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SEMINAR REPORT ON

An Overview of Agricultural Market Legislations -2020



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An Overview of Agricultural Market Legislations - 2020

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An Overview of Agricultural Market Legislations -2020

INTRODUCTION

Brief History and Provisions of New Acts

India is and has been an agrarian economy. After India gained Independence in 1947, farmers used to sell their products direct to the consumers. But due to prevailing system of Zamidars or money lenders, farmers were trapped in perpetual debt. Farmers need to buy seeds, fertilizers and other things required for growing a crop, for buying all these things you need money so farmers took loans from Zamidars or money lenders who used to charge a very high interest rate on the principal amount. Farmers were unable to pay such a hefty amount and in such cases to get their money back money lenders or the Zamidars used to buy the whole produce of the farmers but, they paid very less amount to farmers because farmers did not have the bargaining power. Now to again sow their fields farmers required money so this cycle continued and farmers were always in debt.

This process was very exploitative so to help the farmers and end this system government of India introduced APMC (Agriculture Produce Market Committee) Act. It was introduced in 1960's at the very same time when green revolution started in India many experts believe that in the major of green revolution APMC Act played a major role. APMCs set up Mandis or Markets across India where farmer's produce was sold. There are around 7200 APMCs in India at present. Now, the process of selling the produce is that after harvesting crops are brought to the Mandis or Markets where they sell the produce through auctioning or price discovery. The farmers selling the crops not to the government but the middlemen or Arhatiyas. Middlemen are people between the farmer and the retailer or big traders. For example, farmers sell their vegetables to the middlemen and then the vegetable vendor buys vegetable from the middleman, vegetable vendor will not buy directly from the farmers. Government gives license to these Middlemen; shops, storage facilities etc. are provided to them in APMC markets. Many people work in these APMCs, there is storage of grains, so it requires laborers, accountants so overall it is a self-thriving ecosystem. One thing which should be noted here is these APMC markets are regulated by state governments, a tax is charged on each transaction so in a way government knows at price produce is being sold.

Now what about the produce that are not bought by the middlemen in these markets? This is being bought by the government at MSP (Minimum Support Price). MSP is constant throughout the country. MSP also ensured that produce bought by the middlemen were not below a

certain price. When everything is so good are farmers happy? According to National Crime Bureau report 2018, 1,34,560 suicides were reported in India out of which 10,350 were farmers remember this was total number of reported cases. This system was good seeing 1960's but with time we need to evolve similarly, not much was done to APMCs and some problems popped up. Middlemen started exploiting farmers they formed cartels or an understanding among themselves and started buying the produce at MSP only and sold to traders at a high rate. For example, MSP for onion is Rs.8.5 per kg (data as of February 06, 2019) but we buy onions at Rs 35 – 80 per kg depending on state. In a way we can say Minimum Support Price became Maximum Selling Price. Voice arose from time to time to remove these defects and in response government brought the three Acts in 2020.

Major Constraints of Present Agricultural Marketing System

1. Markets highly fragmented: APMC Act of the State divides the entire area of the State into various notified Market Committee areas and has delegated the responsibility of regulating agricultural marketing practices in such areas to the specific APMCs. The market of agricultural produce thus has become highly fragmented, not only across the country but even at the level of the State itself, which hinders both, proper market access for farmers and also the development of required infrastructure for handling the produce. Multiple license requirements for trading in a State and levy of market fee at multiple points along with high incidence of fee and charges further have an incremental impact

2. Insufficient Number of Markets: There is a huge variation in the density of regulated markets in different parts of the country, which varies from 118.78 sq km. in Punjab to 11215 sq km. in Meghalaya. The all-India average area served by a regulated market is 487.40 sq km, against the recommendation of the National Farmers Commission (2004) that a regulated market should be available to farmers within a radius of 5 Km (corresponding market area of about 80 sq. km.). This indicates that extant system has failed to provide adequate number of markets to handle ever increasing marketed surplus efficiently and easy market access to farmers

3. Inadequate Marketing Infrastructure: The benefits available to the farmers from regulated markets depend on the facilities/amenities available therein. Studies indicate that covered and open auction platforms exist only in two-thirds of the regulated markets, while only one-fourth of the markets have common drying yards. Cold storage units exist in only nine per cent of the markets and grading facilities in less than one-third of the markets. Electronic weigh-bridges are available only in a few markets.

4. High Incidence of Market Fee/ Charges: Market Committee is authorized to collect market fees ranging 0.30% to 2.0%, from the buyers/traders on the sale of notified agricultural produce. In addition, commission charges are to be paid to commission agents which varies from 0.5% to 4.5% in food grains, and 3.0% to 7.0% in case of fruit and vegetables. In addition to these, other charges, such as, various types of development cess, entry tax, purchase tax, weighment charges and hamal charges, etc are also required to be paid resulting in to higher transaction cost and low price realization by the farmers in a regulated market.

5. High Post—Harvest Wastages: Study conducted by ICAR (2015), indicates that the range of post-harvest losses of various commodities ranges from 4.65-5.99% for cereals, 6.36-8.41% for pulses, 3.08- 9.96 for oilseeds , 6.7-15.88% for fruits, 4.8- 12.44% for vegetables, 0.92% for milk, 7.19 % for eggs and 6.74% for poultry meat . The total post-harvest losses of agriculture commodities have been estimated at about Rs 92,651 crores at average prices value of 2014. Losses data indicate need for further survey. The monopoly of Government controlled markets, infrastructure gaps and high incidence of market charge have cascading effect on present marketing system and limit private sector to invest in development of required marketing infrastructure in the country.

