
New Agriculture Acts - An Analysis

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Abstract

In September 2020, Parliament brought three Acts related to the agriculture sector, namely- (i) Farmer's Produce Trade and Commerce (Promotion and Facilitation) Act, (ii) Price Assurance and Agricultural Services (Empowerment and Protection) Act and (iii) Essential Commodities (Amendment) Act. The main objective of these Acts is to assist small and marginal farmers as these farmers are neither empowered to bargain nor invest in technology to improve the quality of their farm produce as they merely have the resources for this. But these Acts are being vehemently opposed by the farmers' organizations and opposition parties. The purpose of this chapter is to examine the impact of these Acts on Indian agriculture and farmers.

Agriculture is still the backbone of our economy,

and there is an urgent need for reforms in the agriculture sector to accelerate the country's pace of development. Keeping this in mind, these acts have been brought, but it is equally true that till the support of 14 crore agricultural families of the country is not received, difficulties will continue to come in the implementation of these Acts. In such a situation, it becomes necessary to see why the farmers are dissatisfied with these Acts. Can the farmers be satisfied by bringing some changes or amendments in their nature?

Agriculture Acts and Points of Objections

Through the first Act, 'Farmers Produce Trade and Commerce (Promotion and Facilitation) Act 2020, farmers have been given the freedom to sell their agricultural produce outside the APMC mandis, at any place and in any state and also through electronic means. It is to be known that earlier, farmers used to sell their produce by law only in the mandis of APMC. To provide a platform for the farmers to sell their produce, the Agricultural Produce Market Committees (APMCs) have been established by the governments in every state. These societies ensure that the farmers' produce is not bought by middlemen at a lower price and sold at a higher price, but the farmers get a fair price for their

produce. In APMC societies, some agents or middlemen are licensed, and only these are used to get the farmers' produce auctioned to retailers, or big traders, on a fixed commission. As a result, farmers were prohibited from selling their produce outside the APMC market area and faced many hurdles when selling their produce in other states.

The APMC marketing system protected the interests of the farmers and increased their profits. However, some shortcomings were also being exposed in this system, such as- (1) It was mainly benefiting large farmers, small and marginal farmers found it more convenient to sell their produce near their fields. (2) To carry out the sale of the produce under the APMC system, often the market agents together form a cartel to not buy more than a certain quantity at the fixed price. (3). Wholesalers and retailers are also compelled to buy the produce only from these middlemen and here again these agents tried to maximize their commission by adopting the technique of cartelization. The result of these activities was that the produce could be sold only in small quantities despite the high production and the farmers were forced to sell their remaining produce to the government at the minimum support price in which

their profits were less. Due to the inadequacy of APMC mandis, a large part of the farmers' produce used to be sold outside the mandis; at the same time, the fear of getting caught because such sales were illegal was also prevalent among farmers.

To overcome these shortcomings in the APMC system, to increase farmers' options to sell their produce, and to reduce the operating cost of the mandis, the government has introduced the FPTC Act. So that now farmers will be able to sell their produce to private buyers outside APMC mandis. In this way, with this new Act, more options have been available to the farmers to sell their produce, and there is no obligation to sell it only in the government mandis. And at the same time, the way has been cleared for the elimination of middlemen, due to which it is expected that farmers will be able to get higher prices than before by selling them directly to private sources.

Farmers' organizations are opposing this Act for many reasons. First, farmers are concerned that the Act allows private sector buyers to buy produce directly from farmers without any registration and subject to any law. The farmers are apprehensive that this follow-up will soon make the APMC mandis irrelevant by taxing them,

after which the farmers will be completely dependent on the private sector for the sale of their produce. Second, the purchase and sale price of produce in the APMC mandi remains within a certain range because there is a guarantee of getting at least the minimum support price on sale, but farmers will be deprived of the benefits of MSP if they sell outside the market. Third, on purchase of produce in APMC mandi, taxes and duties are levied on the buyer whereas no provision has been made in the Act to levy tax or duty on private companies on purchase outside the mandis, which indicates that private companies will never buy from the mandis of APMC to keep their costs low, instead they will buy it in the open market where there will be no arrangement of a fixed minimum price. Fourth, it is the natural behaviour of private companies to maximize their profits by establishing monopolies. Initially, these companies will make the APMC mandis irrelevant by paying higher prices to the farmers, but later, when the farmers will have no other option to sell the produce, then they will demand the produce at lower prices, hence, the new Act is presenting the way of exploitation of the farmers. Fifth, 86 per cent of the total farmers in the country are small and marginal farmers, whose holding size is less

than 2 hectares, due to which the marketable surplus of these farmers is also very less, so they do not have any bargaining power. As a result, they will be forced to sell their produce at throwaway prices. Sixth, this Act is also being opposed by the state governments of the opposition parties because the state governments will have to bear the loss of revenue due to the absence of any tax and duty system on the purchase and sale of produce in the open market.

