FARM BILLS: THE CEASELESS ASPIRATION OF EXTERMINATING MIDDLEMEN

Written by ***Sangadala Dheera Kanishka* & Ajitha Ande*****

** Final Year BA, LLB (Hons.) Student, Damodaram Sanjivayya National Law University, Visakhapatnam, India*

*** 3rd Year BA, LLB (Hons.) Student, Damodaram Sanjivayya National Law University, Visakhapatnam, India*

ABSTRACT

India is an agrarian economy. Beginning from the pre independence era, agriculture has been the prime revenue source for the nation. Apparently the agricultural sector was consistently impeded by several problems which were endlessly encroaching till date despite uncompromised efforts. The Agricultural Ordinances of 2020 are yet one more attempt.

Keywords**:** Agriculture, Farm Bills, Marketing & Intermediaries.

INTRODUCTION

By the time of mid 1960s all the states have formulated their respective APMCs. But due to the variable circumstances and developing markets new exigencies aroused for which Model APMCs were introduced with required additions for restriction free markets and contract farming, all of which unfortunately remained undistinguished because of improper implementation by the states[i].Therefore a high powered committee consisting of all agricultural ministers of states was set up by the central government to formulate a legal configuration in the matters concerned with regard to the marketing of the agricultural produce.[ii] On that note three Agricultural Ordinances were introduced by the Union government on June 5, 2020 for facilitating farmers with contract farming & free market without barriers.

HISTORICAL BACKGROUND

In early years after the independence in 1947 farmers as usual used to sell their produce to the consumers. But due to the zamindari system and several other factors the farmers in order to produce had to take loans from the money lenders. The money lenders used to charge high interests which the farmers couldn't repay back as a result of which the entire produce is taken away from the farmers by the money lenders to clear the loans. Thus, to make produce again the farmers need incentives for which they again take loans from the money lenders and this vicious cycle continued. Out of all this cycle the farmer barely gets any income back by selling his produce and on the top of which they were been gravely exploited.

In order to curtail which the government came up with the APMC Act (Agriculture produce and Marketing Committee regulation Act) through which each state is authorised to form APMC mandis to sell or buy any produce. To put it simply here after neither the farmers were to sell directly to the consumer nor can the consumer buy anything directly from the producer. Instead the APMCs were brought in as a medium between the producers (farmers) and the consumers so that the farmers can be liberated from the exploitation of the money lenders.

MECHANISM OF APMC

Every division of the state has an APMC (mandi) established by the state. The farmer brings his produce to the local APMC, through the commission agent of the APMC the produce reaches the traders. At this stage the price discovery takes place, many negotiations happen in this stage for price fixation through auctions. After the price discovery the transaction agent tells the farmers the fixed value and out of the price fixed the transaction agent procures statutory charges which comprises market fees and taxes, produce-handling charges and loading and unloading charges etc., the statutory charges vary from state to state. Soon after the price fixation the produce reaches the wholesalers, retailers and other vendors through the traders under the fixed value. This was how the APMCs worked; it has enhanced the functioning of market but nevertheless had certain insufficiencies over time. APMC functioned readily in the period when there was minimal and underdeveloped private trade but over time the private trade had become inevitable and ought to be uplifted. In addressing this need Model APMC Act was introduced which provided for setting up licensed markets,[iii] contract farming[iv] and direct marketing by the private sector. But however this act failed to persuade the private traders to set up markets on par with the state's mandis.

PRICE FIXATION UNDER APMC

The union government gives a minimum support price (MSP) on certain products i.e. twenty two crops namely paddy, jowar, bajra, maize, ragi, arhar, moog, urad, groundnut in shell, soyabean, sunflower, seasamum, nigerseed, cotton, wheat, barley, gram, masur(lentil), mustard seed, raw jute and de-husked coconuts. This rate implies that the produce is not to be sold below the MSP; it is to safeguard the farmers from lesser prices in the open market. And on the rest of the products other than the above listed twenty two the market forces determine the price in the auctioning.

