Turkish Online Journal of Qualitative Inquiry (TOJQI)
Volume 12, Issue 8, July 2021: 3636- 3642

INDIAN FARM ACTS 2020: IMPLICATIONS AND APPREHENSIONS

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ABSTRACT

Agriculture sector in India was for long in need of reforms in marketing, storage and the regulatory ecosystem. The policy makers, planners and the economists were raising their voices against the present system of regulations and restrictions from time to time. Some laws enacted in the fifties and sixties which had a relevance at that time had became obsolete and irrelevant and thus needed a change. At last the corona crisis came as a blessing for the farming community. During the first wave of Corona pandemic, the government of India came up with three ordinances which were later passed by the parliament of India within the prescribed deadline to become what are known as 'Farm Acts 2020'. While some call these laws as 'watershed moment' for Indian agriculture which will facilitate, liberalize and empower the farming community; some call it as a 'corporate sell out' and termed them as barbaric. The present review article is an attempt to analyze the implication of these laws for the farming community and the apprehensions they have regarding the farm acts 2020.

Key words: **Reforms, Marketing, Farm acts, Watershed, Empower, Liberalize, Facilitate**

Agriculture in India emerged as a bright spot even in times of COVID-19 pandemic (Gupta, P., 2020). While all other sectors in the country recorded a negative growth rate during the pandemic; it was only agriculture that recorded a positive growth rate. Another achievement of the agriculture sector in recent years was that the share of agriculture in Gross Domestic Product (GDP) has reached almost 20 per cent for the first time in the last 17 years, making it the sole bright spot in Gross Domestic Product (GDP) performance during 2020-21 (Economic Survey 2020-21). The resilience of the farming community in the face of adversities made agriculture the only sector to have clocked a positive growth of 3.4 per cent at constant prices in 2020-21, when other sectors slid. The share of agriculture in GDP increased to 19.9 per cent in 2020-21 from 17.8 per cent in 2019-20. The last time the contribution of the agriculture sector in GDP was at 20 per cent was in 2003-04. During the period after the year 2003-04, the share has remained between 17 and 19 per cent. The economic survey further revealed that growth in GVA (gross value added) of agriculture and allied sectors has been fluctuating over time. However, during 2020-21, while the GVA for the entire economy contracted by 7.2 percent, growth in GVA for agriculture maintained a positive growth of 3.4 per cent (Kapil, S., 2021).

Four out of the 34 global biodiversity hotspots fall within India. Having only 2.4 percent of the world's land area, India harbors around eight percent of all recorded species, including over 45,000 plant and 91,000 animal species (FAO). The country has all the 15 agro-climatic zones, rich floral and faunal diversity, varied crops, niches, location specific integrated farming system models and a record number of farming households. This accompanied by a mix of appropriate strategies, technological interventions and various agricultural reforms has made the country not only self sufficient in food grains production, but an exporter of many other commodities. The country stands second in production of fruits and vegetables after China (APEDA). India is the world's largest producer of milk, pulses and jute, and ranks as the second largest producer of rice, wheat, sugarcane, groundnut and cotton. Since Independence, the total food grains production in the country has increased by about 5.4 times, horticulture crops by 10.1 times, fish by 15.2 times, milk by 9.7 times and eggs by 48.1 times (Indian Farming, 2019). The continuous supply of agricultural commodities, especially staples like rice, wheat, pulses and vegetables has also enabled food security for all the population of the country.

Agriculture is the back bone of the Indian economy being a source of livelihood for about fifty percent of population. Although the agriculture sector in the country has achieved many milestones, yet there are some inherent defects in the present agrarian sector which are still plaguing this sector. Despite a record food grain production, there is something wrong. The rising incidence of farm suicides, farmers' indebtness, youths leaving agriculture, lack of marketing support and dearth of post harvest facilities, low productivity and many other; all these were indicators that everything is not going well in this vital sector. The gap in the agri-income of a farmer and that of a non-agriculture worker increased from Rs. 25,398 in 1993-94 to Rs. 54,377 by 1999-2000. What happened in the next ten years, the income of a non-agriculture worker further exceeded that of a farmer by Rs 1.42 lakh. Professor Ramesh Chand, member of the NITI Aayog argues that the favourable effects of the 1991 policy reforms on the non-agriculture sector and the growing disparity between agriculture and non-agriculture incomes caught the attention of some experts and they started speaking about the need for reforms in the agriculture sector. Reforms in marketing, storage and the regulatory ecosystem were largely overdue and policy makers, planners and the economists were raising their voices against the present system of regulations and restrictions from time to time.

