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NEW FARM ACTS
UNDERSTANDING THE IMPLICATIONS

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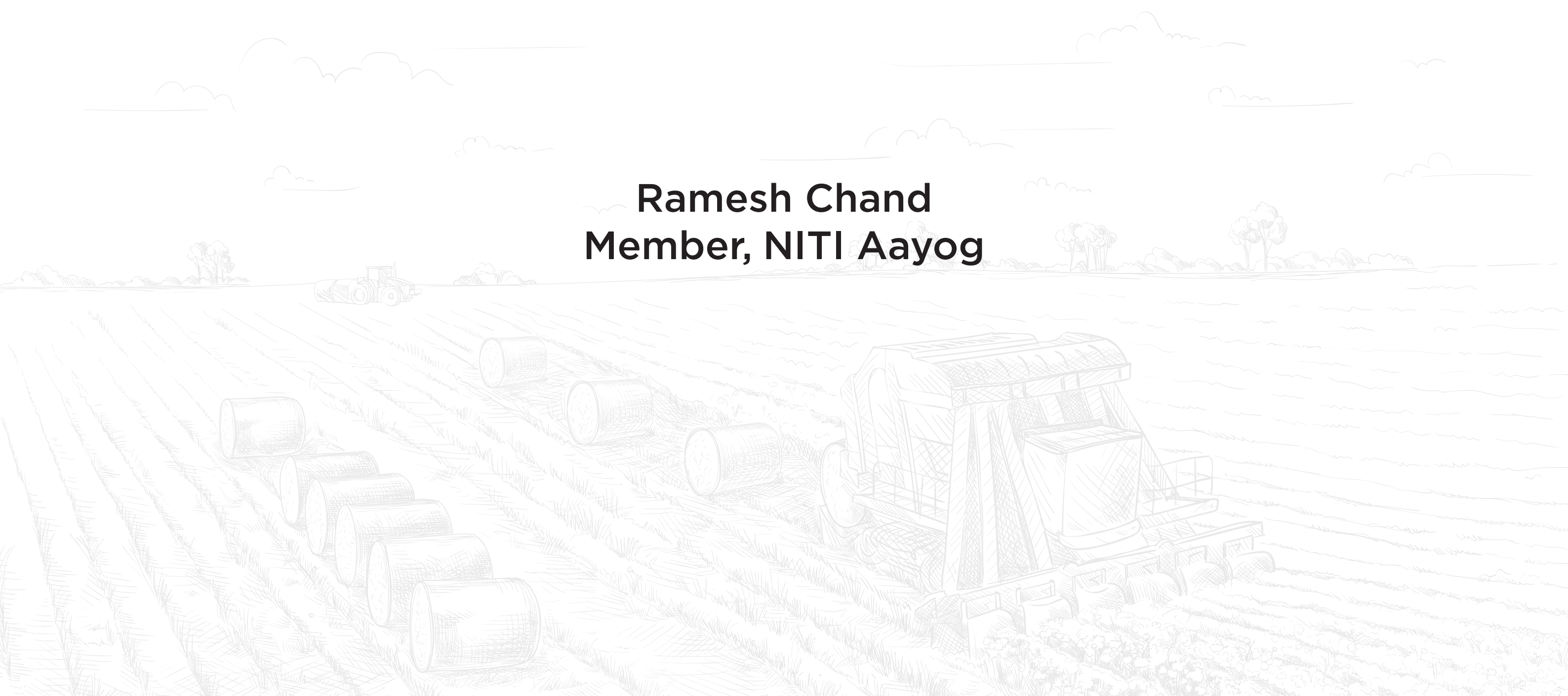

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ABSTRACT

The three new farm acts legislated by the Government of India have been widely acclaimed at home and abroad as historical and long overdue. However, some experts, states, and stakeholders, including farmers, have been protesting against them and seeking their withdrawal. This paper presents the context and significant reasons for undertaking these policy reforms and describes the sequence of efforts made by successive Central governments for about the past two decades to persuade states to adopt the reforms. Drawing from the actual contents and spirit of the three acts, the paper discusses at length how APMC (Agricultural Produce Market Committees) markets, MSP (Minimum Support Price), farmers, and the rural economy will be impacted by the new policy environment. It also addresses the concerns raised by farmers' leaders and critics. The paper finds that the new acts take forward the unfinished agenda of reforms started in 1991 and the fragmented, piecemeal, and patchy reforms undertaken across states to their ultimate culmination. The paper addresses apprehensions about the new acts so that the underlying reform process is implemented in various states with their appropriate understanding. The paper also gives reasons for expecting the new acts to achieve the goal of taking Indian agriculture to new heights and ushering in the transformation of the rural economy.

