Agrarian Legislations and Aggravating Issues in Agriculture

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Introduction

Majorly known for pulses and spices India has always been a greater house for farming. Since ages there have been laws regulating farmers and their produce. Mostly the farmers and their produce were regulated by Agriculture Produce Marketing Committees (APMC's). The government recently introduced the following three legislations

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

These laws are intended at shifting the situations or the outcomes in favor of farmers by getting them relieved of deceitful middlemen and conferred comforts that misshapen markets. Farmers panic that the recent legislations would guide in huge corporates into agricultural produce markets. This will lead to monopolies, sanctioning them to fix low prices causing loss to the farmers. The principal reason behind the protests is distress among the farmers that, if huge corporates and private traders enter unregulated agriculture produce markets they will lose their bargaining power.

New Farm Laws [1]

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

[1] Prakash K Dutta, What is there in Farm Laws that make then so contentious, India Today (Dec 15, 2020). https://www.indiatoday.in/news-analysis/story/what-are-farm-laws-farmers-protest-msp-1749723-2020-12-15

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 aims to facilitate barrier-free trade of farm produce outside the markets acquainted under the various state Agriculture Produce Market Committees (APMC) laws.

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 states the framework of contract-Farming.

The Essential Commodities (Amendment) Act 2020 removes limits on stock of agricultural produce which allows merchants in times of abundant harvest, to directly purchase agricultural produce in large quantities.

Impact on government

The major impact on the government is benefitable and is probably an economic reason, the traditional APMC- operated agriculture produce markets are a basis of income for some states. [2] In Punjab they charge 6% on wheat purchases, 6% on non-basmati paddy and 4.25% on basmati paddy. Around 90% of paddy and wheat in Punjab, at Minimum Support Prices (MSPs) that the central government setups every year, are alone held in this market. A retreat from system, will possibly distress everyone in the interlinked chain of the state government, middlemen and farmers.

The government, through the FCI that is Food Corporation of India, purchases agriculture produce, especially wheat and paddy at the MSP. In this manner from many years the government has become the biggest accumulator of varieties of wheat and paddy, securing and hoarding those quantities much beyond the country's buffer stock rations.

Impact on farmers

The new farm laws don't require the traders to pay any fees. The farmers fright that liberation of markets for huge corporates or the private traders without any payment and supervision by state

[2] Gaurav Choudhary, MSP, Middlemen and Myths: What has changed with the new farm laws and who benefits, News18 (Dec 14,2020).
https://www.news18.com/news/india/msp-middleman-myths-what-has-changed-with-the-new-farm-laws-and-who-benefits-3177503.html

governments will break down the traditional markets. Farmers worry that the latest law imply, the government will lately halt purchasing from them at the MSP's, abandoning farmers at the mercy of huge corporates. The statistics of December 2013, report of 70th round of National Sample Survey show reimbursements only on a fraction of farmers, which means directly the MSP policy benefits the government. As per these reports of the National Sample Survey, 13.5% of paddy growers and 16.2% of wheat growers only, receive MSP's. Farmers demand for a legislation which guarantees that all the major produce will be purchased at prices fixed by the government. The intention behind this is to warrant that there will be no minimum rates set by the states for all major agricultural produce. The farmers are demanding prohibition of sale, of any agricultural produce below the MSP ceiling. Eventually, the demand is that though a private trader wants to purchase any of the 23 major crops on which MSP is fixed by the government, it has to be bought at price that is either equal or higher than the MSP.

Analysis [3]

The previously existing regulatory body that is APMC, the regulations set by APMC entail farmers to sell their produce to only licensed middlemen in reported markets, mostly in the farmers residential area, rather than in an open market. This restrains farmers from selling their harvest beyond their nearby APMCs. This developed into a wide "price spread", which means most of the middlemen take their share before the produce reaches the final consumer, which creates huge difference between the price the farmer received and the eventual selling price. APMC markets set up in the 1960s where primarily designed to avoid difficulties on sale for the farmers, and by creating precarious infrastructure which will facilitate them finding a better price for their produce.

However, the APMC driven markets have become obstacles for the farmers. The APMC markets by compelling the farmers to sell their produce via their committees restrained them from getting a better price for their produce. The fact that the buyers in APMCs perform in unions is very evident. The APMC system is primarily commission based and merely authorized agents can

[3] Gautam chikermane, *An intellectual biography of India's new farm laws*, issue briefs and special reports, ORF Dec11, 2020
https://www.orfonline.org/research/intellectual-biography-india-new-farm-laws/

function in these markets. Throughout these years this system has led to internal monarchy where these markets are consistently controlled by the same group of local business families.

A report by the National Council of Applied Economic Research in 2012 identified conspiracy as a biggest barrier for fair trade, stating the monopoly of traders in the main markets as the reason. The government currently stated that the new central law, that is Farmer's Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 will allow farmers to vend their produce at desirable prices. The new legislation will also eliminate obstacles in inter-state trade, through an e-trading framework which allows the farmers in one state to sell their produce to merchants and traders in another state.

Conclusion

The government has now offered to introduce certain additional legal safeguards for rights of farmers in contract farming, restrictions on seizing a farmland for recovery of dues and also to protect farmers from getting charged for crop residue burning.

The government has also proposed to amend Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 by bringing in a system of registration to ensure equality amongst notified markets and private markets that are controlled by state governments and also planned to allow states to levy cess and service charges equivalent to those applied in notified markets

As per the new legislations, to settle disputes between traders and farmers local magistrates are the ultimate authority. Making it convenient for the farmers to approach civil courts of their choice for settling trade disputes the government has proposed to amend certain laws. In order to bring additional safeguards to secure farmers right over his land the government proposed to amend The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020.

Though government is giving assurances to completely protect farmers from being succumbed to the corporate market, the farmers are still not convinced because of the already existing monopoly of APMC's. The APMC's have not served their purpose and the farmers lost faith in the system. It is very predictable and evident that if the corporate sector will have a free say and rule in the farmers produce trade the condition of the farmers is going to be miserable. Though the legislations are promising certain solutions but on a practical note the implementation of the rules and dispute resolution is a tough task. Rather than bringing in new legislations and assurances, amending the existing legislations for development of farmers will be a great approach.