Some laws enacted in the fifties and sixties which had a relevance at that time had became obsolete and irrelevant and thus needed a change. At last the corona crisis came as a blessing for the farming community. During the first wave of Corona pandemic, the government of India came up with three ordinances which were later passed by the parliament of India within the prescribed deadline to become what are known as 'Farm Acts 2020'. These three agricultural reform legislations are designed and intended primarily for the benefit of small and marginal farmers who constitute around 85 per cent of the total number of farmers and are the biggest sufferers of the regressive legislations of the past like the Essential Commodities Act of 1955 and the Agricultural Produce Market Committee regulated market regime of the 1960s. The newly introduced farm laws are expected to herald a new era of farmers' facilitation, liberalization and finally their empowerment.

While some called these laws as the path breaking, historic, 1991 movement for Indian agriculture; some other called it as historic blunder and a corporate sell out. Experts, policy makers and planners believe that these ordinances have the potential to change the contours of modern retail as it can expand the reach of the farmer to consumers directly. Farmers have expressed apprehensions regarding these laws and are up against the government demanding a complete roll back of these laws and protesting from the last few days at Delhi Haryana border. However, owing to the resistance from the farming community, a committee has been formed on the recommendation of Honorable Supreme Court of India and has been asked to take the view of all the stakeholders on these three laws and arrive at a conclusion. The three acts have been detailed as under:

A. The Farming Produce Trade and Commerce (Promotion and Facilitation) FPTC Act 2020:

Before understanding 'The Farming Produce Trade and Commerce (Promotion and Facilitation Act 2020', it is necessary to have a knowledge of the existing institutional marketing structure in the country i. e the APMC Act (1964). The Agriculture Produce Marketing Committee (APMC) act that ushered in during the 1960s required farmers to only sell to licensed middlemen in notified markets, usually in the same area as the farmer, rather than directly to buyers elsewhere. Although the APMC act was brought to protect the farming community from being forced into distress selling, yet over the years, it has proved to be a breeding ground for layers of intermediaries, spanning the farm-to-fork supply chain. This resulted in a 'large price spread' or the fragmentation of profit shares due to the presence of many middlemen. APMCs set up in the states by 1960s as a platform to provide marketing support to the farmers' infact bind the farmers to sell their produce only at these mandis. But even after fifty years of these institutions, they still lack the basic infrastructure. Studies show that due to inadequacies of the APMC markets, more than half of the marketable surplus is sold outside the mandis. The Farming Produce Trade and Commerce (Promotion and Facilitation) act 2020 is aimed to end fragmentation of markets available to farmers who are currently forced to sell only to licensed APMC marketers. It will help create an ecosystem where the farmers and traders will enjoy freedom of choice of sale and purchase of their produce of both interstate as well as intrastate.

a. Implications: Essentially, it will give farming community the liberty to sell their produce at a place of their choice. The new act will allow sale and purchase of agricultural commodities in a trade area which is defined as any place outside the physical boundaries of market yards managed or licensed by APMCs. The only requirement for business in the trade area is that the trader should have a valid permanent account number and the farmer should be normally paid on the same day.

However, this 'free trade' can be made subject to regulation as the government has rightly retained the right to notify any document other than a PAN card in future. The Act allows any person (other than an individual) having a PAN card, to establish and operate an electronic trading and transaction platform for trade in agricultural produce. It will also set up the framework for e-trading of agriculture produce. The most important provision in the ordinance is that there will be no market fee, cess or levy on the transactions in the trade area. Presently various taxes/fee/commission in APMCs in various states range from 1% in some states to 8.5% in Punjab are levied on the produce.

b. Apprehensions: The farmers' apprehension is regarding the Agricultural Produce Marketing Committees which they believe that the FPTC Act will render them useless once the private sector steps in. Also in such mandis, the farmers were subjected to much type of fees, cess which in states like Punjab and Haryana is reported to be around 8 per cent. Such type of taxes and cess rob the farmers of their hard earned money. The new Act legalizes such transactions, which is favourable for farmers. The best part of the new FPTC Act is that it allows direct purchase from farmers at their doorstep or farm as is the case with milk procurement by AMUL in Gujarat or by Nestle in Punjab.

