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DISASTRATOUS JOURNEY OF FARM LAWS 2020

Gali Krishna Chaithanya[1*], Shelton Peter Y[2] and Bhagya Laxmi Sahu[3]

[1]Ph.D. scholar, Dept. of Agricultural Economics, Faculty of Horticulture, SKUAST- Kashmir.

[2]Assistant Professor, Dept. of Agricultural Economics, SKCAS, Ananthapur, Andhra Pradesh.

[3]Ph.D. scholar, Dept. of Agricultural Extension Education, OUAT, Bhubaneswar, Odisha.

**Corresponding Author Mail ID: krishnachaithanya7680@gmail.com*

Introduction

The Essential Commodities (Amendment) Ordinance, 2020; The Farming Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020; and The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020 are the three ordinances that the President of India promulgated on June 5, 2020, marking the beginning of the journey of farm laws. These ordinances were later replaced with proper legislation in September 2020. The idea of "One Nation, One Agricultural Market" is the foundation for these three bills. Farmers now have the ability to sell their produce anywhere in the nation. With the intention of reforming the agriculture sector and giving farmers better benefits such as getting them fair prices for their produce the farm bill was passed.

Farmers worried that the three legislations will eliminate the government-guaranteed minimum support price (MSP) for some crops, leaving them vulnerable to large corporations. Thus, as part of the "Dilli Chalao" campaign, farmers started protesting on November 25, 2020, under the banner of Samyukth Kisan Morcha (SKM), an umbrella organisation of 40 farmer unions. The farmers, who were mostly from Punjab and Haryana, marched towards the national capital and demanded a total repeal of the legislation. However, on January 12, 2021, the supreme court halted the execution of three farm laws. Thus, these rules were only in force for 221 days. The Bharatiya Kisan Union (BKU) estimates that during these farmers' protests, some 750 persons lost their lives. Prime Minister Narendra Modi declares the removal of the agriculture laws on November 19, 2021. On November 29, 2021, the repeal of the farm laws bill was approved by both chambers of Parliament; as a result, the introduction and repeal of the farm laws bill had a terrible outcome. Farmers referred to it as "anti-farm bills."

The three farm laws

1. The Farmers Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020

This law will give farmers another option to sell their produce outside of APMC's actual locations. Farmers will gain from the competition between APMCs and private businesses, and this will draw private companies to participate in agriculture. It will be in charge of ending the APMC's monopoly. Additionally, this will encourage farmers to use electronic trade platforms. In essence, the regulation gives farmer's greater choices for how to market their produce.

Advantages

The new regulations will create a setting where farmers and merchants can freely decide how much agricultural product to buy and sell. It will also promote barrier-free trade within and between states, as well as trading outside of the actual markets established under state agricultural produce marketing legislation. The farmers will not be obliged to pay transportation expenses or any taxes or levies in exchange for the selling of their produce. The bill also recommends electronic trading (e-NAM) in transaction platforms to ensure a seamless electronic trade. Farmers will be able to engage in direct marketing and fully realise pricing by doing away with middlemen.

Disadvantages

State government-imposed market fees are eliminated. The APMC act generally states that the state government taxes trade between farmers and dealers to a particular extent. State mandis will close if market costs for transactions outside of them are eliminated. Taxes on this trade generate a sizable revenue stream for the state government, which will disappear. A system for resolving disputes is impractical. Since the sub-divisional magistrate already has a backlog of cases, adding more will only cause delays, and as we all know, delays equate to denied justice.

Payment for mandi is legally required to be made on the same day. However, this measure gives traders three credit days, and to be quite honest, some will take advantage of this clause. In Manda, merchants or intermediaries must fulfil specific requirements set down by the government and possess a license in order to engage in commerce. A PAN card, however, enables anyone to engage in trade; some people take advantage of this and use phoney PAN cards to defraud farmers. Farmers in Mandali, having traded for years, know who to believe and who not to. People have a great deal of familiarity. Locals may object to strangers entering their community to sell goods when farmers travel to other states for trade.

2. The Farmers (Empowerment and Protection) Agreement of Price assurance and farm services bill, 2020

This bill permits contract farmers to engage in direct or commercial agreements with businesses that produce goods derived from agriculture. It is anticipated to allay concerns about farmers being taken advantage of and turning the world into a global marketplace. The buyer is responsible for making infrastructural and other agricultural input investments. It was believed that by lowering the costing, farmers would earn more money. The only terms of the contract will be that the buyer and seller will establish a price before the crop is sown, with the company providing the inputs and purchasing the output. The ownership of the plot of land is unrelated to this. Instead of monocropping in such a situation, a farmer could choose multiple or mixed farming to maximise profits at a given point in time.

