



Repealing Farm Laws

Why in News

Recently, the Prime Minister announced the [repeal of the three contentious farm laws](#).

- The [Parliament](#) (Lok Sabha + Rajya Sabha + President) has the authority to **enact, amend, and repeal any law**.
- The farm laws had witnessed [protests from farmers](#), mainly from Punjab and Haryana, on the borders of Delhi for more than a year.

Key Points

▪ Three Farm Laws:

- **Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020:** It is aimed at allowing trade in agricultural produce outside the existing [APMC \(Agricultural Produce Market Committee\)](#) mandis.
- **Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020:** It seeks to provide a framework for contract farming.
- **Essential Commodities (Amendment) Act, 2020:** It is aimed at removing commodities such as cereals, pulses, [oilseeds](#), [edible oils](#), onion and potato from the list of essential commodities.

▪ Reason for Enacting the Laws:

- There has been a **long-pending demand** for reforms in agricultural marketing, a **subject that comes under the purview of state governments**.
- The Centre **took the issue up in the early 2000s** by pushing for reforms in the APMC Acts of the states.
- The Agriculture Ministry under the then government **designed a model APMC Act in 2003 and circulated it among the states**.
 - The subsequent government, too, pushed for these reforms. But given that it is a state subject, **the Centre has had little success in getting the states to adopt the model APMC Act**.
- It was in this backdrop that the government went for reforms in the sector by passing these laws.

▪ Reasons Behind Farmers Protest:

- **Repealing the farm laws:** The first and foremost demand of the protesting farmers' organisations is the **repeal of three new agricultural laws**.
 - As per the farmers the law is framed to **suit big corporations who seek to dominate the Indian food and agriculture business** and will **weaken the negotiating power of farmers**. Also, big private companies, exporters, wholesalers, and processors may get an edge.
- **Minimum support price:** The second demand of farmers is the **guarantee of [Minimum Support Price \(MSP\)](#)** to ensure procurement of crops at a suitable price.

- The Farmers are also demanding to get a written assurance in the form of a Bill for the continuation of the MSP and conventional food grain procurement system.
- The Farmers' organisations want the APMC or the Mandi System to be protected.
- **Electricity (Amendment) Bill:** The third demand of farmers is the **withdrawal of the [Electricity \(Amendment\) Bill](#)**, as they feel that they won't get free electricity due to this.
- **Swaminathan Commission:** The Farmers are demanding MSP as recommended by the Swaminathan Commission.

- The **Swaminathan Commission Report states that the government should raise the MSP to at least 50%** more than the weighted average cost of production. It is also known as the C2+ 50% formula.
- It includes the imputed cost of capital and the rent on the land (called 'C2') to give farmers 50% returns.

▪ **Staying the Implementation:**

- The [Supreme Court](#) stayed the implementation of the three laws in January 2021.
 - The **farm laws were in force for only 221 days** — June 5th 2020, when the ordinances were promulgated to January 12th 2021, when the Supreme Court stayed their implementation.
- Since the stay, the **laws have been suspended**. The government has used old provisions of the [Essential Commodities Act, 1955](#) to impose stock limits, having amended the Act through one of the three farm laws.

▪ **Impacts of Repealing the Law:**

◦ **Need of Consultation:**

- The repeal underlines that any future attempts to reform the rural agricultural economy would require a **much wider consultation**, not only for **better design of reforms, but for wider acceptance**.
- The repeal would leave the government hesitant about pursuing these reforms in stealth mode again.

- The government will doubtless have to walk the path of reform very cautiously.

◦ **Low Farmers Income:**

- Given that the **average holding size stands at just 0.9 ha** (2018-19). Unless one goes for **high-value agriculture** — and, that's where one needs **efficient functioning value chains from farm to fork** by the infusion of private investments in logistics, storage, processing, [e-commerce](#), and digital technologies — the incomes of farmers cannot be increased significantly.
- There is no doubt that this **sector is crying for reforms**, both in the marketing of outputs as well as inputs, including land lease markets and direct benefit transfer of all input subsidies — **fertilisers, power, credit and farm machinery**.

◦ **Negative Impact on Industries:**

- Industries including **logistics, cold chain, agri-related, and farm equipment would be impacted the most** because they were supposed to be the direct beneficiaries of these laws.

◦ **Constant Agri-GDP:**

- The agri-[Gross Domestic Product \(GDP\)](#) growth has been **3.5% per annum in the last 14 years**. One expects this trend to continue — there might be minor changes in the agri-GDP depending on rainfall patterns.
- [Cropping patterns](#) will remain skewed in favour of rice and wheat, with the granaries of the [Food Corporation of India](#) bulging with stocks of grain. The food subsidy will keep bloating and there will be large leakages.

Way Forward

- On a positive note, the tryst with the farm laws could provide important lessons to the government. The most important lesson being that **the process of economic reforms has to be more consultative, more transparent and better communicated** to the potential beneficiaries.
- It is this **inclusiveness that lies at the heart of democratic functioning of India**. It takes time and humility to implement reforms, given the argumentative nature of our society. But doing so ensures that everyone wins.

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