INTRODUCTION

The Union government enacted two new farm laws for agriculture, and modified the Essential Commodities Act 1951 for agri-food stuff, in September 2020. The new acts have been widely acclaimed as historic, path-breaking, and a “1991 movement” for agriculture. However, some stakeholders and experts have expressed serious apprehensions about the effect of these acts on farmers and the agriculture sector. A narrative is being created based on ideological and imaginary grounds to build opinion and pressure against the new laws by ignoring the intent, content and implications of the new policy reforms. Some people have also expressed concern about the likely dilution of role of a small number of middlemen in agricultural marketing, ignoring the benefits to crores of farmers. This paper discusses the implications of all the three acts on farmers, the farm sector, APMCs, the MSP regime, consumers and the future of agriculture, agriculturists and related aspects. It is also important to inform the public why the Centre had to bring about these acts.

WHY POLICY REFORMS IN AGRICULTURE?

There are at least ten significant reasons for initiating reforms in the agriculture sector. The major policy reforms of 1991 did not cover agriculture. Initially, many thought these reforms were useless, they would harm the country, and were being undertaken due to pressure from the World Bank and IMF. So, nobody felt concerned about the exclusion of the agriculture sector from the 1991 reforms agenda. After a few years, it was found that the growth rate of the Indian economy had started accelerating, driven by the non-agriculture sector. Consequently, India entered the league of modern, emerging economies instead of sinking into that of the third world. This was attributed to liberalization, lesser control of the government on economic activities, and dilution of inspector raj and licence/permit raj. However, agricultural growth remained stuck at the earlier level––with negative growth in agriculture income in five out of 12 years following 1990–91. No wonder, the gap in the agri-income of a farmer and that of a non-agriculture worker increased from Rs 25,398 in 1993–94 to Rs 54,377 by 1999–2000. In the next ten years, the income of a non-agriculture worker exceeded that of a farmer by Rs 1.42 lakh. The favourable effects of the 1991 policy reforms on the non-agriculture sector and the growing disparity between agriculture and non-agriculture incomes caught the attention of some experts and they started speaking about the need for reforms in the agriculture sector. This was followed by a series of papers, committee reports and books emphasizing the need for bringing reforms in agriculture marketing, liberalizing trade, and attracting modern capital and investments into logistics and food value chains. Some clear template for reforms in agriculture emerged around the year 2000. The need for policy reforms in agriculture was further necessitated by the liberalization of agriculture trade due to WTO agreement and rising cases of farmers' suicides and agrarian distress.

The second reason relates to imbalance between domestic demand and supply. India is accumulating a large surplus of some commodities and at the same time importing huge quantities of edible oil and pulses. Even the import of fruit and vegetables, which can be grown in the country and fetches good income, has been increasing. The reasons are the poor state of market facility, post-harvest infrastructure, and logistics and high risks in returns from oilseeds and pulses.

The third reason is the pressing need for improving export competitiveness of Indian agriculture. The growth rate of India's population is decelerating whereas that of agriculture has increased to a record level. The declining population growth rate has lowered the growth rate in domestic demand for some food groups and aggregate food to a certain extent. According to the emerging scenario of demand and supply, India will be required to sell 20–25% of the incremental agri-food production in overseas markets in the coming years. This is not possible in the "business as usual" setting, which involves a long chain of intermediaries, small market lots, and high transaction costs. The country is witnessing the accumulation of a large surplus of grain and sugar, which is getting increasingly difficult to dispose of in the overseas markets due to poor price competitiveness of our produce. We need to reduce the logistics cost––which is about 15%––to at least half, to make our products competitive.

Fourth, agricultural segments such as horticulture, milk and fishery––where market intervention by the government is either nil or very little––show 4–10% annual growth. Compared to this, the growth rate in cereals––where MSP and other interventions are quite high––remained 1.1% after 2011–12. This clearly indicates that in recent times liberalized markets are more favourable to agricultural growth than government support and intervention in markets.

Fifth, India is dominated by small holdings that typically have small surpluses. Most of these farmers lack scale, resources, and the ability to take price risk to go for high-value crops. It is not economically viable for them to take a few kilos of fruit and vegetables to the market as these crops mature in lots. If such farmers get markets close to production, like milk collection centres, and have price assurance, they will be encouraged to diversify towards high-value crops.

