



FARM BILL 2020

ALL ABOUT THE AGRICULTURAL BILL



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Agricultural Production and **Market Outlook**

The Rising Agriculture....

Farm Laws



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Publisher
Agro-Economic Research Centre
Sardar Patel University
Vallabh Vidyanagar 388120
Anand, Gujarat

Email : aerc@spuvvn.edu
director.aerc@gmail.com

Web : http://www.spuvvn.edu/academics/academic_centres/agro_economic_centre/

Three bills aimed at transformation of agriculture in the country and raising farmers' income were introduced in Lok Sabha to replace ordinances promulgated on 5th June 2020–

1. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020
2. The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020
3. The Essential Commodities (Amendment) Bill, 2020

Union Minister of Agriculture & Farmers' Welfare, Rural Development & Panchayati Raj, Shri Narendra Singh Tomar introduced The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020 and The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020, while Minister of State for Consumer Affairs, Food & Public Distribution, Shri Raosaheb Patil Danve introduced The Essential

Commodities (Amendment) Bill, 2020 in the Lok Sabha.

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

Background

Farmers in India suffered from various restrictions in marketing their produce. There were restrictions for farmers in selling agri-produce outside the notified APMC market yards. The farmers were also restricted to sell the produce only to registered licensees of the State



Governments. Further, Barriers existed in free flow of agriculture produce between various States owing to the prevalence of various APMC legislations enacted by the State Governments. This legislation is a historic-step in unlocking the vastly regulated agriculture markets in the country. It will open more choices for the farmer, reduce marketing costs for the farmers and help them in getting better prices. It will also help farmers of regions with surplus produce to get better prices and consumers of regions with shortages, lower prices.

2- Act: It permits intra and inter-state trade of farmers' produce beyond the physical premises of Agricultural Produce Market Committee (APMC) markets and other markets notified under the state APMC Acts.

3- Provisions:

(a) Trade of Farmers' Produce: The Act allows the farmers to trade in outside trade area such as farm gates, factory premises, cold storages, and so on. Previously, it could only be done in the APMC yards or Mandis.

(b) Alternative Trading Channels: It facilitates lucrative prices for the farmers via alternative trading channels to promote barrier-free intra-state and inter-state trade of agriculture produce.

(c) Electronic Trading: Additionally, it allows the electronic trading of scheduled farmers' produce (agricultural produce regulated under any state

APMC Act) in the specified trade area. It will also facilitate direct and online buying and selling of the agricultural produce via electronic devices and the internet.

(d) Market Fee Abolished: As per the Act, the State Governments are prohibited from levying any market fee or cess on farmers, traders and electronic trading platforms for trading farmers' produce in an 'outside trade area'.

Main provisions –

- The new legislation will create an ecosystem where the farmers and traders will enjoy freedom of choice of sale and purchase of agri-produce.
- 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.
- The farmers will not be charged any cess or levy for sale of their produce and will not have to bear transport costs.
- The Bill also proposes an electronic trading in transaction platform for ensuring a seamless trade electronically.
- In addition to mandis, freedom to do trading at farmgate, cold storage, warehouse, processing units etc.
- Farmers will be able to engage in direct marketing thereby eliminating intermediaries resulting in full realization of price.

Doubts –

- Procurement at Minimum Support Price will stop
- If farm produce is sold outside APMC mandis, these will stop functioning
- What will be the future of government electronic trading portal like e-NAM

Clarification

- Procurement at Minimum Support Price will continue, farmers can sell their produce at MSP rates, the MSP for Rabi season will be announced next week
- Mandis will not stop functioning, trading will continue here as before. Under the new system, farmers will have the option to sell their produce at other places in addition to the mandis
- The e-NAM trading system will also continue in the mandis

Trading in farm produce will increase on electronic platforms. It will result in greater transparency and time saving

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

Background



Indian agriculture is characterized by fragmentation due to small holding sizes and has certain weaknesses such as weather dependence, production uncertainties and market unpredictability. This makes agriculture risky and inefficient in respect of both input & output management. This legislation 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. It will reduce cost of marketing and improve income of farmers. Farmers will engage in direct marketing thereby eliminating intermediaries resulting in full realization of price. Farmers have been provided adequate protection. Effective dispute resolution mechanism has been provided for with clear time lines for redressal.

2- Act: It creates a national framework for contract farming through an agreement between a farmer and a buyer before the production or rearing of any farm produces.

3- Provisions:

(a) Farming Agreement: The Act provides for a farming agreement between a farmer and a buyer prior to the production or rearing of any farm produce.

(b) Minimum Period of Farming Agreement: The minimum period of the farming agreement shall be for one crop season or one production cycle of livestock.

(c) Maximum Period of Farming Agreement: The maximum period of the farming agreement shall be five years. It also states that if the production cycle of any farming produce is longer and may go beyond five years, the maximum period of farming agreement may be mutually decided by the farmer and the buyer and explicitly mentioned in the farming agreement.

