

CENTRE TAKES STEPS TO BRING THE FARMER CLOSER TO THE MARKET

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

The [central government](#) on Wednesday introduced a set of ordinances to create a national market for farm produce and allow contract [farming](#) to protect farmers from price risks with the aim of helping them improve earnings and boost investments in agriculture.

The landmark steps are expected to create borderless markets for millions of Indian farmers and achieve the government's goal of doubling farm incomes by 2022.

As part of its plan, the cabinet approved the 'Farming Produce Trade and Commerce (Facilitation and Promotion) Ordinance, 2020', which it said will pave the way for 'One India, one agriculture market'. The ordinance aims to create an environment of barrier-free trade within and between states, and allows farmers to sell their produce to any buyer in the country, including on electronic platforms.

Currently, farmers are forced to sell their produce at state-regulated market yards, also known as Agriculture Produce Market Committees (APMCs), where trader cartels determine prices in an opaque manner. Fewer buyers and a tightly regulated trade with too many entry barriers often lead to farmers receiving a lower price. Also, restrictions imposed by states had so far prevented seamless movement of farm produce across the country.

In the new regime, the farmer will have the freedom to sell outside APMCs, and any buyer can purchase directly at the farmer's doorstep. "There will be no tax on such trade and buyers will not require a licence (a PAN card will suffice)," [agriculture minister Narendra Singh Tomar](#) said. The minister added that all disputes related to such trade (relating to price, payments and quality of produce) will be resolved by sub-divisional magistrates and district collectors within a span of two months.

To help farmers enter into contract-farming arrangements with processors, big retailers and exporters, the cabinet also approved 'The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020.'

The government expects the new law will transfer the risk of unpredictable prices from farmers to firms better equipped to handle it. Contract farming, it said, will help growers access latest technology, reduce marketing costs and improve farm incomes.

"In a situation where the contracted price is lower than the market price during delivery of produce, the ordinance will ensure that farmers receive a share of the higher prices," the agriculture minister said, clarifying farmers' interests will be protected in all circumstances.

"The ordinance to promote barrier-free trade within and outside state borders will change the dynamics of agri-trade. Contract farming can also go a long way to link farmers with large retailers, and exporters," said Siraj Hussain, former agriculture secretary and visiting senior fellow at the Indian Council for Research on International Economic Relations, Delhi.

However, since a copy of the ordinances is not available yet, it is difficult to say the extent to which the farm sector has been liberalized, added Hussain.

It also remains unclear how states will react to these ordinances since agriculture marketing is a state subject as per the Constitution. In the past, states have often imposed restrictions on trade to protect consumers, say, during a supply shortfall of a particular commodity.

Just enacting a set of ordinances may not change the pattern of trade, said Himanshu, associate professor at Jawaharlal Nehru University, Delhi. "Farmers will need a marketplace to sell their produce, which has to be weighed, sorted and graded. If a private player is offering such services, farmers will be made to pay for it." Himanshu added that private trade may also find it difficult to purchase directly from millions of small farmers, and the local bureaucracy may not be equipped to resolve every dispute promptly.

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