Based on the above points, farmers' organizations and opposition parties are alleging that the central government is turning away from its responsibilities and handing over Indian agriculture and farmers to the private market system. With the help of the new Act, the private sector will create a parallel and strong market for agriculture, beyond which APMC mandis will be eliminated in the same way as BSNL is becoming ineffective due to the arrival of private telecom companies and after the end of APMC mandis and MSP system the endless cycle of exploitation of the farmers will start.

The second Agriculture Act is 'The Farmers (Empowerment and Protection) Agreement on Price

Assurance and Farm Services Act 2020'. The Act paves the way for 'contract farming' to Indian farmers and provides a framework of rules and directions for contract farming. Contract farming is a farming system in which the farmers do agriculture on their land without spending any money because in this farming system, all the expenditure on agriculture is borne by the contractor and all the produce is purchased by the contractor from the farmer at a predetermined price (the price fixed under the contract). As a result, the farmers get many benefits from contract farming, such as (i) there is no impact on the farmers due to the high prices of agricultural commodities (ii) he does not have to bear any cost related to agricultural inputs and resources are available for improving agriculture, (iii) There is no risk of market availability among small, marginal and medium farmers, and (iv) the farmer gets an opportunity to learn new techniques and methods of agriculture. (v) Both quantity and quality of the produce improve with the attainment of a fair price for the produce.

The farmers object to the Second Agriculture Act on the ground that there is no clear procedure for fixing the price of the produce in contract farming in the Act, due to which private companies will dominate in fixing

the prices at the time of contract, and the prices will not be fixed according to the wishes of farmers but the companies. The second point of objection is regarding the settlement of disputes between the farmers and the contractors. Farmers' organizations say that in case of any dispute among themselves, the farmers have not been given the right to approach the civil court in this Act. Third, most of the farmers in India are unable to understand the complexities of the contract. Fourth, according to the 2011 census, a total of 26.3 crore farming families are engaged in agriculture in India, out of which only 119 crore families have their own agricultural land while 14.43 crore are landless farming families. Most of these landless farmers do agriculture based on sharing, and often the share is sown on the condition of half the yield from the owner of the agricultural land. These sharecroppers, tenant farmers and landless farmers have come under threat due to the new agricultural law, which provides freedom of contract farming. Fourth, in rural areas, a large number of agricultural workers work in other's fields. In the case of contract farming, the contracting firms would prefer mechanized agriculture to keep their costs low, which would make the agricultural workers unemployed.

The third Act is 'Essential Commodities (Amendment) Act Through this amendment act, cereals, pulses, edible oil, oilseeds, potato and onion have been excluded from the essential commodities prescribed by the government under the Essential Commodities Act of 1955. Now there will be no limit on stock on these products except in exceptional circumstances like war, natural calamities, famine, high price rise etc. The government believes that this amendment will help modernise cold storage and food supply chains and bring about price stability as it will eliminate government control over production, storage, movement, and distribution.

This amendment act is being opposed because with the end of the control on the storage of food items, exporters, processors, traders etc. will store these commodities at the time of increasing arrival of these crops, which will cause volatility in their prices and this will lead to instability in these commodities. In addition, black marketing will also increase, which will put food security at risk.

Government side

After knowing the apprehensions of the farmers' organizations about these three Acts, it is necessary to

know the government's side as well. The government says that all three acts will help increase the farmers' income and make them self-dependent. Moreover, through all three acts, the role of middlemen will be eliminated to a great extent, which will benefit the farmers.

The biggest and serious allegation that is being levelled against these agricultural laws is that the government wants to do away with the APMC mandis and the minimum support prices through them. The reality is that nowhere in these three laws is anything said to suggest that the government is contemplating shutting down the APMC mandis or the system of support prices. They are not directly threatened by any of the provisions of these Agriculture Acts. Although the Central Government accepts that the APMC mandis have been done with a view to free the farmers from the influence of middlemen and provide them good value for their produce, but under the guise of their regulation by the states, they are used for revenue generation by levying high taxes and fees. The real threat to the APMC mandis is not from the Agriculture Acts, but from these high tariffs and the new FPTC Act, 2020 will only put pressure on these mandis to become efficient and

transparent. The allegation is also wrong that private traders will not be interested in purchasing the produce from these mandis. On the contrary, they will be attracted to these mandis because they will benefit from the mandi's infrastructure. Bulk produce will be available in one place, and many varieties will be available. As a result, the cost of purchasing the produce will be low, while the cost of personal and direct transactions outside will be high. In this way, the question of APMC mandis becoming irrelevant does not arise, but these mandis will remain relevant for all three parties - the buyers, the sellers and the state government.

As far as abolishing the Minimum Support Price (MSP) is being raised through these laws, in this regard, the government says that the MSP will continue, and there is no provision in the Acts that talks about the abolition of MSP. According to the government, this is a conspiracy by the opposition parties to destabilize the government by instigating the farmers, spreading confusion and unrestrained propaganda. Buying and selling produce at MSP is a purely administrative decision and the government does not need any act to change it. It would be best to evaluate the government's stand regarding MSP based on the decisions and

actions of the government on this subject. In recent years, two important works related to MSP have been done by the government-1. A new benchmark for MSP, which ensures 50 per cent or more margin on cost.2. A scheme named ASHA. Seeing these government efforts, the apprehension that the government will abolish the MSP by implementing these new Acts seems to be unfounded. To ensure food security in the country, many schemes are going on. To successfully operate these schemes and provide free food grains or food at subsidized prices to the country's poor people, the central and state governments have to purchase food grains from farmers in large quantities every year, usually bought at MSP only. Therefore, the objection also appears to be baseless that the new Act will do away with the system of MSP.