Sixth, despite the development of communication, road networks and other trade infrastructure, agri-markets remain fragmented––somewhere glut and price crash, somewhere shortage and high prices. There is also poor integration of prices between the harvest and lean months. Farm to retail price difference shows unjustified spread. The reason is low investments in storage and warehouses and dominance of local traders in the market.

Seventh, the growth of food processing needs to be accelerated to (i) match with the rising demand; (ii) pull agri-diversification; and (iii) create more jobs in the rural economy. For this, processors need raw material of desired quality and at the desired time. Buying so many small lots of different quality in scattered markets adds to the cost of raw materials. This requires new arrangement and partnership between processors and producers.

Eighth, with the rise in specialization and commercialization of agriculture, most of the output of several crops produced in a state is consumed outside than within it. This supports efficient and barrier-free interstate trade in the spirit of one nation one market.

Ninth, investment and capital formation in agriculture, which is so essential for the progress and growth of any sector, has seen an unhealthy trend in recent years––the growth rate fell from close to 10% per year during 2002–03 to 2011–12 to 2% in the following decade. The private corporate sector has almost avoided the sector and constitutes less than 2% of the total investments in agriculture and less than 0.5% of the total annual investments of the corporate sector in the Indian economy. There is a pressing need to revive investments in agriculture to modernize the sector.

Lastly, farmers are forced to seek remunerative prices through MSP and government procurement because of their disillusionment with the existing marketing system. Government intervention through procurement-backed MSP is needed and justified in selected cases like staple foods for food security. However, expanding MSP through procurement to all crops involves very heavy fiscal cost––nearly one third of MSP to back MSP through procurement. The Central government had offered states procurement of pulses and oilseeds at MSP and sharing the costs and losses with it. But, states did not opt for this due to fear of heavy losses. This necessitates that farmers are given more and better options and a competitive environment to get better deals for their produce in the open market.

GENESIS OF POLICY REFORMS

There is criticism from some quarters that the new farm laws have been rushed in without consultations with the states and stakeholders. As mentioned earlier, the discussions on policy reforms and structural changes in agriculture started around the year 2000. It began with suggestions for changes in market regulation and removal of various restrictions provided under the APMC Act. Some serious limitations of the APMC Act are as follows, though there is variation across states:

- notified commodities produced in the area under the jurisdiction of an APMC mandi to be sold only in them
- traders/buyers must have the licence to operate in the mandi
- multiple levies on sale/purchase transactions
- no direct sale from farmer to trader. Even if allowed user charges and mandi cess must be paid without actually using the facility. This kind of practice amounts to forcing all vehicles to move on toll road and pay toll tax even if that road is not used!
- charges of middlemen, like commission agents, statutorily fixed, not capped

Realizing the need for reforms in agri-marketing and trade, all successive governments at the Centre since 2000 made multiple attempts to persuade states to make appropriate changes in their APMC acts. The NDA government prepared and pushed for the Model APMC Act 2003, which involved significant liberalization and reforms in this law. The model Act also included provisions for contract farming and direct purchase from the farmers outside APMC. The UPA government continued those attempts after coming to power in 2004 and made serious efforts to take fruit and vegetables out of APMC regulation, which has been adopted by 16 states. Such efforts to persuade states to reform their APMC acts continued with the next change in government at the Centre in 2014. After several deliberations, another committee prepared a new model act, titled, "The ... State/UT Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017" (APLM Act). This model Act was discussed with state ministers of agriculture/marketing, and was well-appreciated. However, three years later only one state (Arunachal Pradesh) adopted the Model APLM Act; market reforms in other states remained piecemeal, patchy, diluted and very slow.

Contract farming was kept out of the Model APLM Act 2017 and a separate model act on contract farming, "The State/UT Agricultural Produce & Livestock Contract Farming and Services (Promotion and Facilitation) Act 2018", was prepared by the Ministry of Agriculture and Farmers' Welfare after thorough consultation and discussion with states, union territories, and experts.

When states did not come on board to reform their APMC acts––despite repeated pleas and persuasions by successive governments at the Centre––for 18 long years, the only option left with the Union government was either to ignore its responsibility to secure the future of Indian agriculture and farmers, or use the constitutional route for pan-India implementation of agricultural policy and market reforms.