Advantages

The new rule will enable farmers to bargain pricing before their crops are sowed with processors, distributors, aggregators, large retailers, exporters, and other stakeholders. In the event that the market price rises, farmers will be entitled to this price in addition to the minimum price. The sponsor will bear the increased risk of volatile markets from the farmers. Because prices have already been established, farmers will not be impacted by fluctuations in the market price. The farmer will also have access to modern technologies, additional inputs, and better seed. Farmers' income will grow and marketing expenses would be cut.

Disadvantages

This bill encourages farming under contract. However, small farmers will not profit from it; rather, it will only help large farms. For instance, Lays will only get in touch with large farmers and not small ones if they need 1000 tonnes of potatoes for the production of chips. Farmers don't have access to the highly compensated and skilled legal teams that major corporations do, so there is a significant chance that they will be taken advantage of by these corporations.

Because of the power of money, the buyer will be in a better position in any disagreements. Because APMC has a lower restriction on MSP and this is one of the key reasons for farmer protests across the nation, corporate participants are free to purchase at any price because the law does not define the lowest procurement price.

3. The Essential Commodities (Amendment) Bill, 2020

The law eliminates the cap on agricultural commodity stocking at both the farmer and trader levels. This also makes it possible for private companies to enter the market and build cold chain systems and warehouses to enhance the current supply chains seen in agricultural systems. Potatoes, oilseeds, pulses, and cereals were removed from the list of necessities. In an emergency, such as a war, a natural disaster, or an excessive price for any item, the government may also reclaim authority.

Advantages

The new law eliminates the farmer and merchant stocking limits for agricultural commodities. Previously, the government added these things to the list of essential commodities to guarantee that the general population may continue to obtain them at a reasonable price. The government had been in charge of these commodities' production, sale, and supply through the Essential Commodities Act of 1955; but, as of late, some goods have been taken out of the act's jurisdiction.

This implies that their market rates won't be manipulated by the government. The high price of the commodities that are released eventually causes the farmer's revenue to double. Additionally, this will open up the market to the entry of private companies looking to build warehouses and cold chain systems to enhance the current agricultural supply chains.

Disadvantages

Different effects will be seen by farmers and traders from the freedom to stock commodities. Traders will buy it cheap and hold onto it until the price rises. But due to a lack of infrastructure and financial difficulties, farmers are unable to stock material. The freedom granted to traders and farmers would result in the exploitation of the general public as big businesses will be able to raise prices.

Why these reforms are needed?

Legal Framework

The previous legislative framework mandated that farmers could only sell their produce in Agriculture Produce Marketing Committee (APMC) marketplaces, which are physical outlets established by the state.

Fragmented and Insufficient markets

Trade both inside and between states was hampered by the independent operations of each of these APMC markets. In addition, there weren't enough marketplaces to handle the expanding amount of produce.

Restriction in Licensing

Restrictions on licensed agents' access to the APMC markets discouraged cartelisation and discouraged competition.

High Intermediation Costs

Taxes, different commissions, and a disjointed structure resulted in significant intermediation costs, which increased consumer costs while lowering farmer prices.

Information asymmetry

Farmers frequently lacked access to market intelligence, which traders and commission agents obtained on their behalf.

Inadequate agricultural infrastructure

Market infrastructure remained antiquated and out of step with contemporary supply chains, even in the face of market taxes. Inadequate and antiquated agricultural infrastructure contributed to significant postharvest losses in 2014, which were expected to be above USD 12 billion @ Rs. 90,000 crores. This is a result of the legislative framework discouraging private sector investment in cold chain agriculture.

The federal government implemented the reforms (Farm Laws) after taking all of these factors into account. The goal of these reforms is to guarantee that the farmers' income target is doubled. Thus, the new farm bill 2020 has liberalised and quasi-privatized India's agricultural industry by enabling higher pricing for farmers, drawing in new investment, and promoting farmers' social upliftment.

Conclusion

The three acts are revolutionary if the governments address the loopholes of these acts. The Supreme Court postponed the enactment of laws in response of farmer protests, and in the end, the government revoked three agricultural laws. The agricultural Bill 2020 had a disastrous journey. Farmers now distrust the government because of the way the measures are approved, which downplays their benefits and the chance they present to modernise the Indian agriculture industry. Before enacting such legislation, it is the government's duty to consider the views of the states and farmers. Going forward, the government should review and reconsider the recently passed laws and make its goals for Indian agriculture clearer. Furthermore, strengthening the government market spaces, or APMCs, and closing any gaps in them are the most important things to undertake to guarantee the improvement of farmers' lives.