



The Big Picture: Agriculture Reforms

Why in News?

Rajya Sabha has passed two bills related to Agriculture Sector Reforms, namely:

- The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020
- The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020.

Key Points

- 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.
- However, for the middlemen and the state, it is not really good news as they will lose their commission and mandi taxes.
- Neither of the bills affect the [Minimum Support Price](#) in any way as the MSP is an administrative decision not a law.

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

Key features

- It seeks to provide for the creation of an ecosystem where the farmers and traders enjoy the freedom of choice relating to sale and purchase of farmers' produce.
- The Bill also proposes an electronic trading in transaction platform for ensuring a seamless trade electronically.
- 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

- **Selling option:** The bill gives the long sought freedom to the farmers of selling their produce via more than one channel of [APMCs](#).
 - However, APMC will still be available as a choice to sell their products.
- **Promote trade:** It will also promote barrier-free inter-state and intra-state trade and commerce outside the physical premises of markets notified under State Agricultural Produce Marketing legislations.
- **Better price:** It will also help farmers of regions with surplus produce to get better prices and consumers of regions with shortages, lower prices.

- It will open more choices for the farmer, reduce marketing costs for the farmers and help them in getting better prices.
- **One India, One Agriculture Market:** The Bill basically aims at creating additional trading opportunities outside the APMC market yards to help farmers get remunerative prices due to additional competition.
- This will supplement the existing MSP procurement system which is providing stable income to farmers.
- It will certainly pave the way for creating **One India, One Agriculture Market** and will lay the foundation for ensuring golden harvests for our hard working farmers.

APMC's

- An **Agricultural Produce Market Committee (APMC)** is a marketing board established by a state government in India to ensure farmers are safeguarded from exploitation by large retailers, as well as ensuring the farm to retail price spread does not reach excessively high levels.

The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020

Key Features:

- It seeks 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 and sale of future farming produce at a mutually agreed remunerative price framework in a fair and transparent manner and for matters connected therewith or incidental thereto.

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.
- **Transfer 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.
- **Attract 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.
- **Eliminate intermediaries:** Farmers will engage in direct marketing thereby eliminating intermediaries resulting in full realization of price.
 - Sale, lease or mortgage of farmers' land is totally prohibited and farmers' land is also protected against any recovery.

Impact of the Bills

- The stakeholders in these bills are:
 - **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 at much lower costs.
 - **Middlemen or Arthias:** The Arthias will lose the economic stranglehold they have on the mandis.
- The opposition is faced the most in Punjab and Haryana as in other states, they do

not have such a strong hold.

- **State Government:** Different State Governments revenues will be adversely affected.
 - The mandi tax, **arthiya commission** and other taxes imposed by the state govt in Punjab gives about 7,000 crore rupees as transaction cost annually.
 - There is 8.5% and 7% of total transaction cost collected from Punjab and Haryana respectively whereas for most other states it's about 2.5-3.5% only. Therefore, the state revenue of these two states will be drastically hit.

Arthias

- Arthias are those who act as the immediate intermediary and aggregator in the process of procurement for which they charge their **commission** as notified in the **Agricultural Produce Markets Act (APMC)** of the respective States.

Conclusion

- The farmers will earn better income as they get to dictate their own price and do not have to pay transportation charges anymore.
- 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.
- Although the role of middlemen is not going to end completely, their hold on the trade will not be as strong.

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