



## FREEDOM OF CHOICE TO FARMERS: ARE NEW FARM ACTS A WATERSHED MOMENT FOR INDIAN AGRICULTURE?

Indian agriculture is akin to the huge aeroplane without fuel. Can it fly? At one level, India's agri-strategy has been successful in the sense that the country moved from import-dependence to self-sufficiency and then to a net food exporting country. After feeding 1.35 billion people, at another level, farmers' income levels have not augmented commensurately. Implicit in the agri-strategy was that the benefits of increased production and productivity would percolate down to the welfare of farmers. However, the strategy by-passed their income levels, primarily because the requisite 'fuel' has been missing in our agriculture. 'Getting the prices right' and 'getting the markets right' together constitute the requisite 'fuel' which has the potential to take our agriculture to new heights.

Just 'getting the prices right' may be a necessary condition but not sufficient. Imagine a situation when farmers get the most lucrative prices but half of their marketable surplus remains unsold, they would still be left high and dry. We should, therefore, aim at evacuating all the surpluses of all the commodities from all the corners of all geographies of the country to demand centres.

### Three New Farm Acts

The recent three Acts on agriculture reforms seek to improve both the functioning of markets and price discovery so as to create a free and efficient agri-eco-system. The first Act: (i) The Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 (FPTC) provides for a 'national framework on farming agreements that protects and empowers farmers to engage with agri-business firms, processors, wholesalers, exporters or large retailers for farm services and sale of future farming produce at a mutually agreed remunerative price framework in a fair and transparent manner and for matters connected therewith or incidental thereto'. This enables an inter-state and intra-state trade across the nation, and is an alternative channel to, not a substitute of, the Agricultural Produce Market Committees (APMCs). The spectrum of purchasers will now include wholesale traders, processors and exporters, enriching the value chain. This will lead to a larger number of bids for farmers' produce, prompting more competitive and remunerative prices.

The second Act: (ii) Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 (FAPAFS) provides for the creation of an ecosystem where the farmers and traders enjoy the freedom of choice relating to the sale and purchase of farmers' produce which facilitates remunerative prices through competitive alternative trading channels. This will enable the farmers to negotiate future price risks that come from fluctuations, apart from benefiting from multi-party contracts for various services at the production stage. It will usher in contract farming that could lead to assured prices on agricultural produces for farmers. The strength of the legislation lies in protecting the ownership of the farmers over land, even as they enter into agreements with sponsoring companies.

And the third Act : (iii) Essential Commodities (Amendment) Act, 2020 (ECA) removes stocking limits on traders for a large number of commodities such as cereals, pulses, onions, potatoes, edible oil, and oilseeds, albeit with certain conditions. This will help boost investment in cold storages and modernisation of the food supply chain. The Act will allay the fears of private investors over excessive regulatory interferences. The ECA, 1955 has its origin in Defence of India Rules, 1943, when India was ravaged by famine and facing the effects of World War II. In the wake of the scarcity of the commodities during that time, this Act was surely relevant. A lot of water has flown in the Indian Ocean since then. Given that we are now net food exporting country, this amendment is imperative for the market reforms to yield the intended results in favour of the farmers. The EC (Amendment) Act, 2020 will encourage private sector investment in storage, as it removes stocking limits on any exporter, processor, or wholesaler.

## Two Major Issues Behind Not Supporting the Acts

Let us now briefly address the two main issues being flagged by those who do not support the three pieces of legislation. First, what is the necessity of 'contract farming' when corporates such as Godrej (Natures Basket), Aditya Birla (MORE), Bharti - Wal Mart, and Future Group (Big Bazaar) have entered 'contracts' with farmers for purchasing their produce since the mid-2000s. And the second one is why so much unrest if these reforms are pro-farmers. The answer to the first issue is that a preponderating proportion of India's fruits and vegetables (F&V) / other grocery produce is sold informally, through a fragmented network of small *Kirana* stores, street vendors and the likes such as *thalewallas*.

Until now, all the transactions that took place inside or outside *Mandis* had to take clearances from the APMCs, after paying requisite taxes/cesses. These taxes were up to 8.5% in the state of Punjab, just as an example. Now, all non-*Mandi* sales will neither need permissions nor invoke any taxes/cess. It will certainly make transactions easier. The wholesalers, processors, exporters, and other aggregators will be able to offer better prices to farmers for their produce. The reply to the second issue lies in the fact that the life is a 'zero-sum game', implying thereby that farmers' gain through these legislations will be at the cost of 'loss' to some other actors like State Governments/ Adatias/Commission Agents in the form of marketing fees/cesses, etc. They have to exhibit large-heartedness by helping farmers. Some state governments have shown benevolence in the past by waiving their debts, this is the time that they show a good gesture to farmers now by foregoing their cesses/commission. The second author had also made similar recommendations to the Government of India in his capacity as the Chairman of the Commission for Agricultural Costs & Prices (CACP).

In our analyses, the three new reforms would release the farmers from the predicament of restrictive trade practices and cartelised operations, which will bring their welfare to the centre of the development agenda. The clear intent of these reforms is to provide farmers with freedom of choices in the agri-business market place. It will prove to be a game-changer in Indian agriculture, similar to what the delicensing of industry did in 1991. Now, there is a credible hope that farmers' incomes will be on a higher trajectory of growth. ■

(Views expressed are the authors' personal.)

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