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Farm Laws 2020 Explained: Everything You Need To Know about the New Agriculture Reforms in India

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INTRODUCTION

In September 2020, President Ram Nath Kovind gave his assent to the three 'Agriculture Bills' that were earlier passed by the Indian Parliament, which then became acts. These Farm Acts are as follows:

1 - Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020

2 - Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020

3 - Essential Commodities (Amendment) Act, 2020

1. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020:

It seeks to give freedom to farmers to sell their produce outside the notified APMC market yards (mandis). This is aimed at facilitating remunerative prices through competitive alternative trading channels. Farmers will not be charged any cess or levy for sale of their produce under this Act. The government had said that this will open more choices for farmers, reduce marketing costs, and help them get better prices. It will also help farmers of regions with surplus produce to get better prices and consumers in areas with shortages at lower prices.

Farmers' Opposition: States will lose revenue as they will not be able to collect 'mandi fees' if farmers sell their produce outside registered Agricultural Produce Market Committee (APMC) markets. Besides, commission agents stand to lose if the entire farm trade moves out of mandis.

Farmers fear it may eventually lead to the end of the minimum support price (MSP) -based procurement system and may lead to exploitation by private companies.

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2. The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020: This legislation seeks to give farmers the right to enter into a contract with agribusiness firms, processors, wholesalers, exporters, or large retailers for the sale of future farming produce at a pre-agreed price. Centre said that it seeks to transfer the risk of market unpredictability from farmers to sponsors. Besides giving them access to modern tech and better inputs, it also seeks to boost farmer income by reducing the cost of marketing.

Farmers' Opposition: Farmer bodies say the law is framed to suit "big corporates 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.

3. The Essential Commodities (Amendment) Act, 2020: The law seeks to remove commodities like cereals, pulses, oilseeds, onion, and potatoes from the list of essential commodities and will do away with the imposition of stock holding limits on such items except under 'extraordinary circumstances' like war, famine, extraordinary price rise and natural calamity. The Union government said it is aimed at attracting private investment/FDI into the farm sector as well as bringing price stability.

Farmers' Opposition: Big companies will have the freedom to stock commodities, helping them dictate terms to farmers.

CONCLUSIONS

Policy reforms in agriculture continue to be a hot topic in public discourse since the last two decades. For several years, academic experts, stakeholders, and farmers' leaders pleaded for reforms in pre-budget consultations and meetings with NITI Aayog and the erstwhile Planning Commission. At the political level, the election manifestos of the two biggest national political parties, Congress and BJP, also promised to liberalize agriculture markets to free farmers from the shackles of APMC regulations. The reason for this was obvious. The "business as usual" approach was yielding only incremental changes whereas the sector needed transformative ones to address agrarian distress, create avenues for remunerative employment of the rural youth, raise farmers' income to meet their aspirations, and create a favourable environment for new-age agriculture that matches the changing demand scenario, compete with global agriculture and is also sustainable. In fact, what was needed for agriculture was clearly known, the Central government has shown political courage to implement that across India.

Coming to the acts, the Farmers' Produce Trade and Commerce Act o-ers farmers the choice to sell their produce within APMC markets or outside them; to private channels, integrators, FPOs, or cooperatives; through a physical market or on an electronic platform; and directly at farm or anywhere else. It has no intent or provision to tamper or dilute MSP and poses no threat by itself to APMC markets. The real threat to APMC mandis and their business is from excessive and unjustified charges levied by states in these markets. The new FPTC Act will only put pressure on APMC markets to become competitive. The Farmers' Empowerment and Protection Agreement on Price Assurance and Farm Services Act covers two aspects: (a) provision for guaranteed price and (b) input and technical services to farmers by registered individual, firm, company, cooperative society, etc., under a mutually acceptable agreement between the farmer and sponsor prior to production. This Act intends to insulate interested farmers, especially small farmers, against the market and price risks so they can go for the cultivation of high-value crops without worrying about the market and low prices in the harvest season. If a farmer is interested, they can also get technical services and inputs from the sponsor. There is nothing in the Act beyond these two provisions.

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The Act does not require any farmer to go for this agreement; the decision is left entirely on the farmer. The Act prohibits the farming agreement to include the transfer, sale, lease, mortgage of the land or premises of the farmer. All apprehensions about this Act relate to corporate farming, which is totally di-erent and not allowed in any state of India. The PAFS Act is inclined towards farmers. No party is bound to continue with the agreement beyond the agreed period. The Act will promote diversification, quality production for premium price, export and direct sale of produce with desired attributes to interested consumers. It will also bring new capital and knowledge into agriculture and pave the way for farmers' participation in the value chain. Scope is kept in the two acts for changing some provisions, if needed. The third Act involves modification in the Essential Commodities Act for a group of agri-food commodities. The modification specifies transparent criteria in terms of price trigger for imposing ECA rather than leaving it to arbitrary decisions by bureaucrats to invoke the Act. The power of the government to impose ECA remains intact as has been seen in the decision to impose stock limit on onions after the modification in ECA.

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