Farm Reform Laws

Why in news?

Thousands of farmers from Punjab, Haryana, Rajasthan and Uttar Pradesh have been marching toward Delhi in protest against the three central farm legislations. Click here to know more on the concerns.

What are the three recent farm reforms Acts?

- The three recent Acts on agriculture reforms are:

1. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020
2. The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020
3. The Essential Commodities (Amendment) Act, 2020

- The Bills were introduced in the Parliament in September 2020 to replace the ordinances issued during the lockdown.

What are the key provisions of and rationale for the legislations?

Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020:

- **Need:**

- Farmers in India suffered from various restrictions in marketing their produce.
- There were restrictions for farmers in selling agri-produce outside the notified APMC (Agricultural Produce Market Committee) market yards.
- The farmers were also restricted to sell the produce only to registered licensees of the State Governments.
- Further, barriers existed in free flow of agriculture produce between various States owing to the prevalence of various APMC legislations enacted by the State Governments.

- **Provisions:**
- It seeks to provide for the creation of an ecosystem where the farmers and traders have the choice relating to sale and purchase of farmers' produce.

- This facilitates remunerative prices through competitive alternative trading channels.
- It thus promotes efficient, transparent and barrier-free inter-State and intra-State trade and commerce of farmers' produce.
- The produce will have a reach outside the physical premises of markets or deemed markets notified under various State agricultural produce market legislations.
- It will also provide a facilitative framework for electronic trading.
- It will also help farmers of regions with surplus produce to get better prices and consumers of regions with shortages, lower prices.

The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020

- **Need:**

- Indian agriculture is characterized by fragmentation due to small holding sizes.
- It has certain weaknesses such as weather dependence, production uncertainties and market unpredictability.
- This makes agriculture risky and inefficient in respect of both input and output management.
- In this context, this legislation will transfer the risk of market unpredictability from the farmer to the sponsor.

- **Provisions**:
- This seeks to provide for a national framework on farming agreements.
- It thus seeks to protect and empower farmers to engage with agri-business firms, processors, wholesalers, exporters or large retailers.
- They can take up farm services and sale of future farming produce at a mutually agreed remunerative price framework.
- It will also enable the farmer to access modern technology and better inputs.
- It will reduce the cost of marketing and improve income of farmers.
- Farmers will engage in direct marketing thereby eliminating intermediaries resulting in full realization of price.
- Effective dispute resolution mechanism has been provided for with clear time lines for redressal.

The Essential Commodities (Amendment) Act, 2020

- The Act seeks to remove commodities like cereals, pulses, oilseeds, edible oils, onion and potatoes from the list of essential commodities.
- This will remove fears of private investors of excessive regulatory interference in their business operations.

- The freedom to produce, hold, move, distribute and supply will lead to harnessing of economies of scale and attract private sector/foreign direct investment into agriculture sector.

Rationale

- India has become surplus in most agri-commodities.
- But farmers have been unable to get better prices due to lack of investment in cold storage, warehouses, processing and export.
- This is because the entrepreneurial spirit gets dampened due to Essential Commodities Act.
- Farmers suffer huge losses when there are bumper harvests, especially of perishable commodities.
- In this context, the legislation will help drive up investment in cold storages and modernization of food supply chain.
- It will help both farmers and consumers while bringing in price stability.
- It will create competitive market environment and also prevent wastage of agri-produce that happens due to lack of storage facilities.

Source: PIB

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