Farmers’ concerns are also largely arising out of the fact that gradually government will also withdraw the Minimum Support Prices (MSP) announced every year for abour 22 crops and the farmers will be left to the mercy of the private players who will force them to sell their produce at throwaway rates. APMCs are also stunned at the prospect of all trade moving out of their jurisdiction due to this advantage of zero tax in the trade area. There is a feeling in APMCs that in due course, just like private educational institutes have taken over the government educational institutes, the entire APMC ecosystem may itself wither away and it will be the private players whose might will prevail. The government has however repeatedly made it clear that the existing APMCs will not be disturbed.

B. Essential Commodities Act:

Before proceeding, it is essential to understand what constitutes essential commodities. Section 2(A) of the act states that essential commodity means a commodity specified in schedule of this act. At present the commodities in the list include drugs, fertilizers, food stuffs including edible oil, hank yarn made from cotton, petroleum and petroleum products, raw jute and jute textiles, seeds of food crops, fruits and vegetables, cattle fodder, cotton with face masks and sanitizers being the latest additions during pandemic. The Essential Commodities (Amendment) Act 2020 amends the Essential Commodities Act, 1955. The 1955 act empowered the central government to control the production, supply, distribution, trade, and commerce in certain commodities and to designate certain commodities (such as food items, fertilizers, and petroleum products) as essential commodities. The central government may regulate or prohibit the production, supply, distribution, trade, and commerce of such essential commodities. The 1955 act was enacted at a time just after the country attained independence and was under severe food scarcity. The country had to import food grains. Country could not afford the food grains to be stored by anyone. So the Essential Commodities Act was enacted at that time.

Now the situation has changed. The country has surplus of food grains. Even the horticultural produce has surpassed the food grains production. The new act gives liberty to the producers to store their food grains to sell them at a later date when they find the price remunerative. Under the new act, the central government may regulate the supply of certain food items including cereals, pulses, potato, onions, edible oilseeds, and oils, only under extraordinary circumstances. These include: (i) war, (ii) famine, (iii) extraordinary price rise and (iv) natural calamity of grave nature. The act also requires that imposition of any stock limit on certain specified items must be based on price rise. A stock limit may be imposed only if there is: (i) 100% increase in retail price of horticultural produce; and (ii) 50% increase in the retail price of non-perishable agricultural food items. 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. The act provides that any stock limit will not apply to a processor or value chain participant of agricultural produce if stock held by such person is less than the: (i) overall ceiling of installed capacity of processing, or (ii) demand for export in case of an exporter.

Implications: The new act gives liberty to the producers to store their food grains to sell them at a later date when they find the price remunerative. Some experts considered this act as a double edged sword (The week). According to them it is a right step towards increasing farmers' income, but it may also have an adverse impact on rural poverty and public distribution system in case the price of essential commodities jump due to bulk procurement at the farm level by large players or hoarders.

Apprehensions: The farmers' concerns regarding this act is that in the absence of storage and processing units with the farmers' private businesses may stock up the commodities more so in which India has only marginal surpluses like pulses and oilseeds and will then resort to black marketing thereby causing inflation and earning huge profits from the hard work of farming community. The Essential Commodities (Amendment) Act 2020 may not be so detrimental to the interest of the farmers producing surpluses, and who are net sellers. It is the consumers who may have to worry more if monopolies develop in this business. At present, the government has no way of knowing the quantities of privately held stocks. It can be done by making issuance of electronic-negotiable warehousing receipt (e-NWR) compulsory (Hussain, S. 2020). On the one hand, government would like them to invest in supply chains of perishables, farmers feel that they are more likely to build up stock of non-perishables as they are of higher value and can be stored for a much longer period. The e-commerce players as well as the corporates having their own retail outlets may find it profitable to invest in the supply chains if they are assured that the government will not bring any stock limits till the condition of 50 per cent price rise is actually met.

