

## New Farm Laws and Its Implication in India

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### The Farm Acts

- Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020.
- Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020.
- Essential Commodities (Amendment) Act, 2020.

### Farm Laws Repealed

Prime Minister Narendra Modi in his address to the nation announced the repeal of three Farm Laws, apologized to the nation, and further urged the protesting farmers to return home to their families and start afresh.

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

- Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020
- Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020
- Essential Commodities (Amendment) Act, 2020

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

**1- Background:** On 5 June 2020, the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020 was promulgated by the Union Cabinet.

**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:

- Trade of Farmers' Produce:** The Act allows the farmers to trade in outside trade areas 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 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'.

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

- 1- **Background:** On 5 June 2020, The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020 was promulgated by the Union Cabinet.
- 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 the 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.

Essential Commodities (Amendment) Act, 2020

- 1- **Background:** On 5 June 2020, the Essential Commodities (Amendment) Ordinance, 2020 was promulgated by the Union Cabinet.
- 2- **Act:** It is an act of the Indian Parliament that 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 to 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, potatoes, onions, 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 a 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.

It is to be noted that these restrictions will not be applied to stocks of food held for public distribution in India.

Why are Indian farmers protesting?

Indian farmers are fearing that they might lose more than they could gain after the new Farms Laws 2020 thereby taking the protest to the streets. *Government has left the farmers at the mercy of big corporations. It is preposterous to believe that farmers who have small landholdings will have any bargaining power over private players.* After agitating farmers accepted the Centre's proposal to hold the sixth round of talks. The Farmers' Unions have asked for a repeal of the Farm Laws 2020, however, the Central Government again suggested amendments. The ninth round of talks took place on 15 January 2021. *It is to be noted that 11 rounds of talks have taken place so far between the Government and the Farmers' representatives. However, no solution has been found to date.*

Why the Indian farmers rejected the Central Government's proposal?

- 1- Central Government proposed that the respective State Governments can levy cess on the private mandis:-** The proposal was rejected by the farmers as they believe that the creation of private mandis along with APMC will drive agriculture business towards private mandis, ending government markets, intermediary systems and APMCs. As a result, big corporate houses will overtake markets, thereby procuring farm produce at incidental rates. The farmers believe that the Government may delay the procurement (as in the case of paddy), turning the public markets inefficient and redundant.
- 2- Central Government proposed that they will give written assurance for the continuation of the existing MSP system :-** The proposal was rejected by the farmers as they believe that the new Farm Laws 2020 are brought to dismantle APMCs. Thus, they are demanding a comprehensive Act on MSP pan India and for all crops. They are of the view that a written assurance from the Union Government is not a legal document and holds no guarantee.



- 3- Central Government proposed that they will direct the State Governments to register traders in order to regulate them:-** The proposal was rejected by the farmers as the new Farm Laws 2020 have no provision to regulate the traders. As per new Laws, any PAN cardholder can procure grains from the markets at wishful prices and hoard the farm produce. The farmers believe that the Central Government is not ready to take responsibility for the ongoing issue as they want the State Governments to regulate the traders.
- 4- Central Government proposed that under the contract farming law, farmers will have the alternative to approach the court and their land will be safe as no loan will be given on farmers' land and their buildings by mortgaging it:-** The proposal was rejected by the farmers as the history of contract farming has many examples of non-payment by the companies making various excuses like substandard produce. For example, in Sugarcane produce, payments were held for years; many cases of non-procurement have been witnessed citing 'poor quality', driving the farmers into a debt trap. Thus, farmers do not have money to repay the loans and have no option to sell/lose their lands.

#### References

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