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# Farm Bills 2020

*The Need, Concerns & the possible way forward*



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# Summary of Contents

In this write-up I have tried to cover the below mentioned areas in brief, as best of my understanding of the issues. The views expressed here are personal and means no offense to anyone in any manner.

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Are the bills at all required?

## \*\* The Bills

Stated intentions & purposes

## \*\* Concerns

Is it all good or are there some rooms for improvements?

## \*\* Possible way forward

Striking the right balance

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After centuries of exploitation & loot by foreign rulers, India gained independence in 1947, but with an unstable, weak & vulnerable economy, 340 million of population & around 12% of literacy. The GDP of the country was mere INR 2.7 lakh crore which accounted for about 3% of the world GDP. Country was net importer of foods items, trying hard to feed its fast growing population. In the 60s when the country was struck by repeated famine, govt decided to take the necessary steps to make the country self-sufficient in producing foods grains. We know it by the name of 'Green Revolution' today, which were initially started in Punjab and later extended to Haryana & some part of west UP, mostly because of the availability of irrigation infrastructures & some capital. HYV seeds supported by irrigation water & chemical fertilizers did the job quite well and the production of food grains jumped multifold and currently chasing the (once) unbelievable mark of 300 million tones. Thanks to huge agricultural outputs, APMCs, MSP and PDS, today we are in a position to not only feed our entire population, but our country has also emerged as one of the largest agricultural producers of the world and a net exporter.

But, like the flip side of all coins, green revolution too has had some darkness under the lamp. From ecological destruction to social and economic disparity, the disadvantages that came with the success are negligible no more. It was increasingly becoming unavoidable to look into the issues for the government & society at large. Let us have a quick look at some of those areas.

Ecological affects, being one of them was predominantly becoming a concern. Excessive use of chemical fertilizers is destroying natural soil fertility and travelling through the food chains now.

Over concentration of production towards fewer crops (especially those are under the coverage of MSP like rice & wheat) is affecting the diversity of agricultural outputs & taking a toll on the ground water reserves.

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Economical & social disparity within the farmer community of the same state and/or between the farmers of different parts of the country is increasing to an alarming level.

Without the presence of private players government is failing to cope up with the increasing requirements of storage & logistic infrastructures. While one part of the country is witnessing rotting crops in absence of adequate storage capacity, the other parts of the country is paying huge price for the same items because the present logistic infrastructures are not good enough to bring those farm produces to the other geographies within acceptable time delay.

India gained independence in 1947, but its farmers remained incarcerated by poverty till long after that. Most of them still struggle to meet their end needs even today. The root cause of their suffering is the 3-4 layers of intermediaries which are eating away unreasonable cuts. Farmers & consumers at both end of the chain are suffering & few intermediaries (read Arhtiyas and/or their informal equivalents all over the country) are making unfair profits. Coupled with huge corruption in the existing vicious circle of APMCs, Arhtiyas, MSP & FCI, a handful people are exploiting the situation and the growing inequality even within the farmers community is visible as daylight today. Undeniably, there was a desperate call for government intervention.

The possible long term solution to all these issues could be more allocation toward research & developments and building infrastructure & less towards subsidies. MSP procurement being one of them, helps only about 6% of the farmers, that too unreasonably skewed towards a handful states of the country.

Huge capital expenditure is required to build & maintain adequate storage capacity, efficient logistic capability, quality processing units & export readiness, which is simply not possible for the government alone.

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Introducing new laws or amending the existing ones to pave the path for private investment is the need of the hour and that is no way demonic as it is being portrayed by some. Our agricultural sector needs the same boosters today which our industrial sector got in early 90's.

Indian Agricultural Acts, 2020, more popularly known as the "FARM BILLS" were first introduced & passed in Lok Sabha (The lower house of Indian parliament) in Sep 2020, which subsequently was presented & passed in Rajya Sabha (The upper house) during the same month. The honorable President of India, Shri Ram Nath Kovind gave his assent on 27<sup>th</sup> day of September 2020 and the bills became new acts.

