

# Will The Three Farm Ordinances' prove 'Cherry on a Cake' or 'Death Knell' for Farmers ?

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**Abstract:** Agriculture always remain predominant occupation of the people of India. India's economy depend on the agriculture. Around 75% of Indian population engaged in agriculture since primitive age. With the passage of time, myriad of inventions took place, number of bills, different form of collectors have been formed to utilize this asset in a proper and good manner. Since 1947, the main focus of economists and policy makers remain on agriculture so that maximum profit and growth in this sector could be obtained. Due to this, with the passage of time, India has become the largest producer of wheat, edible oil, potato, fruits and vegetables in the world. In spite of all these, farmer suicide cases, unrest, violence can be seen among the people who are engaged in agriculture. However, the Farmers' Bill 2020 brought all the farmer together, not on a positive note but against the government for implementing the bill. The bill, in fact, bring the farmers on road and result in violence. This paper intends to shed the light on the New Farmer Bill and what are its pros and cons.

**Key Words:** Agriculture, population, Farmer Bill, suicide, collectors, primitive age, asset.

## 1. INTRODUCTION:

In every five year, legislation passed a bill to increase the productivity in agriculture sector. This concept has tremendous impact on farming livelihoods. The New Farmer bill passed in India in the year 2020, has created chaos among farmers as farmers opine that it will ruin farmers' life and independency along by eliminating the provision of Minimum sale price.

## 2. OBJECTIVE OF THE PAPER:

This paper tries

- to explain new ordinance in simple way
- to find benefits and drawbacks of the bill
- to know the reason of farmers' reaction

## 3. RESEARCH METHODOLOGY:

To write this paper, author opted secondary data. The source of obtaining data is from various books, magazines, newspaper articles. Along with secondary data, some kind of primary source has also been opted in the form of opinion of people.

### What is the bill ?

The newly passed farm bills will give farmers the freedom to trade across states and empower them to turn into traders of their own produce and be in control of the process. The intent behind these three bills is that the new regulation will create an ecosystem where the farmers and traders will enjoy the freedom of choice of sale and purchase of agri-produce and promote barrier-free inter and intra-state trade and commerce outside the physical premises of markets notified under State Agricultural Produce Marketing legislations. The Upper House passed by voice vote the Farmer's Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020, and the Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020.

### Key provisions of the three bills

The key provisions of the proposed legislation are intended to help small and marginal farmers (86% of total farmers) who don't have means to either bargain for their produce to get a better price or invest in technology to improve the productivity of farms.

The bill on Agri market seeks to allow farmers to sell their produce outside APMC 'mandis' to whoever they want. Anyone can buy their produce even at their farm gates. Though 'commission agents' of the 'mandis' and states

could lose 'commissions' and 'mandi fees' respectively (the main reasons for the current protests), farmers will get better prices through competition and cost-cutting on transportation.

The legislation on contract farming will, on the other hand, allow farmers to enter into a contract with agri-business firms or large retailers on pre-agreed prices of their produce. This will help small and marginal farmers as the legislation will transfer the risk of market unpredictability from the farmer to the sponsor.

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. It means the legislation will do away with the imposition of stock-holding limits on such items except under extraordinary circumstances such as war and natural calamities. This provision will attract private sector/foreign direct investment into the agriculture sector.

### Pros and cons

The Bills led to agitation among a faction of farmers — primarily rice and wheat growers — in Punjab, Haryana, and western Uttar Pradesh, who went on to accuse the central government of “anti-farmer” policies.

### Benefits:

The government said that the bills would transform the agriculture sector. It would also raise the farmers' income, the Centre said. Further the government had also promised double farmers' income by 2022 and the Centre said that the Bills will make the farmer independent of government controlled markets and fetch them a better price for their produce.

The Bills propose to create a system in which the farmers and traders can sell their purchase outside the Mandis. Further it also encourage intra-state trade and this proposes to reduce the cost of transportation.

Further the Bill formulates a framework on the agreements that enable farmers to engage with agri-business companies, retailers, exporters for service and sale of produce while giving the farmer access to modern technology.

In other ways, the advantages of the bill are as follows:

- The farmers had moved towards a freer and more flexible system.
- Selling produces outside the physical territory of the mandis will be an additional marketing channel for the farmers.
- The new bill has not brought any major drastic changes, only a parallel system working with the existing system. Prior to these bills, farmers can sell their produce to the whole world, but via the e- NAM system.
- The amendment to the Essential Commodities Act which is one of the three bills under protest removes the scare or fear of the farmers that traders who buy from farmers would be punished for holding stocks that are deemed excess and inflicting losses for the farmers.
- The bills ensure that the farmer or the producer is given the same attention as production is and the farmer gets the stipulated price for crops, so that farming survives.

### Cons:

The farmers have been apprehensive about this Bill. They say that they are apprehensive about getting Minimum Support Price for their produce. They are also concerned about the upper hand of the agri-businesses and big retailers in negotiations.

They feel this would put them at a disadvantage. They also say that the companies may dictate the price and the benefits for small farmers may reduce the engagement of sponsors with them.