The third policy reform relates to the modification in Essential Commodities Act (1951) for agri-food stuff. The attempt to amend ECA also started around the year 2002. Some agri-food commodities were removed from the list of ECA through a government order in 2003 and changes were notified to remove the requirement for licensing of dealers and restrictions on storage and movement of foodgrains, sugar, oilseeds and edible oils. However, many of the controls under ECA were brought back after 2006. Again, such restrictions were removed under a government order on 1 October 2016. This created uncertainty in the minds of investors and caused serious setbacks to agricultural infrastructure, storage, logistics and modernization of the supply chain. It was also found that this Act was of little help in cooling down prices in most cases; and its conviction rate was very low (0.27% during 2015–17). A strong need was felt to revisit this Act as the country moved from an era of shortages to one of surplus production.

The above account of events clearly shows that the need and matter underlying the new farm laws have been widely discussed for a very long time, and they have been partly adopted and implemented by state governments. Moreover, covid-19 threw formidable challenges to the economy, which could be addressed through bold and courageous policy decisions with the potential of converting challenges into opportunities.

IMPLICATIONS OF NEW FARM LAWS

Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act 2000 (FPTC Act)

The FPTC Act, enacted by the Central government, gives the freedom to sell and buy farm produce at any place in the country––within APMC mandis or outside them. To promote e-commerce in agriculture, the new law also allows the setting up of an electronic platform for the sale and/or purchase of farm produce. The Act also has a provision to prescribe modalities for the registration of traders and trade transactions in trade areas. Thus, if the new system does not work satisfactorily, then the government can intervene to regulate the system.

Due to inadequacies of the APMC markets, more than half of the marketable surplus is sold outside the mandis. Such deals lack transparency and fairness as they are in violation of APMC regulation; due to their underhanded nature, there is also the constant fear of being busted upon by APMC officials. The new Act legalizes such transactions, which is favourable for farmers. The best part of the new Act is that it allows direct purchase from farmers at their doorstep or farm, as is the case with milk. For the first time, farmers will have the opportunity to quote the price for their produce. Although these changes might appear too good to be true, if reforms are encouraged in the right direction by the states, it won't take long for farmer producers or their FPOs to become "price dictators" rather than remaining "price takers".

Another relevant question is how smallholders will benefit from the new Act. Our farm size is getting smaller day by day. If we want our farmers to diversify to produce high-value crops, they need price assurance and outlet to sell small lots. Crops like fresh vegetables and fruit do not mature on the same day and are thus harvested in small lots over time. This requires a collection facility or sale opportunity near the farm as is the case with dairy production throughout the country. FPTC will facilitate the creation of the required ecosystem for diversification at small farms.

Traditional supply chains involve six to seven transactions between the production point and end use (farm to fork). Each transaction involves cost and margin, leading to a large price spread between producers and consumers. FPTC will result in compressing the value chains and eliminating excessive intermediation. In many cases farmers will be able to sell their produce directly to consumers through their groups.

The new policy environment will create business opportunities for the rural youth, including farmers' children, in agriculture trading, as witnessed in denotified crops and the dairy sector.

Impact on APMC

Since the sixties, concerted efforts were made to bring all wholesale markets for agricultural produce under the "Agriculture Produce Market Regulation Act". This included a series of legal instruments for regulating market conduct and trade activities. These legislations, known as APMC acts, were enacted by all the states, except Kerala, Jammu and Kashmir, and Manipur. They mandated that the sale/purchase of agricultural commodities should be carried out in a specified market area and the producer sellers or buyers must pay the requisite market fee, user charges, levies and commissions for the agents (arthiyas), as specified under the APMC Act. These charges varied widely across states and commodities.

Initially, a lot of investment was made for the development of regulated markets, and their growth was much higher than that of crop output. Improved infrastructure and APMC regulations helped remove malpractices from markets and created orderly and transparent marketing conditions. This freed the farmers from the exploitative power of middlemen and mercantile capital at the time. Between the mid-nineties and 2006, growth in market infrastructure turned one-fourth of the growth in output, despite large deficiency existing in the former. After 2006, no growth in mandi infrastructure was reported. This increased the woes of Indian farmers as the market facility did not keep pace with increase in output, and regulation did not allow farmers to sell outside the APMC markets. The farmers were left with no other choice but to seek the help of middlemen in the market and with time, their dependency on them grew. At the same time, commission agents and traders slowly increased their bargaining powers over the farmers by providing them greater access to credit. This, however, led to a system of interlocked transactions that robbed the farmers of the choice to decide whom and where to sell, and subjected them to exploitation by the arthiyas.