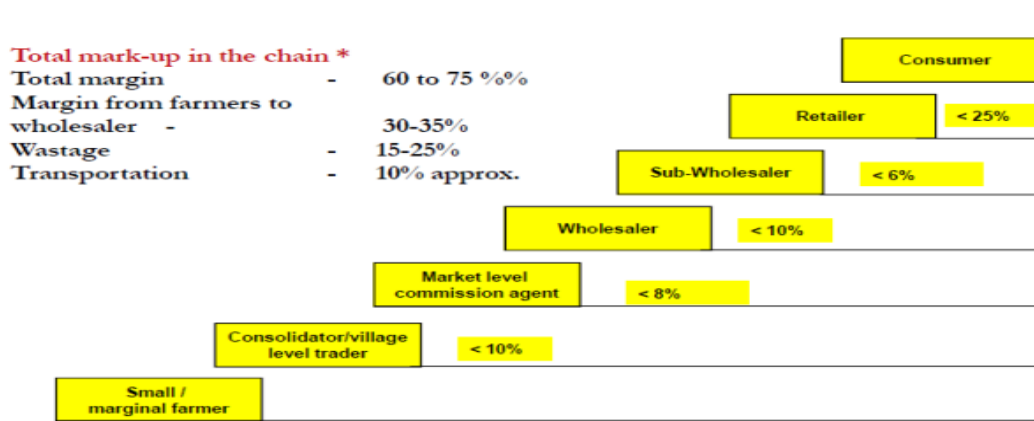
6. Restrictions in Licensing: The licensing of commission agents in the regulated markets has led to the monopoly of these licensed traders acting as a major entry barrier in existing APMCs for a new entrepreneur thus, preventing competition. New licensing of commission agents requires space for shops within the market yards. As many of the market yards being established long back don't have adequate space for construction of shops, the issue of new license is not encouraged in many cases. The traders, commission agents and other functionaries organize themselves into associations, which generally do not allow easy entry of new persons, stifling the very spirit of competitive functioning. Many States do not permit setting up of private markets, direct marketing and contract farming which hinder competition and do not allow access to alternative marketing channels for the farmers.

7. Less Remuneration to the Farmers and High Intermediation Cost: The Millennium study conducted by Ministry of Agriculture in 2004 indicates that the share of producers varies from 56 to 89 per cent for paddy, 77 to 88 per cent for wheat, 72 to 86 per cent for coarse grains and 79 to 86 per cent for pulses, 40 to 85 per cent in oil seeds and 32 to 68 per cent in case of fruits, vegetables and flowers. Long supply chain (normally 5-6) incurs disproportionate marketing cost and margin In order to provide the remunerative prices to the farmers, there is a need to reduce the intermediation by providing alternative marketing channels like direct marketing, contract farming etc. for which reforms in agricultural marketing system is necessary

8. Market Information Asymmetry: It is often not possible for the farmers to obtain information on exact market prices in different markets. So, they accept, whatever price the trader offer to them. With a view to tackle this problem the Government is using the radio and

television to broadcast market prices regularly. The news papers also keep the farmers posted with the latest changes in the prices. However the price quotation are sometimes not reliable and sometimes have a great timelag. The trader generally offers less than the price quoted by the Government news media.

9. Inadequate Credit Facilities: Indian farmer, being poor, tries to sell his produce immediately after the crop harvesting though prices at that time are very low. The safeguard of the farmer from such “forced sales” is to provide him credit so that he can wait for better times and better prices. There is a need to strengthen the formal credit network in rural areas.



* Based on survey conducted by Global AgriSystem in four metros.

Figure :1 A study by Global Agri System of Fruit & Vegetable supply chain in four metros (Delhi, Mumbai, Bangalore and Kolkata) by Gokul Patnaik (2011)

Table 1: Storage capacity of FCI

(Fig in Lakh MT)

As on	Capacity with FCI	Storage Capacity Other Agencies	Total
01-04-2011	316.10	291.32	607.42
01-04-2012	336.04	341.35	677.39
01-04-2013	377.35	354.28	731.63
01-04-2014	368.90	379.18	748.08
01-04-2015	356.63	352.59	709.22
01-04-2016	357.89	456.95	814.84
01-04-2017	352.71	420.22	772.93
01-04-2018	362.50	480.53	843.03
01-04-2019	388.65	467.03	855.68
01-04-2020	412.03	343.91	755.94

Buffer stock is to be maintained for ensuring food security of the nation. Adequate scientific storage is pre-requisite to fulfill the policy objectives assigned to the Food Corporation of India for which FCI has a network of strategically located storage depots including silos all over India. Besides having own storage capacity, FCI has hired storage capacities from Central Warehousing Corporation, State Warehousing Corporations, State Agencies and Private Parties for short term as well as for guaranteed period under Private Entrepreneurs Guarantee Scheme.

Evolution of market regulations

The concept of a agriculture produce market regulation programme in India dates back to the British Raj: raw cotton was the first farm produce to attract the attention of the Government due to the anxiety of British rulers to make available the supplies of pure cotton at reasonable prices to the textile mills of Manchester (UK). Consequently, India's first regulated market (Karanja) was established in 1886 under the Hyderabad Residency Order, with the first legislation being the *Berar Cotton and Grain Market Act* of 1887, which empowered British residents to declare any place in the assigned district a market for sale and purchase of agricultural produce and constitute a committee to supervise the regulated markets. This Act became the model for enactment in other parts of the country.

KAPMRD act 1966, Karnataka agricultural produce marketing regulation and development act was implemented to provide for the better regulation of marketing of

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agricultural produce and the establishment and administration of market for agricultural produce in the state of Karnataka.