MSP: The prices of agricultural commodities are intrinsically unstable and dynamic in nature, primarily because of the variations in market forces, lack of integrated market and irregularities in information. A considerably fair amount of harvest in an year subsequently leading to higher supply results in plummet decline in price of the commodity during that year due to which the farmers abstain from sowing that crop the next year. This adversely affects the prospective supply of the crop leading to less supply in the approaching year which subsequently encounters price hike to the consumers. In confronting this price fluctuation due to variable market forces, MSP was introduced by the government of India which is fixed each year on major agricultural products. MSP is aimed as a mechanism which guarantees the farmer, with a fair price on the forthcoming crop in order to promote investments and production. The minimum support price ensures a guaranteed market with a minimum certain price rate given by the Government even if there is a bumper crop. The MSP is recommended to the government by the Commission for Agricultural costs and Prices.

Determining MSP under CACP: The CACP is a statutory body it submits reports vouching prices for the products. The Central Government latter decides basing on the reports and opinions of the state governments and overall supply and demand trends in the country. The Commission's bases its recommendations of price policy of major agricultural commodities on the given Terms of Reference (ToR). It analyses the production cost majorly and then demand and supply trends, price trends of markets (domestic & international), inter-crop price parity, trade terms amid agriculture and non-agriculture, least of 50% over the production cost and inferences of MSP on consumers of that product. Among all cost of production stands as an important element in formulating the MSP however it does not alone constitute. This is the agricultural marketing system which was brought by the government in order to get away with middlemen but ironically the existing system itself is being rescinded due to the existence of middlemen.

PROBLEMS IN THE EXISTING SYSTEM

Intermediaries: The success of the green revolution during the 1970s steered to an increase in the position of the farmer and their leverage in building policies which replicated in the building up and designing of farmer centric bodies and policies. Farming community was ameliorated by marketing institutions like market committees, state-level agricultural marketing boards and many others in the public and cooperative sectors. Eventually green revolution played a major role in attaining self-sufficiency in and food security and also raised the demand for agriculture through several initiatives and methodologies.

Over a period of time, following the Economic reforms of 1991 (LPG reforms), country began to attain food self-sufficiency with the aid of green revolution. From then as a result of politicisation the public policies started drifting apart. The agricultural marketing system and marketing institutions were afflicted by inefficacy, incompetency, and unaccountable bureaucracy. Most importantly the development in market amenities was not in fulfilment of the pace of showing up markets, the dependency of farmers on the intermediaries rose due to the reversal of the credit system after 1991. With that the farmers had to rely on traders or commission agents so as to obtain loans as an incentive. These intermediaries rapidly gained their marketing authority over the producers by accommodating their credit necessities with intertwined transactions, by swindling their liberty of choosing where and to whom they would they would like to sell. The traders by then established their control in mandis by taking the indulgent attitude of state governments towards marketing for granted. Intermediaries however turned the marketing policies in their virtue by commanding terms and ascending the farmers and baffling the modern capital from arriving into market.

There exist a lot many stages between the farmers and the traders i.e. from farmer to APMC commission agent and then to traders followed by auction for price discovery and at the end to the consumers. This whole lot of process affects the farmers as the perish-ability of the produce, the depreciation cost, market forces and price fluctuations (inflation) play a remarkable role in price alterations, which in turn costs farmers. This ends up the farmers in losses. The APMC Act was passed in order to eliminate the intermediaries yet the intermediaries intruded into APMC itself. Therefore the farmer's situation still remained vulnerable.

Non-transparency in price discovery and MSP: The minimum support price (MSP) is fixed by the government of India to shield farmers from distress sales but due to syndicate formation in the APMC the minimum support price is turning out to be the maximum selling price which again withholds the profits to farmers.[v] Most of the agricultural commodities are perishable in nature which has momentary demand. This attribute can be availed by the buyers as well as the sellers. But it is usually taken advantage by the buyers. The farmers fail to seize or utilise this prospect usually due to several reasons such as poverty, lack of education, knowledge and information, exploitation by the intermediaries and most importantly lack of finance.

Cartelization: The APMCs have been highly restrictive in promoting competition and imbibing plural channels of markets involving numerous buyers, online transactions and private traders due to formation of syndicates among the limited number of traders operating. Considering the above glitches the new agricultural bills are brought in aiming to overcome the backdrops of the current agricultural marketing system.