Another big setback to APMC markets started with states treating them as sources of revenue generation through taxes, cess, and other charges, instead of looking at them as infrastructure service for the farmers. In several states, commission charges were increased without any improvement in the services provided to the sellers/buyers. To avoid any protests from farmers against these high charges, most of them were required to be paid by buyers, like FCI. In Haryana and Punjab, where wheat and paddy sells at or above MSP, mandi fee and rural development charges for these two crops are 4–6 times the charges for basmati rice purchased by private players. The reason is that wheat and paddy are almost entirely purchased on account of FCI, whereas non-basmati rice is purchased by private players. In all the cases where the produce is not purchased by public agencies, high mandi charges affect farmers as they are factored in the price paid to the sellers by the buyers.

The increase in mandi charges over time and the structure and level of these charges show that the APMC markets, which were created to ensure competitive prices for farm produce and free producers from exploitative practices of middlemen, have come to be used for revenue generation and rent-seeking under the cover of regulation, and at the cost of producers and consumers. This is against the spirit of APMC regulation and makes such mandis uncompetitive. Only a small fraction of user charges levied as mandi fee, etc., is used for operation and maintenance of the mandis and the rest is mostly spent as political largesse.

The effect of the FPTC Act on APMC mandis will depend upon the treatment meted out to these markets and the charges and levies therein. Of the 25 states having APMC acts, 12 do not charge commission on notified crops. The service charges, like mandi fee for representative crop, in these states vary from 0–1% in 9 states and 2% in Madhya Pradesh and Tripura. There is no threat from the FPTC Act to APMC mandis, in these states, as private traders and sellers will get benefits commensurate with the mandi charges.

The second category of states has Andhra Pradesh, Himachal Pradesh, Maharashtra, and Telangana, where the service charge for mandi is 1% of the value of the produce and the commission varies from 1–2%. Uttarakhand also falls in this category, with 2% mandi fee and 1% commission charge. Karnataka follows these states closely, with total charges at 3.5%. These states can easily bring down their mandi charges to 2% or less by lowering the commission or mandi fee to 1% or below, to keep the business in APMC markets intact.

The third set of states includes Punjab, Haryana, Rajasthan, Gujarat, Arunachal Pradesh, West Bengal, and Uttar Pradesh, where the total charges vary from 5–8.5%, with the highest in Punjab followed by Haryana. Among these states, Punjab and Haryana will not face any challenge from sale outside of mandis as long as paddy and wheat are the dominant crops, and are procured by the government. Ultimately, for the states in this category, market charges and commissions need to be brought down to 2% or less, as is the case in others and which is reasonable to enable APMC mandis to compete effectively with transactions outside their premises.

The real threat to APMC mandis and their business is from excessive and unjustified charges in these markets. The new FPTC Act will only put pressure on these markets to become efficient and competitive. Discussion with mandi officials revealed that a maximum of 1.5% of the total charges, including market fee and commission, is adequate to maintain and run mandi operations. This will not wean away traders from APMC markets as they will get the benefit of mandi infrastructure, bulk produce in one place and save the cost required for individual transactions outside the market. The states that are really interested in farmers' welfare should do away with unjustified and excessive mandi charges and keep them below the reasonable level of 1.5%. This will ensure coexistence of APMC mandis and private channels permitted under the new Act in a true competitive spirit.

Madhya Pradesh removed commission agents from notified crops during 1985–90, and now buyers like FCI can directly pay farmers. This was found beneficial for both buyers and sellers. Further, Madhya Pradesh is contemplating to reduce mandi fee to 0.5% of the value of the produce.

The decision to avail services of arthiyas should be better left to producers and sellers instead of being necessitating through law. At best, the state government should announce a cap on commission charges rather than fixing them. The MP model of APMC is best for farmers and the farm sector. It ensures no threat to APMC mandis from the new Act.

Impact on MSP

Fear has been expressed by the leaders of some farmers' unions in Punjab and Haryana that the new Act aims to gradually stop public procurement through MSP, which will leave the field open to private corporate players considered a threat to farmers. MSP for wheat and paddy will remain a genuine concern for Punjab and Haryana till better crop options are developed. However, linking the continuation of MSP to the new Act has no grounds whatsoever. MSP and procurement are purely administrative decisions. If the government has the intention to change them, it does not require the help of any act or law. The intentions of the incumbent government regarding MSP and procurement should be better judged from its actions. During the last six years, the current government at the Centre has given three major pushes to the MSP regime. One, a new benchmark for MSP, which ensures 50% or higher margin on cost A2+imputed cost of family labour. As a result of which, MSP has moved up to a higher trajectory. Two, much-needed procurement for ensuring MSP expanded to some other crops. To support this, the Centre is now maintaining a buffer stock of pulses. Three, a new scheme, ASHA, was started to extend financial support and share cost/losses to states that pay MSP to farmers for pulses. These moves show the commitment of the Central government towards MSP.

