

## PROVISIONS, BENEFITS AND CHALLENGES OF NEW FARM LAWS 2020

Dr. Priyanka Kumari and Dr. K. M. Singh

Dr. Rajendra Prasad Central Agricultural University, Pusa- 848125 (Bihar)

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The parliament recently passed three bills related to reforms in the agricultural market, contract farming and essential commodities.

### NEED OF REFORMS-

The background for the need for reforms dates back to 1991 when major Economic Policy Reforms took place. It is noteworthy that, since these reforms were new to the Indian market and there was apprehension about its success, the agriculture market was kept out of it. However, after the reforms growth of the Indian economy started at a brisk rate which may be attributed to Liberalization, Lesser control of Government on economic activities and dilution of rigid rules of obtaining licenses and permits.

On the other hand growth of agricultural sectors either remained stock at earlier levels or showed a decline on a few occasions. This resulted in a widening of the gap between the incomes of workers in agriculture and new agriculture sectors.

Other important factors promoting the reforms were imbalance between domestic demand and supply, lack of export competitiveness, the unfavourable growth rate of agricultural products in which there was more Government control, low investment in storage and warehouse facilities and most importantly need for a barrier-free market in which farmers were exploited, by middlemen and forced to give high commission and charges at APMC mandis for selling and buying agricultural produce.

(1) **THE FARM PRODUCES TRADE OF COMMERCE (PRODUCTION AND FACILITATION) ACT, FPTC ACT:** (FPTC Act) is to bring reform in APMC dominated agriculture market. This act permits the inter-state transfer of agricultural produce and allows farmers to sell them in the market of their own choice, thus promoting the ideology of 'ONE NATION- ONE MARKET'.

### **PROVISIONS-**

1. Freedom to sell and buy at any place in the country within APMC mandis or outside them.
2. To promote commerce by setting up an electronic platform for the sale and purchase of farm produce.
3. Act has provision to provide modalities for registration of traders and trade transactions in trade areas. Thus if the new system does not work satisfactorily, then the government can intervene to regulate the system.

### **EFFECT ON APMC MANDIS:**

The effect of the FPTC Act on APMC mandis will depend upon the charges and commissions levied by them. APMC mandis in 12 out of 25 states do not charge any commission on notified crops, while mandis fees vary from 0-2 %. There is no threat from FPTC Act to these APMC mandis.

Another category of mandis which charges 1-2 per cent commission and 1-2 per cent mandi charges (around 3.5 %total) need to bring down their mandi charges and lower their commission to keep business in APMC markets intact.

The third category of sectors like Punjab & Haryana where total charges vary from 5-8.5 % needs reasonable cuts in charges to make APMC'S competitive with the outside market.

Thus it can be said that the real threat to APMC Mandis is from their excessive and unjustified charges.

### **BENEFITS OF THIS ACT**

1. Unshackles of the farmer's from the control of the middlemen and traders, allowing them to choose the best buyer, in turn, possibility better returns. For the first time, a farmer can be a price giver instead of a price taker.
2. Encourages the farmers to produce agro-climatic efficient crops, reduces cost and improves technique to get a higher return.
3. Reducing APMC market fee (Charges and Commission) for farmers, in turn, reduce overall cost these increasing margins of profit.

### **CHALLENGES:**

Certain challenges cannot be ignored, they are:

1. The absence of an alternative marketplace for drying measurements and grading facilities for the crops can deter the farmers from leaving the APMC market.
2. Middlemen can also supply working capital to farmers for buying seeds, fertilizers etc. If a formal institution doesn't fill this gap then the weakening of the APMC market will worsen the condition of farmers.
3. The existing system does not insist much on moisture content, weighing system, type of crop and offer pre-determined price to farmers, a formal system will be expected to fulfil all these requirements and this will need absent extension support.
4. Poor literacy and information base can hurt the farmers in absence of lack of appeal to courts if executives fail to deliver.

## **(2). FARMER'S EMPOWERMENT AND PROTECTION AGREEMENT ON PRICE ASSURANCE AND FARM SERVICES (APAFS):**

APAFS is an improvised form of contract farming act, which has already been adopted by 20 states. The new act is more inclined in favour of the farmers as it objectifies to arrange small and marginal farmers as FPO (Farmer producer Organization) and give them bargaining power to choose to sell their output in the market to sponsor and also remove unnecessary complications related to licenses and permissions.

### **PROVISION:**

The main provisions of the act are:

1. To ensure that the assured price to farmers as agreed with them and the sponsors before production we paid.
2. To provide farm services and inputs at the discretion of the farmer's, as per the term and conditions of the mutual agreement between them.
3. The sponsor is prohibited from acquiring ownership rights or making permanent modifications on land. The act even does not permit farmlands to be leased to the sponsor by the farmers
4. Provision of penalty extending to 1.5 times amount owed by the sponsor in case of failure to make payment.
5. In case, a farmer is not able to carry out an agreement, recovery shall not exceed the actual cost incurred by the sponsor own account of advance payment of input cost.

### **BENEFITS:**

The Benefits of these farm laws are:

1. It allows farmers to sell directly to sponsor on pre-assured price and quantity, which will assured demand before harvest.
2. Farmers will get extension support like soil research, advanced weather analysis, and assured transportation, etc. from the buyer's.
3. The sponsor will have incentives to train better farming techniques, crop protection and harvesting technique to maximize the return.
4. Credit support and insurance support will be easier as the market becomes formal.

### **CHALLENGES:**

The main challenges are:

1. Sponsor's being big corporate farms can skew farmers and may tilt the term and conditions of the contract in their favour.
2. Dispute and rejection of crops may happen on technical reasons like moisture content of crops, fertilizer use, packaging etc and farmers will be forced to be abandoned in difficult straits even after investing.
3. Over-dependence of the single sponsor can compromise the interest of the farmers.

### **(3). ESSENTIAL COMMODITIES (AMENDMENT ACT) 2020**

It amends essential commodities act 1955.

### **PROVISIONS:**

Following are the provisions of the Act:

1. It has provision to remove commodities like cereal, pulses, oilseeds, edible oil, onion and potatoes from the list of essential commodities.
2. The Government may regulate the supply of the above commodity only under extraordinary circumstances which may include war, famines, extra-ordinary price rise and natural calamities
3. Aims to remove fears of a private investor of excessive regulatory interference in their business operations.

4. Transparent criteria have been laid down in the act of imposing and regulating stock limits which will incorporate predictability based on price trigger rather than mere perception.

#### **BENEFITS:**

Following are the benefits of the act:

1. It will encourage storage, warehousing, cold-chain development by assuring the private developer.
2. Better marketing opportunities, better price stability, Creation of competitive market environment and also prevent wastage of Agri products due to lack of facilities.

#### **CHALLENGES:**

The Main Challenges of the act are:

1. There is fear of the act only benefiting hoarders as the price trigger envisioned in the bill- 'Proceeding twelve months or average price of last five years whichever is lower' are unrealistic as they are so high that there is very little chance of invoking them.

#### **REFERENCE:**

1. Pib.gov.in.
2. New Farms Act 2020, NITI Aayog website.
3. Indian Express Article 26.09.2020.
4. Hindustan Times, 23.09.2020.