GOI prepared a Model Act called Agricultural Produce Marketing (Regulation & Development) Act, 2003. All the States/UTs have agreed to amend their respective State APMR Acts in the line of the Model Act to bring about requisite reforms in the sector. The salient features of the Model Act are setting up markets in the private/co-op sector, rationalization of market fees, promotion of contract farming, direct marketing and grading and standardization, including setting up of a Grading and Standardization Bureau in each State/U.T. These reforms would go a long way towards attracting private investment to the sector, putting in place an integrated supply chain management system and promoting processing.

And due to middlemen exploitation farmers were unable to sustain in farming sector. Thus to help the farmers 2020 new marketing legislations took its birth.

With this background, the present seminar is conceptualized with the following objectives:

1. To understand the major provisions of new farm legislations
2. To highlight the challenges regarding the introduction of new legislations
3. To study the pros and cons of new legislations
4. To review the related studies
5. To collect opinion by different stakeholders on three new legislations

Introduction to farm bills

In 2017, the central government released the Model Farming Acts. However, after a certain period of time, it was found that a number of the reforms suggested in the acts had not been implemented by the states. A committee consisting of seven Chief Ministers was set up in July 2019 to discuss the implementation. Accordingly, the central Government of India promulgated three ordinances (or temporary laws) in the first week of June 2020, which dealt with agricultural produce, their sale, hoarding, agricultural marketing and contract farming reforms among other things. These ordinances were introduced as bills and passed by the Lok Sabha on 15 and 18 September 2020. Later, on 20th and 22 September, the three bills were passed by the Rajya Sabha, where the government is in a minority, via a voice vote - ignoring the requests of the opposition for a full vote. The President of India gave his assent by signing the bills on 28 September, thus converting them into acts.

Functions of APMC

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- To ensure prompt payment to the farmers on the sale of their agricultural produce.
- To ensure the correct weight of the produce of the farmers in the market yard.
- To avoid exploitation of the farmers in the hands of middlemen.
- To promote an orderly marketing of agricultural produce by improving the infrastructure facilities.

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

According to the new act, farmers can sell their produce anywhere not just in the APMC approved mandis or market places but literally anywhere i.e., they can sell inside the state, outside the state, or if they wish they can also sell it online. Which means according to union government this law is been brought in to give freedom of choice to farmers they will have a variety of marketplaces. The government says, this is actually going to do good to them because they can choose from several options.

Major provisions are:

- The new legislation will create an ecosystem where the farmers and traders will enjoy freedom of choice of sale and purchase of agri-produce
- It will also promote barrier-free inter-state and intra-state trade and commerce outside the physical premises of markets notified under State agricultural produce marketing legislations.
- One India, One Agriculture Market The bill also proposes an electronic trading in transaction platform for ensuring a seamless trade electronically.
- In addition to mandis, freedom to do trading at farmgate, cold storage, warehouse, processing units etc.
- Farmers will be able to engage in direct marketing thereby eliminating intermediaries resulting in full realization of price.

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services act 2020

Farmers can enter into 'written agreements' with anyone, including a company, and sell them their produce for a set period of time, as per the contract. In other words, companies can now have contracts with farmers for buying with farmers for buying their produce. They can set the price for the produce, the standards and qualities and other legalities can be mentioned beforehand. The Union government says this will protect and empower farmers to sell to

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anyone a whole seller, a retail giant or an exporter. They will have written contracts which will protect the farmer in case the buyer tries to cheat them. And they can also sell future produce today, according to the government.

Main provisions:

- The new legislation will empower farmers for engaging with processors, wholesalers, aggregators, large retailers, exporters etc., on a level playing field.
- Price assurance to farmers even before sowing of crops. In case of higher market price, farmers will be entitled to this price over and above the minimum price.
- It will transfer the risk of market unpredictability from the farmer to sponsor. Due to prior price determination, farmers will be shielded from the rise and fall of market prices.
- It will also enable the farmer to access modern technology, better seed and other inputs.
- It will reduce cost of marketing and improve income of farmers.
- Impetus to research and new technology in agriculture sector.
- Effective dispute resolution mechanism has been provided for with clear time lines for redressal.

The Essential Commodities (Amendment) Bill 2020 or Essential Commodities Amendment

Essential Commodities Act was first brought in decades back in 1955. The Act basically controls the production, supply and the distribution of certain commodities that are known to be essential. So if an item comes under this Act for instance a food item or an important drug then companies and supermarkets cannot hoard these items when there is a shortage, they also cannot artificially increase the prices etc. the list of essential commodities as per the original act includes: Drugs (medicines); Fertilizers (inorganic, organic, mixed); Foodstuff (including edible oilseeds and oils); hank yarn made wholly from cotton; Petroleum and petroleum products; Raw jute and jute textiles; Seeds (food crops, fruits and vegetables, cattle fodder and jute seeds). The new amendment has removed food stuff such as Potato, Cereals, Pulses, edible oilseeds and oils, from the list of essential commodities which means unless there is a dire circumstance like a war or famine or an extraordinary price rise these commodities will not be considered under the essential commodities list.

Further, the government cannot impose a stock limit i.e. it cannot stop a supermarket chain or a retailer from hoarding unless there is a 100% (percent) increase in price of perishable goods or 50% (percent) increase in price of non-perishable goods. All items removed from essential commodities act are: Rice, Wheat, Potatoes, Onions, and Oil.

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Main provisions:

- 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 remove fears of private investors of excessive regulatory interference in their business operations.

Benefits:

- The freedom to produce, hold, move, distribute and supply will lead to harnessing of economies of scale and attract private sector/foreign direct investment into agriculture sector.
- The legislation will help drive up investment in cold storages and modernization of food supply chain.
- It will create competitive market environment and also prevent wastage of agri-produce that happens due to lack of storage facilities.
- It will help both farmers and consumers while bringing in price stability.