Some estimates suggest that MSP reaches less than 7% of farmers in the country. This is in sync with other evidence that shows the share of officially procured crop output close to 11% in total crop output, and 7% in total agricultural output. This raises the challenge to ensure remunerative prices for the remaining 90% of produce. The underlying intention of the new Act has been to keep the MSP system intact for the produce already benefiting from it and create a policy environment that improves price realization for the remaining produce.

Suggestions have been made to make MSP a statutory price for producers and treat any transaction below it as unlawful. If according legal status will ensure MSP to farmers, then this would be the easiest way for any government to help farmers get desired prices. This can be done by state governments and does not require Central intervention. Kerala has announced minimum prices for 16 fruit and vegetables on 27 October. Economic theory as well experience indicate that the price level that is not supported by demand and supply cannot be sustained through legal means. This was tried by Maharashtra in 2018 when the Cabinet approved a change in law to send any trader to jail for a year and impose a penalty of Rs 50,000 for not adhering to MSP declared by the government. As open market prices were lower than the (legalized) MSP levels declared by the state, the buyers withdrew from market and farmers had to suffer. The move was soon abandoned. Another example is that of sugarcane, where MSP (fair and remunerative price) is statutory minimum price. When sugar mills (private sector) did not find FRP for sugarcane matching with sugar prices, they stopped buying and crushing sugarcane. A long, protracted battle in court could not offer a solution. Finally, sugar mills were no longer making full payments to sugarcane producers, resulting in the accumulation of arrears running into thousands of crores of rupees every year. On the other side, the new trading Act creates a favourable environment for private buyers to pay MSP as it saves APMC fee, user charges, commission charges and many other costs. This also shows that any move by the states to counter a Central act while keeping market fee, user charges, commissions, cess, etc., intact, will in practice work against private traders giving MSP to farmers by making purchase price costlier.

The new Act has also been criticized by quoting the example of Bihar, which scrapped the APMC Act in 2006. It is argued that freeing trade in Bihar did not help in getting MSP––however, they were not getting MSP even before the scrapping of the APMC Act! Price data from Bihar shows that average farm harvest price for ten years before the scrapping of the APMC Act was 30% below MSP, which went down to 20% in the following decade. This does not indicate any negative effect on prices received by farmers due to scrapping of the APMC Act. The second, and more serious, flaw in this argument is that the FPTC Act is taken to imply the shutting down of APMC markets. The major difference between what Bihar did and what is proposed in the FPTC Act 2000 is to create one more option for farmers while retaining the option of selling produce in APMC mandis.

As discussed earlier, the best benefit from the new Act will accrue when APMC mandis and private channels coexist and compete. This can be ensured by the states by nurturing APMC mandis as infrastructure service for the farmers––like other government facilities such as hospitals, schools, roads and parks, etc.––rather than using them for generating revenue for the government and middlemen.

It is also pertinent to point out that the mere existence of APMC markets does not ensure MSP, as seen in the case of many crops in Punjab and Haryana and with wheat and paddy in several states. There are also cases of sizable procurement at MSP in states without the APMC Act (20 lakh tons of paddy procured in Bihar and 7 lakh tons in Kerala in 2019–20). Implementation and continuation of MSP is an administrative decision and in the case of rice and wheat it is part of the four pillars of food security, that include (i) procurement, (ii) buffer stock and (iii) PDS in addition to MSP. The system will collapse if one pillar is demolished. No responsible government would like to be seen as doing damage to the system that has served the purpose of food security, price stability, food self-sufficiency so well. The Prime Minister has stated a couple of times that the MSP system will continue after implementation of the new farm acts. The Union Agriculture Minister has even given written assurance in this regard. It is very clear that the running MSP system has nothing to do with the APMC Act or FPTC Act 2000.

Farmers' Empowerment and Protection Agreement on Price Assurance and Farm Services Act 2000

The Farmers' Empowerment and Protection Agreement on Price Assurance and Farm Services Act––or the Agreement on Price Assurance and Farm Services (APAFS)––is greatly simplified and an improved version of the Contract Farming Act that has already been adopted by 20 states. The new Act shifts the balance in the favour of farmers. It removes the complicated system of registration/licence, deposits, and various other compliances in contract farming provisions in various states.

