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# Farm Reform Bills 2020: Challenges and Remedies

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**ABSTRACT**
Agriculture sector is the most important sector of Indian Economy. Indian agriculture and allied sector accounts for 17.8 percent of countries gross value added (GVA) and provides employment to 42.6 per cent of the country's workforce for the year 2019-20. India has adopted various strategies for the development of the agriculture sector since Independence. These initial strategies yielded results and achieved self-sufficiency in production of food grains. But today Indian agriculture sector is facing various problems namely managing surplus food grains; degradation of agricultural land; monoculture in agriculture production; increasing distress in farm sector; facing scarcity in production of cereals and oil seeds; slow growth rate in agriculture sector; decreasing average land holding; pricing of their product or price fluctuation; failure of APMC system to protect the interest of farmers; these problems became a major obstacle for the agriculture sector reforms. To achieve sustainable inclusive development in the agriculture sector Government has introduced three acts.

Indian farmers' are protesting against these farm acts. The major reasons for this protest are fear of ending the minimum support price (MSP) in future, closing the APMC markets in future, possibility of selling their crop at low price in open market, no benefit to small and marginal farmers from contract forming, no guarantee of selling their product directly to customers, doubt of Government facilitating corporate companies, fear of small and very small farmers doing business with large private sponsors. For the successful implantation of bills the Government can take measures namely extending the MSP for farm products sold outside the market by amending the act, establishment of Agricultural co-operative societies to empower small and marginal farmers to accumulation of land tenures, direct discussion with farmers and convince them that the act is in favour of farmers, increasing the agricultural infrastructure in the country.

**Keywords:** agriculture sector, farm reform bill, APMC, MSP, surplus management

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## I. INTRODUCTION

"India has now reached a stage in which surplus management has become a major challenge…Going forward, shifting the terms of trade in favour of agriculture is the key to sustaining this dynamic change and generating positive supply responses in agricultural production," **Shaktikanta Das (2020)** at the CII National Council on July 27, 2020 at Mumbai.

Agriculture sector is the most important sector of Indian Economy. Indian agriculture and allied sector accounts for 17.8 percent of countries gross value added (GVA) and provides employment to 42.6 per cent of the country's workforce for the year 2019-20. India has adopted various strategies for the development of the agriculture sector. India's initial strategy for the development of the agriculture sector was primarily emphasised on increasing agricultural production. It mainly involves increasing agricultural productivity through introduction and use of better technology, high yielding variety seeds, fertilizer, irrigation, subsidies on farm inputs, remunerative prices (MSP) for some crops, increasing public investments in the agriculture sector etc. This strategy yielded results, Indian agriculture has witnessed a distinct transformation and achieved self-sufficiency in production of food grains. India's food grains production multiplied by 3.7 times during 1965 to 2015. In India the total production of food grains and horticulture reached a record high 296.65 MT and 320.48 MT respectively in 2019-20. India also becomes one of the leading producers of milk, pulses, fruits, vegetables, cotton, sugarcane, fish, poultry and livestock in the world.

This emerges the problem of managing surplus food grain which is opposite to the earlier problem of shortage of food grain. Along with this, the agriculture sector is facing many problems namely excess use of water resources leads to degradation of agricultural land; Monoculture in agriculture production is destroying the crop pattern; increasing distress in farm sector; failure of APMCs to protect the interest of farmers; Minimum Support Price (MSP) became a huge burden for the Government. In 2019-20 Government has spent 1077796 crore on Minimum Support Price (MSP) for 23 agriculture products; India is facing scarcity in production of cereals and oil seeds; slow growth rate in agriculture sector; Farmers are facing problems in pricing of their product or price fluctuation. The share of farmers in consumer rupee is very less, namely 28% in potato, 33% in onion and 49% in rice. The average share of farmers in the consumers' rupee is found to be in a range of 28 percent to 78 percent for different food items; Decreasing average land holding reduces the scope of using modern technologies in farming. In 1970-71 size of average land holding was 2.28 in India, which reduced to 1.08 in 2015-16;

The past strategy also did not explicitly recognise the need to raise farmers' income and did not mention any direct measure to promote farmers' welfare. Therefore, farmers' income is very slow compared to non-farmers income and the disparity between farmer's income and non-farmers income is also increasing in India. In 2011-12 farmers and non-farmers annual per capita income was Rs.78624 and Rs.246514 respectively. Wheat and Paddy are the major crops in India. Wheat (22.3%) and paddy (16.2%) constitute about 38.5 % gross cropped area in 2014-15. Those who are producing wheat and rice their income is not increasing beyond 4 percent to 5 percent annually. These problems became a major obstacle for the agriculture sector reforms. To achieve sustainable inclusive development and generate positive supply responses in the agriculture sector there is a need for reforms in the agriculture sector. To bring major reforms in agriculture sector centre Government has introduced three bills namely;

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

**Objectives:**

1. To study the necessity, Issues and challenges of farm reform bills 2020.
2. To identify the reasons for farmers protest against farm reforms bills 2020.
3. To suggest suitable policy suggestions based on the study.

**Methodology:**

The present study is based on secondary sources of data consisting of Government publications, namely Economic Survey, RBI reports and official website of Ministry of finance, Ministry of Agriculture, NCRB report etc. Simple statistical tools namely percentage, average used to analyse the data.

