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**NEW AGRICULTURE ACTS AND MINIMUM SUPPORT PRICE**



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**ABSTRACT**

President Ram Nath Kovind gave his assent to the three 'Agriculture Bills' in September 2020. These Agriculture Bills are the Farmer's Produce Trade and Commerce (Promotion and Facilitation) Act 2020, Farmers (Empowerment and Protection) Act 2020 and Essential Commodities (Amendment) Act 2020.

**KEYWORDS**

New Agriculture, Bills, Farmer, Amendment, Act 2020, Price

## RESEARCH PAPER

### **The Farmer's Produce Trade and Commerce (Promotion and Facilitation) Act 2020:-**

This act permits intra and inter-state trade of farmers produce beyond the physical premises of agricultural produce market committee. The act allows the farmers to trade outside such as farms gates, factory premises, cold storages etc. Before this act it could only be done in the agricultural produce market committee yards. It also facilitates lucrative prices for the farmers via alternative trading channels to promote barrier free intra state and interstate trade of agricultural produce. Additionally it allows direct and online buying and selling of the agricultural produce.

### **Farmers (Empowerment and Protection) Act 2020:-**

This act shows a national framework for contract farming through agreement between a farmer and buyer of farm produces. The minimum period of the farming agreement shall be for one crop season Maximum period of the farming agreement shall be for five years. In this agreement there is also mentioned pricing of farming produce and process of price determination. The act shifts the balance in the favor of farmers because this act removes the complicated system of registration, license, deposits and various other complications in contract farming. The act also provides for a three level dispute settlement mechanism and they are Conciliation Board, Sub-Divisional Magistrate and Appellate Authority.

### **Essential Commodities (Amendment) Act 2020:-**

The Essential Commodities acts has been modified for agriculture and food material, cereals, pulses, potato, onion edible oilseeds and oils. The central governments may regulate the above commodities only under unexpected conditions like war, food shortage and natural disaster. The central government of India regulates the production, supply and distribution of a whole host of commodities it declares essential in order to make them available to consumer at fair price. The government can also fix the MRP of any packaged product that it declares an essential commodity. If there is need Centre can add any commodity in essential list and take off the list when situation is normal. If a certain commodity is in short supply and its price is continuously increasing the government can notify stock-holding limits for specific period. But the state government cannot impose any restriction of centre. However, if the restrictions are imposed, traders have to immediately sell any stocks held beyond the mandated quantity into the market. Due to this it improve supply and decreases price.

### **Need of Policy Reforms in Agriculture:-**

The major policy reforms in agriculture sector are as follows :  
Many agriculture experts are thought that the major policy reforms of 1991 did not cover all agriculture sectors so these reforms were useless. However, agriculture growth remained stuck at the earlier level with negative growth in agriculture income in five out of 12 years following 1990-91. There is huge gap in the agriculture income of a farmer and that of a non- agriculture worker. Due to this disparity between agriculture and non- agriculture there is need for reforms in the agriculture sector. The second reason relates to imbalance between domestic demand and supply.

The government annual Economic Survey strongly recommended that the new act will improve lives of small and marginal farmers. Because several economic surveys have expressed

previous policy of agricultural produce market committee create monopolies in market. Specifically economic surveys for the year 2011-12 to 2014-15, 2016-17 and 2019-20 focused on the reforms required in this context. They also observed that the farmers have suffered from various restrictions for their produce in agricultural produce market committee yards. They were also restricted to sell their produce only to registered licenses of the state government. Due to more limitations of existing market regulation, various committees had recommended several reforms in the marketing of agricultural commodities.

### **Role of Minimum Support Price in Market:-**

Minimum support price began in the green revolution period. It is price at which the government buys crops from farmers. It acts as a kind of guaranteed floor price, aimed to prevent distress sale by farmers. The government announces minimum support price for 23 major crops and setting them at 1.5 times the cost of cultivation to account for inflation. But it mainly benefits paddy and wheat growers because government procures only these two commodities in large quantities.

### **About Existing APMC Markets and new Act 2020:-**

The main aims of APMC Markets are to avoid distress sale by farmers. However, these APMC markets had become barriers for farmer to get a fair price for their produce as they were want to sell it through these committees. The APMC system primarily rests upon a commission based network and only licensed mediators such as commission agents, wholesalers, transporters and storage agent can operate in these market. In December 2010 the competition commission found that the many groups of middleman received their share before it reached the final consumer. National Council of Applied Economic Research in the report 2012, identified as a major obstacle in fair trade with a handful of traders monopolizing almost in markets. Some above hurdles are found in existing APMC markets. Due to this the government has now said that the new act 2020 will facilitate farmers to sell their produce at attractive prices. The new act will also remove barriers in interstate trade allowing farmers from Uttar Pradesh for instance to sell to buyers and merchants in Gujarat through an e-trading framework.

### **Protesting of New Act:-**

Mostly Punjab and Haryana states, opposition parties like TMC, Congress, DMK and BSP are strongly opposed these bills .They are saying it is against small and marginal farmers.

- The protests have been the strongest in Punjab and Haryana states because the mandi system is strong and the productivity is high due to this only government has been able to buy this large quantity of produce at a minimum support price.
- Leader of some farmers and opposition parties are protesting to this new act because they are thinking that the new act aims to gradually stop public procurement through minimum support price and field open to private corporate sector.
- Farmers fear that the new act 2020 lead for corporate groups into agriculture produce markets and this could create monopolies in markets. In other hand they will lose their bargaining power if corporate groups, traders, wholesalers, commission agents and exporters can enter unregulated market. They are also thinking about that the government will gradually stop buying from them at minimum support price.
- Farmers want a law guarantee that all major produce will be bought by government at fixed prices.

- In new act corporate groups, traders, wholesalers, commission agents and exporters are not need to pay any fee in the market they will break down traditional market.

A farmer Multan Singh Rana of Punjab said that the government has said that the mandi system will continue and they will not withdraw the minimum support price but farmers are suspicious about it. A farmer Sukhdev Singh Kokari also said that this act is a death warrant for small and marginal farmers. They want to snatch away our land but we will not let them do this.

#### **Advantages and Disadvantages of New Act 2020:-**

Agriculture minister Narendra Singh Tomar said that the new act 2020 fulfill the expectations and needs of agriculture.

**Advantages:** - Advantages of new acts are as follows,

- Farmers will be attracted to commercial crops and their income will be increase. They can also store the food grains and can sell them when they want.
- The new act 2020 has no effect on the state APMC act and farmers will be able to sell their goods from their field.
- This act would bring more improvements to farmer income because farmers will directly link with major traders and exporters.
- The minimum support price will not be impacted by these new acts because farmers no need to sell their agriculture goods only in APMC markets. They can directly trade with traders, exporters and each other.

**Disadvantages:-** Disadvantages of new acts are as follows,

- Traders, wholesalers, commission agents and exporters can organize association and reduce competition.
- Farmers will be exposed to the risk of fraud due to the entry of people with license or registration.
- The government declares minimum support price for crops, but there has been no law mandating their implementation.

In short these acts will accelerate private sector investment for farm produce in national and international markets. Due to this the farmers can improve the productivity of farms and it can directly sell their produce without commissions and Mandi fees. Agriculture minister Narendra Singh Tomar has also assured that the minimum support price system will stay and it protect small and marginal farmers.

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