2. For capturing value from the price rise between the harvest season and a few months later, e-NAM has to integrate with the Commodity Derivative Markets and enable its participants to determine prices linked to Futures and Options. Any farmer would love to sell his output at the time of planting using an Options-embedded forward contract, which works exactly like a Minimum Support Price mechanism.

3. To capture value from the huge gap that typically exists between a consumer and farmer price, e-NAM has to plug into initiatives like ITC e-Choupal. The roles of each of these platforms are different. While e-NAM enables competitive discovery of quality-factored spot prices for physical goods, Derivative Markets enable discovery of future prices by standardising product quality, ITC e-Choupal enables discovery of different consumer segments for different varieties and qualities of the produce.

4. Integrating e-NAM with GrAM, the latest government initiative, is to create more spokes in the form of Gramin Agricultural Markets that are in proximity to production clusters. This enables improved traceability and identity-preserved supply chains in the public domain, much like ITC e-Choupal has been able to do in a private network.

As e-NAM evolves into an integrated market platform, APMC Markets can transform themselves into Post-harvest Service Organisations to work with the farmers to improve quality and lower costs.

Source: <https://swarajyamag.com/blogs/e-nam-opportunities-as-an-integrated-market-platform-for-agricultural-produce>