



## Agricultural Reforms

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### Introduction

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- The Government with the aim of transforming agriculture in the country and raising farmers' income have passed three important legislation from Parliament.
- These legislations sought to bring much needed reforms in the **agricultural marketing system** such as removing restrictions of private stock holding of agricultural produce or creating trading areas free of middlemen and take the market to the farmer.
  - The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020,
  - The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020,
  - Essential Commodities (Amendment) Act, 2020.

### The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020

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#### Features

- **Freedom to the Farmers:** The Act provides the farmers the freedom of choice related to sale and purchase of produce.
- **Liberation from the Cess:** The farmers will not be charged any cess or levy for sale of their produce under this Act. Further there will be a separate dispute resolution mechanism for the farmers.

#### Benefits

- **Promotes trade:** It promotes barrier-free inter-state and intra-state trade and commerce outside the physical premises of markets notified under State **APMCs**.
- **Better price:** It will open more choices for the farmer, reduce marketing costs for the farmers and help them in getting better prices

- **One nation, one market:** The Act will help create **One India, One Agriculture Market** and will lay the foundation for ensuring golden harvests for our hard working farmers.

## **The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020**

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### **Feature**

Aims to provide for a national framework on farming agreements that protects and empowers farmers to engage with agri-business firms, processors, wholesalers, exporters or large retailers for farm services

### **Benefits**

- **Level playing field:** The new legislation will empower farmers for engaging with **processors, wholesalers, aggregators, wholesalers, large retailers, exporters** etc., on a level playing field without any fear of exploitation.
- **Transfers the risk:** It will transfer the risk of market unpredictability from the farmer to the sponsor and also enable the farmer to access modern technology and better inputs.
- **Attracts private sector:** This legislation will act as a catalyst to attract private sector investment for building supply chains for supply of Indian farm produce to national and global markets, and in agricultural infrastructure.
- **Eliminates intermediaries:** Farmers will engage in direct marketing thereby eliminating intermediaries resulting in full realization of price.

## **Amendments to Essential Commodities Act (1955)**

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### **Background**

- India has become surplus in most agri-commodities but farmers have been unable to get better prices due to lack of investment in cold storage, processing and export.
- The imposition of the curbs on stocking of farm produce and regulation of the prices of commodities, etc. under **Essential Commodities Act (ECA)** are some of factors responsible for less entrepreneurial spirit and thus less investment in the farm sector.

### **Benefits of Amendments**

The amendment would deregulate the commodities such as cereals, edible oils, oilseeds, pulses, onions and potatoes. It will help to lessen the fears of private investors of excessive regulatory interference in their business operations.

- Any limits under ECA over these commodities will be imposed only in exceptional circumstances such as war, famine, extraordinary price rise and natural calamity.
- The freedom to produce, hold, move, distribute and supply will lead to harnessing economies of scale and attract private sector/foreign direct investment into the agriculture sector.

It will help drive up investment in cold storages and modernization of the food supply chain.

- The amendment is expected to help both farmers and consumers while bringing in price stability.
- It will also create a competitive market environment and also prevent wastage of agri-produce that happens due to lack of storage facilities.
- It is considered as a step towards transformation of agriculture and raising farmers' income.

## Significance of these Acts

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- The reforms are expected to **accelerate growth** in the sector through private sector investment in building infrastructure and supply chains for farm produce in national and global markets.
- They are intended to **help small farmers** who don't have means to either bargain for their produce to get a better price or invest in technology to improve the productivity of farms.
- The legislation on **contract farming** will allow farmers to enter into a contract with agri-business firms or large retailers on pre-agreed prices of their produce.
- It will also help farmers of regions with surplus produce to **get better prices** and consumers of regions with shortages, lower prices.
- It will promote the creation of **Farmer Producer Organisations (FPO)** on a large scale and will help in creating a farmer-friendly environment for contract farming where small players can benefit.
- **Competition** is the best protector of stakeholders whether it is consumer or the farmers. Having a variety of buyers will protect farmers from exploitation and by having more sellers (farmers), consumers can buy better products at better deals.

## Farmers Protest and Issues Involved

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- **Federal Angle:** The provisions in the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020, provides for unfettered commerce in designated trade areas outside APMC jurisdictions.
  - Apart from this, the Act empowers the Centre government to issue orders to States in furtherance of the law's objectives.
  - However, matters of trade and agriculture being the part of subjects on the State list, have caused resentment in States.
- **Lack of Consultation:** First the ordinance route and now the hastily attempt to pass the Acts without proper consultation adds to the mistrust among various stakeholders including farmers.
 

Also, by allowing 'trade zones' to come up outside the APMC area, farmers have become apprehensive that the new system would lead to eventual exit from the minimum support price.
- **Absence of any regulation in non-APMC mandis:** Another issue that is raised by the farmers is that it gives the preference for corporate interests at the cost of farmers' interests.
 

In absence of any regulation in non-APMC mandis, the farmers may find it difficult to deal with Corporates, as they solely operate on the motive of profit seeking.
- **Non-Favourable Market Conditions:** While retail prices have remained high, data from the Wholesale Price Index (WPI) suggest a deceleration in farm gate prices for most agricultural produce.
  - With rising input costs, farmers do not see the free market based framework providing them remunerative prices.
  - These fears gain strength with the experience of States such as Bihar which abolished APMCs in 2006. After the abolition of mandis, farmers in Bihar on average received lower prices compared to the MSP for most crops.

## Impact on Stakeholders

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- **Farmers:** The farmer is now the producer and the seller of his own produce and will be free to enter into agreement with private trade directly.
- **Consumers:** The consumers would now get the produce as much lower costs.
- **Middlemen:** Although the role of middlemen is not going to end completely, their hold on the trade will not be as strong.
- **State governments:** The state govt. of states such as Punjab and Haryana will be adversely affected as there will be a huge loss in annual revenue collection.

## Conclusion

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- The above mentioned legislation basically aims at creating **additional trading opportunities** outside the APMC market yards to help farmers get remunerative prices due to additional competition.  
It proposes an **electronic trading** in transaction platform for ensuring a seamless trade electronically.
- None of the legislation affects the **Minimum Support Price** in any way as the MSP is an administrative decision not a law.
- Agricultural Produce & Market Committee (APMC) will still be available as a choice to sell their products.
- The sale, lease or mortgage of farmers' land is totally prohibited and farmers' land is also protected against any recovery.

## Way Forward

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- **Improve Agricultural Infrastructure to Strengthen Competition:** Government should massively fund the expansion of the APMC market system, make efforts to remove trade cartels, and provide farmers good roads, logistics of scale and real time information.
- **Empowering State Farmers Commissions:** Rather than opting for heavy centralisation, the emphasis should be on empowering farmers through State Farmers Commissions recommended by the **National Commission for Farmers**, to bring about a speedy government response to issues.