

Evaluation of 'The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020.

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ABSTRACT:-

Agriculture is the backbone of rural economy in India. In 2018-19, the Gross Value Added (GVA) of agriculture and its allied sector was 15.87% of India's total GVA of 169.61 lakh crores INR. In 2018, 43.33%, of work force of India was engaged in this sector.

It is natural that any policy regarding this sector, which is different from the approach until now will be open to debates and scrutiny. 'The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020, is a totally different approach towards increasing the farmers' income.

The Act provides for the creation of an "ecosystem where farmers and traders have freedom of choice in the sale and purchase of farmers' produce"...which facilitates remunerative prices through competitive alternate channels'.

The Act aims to promote, 'efficient, transparent and barrier free inter-state and intra-state, trade and commerce of farmers' produce outside the physical premises of markets.

The provisions of the Act are good to hear on theoretical grounds, but on practical footing, it is like expecting the hungry horses to befriend the fodder on ethical grounds and spare it. It reflects that the Government considered agriculture subsidies as a burden and expects the private sector to accept this burden on their shoulders with a smile.

This article counters the Act on a point to point basis and evaluate it with possible remedies towards improving the agricultural sector in India.

Key Words: Gross Value Added (GVA), agriculture, allied sector, ecosystem, theoretical, subsidies.

INTRODUCTION:-

Agriculture is the backbone of rural India. According to CIA factbook, in 2017. Agriculture contributed 15.4% of the Indian GDP amounting to \$375.61 billion. With a workforce of 43.33% involved in agriculture out of the total workforce of India, it's natural that any policy which drastically changes the existing pattern of rules and regulations will lead to a range of scrutiny and debates.

The central government passed three Acts ,viz.:

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

(II). The farmers' (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act,2020 and

(III). The Essential Commodities (Amendment) Act.

The central government claims that these reforms will accelerate growth in the agricultural sector through private sector investment in building infrastructure and supply chains for farm produce in national and international market. They are meant to help the marginal farmers who don't have means to either bargain for better prize of their produce or invest in technology to improve his productivity. That, the farmers will get better prices through competition and cost cutting on transportation. The Legislation on contract farming will allow farmers to enter into a contract with agri-business firms, or large retailers, or suppliers, on pre-agreed prices of their produce.

The Essential commodities (Amendment) Bill, 2020, seeks to remove commodities like cereals, pulses, oilseeds, edible oils, onion, and potatoes from the list of essential commodities. This will end the imposition of stock holding limits except under extraordinary conditions (war, natural calamities etc.).

The three Bills if scrutinized in totality, throws it open to scathing criticism, as its claims and expected results differ vastly. On practical grounds they appear to be more capitalist friendly, rather than that of the farmers.

This article evaluates the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act 2020, on point to point basis on valid and reasonable grounds. The purpose of this article is to alert the governments' think tank towards possible exploitation of both the farmers and the consumers. Of course, the merits inherited in it will also be discussed, so that our bread producers, the farmers, may ultimately get the benefit and the class of society, which contributes the most but receives the least, may prosper.

Literature Review:-

There is a wide gap in research on this topic, yet some of the literature available on the topic are as follows:

1. New farm bill 2020: who is protesting & why.

Times of India.com

Sept.20, 2020.

The article discusses the key provision of the three Bills that are related to the New farm Bill, updates about the monsoon session of the Parliament, and identifies those, who are against the Bill, such as political parties, farm organisations like Bhartiya Kisan Union(BKU) and the All India

Kisan Sangharsh coordination committee (AIKSCC), on the grounds that these Bills are designed to help big Corporate Houses. Discusses the reasons of their protests. Ending with the fear, that it will end the Minimum Support Prices (MSP) regime in due course of time.

2. Will the farm bill benefit farmers?

Vikas Dhoot

The Hindu, 25th Sept. 2020.

The article throws light on the three Bills, related to the New farm Bill, 2020 and discusses what they hold up to. Identifies the lacunae, like lack of regulation, regulatory oversight and reporting not being transparent. Further states that marketing Bills are devoid of the state intervention in agricultural policy, collapse of the APMC and its consequences. Ends up with the opinion that the current bill leaves too much to the benevolence of private players to give fair terms to farmers.

3. Farm Bill 2020, Explained- Are farmers Winning or Losing?

Aron Almeida.

Trade Brain, Sept.30, 2020.

The article opens up pointing that the recently launched farm bill 2020, faced extreme objection in both the houses of Parliament and among group of farmers mostly in Punjab, Haryana and few other pocket of India. It discusses the three bills that were introduced in the Parliament as farm bill 2020. It identifies the reasons of the protest, stating that farmers may not possess the bargaining leverage, but it will lead to the entry of private corporates that will further exploit the farmers. The article sums up saying that the bills were not communicated properly and has created an air of mistrust between the ruling party, opposition and the farmers.

METHODOLOGY:-

Secondary data from different websites, newspaper, Government of India, Economics Report, etc. have been compiled and analysed to closely inspect the existent flaws in the Act and its possible adverse impact on the agricultural sector.