(d) Pricing of Farming Produce: The pricing of farming produce and the process of price determination should be mentioned in the

agreement. For prices subjected to variation, a guaranteed price for the produce and a clear reference for any additional amount above the guaranteed price must be specified in the agreement.

(e) Settlement of Dispute: The Act provides for a three-level dispute settlement mechanism-- Conciliation Board, Sub-Divisional Magistrate and Appellate Authority.

Main features –

- The new legislation will empower farmers for engaging with processors, wholesalers, aggregators, wholesalers, large retailers, exporters etc., on a level playing field. Price assurance to farmers even before sowing of crops. In case of higher market price, farmers will be entitled to this price over and above the minimum price.
- It will transfer the risk of market unpredictability from the farmer to the sponsor. Due to prior price determination, farmers will be shielded from the rise and fall of market prices.
- It will also enable the farmer to access modern technology, better seed and other inputs.
- It will reduce cost of marketing and improve income of farmers.
- Effective dispute resolution mechanism has been provided for with clear time lines for redressal.
- Impetus to research and new technology in agriculture sector.

Doubts –

- Under contract farming, farmers will be under pressure and they will not be able to determine prices
- How will small farmers be able to practice contract farming, sponsors will shy away from them
- The new system will be a problem for farmers
- In case of dispute, big companies will be at an advantage

Clarification –

- The farmer will have full power in the contract to fix a sale price of his choice for the produce. They will receive payment within maximum 3 days.
- 10000 Farmer Producer organizations are being formed throughout the country. These FPOs will bring together small farmers and work to ensure remunerative pricing for farm produce
- After signing contract, farmer will not have seek out traders. The purchasing consumer will pick up the produce directly from the farm

- In case of dispute, there will be no need to go to court repeatedly. There will be local dispute redressal mechanism.

3. The Essential Commodities (Amendment) Bill, 2020 seeks to remove commodities like cereals, pulses, oilseeds, edible oils, onion and potatoes from the list of essential commodities. This will remove fear of private investors of excessive regulatory interference in their business operations. The freedom to produce, hold, move, distribute and supply will lead to harnessing of economies of scale and attract private sector/foreign direct investment into agriculture sector.



1 Background

While India has become surplus in most agricultural commodities, farmers have been unable to get better prices due to lack of investment in cold storage, warehouses, processing and export as the entrepreneurial spirit gets dampened due to Essential Commodities Act. Farmers suffer huge losses when there are bumper harvests, especially of perishable commodities. The legislation will help drive up investment in cold storages and modernization of food supply chain. It will help both farmers and consumers while bringing in price stability. It will create competitive market environment and also prevent wastage of agricultural produce that happens due to lack of storage facilities.

2- Act: It is an act of Indian Parliament which was enacted in 1955 to ensure the delivery of certain commodities or products, the supply of which if

obstructed owing to hoarding or black-marketing would affect the normal life of the people. This includes foodstuff, drugs, fuel (petroleum products) etc.

3- Powers of Central Government:

- (a) The Government of India regulates the production, supply, and distribution of a whole host of commodities it declares 'essential' in order to make them available to consumers at fair prices.
- (b) The Government can also fix the MRP of any packaged product that it declares an 'essential commodity'.
- (c) The Centre can add commodities in this list when the need arises and can take them off the list once the situation improves.
- (d) If a certain commodity is in short supply and its price is spiking, the Government can notify stock-holding limits on it for a specified period.

4- Powers of State Government: The respective State Governments can choose not to impose any restrictions as notified by the Centre. However, if the restrictions are imposed, traders have to immediately sell any stocks held beyond the mandated quantity into the market. This is done to improve supplies and brings down prices.

5- Amendment: With the amendment in the Act, the Government of India will list certain commodities as essential to regulate their supply and prices only in cases of war, famine, extraordinary price rises, or natural calamities. The commodities that have been deregulated are food items, including cereals, pulses, potato, onion, edible oilseeds, and oils.

6- Stock Limit: As per the amendment, the imposition of any stock limit on agricultural produce will be based on price rise and can only be imposed if there's-- a 100% increase in the retail price of horticultural produce and 50% increase in the retail price of non-perishable agricultural food items.

7- Calculation: The increase will be calculated over the price prevailing immediately preceding twelve months, or the average retail price of the last five years, whichever is lower.

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Agro-Economic Research Centre

For the states of Gujarat and Rajasthan

(Ministry of Agriculture & Farmers Welfare, Govt. of India)

H.M. Patel Institute of Rural Development,

Opp. Nanadalaya Temple, Post Box No. 24,

Sardar Patel University

Vallabh Vidyanagar 388120, Anand, Gujarat

Ph.No. +91-2692-230106, 230799, Fax- +91-2692-233106

E-mail : director.aerc@gmail.com

Website: www.aercspu.ac.in

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