It will become way too lengthy to cover each and every article and/or provision of all three bills. Let us rather try and apprehend the most critical issues of the bills, the concerns it raises and the possible way forward which may lead to an amicable resolution of the ongoing crisis.

## **1) THE FARMERS' PRODUCE TRADE AND COMMERCE (PROMOTION AND FACILITATION) BILL, 2020**

### **Stated Purpose:**

*A bill to provide for the creation of an ecosystem where the farmers and traders enjoy the freedom of choice relating to sale and purchase of farmers' produce which facilitates remunerative prices through competitive alternative trading channels; to promote efficient, transparent and barrier-free inter-State and intra-State trade and commerce of farmers' produce outside the physical premises of markets or deemed markets notified under various State agricultural produce market legislations; to provide a facilitative framework for electronic trading and for matters connected therewith or incidental thereto.*

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## **Concerns & possible way forward**

The whole bill suffers from the uncertainty embedded in the choice of words. Intentional or by negligence, that can be a different debate all together. For, instance just replace the word “MAY” with “SHALL” in all the places it is mentioned, most of the objections to the bill will be nullified. “MAY” also means “MAY NOT”, that’s where the mistrusts are getting built.

### **\*\* Concern -MSP**

MSP is undoubtedly the center of all the confusions & confrontations. Govt says we have not mentioned anything about it in the bill. The farmers say that’s the point, why have you not? MSP is indeed too sensitive to be touched along with so many reforms that are being proposed. The whole economies & politics of Punjab & Haryana revolves around MSP & any mischief with MSP can be detrimental for the interests of the farmers of those states, being the prime beneficiaries of the scheme. No surprise that they are leading the ongoing protests from the front, so vehemently.

### **Possible way forward**

**Govt should notify with clear words that there is no change in MSP whatsoever.** It continues, for now. In fact, any scheme with such magnitudes of economic, social & political impacts should not be done away with at a single go. It should be phased out, if at all intended. For instance, to start with, Govt can introduce a ceiling (in volume or percentage) for MSP procurement from each individual farmer out of their total produce eligible to be covered under MSP. At the same time, farmers also need to accept the fact that only 6% of them can’t enjoy all the benefits for eternity at the cost of taxpayers’ money. The situation and the context when MSP were introduced was completely different from what it is today. We need more outlay in R&D and infrastructure and less in subsidies. That is the future and all the parties should start accepting the truth.

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## **\*\* Concern- APMC vs Private players**

Another major and quite valid objection is the possible differential treatments between two markets - APMCs & Private markets. To uphold the spirit of stated purpose of encouragement to the competitiveness of the market, it is first & foremost important to create a level playing ground for all market participants. Farmers may be apprehensive of the possibility, that with differential taxes & market fees the APMCs will soon lose its relevance to the private players and may even become obsolete in future and thus the protection of MSP that comes with the APMCs will also vanish.

## **Possible way forward**

The govt should create a level playing ground for all market makers. Either taxes & fees in both the markets or in neither of them. Second option may put a big dent in the revenues of the states which they may not agree to. **The best possible way seems to be that it is left to the choice of the states.** Let the states decide if they want to impose the same amount (or less but not higher) of taxes & fees to the private markets as well. With similar taxes & fees, let it be a battle of MSP vs EFFICIENCY. Afterall it is efficiency what private players are applauded for & are being invited into the agricultural sector. No need to presume that farmers will not go to the private markets if they have to pay equal fees. People often pay even a premium for premium services now a days and 94% of the farmers do not enjoy the insurance of MSP anyway.

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## **\*\* Concern - Dispute resolution mechanism**

The proposed dispute resolution mechanism is possibly another gray area of the bill which might be triggering some apprehensions about the intention of the govt to protect the interests of the parties engaged in any disputed transaction, mainly that of the farmers. It does not say anything very clearly about what happens in a scenario where any of the parties (read farmers) are still aggrieved even after the resolutions (or orders) provided by the 'Board of Conciliation', 'Sub-Divisional Authority' and the subsequent 'Appellate Authority'. Does this bill anyway restrict any of the parties to go beyond the 'Appellate Authority' and move a higher court of justice? If yes, then such provision itself could possibly be a contradiction to some of the perceived meanings of "Access to Justice", a fundamental right promised under article 14 & 21 of the constitution.