Contract farming has been practiced in India at a limited scale in specific cases for a long time. The State of Punjab has been a pioneer in initiating this practice. It facilitated multinational company PepsiCo in 1988 to start contract farming for the production of fruit and vegetables in the state. This initiative did not meet its objective and remained unsuccessful. However, no fallouts were reported due to this arrangement. In contrast to this, another multinational corporate giant, Nestle, has been enjoying a very successful partnership with farmers in the Moga district of Punjab in the dairy (milk) sector since 1961. More than one hundred thousand farmers supply milk to Nestle in Moga in the partnership mode, which is almost similar to what is provided in "Agreement on Price Assurance and Farm Services" Act. Nestle provides technical guidance to milk producers and supplies inputs such as feed, medicine and vaccines, and veterinary services. Nestle has created a sophisticated supply chain at a price announced every week based on the fat and solid content in the milk.

Though "corporate" has become a much maligned word in the current farmers' agitation, Nestle's partnership with dairy farmers in Punjab is a classic example of great success and economic transformation. Likewise, there are scores of success stories involving formal contract farming in almost all states. Documentary evidence points to a lot of benefits for farmers through contract farming. Obviously, there are also failures, such as the PepsiCo experience in Punjab. If farmers don't find contract farming beneficial, they can leave it willingly and without any hassle. Also, there have been no reports of firms taking control of farmers' lands or any other assets by misusing any provision of contract farming. In a nutshell, experience of contract farming proves it is advantageous for farmers.

The Agreement on Price Assurance and Farm Services (new act) between farmers and sponsors, i.e. agri-business firms, is restricted to (i) an assured price to be paid to farmers as agreed between them and the sponsor prior to production and (ii) to provide farm services and inputs to the farmers, if so desired, on mutually agreed terms and conditions. As per the Act, production of desired quality produce will be undertaken by farmers and not by the sponsor. The role of the sponsor is restricted to buying the produce at the price agreed in advance and supplying inputs and services. The new agreement is much simpler than the existing contract farming practices and many clauses have been kept in favour of farmers. This is totally different from corporate farming, where production activity is undertaken by the business firms. The new Act has no provision for leasing out land by the farmers in any manner to the sponsor or firm. As per the Act, the sponsor is prohibited from acquiring ownership rights or making permanent modifications on farmers' lands or premises. Therefore, apprehensions like corporates usurping the lands of the farmers, or forcibly taking their assets by manipulating the agreement are totally misplaced.

In order to protect farmers from the costly and long process of legal redressal of grievances, the agreement provides for dispute resolution through the sub-divisional authority (SDM) and collector or additional collector as the appellate authority. No action for any recovery of dues against farmers shall be initiated against land of the farmer. In case the sponsor fails to pay the farmer, there is a provision for penalty extending to one and a half times the amount owed. If a farmer reneges into the agreement, the recovery shall not exceed the actual cost incurred by the sponsor on account of any advance payment or cost of input supplied by him.

State governments have been given the power to make rules for carrying out provisions of the Act, such as registration of a farming agreement. The Act keeps scope to remove any difficulty in giving effect to the provisions of this Act.

Essential Commodities (Amendment) Act

The Essential Commodities Act has been modified for agriculture and food stuff, including cereals, pulses, potato, onion, edible oilseeds and oils. The modification says that the Central government may regulate the supply of the above commodities only under extraordinary circumstances, which may include war, famine, extraordinary price rise and natural calamities. The modification lays down a transparent criterion on imposing or regulating stock limit, which is 100% increase in retail price of horticulture produce or 50% increase in retail price of non-perishable agri-food stuff over the price prevailing in the preceding 12 months or average price of last five years, whichever is lower. This modification incorporates predictability in government action to invoke ECA based on a price trigger rather than mere perception or whim. The Act in no way dilutes the power of the government to intervene in the market for price control. This is evident from the action taken by the government in imposing stock limit on onions on 23 October 2020, i.e. after the enactment of the modification in the Essential Commodities Act. Thus, the criticism that a free hand has been given to stockists and market manipulators is totally unfounded.

In the past ECA has been invoked to cool down high food prices for consumers. This obviously has an adverse effect on prices received by producers. The commodities of farmers' interest like fertilizers and seeds have not been touched by the modification in ECA. But, surprisingly, agitating farmers' groups are opposing the modification even though it is clearly in their interest,––it will encourage investment in warehouses, cold storages, pack houses, and logistics and will help in reducing food wastage, violent fluctuations in prices and price crashes due to gluts.

