

# UNLOCKING THE FARM

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

With agriculture coming out relatively unscathed amidst the current economic carnage — retail fertiliser sales nearly doubled in May over last year, marking the seventh consecutive month of double-digit growth — the [Narendra Modi](#) government has done well to introduce long-delayed supply-side reforms in the sector. The ordinances issued last week to amend the Essential Commodities Act (ECA) and end the monopoly of agricultural produce market committee (APMC) mandis in farm products trading will send out a positive message. Agriculture's value for policymakers has primarily been for controlling inflation or supplying wage goods and surplus labour for industrialisation and urbanisation. Few have viewed it as a sector in its own right and farmers as businessmen who must first earn for themselves rather than only fulfilling goals defined by others.

Of the two major reforms, the ECA amendment has more immediate significance. It does away with the government's powers for imposing stockholding limits in foodstuffs, except under "extraordinary conditions" of war, famine and natural calamities. Such powers can also be invoked if retail prices increase more than 50 per cent over the average of the last five years in the case of non-perishable produce (cereals, pulses and edible oils) and 100 per cent for perishables (onions and potatoes). The latter provisions are unnecessary, given recent evidence that points to inflation in most foodstuffs being episodic and also the vastly improved supply response of farmers to any price rise. This has been seen in onions, potatoes, pulses and sugar — commodities where stockholding and export restrictions have been clamped during the Modi government's own tenure. The injury to producers from cutting off market access has proved far more severe and long-lasting than any relief from temporary pain to consumers.

The second reform — allowing buying and selling of farmers' produce outside of the physical boundaries of APMC mandis, along with the freedom to trade both within and from one state to another — is unlikely to yield immediate gains. The example of milk, where only a handful of cooperative and private dairies procure directly from farmers despite no APMC regulations governing it, is worth citing here. Dismantling of APMC monopoly will not stop big agro-processors and traders/retailers from relying on mandi intermediaries to source their produce. But it gives them, and also farmers, an alternative marketing channel that can force the mandis to do a better job.

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