



Government of India

## PUTTING FARMERS FIRST



### Need for Reform

- **Disparity between Agriculture & other sectors despite economic liberalization**
- Fragmented and insufficient markets with high market fees & charges
- Inadequate infrastructure and credit facilities
- Information asymmetry
- Restriction in licensing

### Farmer's Produce Trade and Commerce (Promotion and facilitation) Act, 2020

- **Freedom of Choice** of sale & purchase of farmers' produce at remunerative prices
- Efficient transparent and barrier free inter and intra-state trade and commerce outside physical premises of APMCs
- APMCs will continue to function: Act provides farmers with additional marketing channels
- **No bearing on MSP**
- Payment has to be made to farmers on the same day or within 3 working days where procedure so requires
- Permits online trading

### Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020

- Legal framework for agreements between farmers and sponsors for purchase of farming produce and provision of farm services entered into before harvest
- Guidelines for model farming agreements by Central Government
- Price of the produce will be clearly mentioned in the contract
- Clearly specified dispute resolution mechanism: **Protecting rights of both farmers and buyers**

### Essential Commodities (Amendment) Act, 2020

- Act invoke only in an extraordinary situation:
  - **War, Famine, Extraordinary price rises, Natural calamities**
- **Imposition of stock limits only be based on price rise** and can only be imposed if there is 100% increase in retail price of horticultural produce and a 50% increase in the retail price of non-perishable produce

## Benefits of Farm Reforms

- Single unified market
- Freedom for farmers to sell their produce to whom they want and where they want
- End of APMC cartel monopoly
- MSP continues to act as safety net for farmers
- Legal framework protecting farmer rights
- Reduction in market fees, taxes etc. and better price discovery
- Development of infrastructure close to farm gate
- Contract farming: Form of price assurance and boost linkages with food processing sector

**Farming can become profitable even for small & marginal farmers**

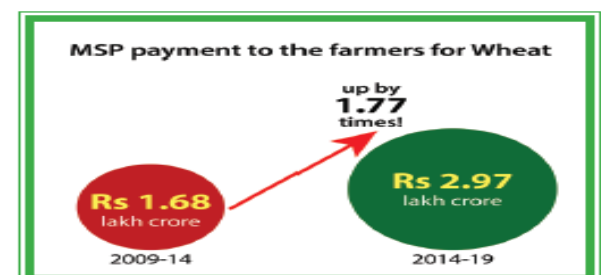
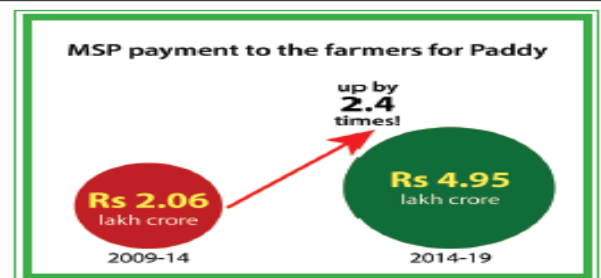
## Benefits of Farm Reforms

| S.No. | Before Reforms  | After Reforms  | S.No. | Before Reforms  | After Reforms   |
|-------|---|--|-------|---|---|
| 1     | Can sell notified farm produce only in APMC Mandi<br>Monopoly of middlemen<br>Cartels of traders could keep prices artificially low | Freedom of choice to sell in APMC mandl or choose any other seller<br>Multiple options to sell<br>Better price realisation through Competition | 7.    | Freedom to sell fruits and vegetables outside of APMC mandl existed in many states    | This freedom is extended to all agri produce and all over the country   |
| 2     | Once produce brought to mandl, farmer has to accept whatever price is offered   | Can bargain for price even at door step  | 8.    | Small land holders do not have scale and bargaining power in input and output markets | Empowered to access to modern input, services and protection against price risk<br>Farmer Producer Organisations help small farmers' organise for better bargaining power |
| 3     | Pay mandl. fee, commission, and other charges borne by producers and consumers  | No fee, no commission<br>Large savings to benefit producers and consumers.   | 9.    | Contract farming restricted to some pockets and bureaucrat control                    | Contract on terms favourable to farmers<br>Farmers can get pre-decided prices based upon agreements with buyers   |
| 4.    | Large price spread<br>Fragmented markets<br>Long chain of intermediaries  | Higher share of producer in consumer's payment<br>Low cost of logistics<br>Minimum or no intermediary  | 10.   | Farmers not part of value chains  | Farmers can be partner in value chain   |
| 5.    | No opportunity for farm youth to trade agri commodities   | Rural farm youth will get opportunity to trade and run supply chain.   | 11.   | Exports getting uncompetitive due to long chain of intermediaries and poor logistics  | Export competitiveness will increase and benefit farmers  |
| 6.    | Cannot directly sell to consumers bypassing middle men  | Can sell directly to anyone by passing middlemen and earn higher price   |       |   |   |

## Increase in Procurement from Farmers

Compared with 2009-10 to 2013-14, MSP payment increased during last 5 years by

- 2.4 times for paddy (Rs. 4.95 lakh crores)
- 75 times for pulses (Rs. 49,000 crores)
- 10 times for oilseeds and copra (Rs. 25,000 crores)
- 1.77 times for wheat (Rs. 2.97 lakh crores)