CONCLUSIONS

Policy reforms in agriculture continue to be a hot topic in public discourse since the last two decades. For several years, academic experts, stakeholders, and farmers' leaders pleaded for reforms in pre-budget consultations and meetings with NITI Aayog and the erstwhile Planning Commission. At the political level, the election manifestos of the two biggest national political parties, Congress and BJP, also promised to liberalize agriculture markets to free farmers from the shackles of APMC regulations. The reason for this was obvious. The "business as usual" approach was yielding only incremental changes whereas the sector needed transformative ones to address agrarian distress, create avenues for remunerative employment of the rural youth, raise farmers' income to meet their aspirations, and create a favourable environment for new-age agriculture that matches the changing demand scenario, compete with global agriculture and is also sustainable. In fact, what was needed for agriculture was clearly known, the Central government has shown political courage to implement that across India.

Coming to the acts, the Farmers' Produce Trade and Commerce Act offers farmers the choice to sell their produce within APMC markets or outside them; to private channels, integrators, FPOs, or cooperatives; through a physical market or on an electronic platform; and directly at farm or anywhere else. It has no intent or provision to tamper or dilute MSP and poses no threat by itself to APMC markets. The real threat to APMC mandis and their business is from excessive and unjustified charges levied by states in these markets. The new FPTC Act will only put pressure on APMC markets to become competitive. Discussions with mandi officials revealed that a maximum of 1.5% of total charges, including market fee and commission for arthiyas, is sufficient to maintain and run mandi operations. This will not wean away traders from APMC markets as they will get the benefit of mandi infrastructure, bulk produce in one place and save the cost required for individual transactions outside the markets. States that are really interested in farmers' welfare should do away with unjustified and excessive mandi charges and keep them below the reasonable level of 1.5% including commission etc. There is a strong case for states to run APMC system as infrastructure service for farmers without charging market fee in their interest. This will ensure healthy competition between APMC mandis and other channels permitted under the new Act with significant gain to farmers.

The Farmers' Empowerment and Protection Agreement on Price Assurance and Farm Services Act covers two aspects: (a) provision for guaranteed price and (b) input and technical services to farmers by registered individual, firm, company, cooperative society, etc., under a mutually acceptable agreement between the farmer and sponsor prior to production. This Act intends to insulate interested farmers, especially small farmers, against the market and price risks so they can go for the cultivation of high-value crops without worrying about the market and low prices in the harvest season. If a farmer is interested, they can also get technical services and inputs from the sponsor. There is nothing in the Act beyond these two provisions.

The Act does not require any farmer to go for this agreement; the decision is left entirely on the farmer. The Act prohibits the farming agreement to include the transfer, sale, lease, mortgage of the land or premises of the farmer. All apprehensions about this Act relate to corporate farming, which is totally different and not allowed in any state of India. The PAFS Act is inclined towards farmers. No party is bound to continue with the agreement beyond the agreed period. The Act will promote diversification, quality production for premium price, export and direct sale of produce with desired attributes to interested consumers. It will also bring new capital and knowledge into agriculture and pave the way for farmers' participation in the value chain. Scope is kept in the two acts for changing some provisions, if needed.

The third Act involves modification in the Essential Commodities Act for a group of agri-food commodities. The modification specifies transparent criteria in terms of price trigger for imposing ECA rather than leaving it to arbitrary decisions by bureaucrats to invoke the Act. The power of the government to impose ECA remains intact as has been seen in the decision to impose stock limit on onions after the modification in ECA. There is nothing in this modification against farmers. On the contrary, the modification sets a much higher limit for rise in producer prices before the government takes action on stock limits. The modification in ECA will attract much-needed private investments in agriculture from input to post-harvest activities.

By removing all kind of charges and levies on sale/purchase of farm produce, the new Central Act saves significant cost to buyers and thus improves the prospects of payment of MSP by private traders to farmers. In contrast to this, any move by the states to counter the Central Act and giving a legal status to MSP while keeping market fee, user charges, commissions, cess, etc., intact will work against private traders giving MSP to farmers, by making purchase price costlier.

In a nutshell, the three policy reforms undertaken by the Central government through the three new Acts are in keeping with the changing times and requirements of farmers and farming. If they are implemented in the right spirit, they will take Indian agriculture to new heights and usher in the transformation of the rural economy. The reforms have generated optimism for India to become a global power in agriculture and a powerhouse for global food supply. The reforms carry the seed for farmers' prosperity and transformation of the rural economy and to make it a growth engine of the Indian economy.

The views expressed in the paper are personal.