THE NEW AGRICULTURAL BILLS

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020: Through this bill the farmer are permitted to sell their produce inter-state and intra-state without any barriers. Meaning there by the farmers can sell their commodities where ever the demand and price is favourable unlike earlier times where APMCs monopolised the agricultural markets denying the other pathways. Other parallel bodies apart from APMC shall be formulated so that there can be a mechanism through which other miscellaneous ways of sale. The farmers are also entitled to online trading platforms with the companies, cooperative societies and any farmer producer organisations prompting the electronic trading mechanism. This ordinance proscribes the market fee, cess and charges levied on farmers by the state government.[vi]

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020: This ordinance is aimed at availing the platform for interaction between the farmers and the buyers through contracts and farming agreements on the prices and marketability of the produce. This ensures security to the farmers even in case of bumper crop as the future produce is guaranteed with the price in a transparent manner by apprising them with mode of price determination and market through the farming agreements. One crop period or one production cycle is the minimal period of the contract. In case of disputes the farming agreements must have to provide for conciliation as a dispute redressal mechanism.[vii]

The Essential Commodities (Amendment) Ordinance, 2020: As per the Essential Commodities Act, 1955 certain commodities like food items, fertilisers and petroleum products are designated to be essential commodities by the central government. The production, supply, distribution, trade and commerce of these essential commodities can be regulated or forbidden by the government if it felt necessary. This Ordinance also entrusts the union government the power to monitor the supply of several other food items including cereals, pulses, potatoes, onions, edible oilseeds, and oils etc. only under extraordinary conditions i.e., during Wars, scarcity (famine), inflation, natural calamities etc., With respect to the stock piling the ordinance specifies that the stock limit has to be derived based on the price rise of the agricultural produce. The price rise of 100% on horticulture commodities and 50% on the goods of non-perishable nature only entertains the imposition of the stock limit. The increase will be calculated by taking the reference period of prices during the last five years.[viii]

Hence this is how the ordinances above are helpful to the farmers. However there always exists unending problems for every new initiative.

WHY A FEW STATES ARE FIGHTING AGAINST?

Abolition of the Market Fee: Talking from the initial times all states were not equal few states are rich and a few are poor. In order to meet out these unequal entities the centre adopts equity method in redistribution of revenue. The centre collects revenue from all the states and redistributes it. Here comes the problem, the states which are contributing the higher amounts of revenue to the centre are getting the lower amount in re-distribution and vice-versa. This hiders revenue of the state to resolve which the state governments levy high rates more than what they are supposed to so that the lost revenue can be recovered. In states like Gujarat, Punjab, Maharashtra and Madhya Pradesh agriculture is the major revenue generating source. Through this ordinance the centre is compromising the power of the state governments in levying the fees which hampers the development and welfare of the state. Thus the anti-federal nature of the government is confronted by the states.

Open Market and Affordability: The open market is of superior requirement to the farmers as the diversified market can ensure better prices to them due to large number of buyers. But this demand which leads to hike in prices affects the affordability of the poor.

Lack of pre-requisites: These initiatives for liberalised trade and huge market are no new they were brought several times with the similar objectives but failed to captivate the private investments due to lack of desired market infrastructure. The market infrastructure is the pre requisite; the unregulated markets lead to transactional complications, information deprivation with regard to prices and the produce.

CONCLUSION

The objectives behind the bills are accurate enough apart from the challengeable aspects with regard to the union centric nature of the bills. Good policies with bad implementation end up in fruitless. Earlier to meet these objectives several policies were undertaken but couldn't play a role due to all the above mentioned glitches and implementation lagging.

ENDNOTES

[i] Standing Committee on Agriculture (2019-20): Action taken by the government on the report 'Agriculture Marketing and Role of Weekly Gramin Haats', Lok Sabha, December 12, 2019.
[ii] 'High Powered Committee of Chief Ministers constituted for 'Transformation for Indian Agriculture' NITI Aayog.
[iii] Model Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017, Ministry of Agriculture and Farmers' Welfare, April 2017
[iv] Model Agricultural Produce and Livestock Contract Farming (Promotion and Facilitation) Act, 2018, Ministry of Agriculture and Farmers' Welfare, December 2017.
[v] Report of Committee of State Ministers, In-charge of Agriculture Marketing to Promote Reforms, January 2013.
[vi] The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020, Ministry of Agriculture and Farmers' Welfare, June 5, 2020.
[vii] The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020, Ministry of Agriculture and Farmers' Welfare, June 5, 2020.
[viii] The Essential Commodities (Amendment) Ordinance, 2020, Ministry of Consumer Affairs, Food and Public Distribution, June 5, 2020.