With regard to allowing and facilitating contract farming through the Second Agricultural Act (APAFS), the government says that it is not new to India. At the time of enactment of this Act, it had already been adopted by 22 states. The new Act is only an attempt to keep the conditions of contract farming in favour of the farmers. The Act simplifies the complex procedures related to registration/licensing, deposits etc., in the

provisions of contract farming in various states and statutory to keep the benefits of contract farming in favour of the farmers.

In response to the apprehension that due to the spread of contract farming, landless farmers and agricultural labourers will become unemployed, it is being said that about 60 percent of the working population in the country is directly or indirectly dependent on agriculture. In contrast, the contribution of agriculture in GDP has remained only 16 per cent, which is a significant imbalance. Steps need to be taken in the direction of trying to balance it. It is also not that agriculture provides gainful employment throughout the year to the people dependent on it. Still, problems like disguised unemployment, seasonal unemployment, under-employment situations and low wages have existed in Indian agriculture for a long time. These problems need to be seriously considered to get a permanent solution. From the study of the structure of new agricultural laws, it appears that with the help of these laws, there is a possibility of bringing an unprecedented increase in agricultural production by modernizing agriculture. If the new agricultural Acts are correctly implemented, through them, the solution to the

problem can be achieved by increasing the GDP and promoting employment by encouraging skill development, agricultural, non-farm and allied activities like horticulture, animal husbandry, fishery, soil and water conservation, poultry, dairy farming, agriculture marketing, milk-fed financial institute and social forestry. The criticism of the Essential Commodities Amendment Act that it has given freedom to hoarders and black-marketers cannot be said to be justified because this act also does not reduce the right of government intervention in the market for price control if required. It is proved from the point that to control the rising price of onions, on 23 October 2020, that is, even after the amendment in the Essential Commodities Act, there was direct intervention by the Central Government by setting the maximum limit on the stock of onions by the wholesale and retail traders. The Essential Commodities Act deals with providing food items to the consumers at reasonable prices and it has no direct relation with the producers of agricultural commodities. The amendment made in the ECA has not included articles related to farmers' interest like seeds, fertilizers, so it does not seem justified by the farmers to oppose it. This amendment will encourage investment in warehousing,

cold storage, etc. and will check the tendency of prices to fall in case of surplus production.

Conclusion

The pace of development in the agriculture sector is plodding. There are many reasons such as less flow of private investment, high burden of population, use of old technology and inefficient methods, lack of resources with the farmers, fluctuations in the prices of agricultural commodities and defects in the present agricultural marketing system. Due to these reasons, productivity of Indian agriculture is low and also farmers cannot get good prices for their produce. The government's intention behind bringing these Acts does not appear to be corrupt from anywhere. Instead, these three Acts are compatible with today's time and may bring reforms in Indian agriculture.

In 1991, when India implemented economic reforms (they did not include the agriculture sector), there was a lot of opposition to these reforms. Still, those reforms had given impetus to the country's economic development and increased the people's livelihood and living standards. The agricultural sector of the country is still very backwards, reforms in this sector are also the need of the hour, and all three acts are an

attempt to improve the agriculture system in India.

Agriculture in India is very, very special to the country. It cannot be compared with other occupations because a large part of our working population depends on it to get their livelihood directly or indirectly. Policies and laws related to agriculture affect the living of a large population of the country. Therefore, whatever policies or amendments are brought, their effects on this country's huge population must be properly assessed in advance.

Farmers are undoubtedly vital for our country. They have made the country self-sufficient in food production, provided food items to the vast population, increased our exports, so if they need, they have to provide security of APMC mandis and minimum support price. Still, we should also keep in mind that this cannot be a permanent solution to the problems of agriculture. It should not happen that farmers should remain dependent on these mandis and MSP forever. Still, they should also leave their stubbornness and consider other options being provided by the government to resolve the matter peacefully instead of picketing, demonstrations and disturbing everyday life of general people. In the changing environment, efforts to make Indian agriculture

modern and competitive should be welcomed. If they disagree with some of the provisions of the Acts, then they should put their demands of favourable amendments in the agricultural acts in a cordial atmosphere so that the process of development is not obstructed. There is nothing in these laws like the abolition of APMC mandi or the abolition of MSP as they fear, but it is also true that only 7 percent of the farmers are getting benefited from the MSP, and small farmers are still selling their produce outside the mandis. With the new Acts, this type of transaction has become legal, as well as the farmers are getting the opportunity to ascertain the price of their produce themselves. If these laws can be implemented properly, then instead of becoming a passive price taker, the Indian farmer will be able to become an active 'price maker' and the way for modernization of Indian agriculture will also be paved .

Reference

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