

## Farm bill 2020: Farmer's Protest

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### Introduction

The Centre has asked all states and Union Territories to tighten security during Tuesday's 'Bharat Bandh' called by the farmer's unions and supported by opposition parties while asserting that peace and tranquillity must be maintained on that day, officials said.

In a countrywide advisory, the Union Home Ministry also said the state governments and UT administrations must ensure that the Covid-19 guidelines issued concerning health and social distancing are strictly followed.

The 'Bharat Bandh' has been called by the farmer's unions who have been protesting the three farm laws enacted in the Monsoon Session of Parliament. Major political parties on Sunday came out in strong support of the bandh.



### Key Provisions Of The Laws

The key provisions of new farm laws are intended to help small and marginal farmers (86% of total farmers) who don't have the means to either bargain for their produce to get



a better price or invest in technology to improve the productivity of farms. The Act on Agri market allows farmers to sell their produce outside APMC ‘mandis’ to whoever they want. Anyone can buy their produce even at their farm gates. Though ‘commission agents’ of the ‘mandis’ and states could lose 'commissions' and 'mandi fees' respectively (the main reasons for the current protests), farmers will get better prices through competition and cost-cutting on transportation. The law on contract farming will, on the other hand, allow farmers to enter into a contract with agri-business firms or large retailers on pre-agreed prices of their produce. This will help small and marginal farmers as the legislation will transfer the risk of market unpredictability from the farmer to the sponsor. The third law seeks to remove commodities like cereals, pulses, oilseeds, edible oils, onion and potatoes from the list of essential commodities. This provision will attract private sector/foreign direct investment into the agriculture sector.

### **What do farmers fear?**

Farmer unions in Punjab and Haryana say the recent laws enacted at the Centre will dismantle the minimum support price (MSP) system. Over time big corporate houses will dictate terms and farmers will end up getting less for their crops, they argue. Farmers fear that with the virtual disbanding of the mandi system, they will not get an assured price for their crops and the “arthiyas” -- commission agents who also pitch in with loans for them -- will be out of business.

### **Farmers demands:**

The key demand is the withdrawal of the three laws which deregulate the sale of their crops. The farmer unions could also settle for a legal assurance that the MSP system will continue, ideally through an amendment to the laws. They are also pressing for the withdrawal of the proposed Electricity (Amendment) Bill 2020, fearing it will lead to an end to subsidised electricity. Farmers say rules against stubble burning should also not apply to them.

### **How MSP affects farmers?**

MSP is the minimum price paid by the government when it procures any crop from the farmers. It is announced by the state-run Commission for Agricultural Costs and Prices (CACP) for more than 22 commodities on an annual basis, after calculating the cost of cultivation. Food Corporation of India (FCI) -- which is the main state-run grain procurement agency -- largely buys only paddy and wheat at these prices. The FCI then sells these foodgrains at highly subsidised prices to the poor and is thereafter compensated by the government for its losses.

### **What does the government say?**

The three farm laws have been projected by the government as major reforms in the agriculture sector that will remove middlemen and allow farmers to sell anywhere in the country. Until 2020, the first sale of agricultural produce could occur only at the mandis of the Agricultural Produce Marketing Committee (APMC). However, after the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 came into force it allows farmers to sell outside APMC mandis in India.



Amidst protest from the opposition and a section of farmer's organisations, the Monsoon Session of the Lok Sabha passed three agriculture sector bills which will replace the existing ordinances once they are passed by the Rajya Sabha also. On Thursday, SAD leader Harsimrat Kaur Badal resigned from the Union council of ministers protesting against the bills which she said are anti-farmer and will destroy the agriculture sector in Punjab. Here is all you need to know about the three bills:

#### **1. Bill on agri-market**



## **Farmer's Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020**

### **Provisions**

- \* To create an ecosystem where farmers and traders enjoy the freedom to sell and purchase farm produce outside registered 'mandis' under states' APMCs.
- \* To promote barrier-free inter-state and intra-state trade of farmers' produce.
- \* To reduce marketing/transportation costs and help farmers in getting better prices
- \* To provide a facilitative framework for electronic trading

### **Opposition**

- \* States will lose revenue as they won't be able to collect 'mandi fees' if farmers sell their produce outside registered APMC markets.
- \* What happens to 'commission agents' in states if the entire farm trade moves out of mandis?
- \* It may eventually end the MSP-based procurement system.
- \* Electronic trading like in e-NAM uses a physical 'mandi' structure. What will happen to e-NAM if 'mandis' are destroyed in absence of trading?

## **2. Bill on contract farming**

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

#### **Provisions**

- \* Farmers can 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.
- \* Marginal and small farmers, with land less than five hectares, to gain via aggregation and contract (Marginal and small farmers account for 86% of total farmers in India).



- \* To transfer the risk of market unpredictability from farmers to sponsors
- \* To enable farmers to access modern tech and get better inputs
- \* To reduce the cost of marketing and boost farmer's income.
- \* Farmers can engage in direct marketing by eliminating intermediaries for full price realisation.

### **Opposition**

- \* Farmers in contract farming arrangements will be the weaker players in terms of their ability to negotiate what they need
- \* The sponsors may not like to deal with a multitude of small and marginal farmers
- \* Being big private companies, exporters, wholesalers and processors, the sponsors will have an edge in disputes

### **3. Bill relating to commodities**

#### **The Essential Commodities (Amendment) Bill, 2020**

#### **Provisions**

- \* To remove commodities like cereals, pulses, oilseeds, onion and potatoes from the list of essential commodities. It will do away with the imposition of stockholding limits on such items except under "extraordinary circumstances" like war
- \* This provision will attract private sector/FDI into the farm sector as it will remove fears of private investors of excessive regulatory interference in business operations.
- \* To bring investment for farm infrastructure like cold storage, and modernising food supply chain.
- \* To help both farmers and consumers by bringing in price stability.
- \* To create a competitive market environment and cut wastage of farm produce.



## Opposition

- \* Price limits for "extraordinary circumstances" are so high that they are likely to be never triggered.
- \* Big companies will have the freedom to stock commodities- it means they will dictate terms to farmers which may lead to less prices for the cultivators.
- \* Recent decision on export ban on onion creates doubt on its implementation.