C. **The Farmers' (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act 2020:**

It is the modified and reformed version of the contract farming in India. Contract farming has been going on in India from last couple of decades, but it was not institutionalized nor did it give a legal protection to the farming community who were always at a disadvantage in the terms of farming. The new act provides a legal basis to the existing practice of contract farming in Indian agriculture and allied sectors. Under the Model APMC Act, 2003 also, contract farming was permitted and the Agricultural Produce Marketing Committees (APMCs) were given the responsibility to record the contracts. They were also mandated to resolve the disputes in such contracts. However, market fee and other

levies/charges were payable to APMCs. Currently, contract farming requires registration with the APMC in a few states. The new act has come up with more pro farming features with safeguard for the farmers.

i. Farmers' have to enter into a written agreement which can specify terms and conditions of quality, grade, time of supply price and the extension services etc.

ii. The agreement could be for a period of 1 to 5 years. The price or any variation of the same has to be part of the agreement. For any additional amount over the agreed price, the prevailing price in APMC/electronic portal etc. will be the benchmark.

iii. All contracts are to be registered with a state level authority to be set up by state governments.

iv. In the new act, the agreement will only for the produce of the farmer; and in no case the land will be involved. The role of the sponsor is restricted to buying the produce at the price agreed in advance and supplying inputs and services.

v. The new act has no provision for leasing out land by the farmers in any manner to the sponsor or firm. As per the act, the sponsor is prohibited from acquiring ownership rights or making permanent modifications on farmers' lands or premises.

vi. No action for any recovery of dues against farmers shall be initiated against land of the farmers.

vii. In case the sponsor fails to pay the farmer, there is a provision for penalty extending to one and a half times the amount owed.

viii.. If a farmer reneges into the agreement, the recovery shall not exceed the actual cost incurred by the sponsor on account of any advance payment or cost of input supplied by him. State governments have been given the power to make rule for carrying out provisions of the Act, such as registration of a farming agreement.

ix. The disputes between traders and farmers have been kept out of courts' ambit. The sub-divisional magistrate will hear the matter and settle it within 30 days. In case of an unsatisfactory order, a farmer can approach the collector.

Implications: By this act the government wants the farming community to engage with processors, aggregators, large retailers and exporters with a level playing field and without fear of any sort of exploitation. This will ultimately transfer the risk of market unpredictability from the earner to the sponsor and enable the farmers to have access to better technology and better inputs. It will act as a catalyst to bring private sector human investment in creating value chains of their produce to global markets.

Apprehension: Farmers' apprehension is that on the name of contract, the big corporate house will take over the control of the land of the farmers or will lure them with huge money to sell their fertile lands. The fact is that the in the new Act, the agreement will only for the produce of the farmer; and in no case the land will be involved. Farmers are worried that the dispute settlement rests with the sub divisional magistrate who will be play at the hands of ruling government. Farming community also wants a written agreement on MSP. There are apprehensions that these laws will throw the small farmers to the big sharks, where market forces will control the pricing, procurement and marketing mechanism, and these helpless farmers will be left running from one retailer/trader to another to sell their little produce season after season, with no bargaining power to demand or get the price they deserve. The financial security for which they are currently dependent on the existing marketing system will become a thing of the past.

The reforms in the agricultural sector were more overdue than even the labour reforms as the existing laws kept the Indian farmer enslaved to the local Mandi (wholesale market) and their rent-seeking intermediaries. All this called for a paradigm shift in how agriculture was viewed, from a rural livelihood sector to a modern business enterprise (IAC).

India's 145 million farmers now have legal backing, now they will not be forced to sell their produce at a particular place; they are now free to find a new set of buyers to get more remunerative prices. The reforms through these acts will lead to more investments in agriculture infrastructure leading to stable prices and reduce price risks for growers. To sum up this article here is a quote from Vladimir Lenin, founder of the Russian Communist Party, leader of the Bolshevik Revolution and the architect of the Soviet state 'There are decades where nothing happens; and there are weeks where decades happen.' The first week of June can rightly be called as a week where a decade happened for the agriculture sector.

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