Table 2: Daily prices of essential commodities (Date: 03/04/2020)

Commodities	Retail Rs/KGs	Wholesale Rs/Qtl
Rice	30	2600
Wheat	22	2000
Atta (Wheat)	24	2300
Gram Dal	70	6000
Urad dal	95100	8500
Moong Dal	110	9000
Masoor Dal	85	10000
Sugar	38	7500
Milk	45	3600
Groundnut oil	145	4300

Mustard oil	102	13000
Vanaspati	95	9200
Soya oil	100	9000
Sunflower oil	108	9800
Gur	40	3500
Tea loose	210	19000
Salt pack (Iodised)	20	1800
Potato	30	2500
Onion	40	3000
Tomato	40	3200

Source: National Informatics centre

Why have there been protests then?



Plate 1: farmers protest against farm bills

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- The downside to this law is that the person in question is a farmer who may not possess the bargaining leverage. This bill will lead to the entry of private corporate that further exploit the farmers
- It is also naive to simply assume that farmers in Punjab who are accustomed to mandis will go ahead and sell their produce to buyers in Karnataka. India is still plagued by huge connectivity issues and the cost of transit might far exceed that paid to APMC's. APMC has this advantage as they are already established they have roads connecting most of the villages making it easier for farmers to get to mandis.
- You may have already noticed that although there have been differing views across the country; protests are concentrated to the states of Punjab, Haryana, M.P. This is because it is in these states that farmers rely on MSP and have strong market systems based on APMC's. In fact, Bihar, Kerala, and Manipur do not follow the APMC system at all. In India, the state governments have the power to regulate agricultural markets and fairs. Hence different states have different approaches towards this.
- In Haryana more than 75% of the wheat and Paddy is grown is bought by the government at MSP rates whereas this number is higher in Punjab at 85%. The Punjab government charges a 6% mandi tax apart from a 2.5% fee for maintaining APMC's giving them an annual revenue Rs. 3500 crores. These revenues that are earned from farmers are then given back to them as graceful subsidies in the form of electricity etc. This plays a very important role in the voting dynamics and hence the unrest in these states.

Controversies

- ❖ The very first concern is that an Act which is going to be implemented in the whole country has neither been discussed with states which will be most affected by the Act nor with the experts in this field accusing the government of destroying cooperative federalism.
- ❖ We are witnessing a country wide protest, which is more intense in Punjab, Haryana and Western Uttar Pradesh. The reason is obvious as this region has the most organized form of APMCs. Although there is no provision of removing of APMCs then why are farmers fearing and raising slogans of MANDI BACHAO? APMCs are under state government and are maintained by taxes collected in APMC market's transaction. Government says in private markets, which can be set up now, no taxes will be charged in the transactions of private market so this would save taxes, all companies and traders will buy farm produce from private markets which will slowly result in the end of APMC because the state government will have no funds to maintain APMC. If this happens

states will have a lot of revenue loss and union government has not mentioned any way to compensate them, especially in Punjab and Haryana.

- ❖ Middlemen will become jobless and there is a concern that there is a possibility of middleman in private sector also because our farmers are not in a position to bargain with corporate houses. In private sector there will be no control and exploitation by middlemen may multiply. (86% farmers of our country are marginalized farmers i.e. they have less than 2 acres of land.) With the end of APMCs, MSP will also practically end this is the most important concern.
- ❖ We are talking about 'One nation One market', 'freedom of choice of market' any farmer can sell his farm produce anywhere, looks good on seeing but the ground reality is this already exists and a farmer can sell his produce any where he wishes in any part of country, it does not happen because our farmers do not have medium and money to transport goods from one place to another because government itself says 86% of farmers are marginalized.
- ❖ Contract farming is looked upon as privatization of farming, two major concerns here are that farmers will never be able to negotiate with the corporate sector. Act does not prescribe or specify that contract price of the crop should be at least equivalent or above the MSP. It means the contractor/companies can pay whatever price they want to the farmer.
- ❖ Being big private companies, exporters, wholesalers, and processors, they will always have an edge in disputes. Written contract is not mandatory which means farmer will never be able to prove violation of terms of contract. Farmers have a valid point because they have seen privatization in markets of seeds and fertilizers where government believed prices will go down because of competition but results are opposite, and farmers fear the same in this case also.
- ❖ Limits of hoarding have been removed because the situation of 'Extraordinary price rise' is way to high to reach which simply means big private players can any time cause artificial price fluctuation. Not only farmers will be affected by it, consumers will also be affected because the main goal or focus of a private company will be to raise its profits.

Demand of the Farmers

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- Convene a special Parliament session to repeal the farm laws
- Make minimum support price (MSP) and state procurement of crops a legal right
- Assurances that conventional procurement system will remain
- Implement Swaminathan Panel Report and peg MSP at least 50% more than weighted average cost of production
- Cut diesel prices for agricultural use by 50%
- Repeal of Commission on Air Quality Management in NCR and the adjoining Ordinance 2020 and removal of punishment and fine for stubble burning
- Release of farmers arrested for burning paddy stubble in Punjab
- Abolishing the Electricity Ordinance 2020
- Centre should not interfere in state subjects, decentralization in practice
- Withdrawal of all cases against and release of farmer leaders

Pros & Cons of the new Farm acts

Pros:

- ✓ One nation – one market can end the monopoly of ‘Agricultural Produce Market Committees’(APMCs). APMCs criminalise setting up of other competing markets. Some states made it mandatory for farmers to trade with only APMC-licensed traders. With Farmers’ Produce Trade and Commerce bill, farmers can sell the produce as per their choice. So the problem of middlemen, which is one of the main loopholes of APMCs, will be eliminated.
- ✓ In some states, there is a surplus of some vegetables and fruits, whereas in some other states there is less supply and more demand for them. Through one nation-one market, corporate companies can bridge this gap benefiting the consumers. It will attract private investments in the agricultural industry.
- ✓ Private investments can improve the infrastructure of the agricultural sector, which can lead to its modernization. The competition to buy the produce can fetch better prices for farmers. They may even come to the farmers to take the produce, saving the transport costs for farmers.
- ✓ Contract farming is helpful for farmers because they will get price assurance beforehand. Some companies provide seeds, fertilizers and other requirements too, which will reduce the burden of input costs for farmers.
- ✓ Essential commodities bill, 2020 can help in stabilizing the prices. For example, if the onion supply is more than the demand, they can store them to prevent the price fall. This will also improve the cold storage facilities in the country.

Cons:

- ✓ The process of passing the bills is not democratic. Agriculture and trade are state subjects, but the states are not consulted before passing the bills. The main people for whom the bills are made – farmers were also not given the opportunity to voice their concerns. Even in the parliament, clear voting was not conducted. They passed the bills on a mere voice voting.
- ✓ APMCs are very helpful for small farmers not just to sell the produce but also to know the prices & production choices. Many states have amended the APMC acts to make it more liberal. The passing of farm bills 2020 may weaken the APMC system and hence can become a disadvantage to small farmers.
- ✓ There is no guarantee that the farmers' income will be increased by these bills. If we take the example of Bihar, when the state abolished APMCs in 2006, farmers got lower prices for their produce than the Minimum Support Price (MSP). So, agricultural economists are suggesting that it is important to strengthen the APMCs, instead of transferring the responsibility to private entities.
- ✓ One nation – one market may not be much useful to small farmers, because transporting the produce requires more expenditure than selling them at the nearest APMC.
- ✓ Contract farming may turn farmers into slaves.
- ✓ Removing the restrictions on the storage of some foodgrains may lead to more imports at cheaper prices affecting the domestic farmers. And big businesses may store the foodgrains to increase the prices artificially.
- ✓ Unless the prices are regulated by the government, the market will go into the hands of big businesses putting both the farmers and the consumers at the risk of exploitation.

Figure 3.8: Trend in Overall Cost, Output and Crop Income

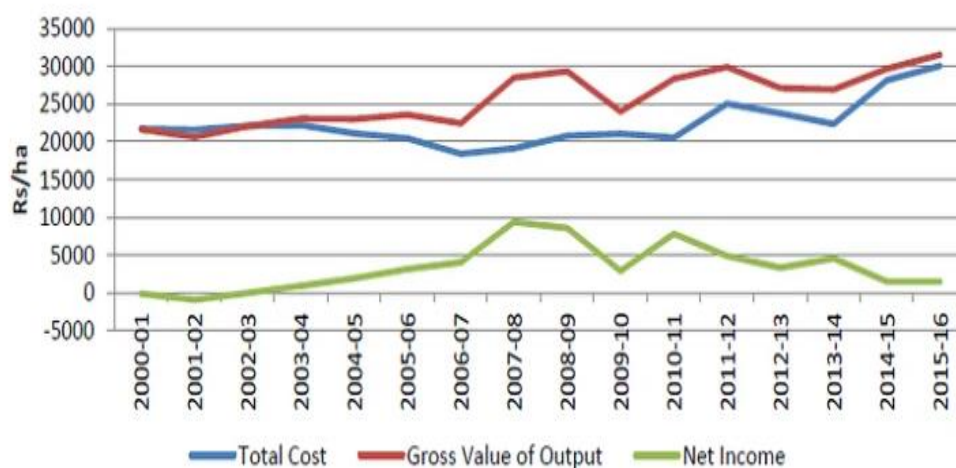


Figure 2: Farmers get less for their crops in Bihar

Source: Study on Agricultural Diagnostics for the State of Bihar in India, 2019 report by NCAER

Table 3: Farmers sold 40% - 50% below MSP after removal of APMC in Bihar

Year	Paddy MSP	Market Price	Deficit (%)
Kharif 2019	1815	1350	- 25%
Kharif 2018	1750	1300	- 24%
Kharif 2017	1550	1191	- 27%

Table 4: Problems in Cotton Seed Production as perceived by contract farming farmers by Vijay Kumar (2019)

MARKETING PROBLEMS		Per cent	Ranking
1.	Irregular payment	75.56	I
2.	Low contract price	56.67	II
3.	Manipulation of norms by the firm	44.44	III
4.	High rejection rate	31.11	IV

Table: 5 - Constraints faced by the contract farmers by Arun and Premlata (2009)

Table 1. Perceived constraints of the contract farmers (multiple responses; N = 80)

Constraints	Frequency	%
Sudden intervention of brokers at the time of harvest	35	43.75
Absence of government's active role	32	40.00
No improvement in the price of the produce	26	32.50
Dissatisfaction with advise from the field officers	14	17.50
Lack of information about price at different markets	13	16.25
Lower price	6	7.50
Rejection based on minor quality defects	3	3.75
Stress	2	2.50

Table: 6 - Challenges Faced by the Farmers in Direct Marketing by Dhakshana and Rajandran (2017)

Statements	Strongly agree	Agree	Neither Agree nor Disagree	Disagree	Strongly disagree
1. Do you experience any problem while direct selling	30	25	3	2	1
2. Lack of market information	23	35	3	0	0
3. Competition	29	32	0	0	0
4. Lack of cold storage	29	30	2	0	0
5. Lack in direct marketing techniques	15	27	16	3	0
6. Price volatility	13	18	21	9	0

Which view is correct?

