DAILY CURRENT AFFAIRS – 14 DECEMBER 2020

Farm Bills 2020

Topic: General Studies 2:

- **Issues and challenges pertaining to the federal structure**
- **Public Distribution System- objectives, functioning, limitations, revamping; issues of buffer stocks and food security**
- **Government policies and interventions for development in various sectors and issues arising out of their design and implementation.**

Context: Three Bills on agriculture reforms were introduced in the Parliament to replace the ordinances issued during the lockdown

- The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020
- The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020
- The Essential Commodities (Amendment) Bill, 2020

What do the ordinances entail?

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance has following provisions

- **Opens up agricultural sale and marketing** outside the notified Agricultural Produce Market Committee (APMC) mandis for farmers
- Removes barriers to inter-State trade
- Provides a framework for electronic trading of agricultural produce.
- Prohibits State governments from collecting market fee, cess or levy for trade outside the APMC markets.

The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Ordinance relates to contract farming. It has following provisions

- Provides framework on trade agreements for the sale and purchase of farm produce.
- The **mutually agreed remunerative price framework** envisaged in the legislation is touted as one that would protect and empower farmers**.**
- The written farming agreement, entered into prior to the production or rearing of any farm produce, lists the terms and conditions for supply, quality, grade, standards and price of farm produce and services.

The Essential Commodities (Amendment) Ordinance

- Removes cereals, pulses, oilseeds, edible oils, onion and potatoes from the list of essential commodities. The amendment will **deregulate the production, storage**, movement and distribution of these food commodities.
- The central government is allowed regulation of supply during war, famine, extraordinary price rise and natural calamity, while providing exemptions for exporters and processors at such times as well.

- **Imposition of any stock limit on agricultural produce** must be based on price rise. A stock limit may be imposed only if there is a 100% increase in retail price of horticultural produce; and a 50% increase in the retail price of non-perishable agricultural food items

Why are these bills being opposed?

1. **Against the Spirit of Cooperative federalism**
   - Since agriculture and markets are **State** subjects – entry 14 and 28 respectively in List II – the ordinances are being seen as a direct encroachment upon the functions of the States
   - The provisions are viewed as against the spirit of cooperative federalism enshrined in the Constitution.
   - **Justification by Centre:** The Centre, however, argues that trade and commerce in food items is part of the concurrent list, thus giving it constitutional propriety.
2. **End of MSP**
   - Critics view the dismantling of the monopoly of the APMCs as a sign of ending the assured procurement of food grains at minimum support prices (MSP).
   - To the Centre's 'one nation, one market' call, critics have sought 'one nation, one MSP'.
   - Critics argue that ensuring a larger number of farmers get the MSP for their produce and addressing weakness in the APMCs, instead of making these State mechanisms redundant is the need of the hour.
   - **Justification:**
     - This law nowhere states that the current system of minimum support price (MSP)-based procurement of foodgrains (essentially wheat and paddy) by government agencies would end. Such purchases in state-regulated APMC (agricultural produce market committee) mandis will continue as before. The APMCs wouldn't stop functioning either; nothing prevents farmers from selling their produce or traders and processors from buying in these mandis.
     - All the law does is provide farmers an alternative platform to sell. This could be a factory premise/processing plant, produce collection centre, cold storage, warehouse, silo or even the farmgate. Transactions in such "trade areas" will not be charged APMC market fee or cess. These levies shall apply only in trades that take place within the boundaries of the regulated market yards or mandis set up under the respective state APMC acts.
3. **No mechanism for price fixation**
   - The Price Assurance Bill, while offering protection to farmers against price exploitation, does not prescribe the mechanism for price fixation.
   - There is apprehension that the free hand given to private corporate houses could **lead to farmer exploitation**.
   - Critics are apprehensive about formal contractual obligations owing to the unorganised nature of the farm sector and **lack of resources for a legal battle** with private corporate entities.

4. **Food security undermined**
    - Easing of regulation of food items would lead to exporters, processors and traders **hoarding farm produce** during the harvest season, when prices are generally lower, and releasing it later when prices increase.
    - This could undermine food security since the States would have no information about the availability of stocks within the State.
    - Critics anticipate irrational volatility in the prices of essentials and **increased black marketing.**
5. **No consultation = Mistrust**
    - Several reforms at the level of the central government as well as at the State level have been introduced and welcomed by farmers. However, in this particular case, the issue is not about the Bills; it is also about the process of their introduction.
    - The government has failed to have or hold any discussion with the various stakeholders including farmers and middlemen.
    - This is also true when it comes to consultation with State governments even though the subject of trade and agriculture are part of subjects on the State list. The attempt to pass the Bills without proper consultation adds to the mistrust among various stakeholders including State governments.
6. **Entry of two of the biggest corporate groups** (Adani and Reliance) in food and agricultural retail

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What are the farmers' concerns?

Farmers are apprehensive about getting Minimum Support Price for their produce. Other concerns include the upper hand of agri-businesses and big retailers in negotiations, thus putting farmers at a disadvantage. The benefits for small farmers from companies are likely to reduce the engagement of sponsors with them. The farmers also fear that the companies may dictate prices of the commodities.

What farmers need and are asking for is legally guaranteed remunerative prices, that the government should commit within the same legislation to maximum procurement of various commodities tied with local food schemes, market intervention from the state, agri-credit reforms to benefit small and marginal holders and particular neglected regions, as well as reforms in crop insurance and disaster compensation. It is also important to empower FPOs as enabled players in the market and keep them out of the purview of overzealous regulation.

Important value additions

- **Article 246** adopts a threefold distribution of legislative power between the Union and the states.
- The subject-wise distribution of this power is given in the three lists of the **Seventh Schedule** of the constitution:
    - List-I- the Union List
    - List-II- the State List
    - List-III- the Concurrent List

Connecting the dots:

1. Will the dismantling of APMC monopoly actually lead to these mandis becoming redundant? Will it result in corporate agri-businesses establishing direct connection with farmers and eliminating market intermediaries? Discuss.
2. Corporatisation of agriculture