### **Possible way forward**

**Govt should come forward with some kind of amendment** and sound it out loud and clear that any of the parties are free to go beyond the 'Appellate Authority' to move a higher court of justice without any bindings or restrictions whatsoever, if they wish to do so.

## **2) THE FARMERS (EMPOWERMENT AND PROTECTION) AGREEMENT ON PRICE ASSURANCE AND FARM SERVICES ACT, 2020**

### **Stated Purpose:**

*A bill to provide for a national framework on farming agreements that protects and empowers farmers to engage with agri-business firms, processors, wholesalers, exporters or large retailers for farm services and sale of future farming produce at a mutually agreed remunerative price framework in a fair and transparent manner and for matters connected therewith or incidental thereto.*

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## **Concerns & possible way forward**

There are undeniably some scopes of ambiguities related to various aspects covered under the bill. Farmers may be taking this bill (act now) a step towards contract farming. The term 'contract farming' itself can be pretty scary to some of the farmers who are not sure of the real meaning & implications of the same.

### **\*\* Concern – 'Farming Agreement'**

In whatever we do today, may it be getting into a buying or selling contract, opening a bank account, making an investment or may be as simple as using a social media platform, everywhere we are asked to accept some "T&C", which is literally impossible to read and understand completely even by the most educated & wise men. We do it on good faith. But unfortunately, sometimes when things go wrong and we try to raise a dispute, we often find ourselves restricted by some clauses of those "T&C" that we have already 'Read, understood & accepted', which otherwise would be pretty objectionable if not completely unacceptable. The concern remains the same. How a marginal, little (formally) educated farmer in some remote village of the country is expected to read & understand all the "T&C" s that may come with these 'Farming Agreements'?

### **Possible way forward**

Govt **Should** (may also means may not) provide all the '**Templated Contracts**' (along with a vernacular version) with all necessary, reasonable & fair terms & conditions and only few modifiable sections like identities of the parties, name-amount-price of the crops etc. No additional clauses should be allowed to be made a part of the 'farming agreements'. No personalized or alternate formats should be allowed to be registered. Govt should also provide the infrastructures (may be a separate governing body with a functional website to have all these contracts registered) necessary for enforcement and facilitation of the mandatory '**Centralized Online Farming Contract Registration**'.

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Other supportive measures can also be taken to cover all the uncertainties like natural calamities or crop diseases which may cause partial or complete damage of the farm produce. Introduction of '**Sponsor Paid Insurance**' could be made mandatory for all 'farming agreements' where the premium would be typically paid by the buyer under operational expenses and the claim receivable (when applicable) could be divided among both the parties in a predetermined ratio to recover for the lost capital of the buyer as well as lost labour of the farmer.

### 3) THE ESSENTIAL COMMODITIES (AMENDMENT) BILL, 2020

#### **Stated Purpose:**

*A bill further to amend the Essential Commodities Act, 1955.*

#### **Concerns & possible way forward**

The floor is set way too high. The definition of 'Extra-ordinary price rise' under the clause of 'Extra-ordinary circumstances' leaves a huge blank and surely a space for price manipulation which ultimately is going to harm the end users, the consumers. 100% rise for the perishable items & 50% for the non-perishable items could be an unbearable burden for a common man of the country. We all are aware of '99.99' pricing and that could become the new normal under the provisions of this act. Higher inflation driven by higher food prices coupled with inversely directed interest rates can be detrimental for a large section of the population, leaving their livelihoods vulnerable to the inevitable price manipulation once the act further validates large stock piling of the essential (no more) commodities.

**The bar should be brought down by half** (if not more), i.e., 50% for the perishable and 25% for the non-perishable items.

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Summing up, while there definitely are some scopes for further deliberations & possible amendments to reach to an amicable resolution of the ongoing discord between the Govt & farmers, it is imperative that the Agri sector reform should continue. Therefore, it will be wise if all the parties come together and discuss about the necessary corrective measures & not the complete abandonment of the acts.

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