- There are no easy answers apart from saying that while both have some valid points, neither view is fully correct.
- For instance, the new laws are not shutting down APMC mandis, nor are they implying that MSPs will not be functional.
- Moreover, it is true that – across several sectors of the economy-liberalisation has expanded the size of the pie and improved wellbeing across the board.
- Why should a farmers not have more choices? If the private deal is not distinctly better, a farmer can carry on as before. If corporate farming does manage to weaken the APMC mandi system, it would only be because hordes of farmers chose corporate farming or selling outside existing mandis. Could it be the case that the arhatiyas and existing elites are the ones who are threatened by this reform?
- Moreover, there is an unwanted fascination with MSPs in India. The last agricultural census (2015-16) showed that 86% of all land holdings were small and marginal (less than 2 hectares); see chart. These are such small plots that most farmers dependent on them are net buyers of food. As such, when MSPs are raised they tend to hurt the farmers the most

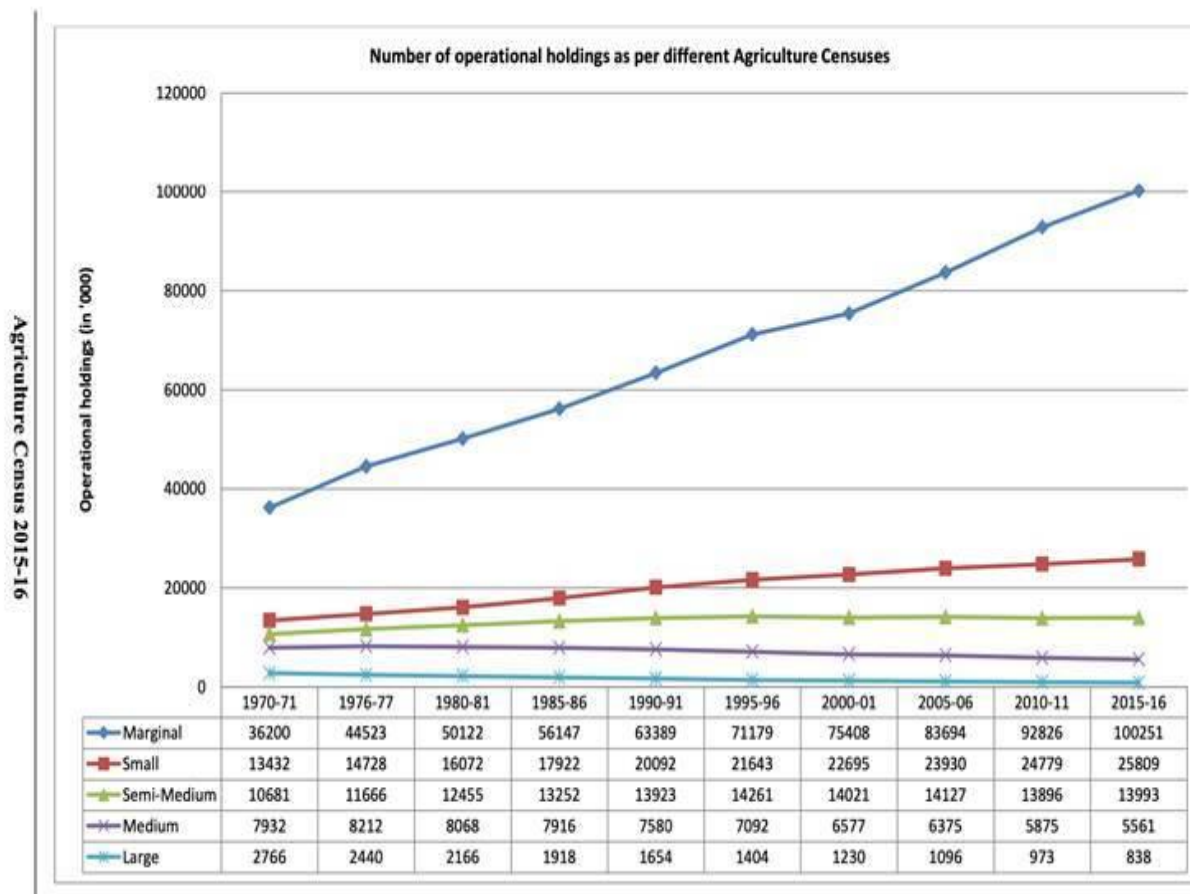


Figure 3: Operational land holdings of farmers

- This is notwithstanding the data that shows more and more farm produce is being sold to private players-instead of the government via MSPs-already.
- On the other hand, one can understand why farmers are so sceptical about markets. A good example is what happened when the government enforced a ban on onion exports. In doing so, the government priorities the interest of the consumers over the interest of the farmers (the producers).
- This is not the first time. There are innumerable past examples when the government's decision to protect the consumers from higher prices have resulted in farmers being robbed of the higher prices a free market could have provided them. In fact, the MSP, it can be argued, is the embodiment of this distrust.

- Another underlying structural problem is the lack of information with farmers, which inhibits their ability to make the best decision for themselves. For instance, how will an average farmer figure out the right price for his or her produce?
- Similarly, in the absence of adequate infrastructure to store their produce, farmers may not have the capacity to bargain effectively even if they knew the right price.