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

**Background/Necessity of Act:**

British's introduced APMC laws in India with an objective to get cheap raw material for their factories in England. After independence till green revolution India was facing shortage of food grains therefore, the Government in the national interest continued APMCs in India. But, APMC is suffering from many defects and farmers are exploited in different ways. The major defects are lack of infrastructure, lack of transparency in pricing of product, and lack of information to farmers regarding prices of products. Farmers are not issuing official receipts by the traders; they are issuing 'white slips' without mentioning price, quantity and quality. Cartels among traders do not allow farmers to get good prices, further they exploit farmers at the times of distress sales. Along with that APMCs also suffer from lack of infrastructure. Therefore, to reduce the above barriers and introduce reforms in agricultural marketing, the Centre Government introduced the bill the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020.

**Features of Act:**

This act has enhanced the farmers and traders freedom of choice relating to sale and purchase of farmers' produce. It allowed the farmers to sell their product outside the notified Agricultural Produce Market Committee (APMC). To improve the transparency in the transaction, it made PAN compulsory for traders other than farmer producer organizations or agricultural co-operative society. Traders need to give receipts and make payment for the traded farmers' produce on the same day or within the three working days. It also prohibits the State Government from collecting market fees or taxes for trade outside the APMC markets. It removes barriers to inter-State trade and provides a framework for electronic trading of agricultural produce. The Act enables farmers to make written legal agreements for contract farming.

**Reasons for Farmers Protest**

Indian farmers' are protesting against three farm acts headed by Rakesh Tikait. Tractor rally on 26th January 2020. The Supreme Court of India stayed order on the implementation of the farm laws but rejected the committee appointed by the Supreme Court. Farmer leaders have also rejected a government proposal of suspending the laws for 18 months and after eleven round talks between Government and farmers also not yielded any result. The major reasons for farmers protest are;

- Fear of ending the minimum support price (MSP) in future
- Fear of closing the APMC markets
- Possibility of selling their crop at low price in open market
- No benefit to small and marginal farmers because contract forming will help only to large farmers
- There is no guarantee of selling their product directly to customers
- Doubt that Government facilitating corporate companies

**Possible Remedies:**

This act does not provide MSP to products sold outside the APMC. Therefore, Governments do not allow farmers to sell their farm product outside the APMC markets at lower price than MSP. It must extend the minimum support price for farm products sold outside the market by amending the bill.

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

This act deals with an agreement between a farmer and buyer/agri-business firms/wholesalers/exporters in respect of any farming produce. It provides a national framework on farming agreements. Here, sale of future farming produce takes place at a mutually agreed price including the time of supply, quality, grade, and standards in a transparent manner. It is a middle-man-less agricultural production and trade system. The farmers will get guaranteed price and also get bonus or premium in case of price variation. Buyers have to make payment of agreed amount at the time of accepting the delivery of farming produce and issue an official receipt with details of the sale proceeds. This act allows agreement may also link farming agreement with insurance or credit instrument under any scheme of the Government or any financial service provider to ensure risk mitigation. The minimum period of the farming agreement shall be for one crop season or one production cycle of livestock and maximum period shall be five years. With all the above features act to protect and empower farmers and help to fetch higher prices for their products through contract farming.

**Reasons for Farmers Protest**

- Fear that small and very small farmers doing business with large private sponsors
- Farmers are illiterate, poor and unorganized. Therefore, they fear that price will not going to determine in favor of farmers
- Government didn't consulted and convinced farmers directly before implementing this act

**Possibly Remedies:**

- Establishment and promotion of farmer producer organizations or Agricultural co-operative society to empower small and marginal farmers to accumulation of land tenures
- Direct discussion with farmers and convince them that the act is in favour of farmers.
- Increasing the agricultural infrastructure in the country. Need to create and provide sustainable power supply, good roads, establishment of agricultural processing units, coolers, etc.

**The Essential Commodities Act (Amendment), 2020**

In 1955, the Essential Commodities Act was introduced in India with an objective to restrict an individual or a farmer or a firm to hold essential agricultural commodities beyond the prescribed limit. This act intended to ensure free flow of essential commodities by preventing black marketing of essential commodities.

This amendment kept out agricultural produce namely onions, potato, cereals, pulses, oils and edible oilseeds from the list of essential commodities and Government will interfere in essential commodities market only in extraordinary circumstances like war, natural calamity, extraordinary price rise etc. This amendment permits a farmer to hold any amount of such commodities.

Government with this amendment intended to encourage the construction of godowns, reduce wastage of agriculture product, establishment of food processing industries in rural areas, create value addition of the agriculture

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product, encourage private and foreign investment in agriculture sector, encourages crop diversification, create competitive market environment for agriculture commodities and thereby increase the farmers' income.

## II. CONCLUSION

Government of India is having strong determination to bring reforms in agriculture sector. The motives behind these three acts are beneficial to both farmers and Government in future. Government can reduce its financial burden by reducing its expenditure on MSP. Farmers get benefits namely freedom of choice relating to sale and purchase of farmers' produce, benefits contract farming etc. but Government must convince farmers that their interest will be protected in future. Without the cooperation of the majority of the farmers these acts will not going to bring major reforms in agriculture sector.

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