The Farmers' Produce Trade and Commerce (promotion and facilitation) Act, 2020.

The central government promulgated three ordinances on June 5th, 2020.

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

The Ministry of Agriculture and Farmers' Welfare, introduced it on September 14th, 2020. It was passed in the Lok Sabha on September 17, 2020 and Rajya Sabha in September 20, 2020. This Bill replaces the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020. It became an Act on 27th September 2020.

Background:-

Agricultural markets in India are mainly regulated by state Agriculture Produce Marketing Committee (APMC) laws. APMCs were set up with the objectives of ensuring fair trade between buyers and sellers for effective price discovery of farmers' produce. APMC can

- i) Regulate the trade of farmers' produce by providing licenses to buyers, commission agents and private markets.
- ii) Levy market fees or any other charges on such trade and
- iii) Provide necessary infrastructure within their markets to facilitate the trade.

The Standing Committee on Agriculture (2018-19) observed that APMC laws were not implemented in their true sense and need to be reformed urgently. Issues identified by the Committee were:

- i) Most APMCs had a limited number of traders, operating, which led to cartelization and reduced competition.
- ii) Undue deductions in the form of commission charges and market fees were made. Traders, commission agents and other functionaries organised themselves into associations which hardly allowed easy entry of persons into market yards, thus stifling competition.
- iii) The Acts are highly restrictive in promoting multiple marketing channels (such as more buyers, private markets, transactions) and competition in the system.

During 2017-18, the central government released a model of APMC and contract farming Acts to allow restriction-free-trade of farmers produce, promote competition through multiple marketing channels and promote farming pre-agreed contracts.

- iv) The Standing Committee (2018-19) noted that the states had not implemented several reforms that were suggested in the Model Acts.
- v) It recommended constituting a Committee of Agriculture Ministers of all the states to arrive at a consensus and design a legal framework for agriculture marketing.

A high powered committee of seven chief ministers was set up in July 2019, to discuss, among other things:

- 1) Adoption and time-bound implementation of Model Acts by states and
- 2) Changes to the Essential Commodities Act, 1955 (which provides for control of production, supply and trade of essential commodities) for attracting private investment in agricultural marketing and infrastructure.

Provision of the Acts for 'Promotion and Facilitation' of Trade and Commerce of Farmers' Produce:

(A) Any farmer, trader or electronic trading and transaction platform shall have the freedom to carry on inter-state or intra-state, trade and commerce in farmers' produce in a trade area. They shall not be charged any market fee or cess under any state government law for trade and commerce in 'scheduled' farmers' produce (Agricultural Produce regulated under APMC Acts) in any trade area.

Traders may engage in the inter-state or intra-state trade of farmers' produce in a trade area, provided that they have a permanent account number (PAN) as per Income Tax Act, 1961, or any other document mentioned by the central government. This does not apply to farmer producer organisation or agricultural co-operative societies.

The central government may –if it is of the opinions that it is necessary and expedient to do so in public interest- prescribe a system for the electronic registration of a trader, modalities for trade transactions, and modes of payment for scheduled farmers' produce in a trade area.

(B) Traders shall make payments of the scheduled farmers' produce on the same day or within a maximum of three working days, provided that the farmer is given a receipt mentioning the due amount payable on the day of transaction. The central government may prescribe a different procedure of payment by farmers produce organisation or co-operative societies.

The central government may develop a price information and market intelligence system for farmers' produce and "information relating thereto". The government may require any person owing operating an electronic trading and transaction platform to provide information regarding such transactions, as may be prescribed.

Any person who contravenes the Act's provisions on payments to farmers, shall be liable to pay a penalty of at least Rs.25, 000; where the contravention is continuing, the person shall be liable to pay a fine up to Rs.5,00,000.

(C) The Essential Commodities (Amendments) Act 2020, seeks to remove commodities like cereals, pulses, oilseeds, edible oils, onion and potatoes from the list of essential commodities.

This will end the imposition of stock holding limits except extraordinary conditions like war, or natural calamities.

Claims of the Central Government:-

According to the Central Government, the Acts collectively seek to : Facilitate barrier-free trade for farmers' produce, outside the markets notified under various APMC laws, clearly establish a frame work for contract farming and erase the stock limit on agricultural produce, unless and until some natural calamity or war like situation arises.

It will open doors of opportunity for farmers to enter into long term sale contracts, raise the number of buyers in the market as the large scale game players will be free to purchase in a bulk. Agro-based firms and other buyers will have the ease to trade freely without any licensee or stock limit, so an increase in competition among them will result in better price for farmers.

The act will attract more buyers from the whole of India as it facilitates efficient, transparent and barrier free inter-state and intra-state trade and commerce of farmers' produce outside the physical premises of the market.

These reforms will accelerate growth in the agricultural sector through private sector investment in building infrastructure and supply chains for farm produce in national and global markets. They are intended to help the small farmers who don't have means to either bargain for their produce to get a better price or invest in technology to improve productivity of farms.