Research reviews

- Murya (2020) reported that, these bills would raise farmer's income and promised to double the income by 2022. It will make the farmer independent of government-controlled markets and fetch them a better price for their produce. These bills aim to develop a new system where farmers are independent to sell and purchase their produce outside the Mandis i.e. APMC (Agricultural Produce Market Committee). It will allow farmers an option to sell their produce directly to these new zones, without going through the middlemen and paying levies such as mandi fees.
- Sahoo et al., (2020) reported that majority of farmers who may stand to gain more choices proposed by the new laws might not be preferred by the old system. On the other hand, in 'mandis' the laws are likely to affect powerful 'commission agents' (known as 'arhatiyas' in Punjab and Haryana) who don't want to lose their hold on farmers. Due to the 'Mandi Tax' loss, a strong source of revenue, the state governments of Punjab and Haryana will be most affected. The 'arhatiyas' would also lose their commissions as well as their traditional company, officials explained. The issues and concerns raised by the protesters include the end of the MSP regime, the lack of relevance of the 'mandis' of the State-controlled APMC, the risk of losing land rights under the contract farming rule, the reduction of farm produce prices due to market dominance by large agribusinesses and the exploitation by large contractors of farmers through contents.
- Thomas (2020) stated that instead of a complete structural change, a step by step process would be much desirable to bring out its full potential. The rural economy of India depends heavily on agriculture and they still rely upon the traditional methods. So, changes in the marketing structure alone cannot bring a full-fledged improvement because the production techniques remain the same. The government is aiming to commercialise agricultural sector so that there is enough surplus for exports. The idea of bringing hybrid varieties of seeds into our market could be possible with better investments from private players. This bill is expected to protect farmers from the

uncertainties of price fluctuations and production. The actual effects of this bill could only be realised after the proper implementation of the same.

A SURVEY ON FARM BILLS IN MANDYA DISTRICT OF KARNATAKA

Methodology

Sample size: 30 (10 farmers linked with APMC + 10 farmers not linked with APMC & 10 commission agents)

Study area: Sadolalu village, Satanur village and Mandya APMC

Survey documentation



Survey results

Farmer's viewpoint

- The new farm bills is based on long-term benefit cannot get a immediate benefit
- Negotiations with the Private company will be more difficult (example Mandya sugar factory)
- Dispute settlement is a problem to a common man
- Need cold storage facilities and godowns at local level
- Providing a cooperative marketing for horticultural crops like milk

Commission agent's viewpoint

- If open market system is preferred by the farmers then APMC may run in loss and finally APMC may be abolished
- Any PAN card holder can buy the produce from the farmers is not a good idea, because farmers might be cheated easily
- Establishment of APMCs at local level and to strengthen them to compete with private companies

Implications

- If direct marketing is a choice to farmers, then nearly 80% of the produce will be sold offline. Hence farmer will face problems to fix price for his produce
- Based on market demand farmers should grow the crops, then he can get more price for his produce.
- The state government should opt for public-private partnership and use APMC infrastructure under the existing legal framework
- Crop diversification is there in Karnataka nearly 92 crops were grown. But UP, Punjab, Haryana hardly grows 10 crops
- Better infrastructure and cold storage facility has to be provided
- The government should give loans at less interest rate instead of subsidy for inputs
- For dispute settlement farmer cannot approach district collector every time, so its better to do it at panchayath level

Conclusion

There were many flaws in the decades old APMC Act, but critics believe that the need was to plug the loopholes instead of introducing a new system altogether. The simplest solution against the protest of the farmers with respect to the farm bills can be including statutory backing to the minimum selling prices and procurement in the new bill to eradicate the fear of the farmers. Giving farmers the choice to sell without the help of middlemen will be of great use only if there are roads that link villages to markets, climate-controlled storage facilities, the electricity supply is made reliable and available to power those facilities, and food processing companies who compete to buy their produce. One of the reasons why there has been a lot of uproar throughout the country is due to the unconstitutional way in which the laws were passed as it is the state governments that regulate these aspects. The government should have included the opposition and also taken into account the voice of farmers in order to plug the loopholes in the bills. This would not only create an assisted approach towards privatizing the sector but also avoid further exploitation. But unfortunately, the bills due to not being communicated appropriately have created an air of mistrust between the ruling, opposition, and the farmers.

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Discussion

1. How this bill impact in export?

The export level will increase in future because of the new regulations. Because the private companies will involve more in buying the produce and obviously the export trend may increase in future.

2. Are in support of farmers or government?

Am in support of farmers, and to farmers the new regulations will nowhere help them in enhancing the income level

3. Is there any legal support to farmers in new bill?

In the new regulation or bill dispute settlement mechanism is done under the consent of district collector. But before the dispute settlement was done at two levels, first level by the APMC secretary, he will try to solve the dispute if it didn't resolved then it will be moved to the director of marketing. His judgment will be the last. No one can question it further.

4. Since agriculture is a state subject why central government is involving?

Yes the agriculture is a state subject, but central government is involving majorly because ministry of trade and commerce will come under centre hence central government is making new regulations regarding marketing aspects.

5. How small farmers are affected through this bill?

Actually the three new regulations are towards the big farmers and private companies. Because small farmers not having proper marketing connectivity to sale there produce

at reasonable price. So more opportunities or advantages out of this are to the farmers who are having maximum surplus and new bill is given many choices to sell his produce anywhere. But no advantages to small farmers.

6. Whether it is implemented mainly by psychological issue?

From both the side government as well as farmers the psychological issues playing a major role. Because government side they are not saying in a statistic terms like how it will enhance income or beneficial to farmers and also farmers are not getting quality benefits from the government new implementations

7. Whether FPO will increase?

Yes FPO number should increase to help the farmers. Since government is taking away its role in marketing of farmers produce then it is more necessary to FPOs to support the farmers to help themselves in marketing.

8. Since agriculture is contributing greatly to GDP why government is not helping farmers?

The new legislation which government is implementing is not serving the farmers purpose. The government is failing to resolve the local problems instead they are going for new regulations and policies. Government should tackle the existed loopholes in the present system.