## Myth vs. Reality

| Myth  | Reality  |
|---|--|
| Farmers will not benefit from Farm Laws     | Farmers can choose their buyers and decide their price |
| No scope for dispute resolution for farmers | Act promotes dispute resolution in a time bound manner |

|   |  |
|---|--|
|   | with minimum cost at the level of local SDM's  |
| Farmers won't get timely payment                            | Buyers to pay farmers on the same day or within 3 days on agreement  |
| Farmer organisations will not benefit                       | All Farmer Organisations will be treated as "Farmers" and they will get the same benefits                    |
| MSP will not continue                                       | MSP will continue as before  |
| FCI will stop procurement from farmers                      | FCI and other Government agencies will continue procurement from farmers as before                           |
| Farmers need license to sell outside APMC mandis            | Farmers can sell produce outside mandis to buyer who gives best price; without registration/ transaction fee |
| APMC mandis will close down in future                       | Mandi system will continue as before   |
| Act invades rights of State APMCs                           | Act does not dilute APMC Act. It allows for additional trade outside mandis                                  |
| Act doesn't safeguard farmer payments                       | Act provides sufficient guidelines to safeguard farmers interests  |
| Act will lead to agriculture land acquisition by corporates | Act bars transfer of farmer land/ permanent structure.   |

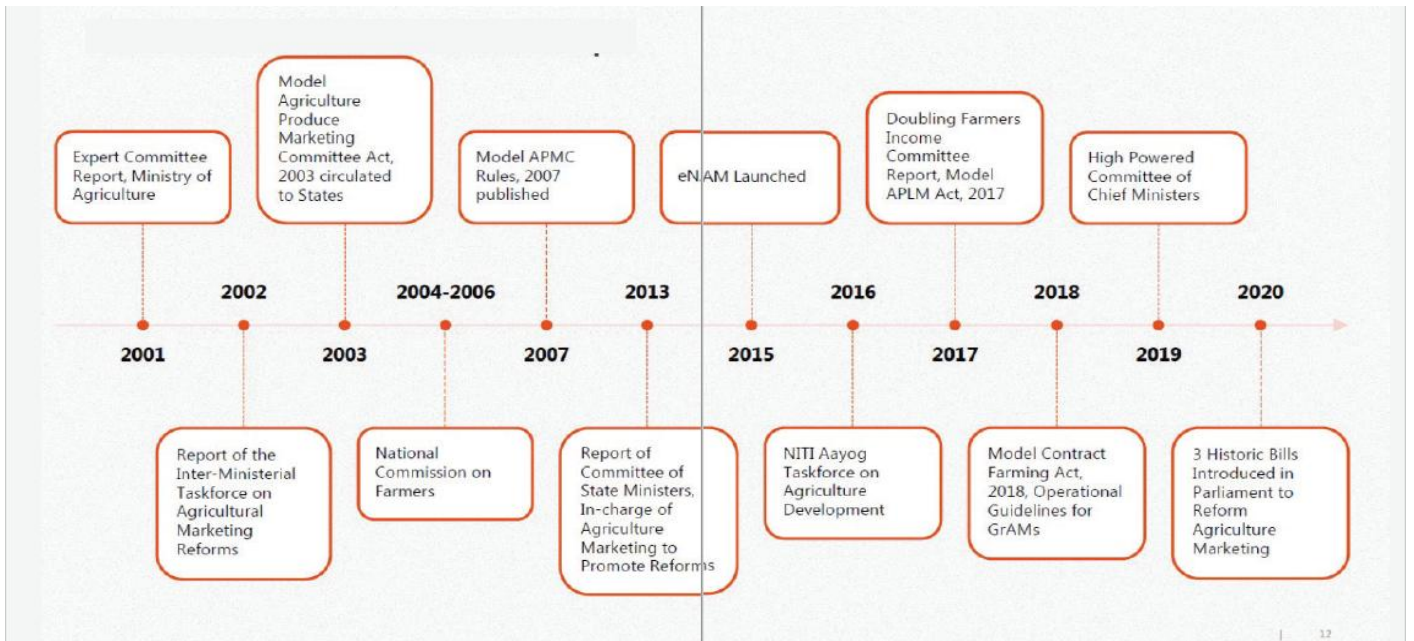
### Consultation Process

- Stakeholder consultations on agriculture issues have continued for past two decades by various Governments
  - Expert Committee (2000) under Shri Shankarlal Guru suggested inter-alia repeal of Essential Commodities Act, 1955, promotion of direct marketing and involvement of private sector in marketing extension services
  - Inter-Ministerial Task Force (2002) recommendations include revitalisation of marketing system, reforms in APMC Act and encouraging contract farming
  - Model APMC Act, 2003 on agriculture marketing formulated in consultation with State Governments: Model APMC Rules formulated in 2007
- **Model APMC Act, 2003 adopted by 18 States**

### Consultation Process

- National Commission on agriculture under Shri M.S. Swaminathan (2006) recommended promotion of Unified National Market
- Committee of State Ministers in charge of agricultural marketing constituted for extensive consultations (2010)
- Formulation of Model APLM Act, 2017 to remove fragmentation of market and promotion of National Market for Agriculture Produce
  - **Adopted by 5 States**
- Regular engagement with States has continued before promulgation of the Farm Ordinances (June 2020)
- Extensive steps taken to sensitise farming communities, FPOs and cooperatives for awareness of **One Nation, One Market**

## Consultation Process: Timeline



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