- The Farm Bills hampers with the monopoly of APMC (agricultural produce market committee) mandis, thereby allowing sale and purchase of crops outside these state government-regulated market yards or mandis.
- The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill does not give any statutory backing to MSP. The farmers have nothing to do with the legal system but everything to do with the MSP, a price at which they sell their produce, there is not even a mention of either “MSP” or “Procurement” in the said bill.
- The government declares MSPs for crops, but there has been no law mandating their implementation.
- The only crop where MSP payment has some statutory implementation is sugarcane for which FRP is determined. This is due to its pricing being governed by the Sugarcane (Control) Order, 1966 issued under the Essential Commodities Act.
- The new bills are placing farmers and traders at the mercy of civil servants, rather than of the courts.

#### 4. Reaction and Opinion of different People:

Despite their hue and cry, which was concentrated in belts where state government procurement is maximum, the truths and ground realities may well be different for a majority of those involved in agriculture in India. Most sections of the industry and key stakeholders in the agri trade reckon that the Farm Bills are progressive and “visionary”, and a definitive step towards realising the government’s mission of doubling farmer incomes by 2022.

Puneet Sethi, Co-Founder and Director, FarmPal (an agritech platform that organises the post-harvest supply chain), says, “We have discussed the bills with our farmers, and by and large, there does not seem to be any opposition to them. Large farmer dynamics are very different from small farmers with marginal landholdings who constitute most of Indian agriculture. The larger farmers who tend to benefit more from the earlier scenario might have more reason to protest.”<sup>1</sup>

Mark Kahn, Managing Partner, Omnivore (an agritech-focused VC), says, “The Farm Bills will definitely create tailwinds for agritech startups. Anyone working on market linkages, post-harvest services, or digital farmer platforms will benefit from the new laws, which enable direct interfacing with farmers. The Bills take much of the regulatory uncertainty in the agri value chain away, and agritech startups will be more nimble-footed than large agribusinesses in building farm-sourcing systems and related infrastructure.”<sup>2</sup>

Shashank Kumar, Founder and CEO, DeHaat (a full-stack agri platform that connects farmers to buyers) adds, “Earlier, when you wanted to set up a farmer-driven model, you had to apply for Seedhi Khareed (direct purchase) licenses in every district of every state. This direct procurement license came with a cess and a licensing bottleneck. With the new reforms, our gestation period around scalability is much shorter because the inefficient process is eliminated by law. In the long run, this will boost procurement infrastructure near the farmgate, which will be the biggest benefit for us.”

The committee wanted that the Centre exit procurement and leave everything to the states. Where do they have the money for procuring and stocking so much grain? This... is only meant as an exit strategy for the Centre,” alleged Jagmohan Singh, general secretary of the Bhartiya Kisan Union (Dakaunda faction)<sup>3</sup>.

The Congress government in Punjab, too, passed a resolution in the Assembly on August 28 urging the Centre to make MSP-based procurement “a statutory right of the farmers”. Part of Prime Minister Narendra Modi’s agricultural reform policy, the laws will also allow traders to stock food items. Hoarding food items for the purpose of making a profit was a criminal offence in India.

“The government has left us at the mercy of big corporations,” said Rashpinder Singh.<sup>4</sup> The main opposition Congress party has called the bills “black law” and “pro-corporate”. Its top leader Rahul Gandhi accused Modi of “making farmers ‘slaves’ of the capitalists...”.

Another person Davinder Sharma<sup>5</sup> said, “The government has left us at the mercy of big corporations. It is preposterous to believe that farmers who have small land-holdings will have any bargaining power over private players.”

“It’s quite obvious that the bills are not going to benefit the farmer and that is why they are protesting. The bills are not going to hit all the farmers equally. It’s going to help some and hurt others.”<sup>6</sup>

Farmers have now the freedom to sell the crops to anyone. Traders can ignore what the state government legislations are and can buy directly from the farmers and build their own connections with farmers and procure, which is actually a good thing in principle. The problem with the bills is that they are putting the farmers into the hands of the private players without any safeguards and without any regulations or discipline in terms of price setting. There is a lack of regulatory oversight and price-setting body.

It is a fact that Mandi system need some steps to tackle the problems that it has. However, to mitigate the problem, it does not mean to push farmers from one set of middlemen to another set of middlemen. It is not a solution for agriculture.

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<sup>1</sup> Sethi Puneet, co-founder and director, Farmland

<sup>2</sup> Mark Kahn, VC

<sup>3</sup> Singh Jagmohan, General Secretary of the Bhartiya Kisan Union

<sup>4</sup> Singh Rashpinder, a farmer

<sup>5</sup> Sharma Davinder, Food and Politics analyst

<sup>6</sup> Narayan Sudha, Agriculture Economist at Indira Gandhi Institute of Development Research

**5. CONCLUSION:**

To conclude, I would like to reiterate by saying that the removal of stock limits and facilitation of bulk purchase and storage through the amendment to the Essential Commodities Act could bring large corporate players into the agriculture space. Although they will bring much-needed investment, they could also skew the playing field, with small farmers unlikely to match them in bargaining power.

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