The Essential Commodities (Amendment) Bill, 2020, seeks to remove commodities like cereals, pulses, oilseeds, edible oils, onion and potatoes from the list of essential commodities; this will end the imposition of stock-holding limits except under extra ordinary conditions.

Critical Evaluation of the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020.

The Act which boast of aiming to increase opportunity for farmers, with increased income, creation of an ecosystem where farmers' and traders have 'freedom of choice' in the sale and purchase of farmers' produce"... which facilitates remunerative prices through competitive alternate trading channels', is open to scathing criticism on various valid grounds, such as:

1. This Act is more a traders' facilitation act, rather than the farmers'. Where, and how will a marginal farmer gain, if, restriction in stocking piling will be completely removed for a smooth supply chain for farm produce in national and international market.

The farmer will enter into a legal contract with a private sector buyer, to sell his produce on pre-agreed price. A marginal farmer who is perennially in need of money will sell his produce, and when in the lean season, when the price of farm produce will soar high, it is the stockiest or agro-business firms, or Capitalists with gigantic ware houses, who will reap the harvest of profits due to spiraling high prices, created due to genuine or artificially created scarcity. It reminds me of the British Merchants who earned for themselves a duty free trade in Bengal under the regime of Mir Jafar, after winning the Battle of Pallasi. Yes it is the large corporates who are in a win-win situation.

2. Removing some goods from the list of essential commodities, such as cereals, pulses, oilseeds, edible oils, onion and potatoes, will not make them non-essential for the poor consumers. If according to the central government, cereals, pulses, edible oils, onion and a Giffin good like potatoes are not essential goods for the poverty struck Below Poverty Line masses, and the large population of lower middle class,

hand to mouth, who are unlucky enough to be above the so called poverty line, devoid of vote dynamics freebies, then it must be nuts enriched cakes. Yes, these might be non-essential items for the capitalists, but for the working class, these are essential items, and they are most likely to disappear from their plates and decorate the plates of cuisines nationally and of course internationally.

3. If, for a welfare government, whose objective is maximisation of social welfare, considers that procurement of food items has led to the problem of rising subsidy burden, (i.e. farm subsidy is a burden), then, what is the logic behind believing, that private sector procurers, whose ultimate aim is profit maximisation, take away the burden from government's shoulders and themselves bear it, by giving a fair price to farmers for their produce, will the hungry horse be ethical enough to spare the fodder.
4. This policy will be an instrument to boost boarding tendency among private players, which will be a contributing factor to the inflationary trend and will be exploitative in nature with poor consumers, most of whom are agricultural labourers, and marginal farmers will be at the receiving end with even the Giffen good like potatoes and onion disappearing from their plates.
5. The small rural markets such as weekly haats, which had gradually emerged as a viable alternative for agricultural marketing at the grassroot level, will, in due course of time lose its significance, because the farmers will have nothing left at their disposal to sell in weekly haats as they would have already signed an agreement with large corporate buyers to sell their entire produce at pre-determined prices. This Farm Act is city centric, instead of being rural centric.
6. The standing Committee on Agriculture (2018-19), noted that availability of a transparent, easily accessible, and effective marketing platform is pre-requisite to ensure remunerative prices for farmers, and noted that small rural markets can emerge as a viable alternative for agricultural marketing if they are provided with adequate infrastructure facilities.

The central government instead of adhering to these suggestions has come up with an Act, that will be a huge threat and challenge to rural markets, forget about strengthening its infrastructure facilities.

7. The large corporate buyers will find it difficult to deal with such a large number of marginal farmers, who constitute approximately 80% of total farmers so they will either deal with the 20% big farmers, or will hire local agents to ease their work. Today's brokers, middle men and agents, will be tomorrow's agents of private corporate bodies. The exploitation will remain the same on part of farmers.
8. The Act, threatens with a penalty for those, who contravenes the Act's provisions. The government should give a self-thought, regarding the efficient, existing justice system. It is a fantasy, that, a rural folk who is poor will go to the cities to get justice for themselves being frauded, given his literacy acumen. It's a truth that the rich twists and turns the clauses, and sections and sub-sections of the law to their favour.
9. The state governments, will fight tooth and nail, with the central government, because, the Mandi tax and local cess etc. are a rich source of their annual revenue, which they distribute back to farmers as electricity subsidy and other subsidies to help them in vote dynamics.

The central government has very cunningly taken the affairs of the farmers in its own hand, in a totality, so that they can use it to suit their own voting dynamics.

10. Lastly, this Act is a stepping stone to tap the Agricultural income. The electronic payment system will make agricultural income more transparent to be seen by the Income Tax Department. Yes, even the big farmers have much to fear about.

CONCLUSION:-

This Act has been hastily passed, by sheer strength of numbers in its favours. If a house needs a repair, one cannot abandon or demolish it and go for a new one. Yes, there are loopholes in the current system of APMC, but they need to be plugged and not abandoned.

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