9. What is essential commodities act? How it will impact?

The commodities which are come under essential commodities list cannot stock or store by farmers and it is treated as illegal. But as per new regulations the commodities like cereals, pulses, oilseeds, onion and potato are removed. So that farmers can store it. And in certain cases like natural calamities, war, famine etc government will involve and regulate the commodities. And there stock limits were imposed for perishable commodities the limit is 100% and for non-perishable goods it is 50%.

10. Whether new APMC act help the farmers?

Majorly it is not helping the farmers. Because we are having Bihar as a very good example like how the income of the farmers declined after repeal of the APMC in the state.

Appendices

An Overview of Agricultural Reform Bills 2020

1. Name of the respondent :
2. Age :
3. Gender :
4. Education :
5. Occupation :
6. Experience :
7. Are you aware of the recent farm bills?
8. Are you in agreement with the clauses of farm bill 2020?
9. As a farmer/trader, what benefit do you expect from this bill?
10. As a farmer/trader, what harm do you expect from this bill?
11. What's your understanding about the status of MSP in this farm bill?
12. Are you satisfied with the existing marketing system?

13. Are you getting enough returns from APMC mandis?
14. Are you fine with marketing the produce with large firms (private) instead of mandis?
15. Are you in agreement with the protest happening at Delhi?
16. Are you aware of the demands made by the protesting farmers?
17. Are you in agreement with claim that these bills will revolutionize farming?
18. Do you agree that MSP is sufficient for all the crops?
19. Do you believe that the assurances given by the central government regarding continuation of MSP?
20. Are you facing issues with middlemen causing price spread?
21. Do you believe that the farm bills will solve the middlemen issues?
22. Do you think that these farm bills will enhance the prospects of “contract farming”?
23. What are your expectations, in case if the bills are agreed to be modified?

24. Is direct selling of produce by farmers changes the agriculture and income of the farmers?

25. Whether this farm bill breaks the monopoly of the market?

26. What are the pros and cons of the farm bills?

Bill no:1 _____

Bill no:2 _____

Bill no:3 _____



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 ID. No. : PALB 8024
 Class : III Ph.D.

Venue: Webinar (Zoom 3765459767)
 Time : 10.00 a.m.
 Date : 8-01-2021

Seminar III

An Overview of Agricultural Market Legislations -2020

Synopsis

Agriculture plays a key role in the rural development of the country. The green revolution has paved a path for India to be self-sufficient in food production. An uninterrupted supply of food and raw materials is very much essential in India to curb inflation. The rapid increase in demand for food is witnessed in India due to the population pressure. In India farmers mainly face two types of risks. They are price risk and production risk. Price risk refers to the loss occurring for the farmers due to the fluctuations in prices and production risk refers to the loss occurring for the farmers due to the uncertainty in quantity and quality of their produce. Even though Minimum Support Prices exist in the country, it is not adequate enough to cover up for all losses. The recently introduced agricultural legislation are aimed at protecting farmers from these kinds of risks. Traditionally, government have been dealing with these risks by announcing distress packages. But a legislation of this kind is new and momentous to our economy. The effort of such scale, is very much essential to narrow down the income disparity in our country to uplift the rural economy.

With this background, the present seminar is conceptualized with the following objectives:

1. To understand the major provisions of new farm legislations
2. To highlight the challenges regarding the introduction of new legislations
3. To study the pros and cons of new legislations

An Overview of Agricultural Market Legislations - 2020

4. To review the related studies
5. To collect opinion of different stakeholders on three new legislations

Three legislations on agriculture reforms are:

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

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) act, 2020: This proposed legislation seeks to give freedom to farmers to sell their produce outside the notified APMC market yards (mandis). This is aimed at facilitating remunerative prices through competitive alternative trading channels.

The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services act, 2020: This proposed legislation seeks to give farmers the right to enter into a contract with agribusiness firms, processors, wholesalers, exporters, or large retailers for the sale of future farming produce at a pre-agreed price.

The Essential Commodities (Amendment) act, 2020: This proposed legislation seeks to remove commodities like cereals, pulses, oilseeds, onion, and potatoes from the list of essential commodities and will do away with the imposition of stock holding limits on such items except under 'extraordinary circumstances' like war, famine, extraordinary price rise and natural calamity.

Case Studies

Jyoti Prakash Sahoo *et al.*, (2020) reported that the issues and concerns raised by the protesters include the end of the MSP regime, the lack of relevance of the 'mandis' of the State-controlled APMC, the risk of losing land rights under the contract farming rule, the reduction of farm produce prices due to market dominance by large agribusinesses and the exploitation by large contractors of farmers through contents in the new legislations

Serene Liza Thomas (2020) stated that instead of a complete structural change, a step by step process would be much desirable to bring out its full potential. The rural economy of India depends heavily on agriculture and they still rely upon the traditional methods. So, changes in the marketing structure alone cannot bring a full-fledged improvement because the

An Overview of Agricultural Market Legislations - 2020

production techniques remain the same. The actual effects of this bill could only be realised after the proper implementation.

Conclusion

There were many flaws in the decades old APMC Act, need was to plug the loopholes instead of introducing a new system altogether. The way the bills are passed created mistrust of farmers towards the government. The simplest solution against the protest of the farmers with respect to the farm bills can be including statutory backing to the minimum selling prices and procurement in the new bill to eradicate the fear of the farmers. Giving farmers the choice to sell without the help of middlemen will be of great use only if there are roads that link villages to markets, climate-controlled storage facilities, the electricity supply is made reliable and available to power those facilities, and food processing companies who compete to buy their produce. The system of MSP will remain and government procurement will continue, this fear had to be clarified even further and farmers should be guided well in this regard.

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