

INDIA SOWS SEEDS OF EMPOWERMENT WITH 1.5 TRILLION AID FOR FARM SECTOR

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

Centre unveils 1.5 tn package to free up a fragmented farm market from trade curbs, offers new framework to reduce price uncertainties for farmers

The government on Friday unveiled what it called an “empowering” 1.5 trillion farm sector package to free up India’s fragmented agriculture market from trade curbs and stock limits while offering a new framework to reduce risks and price uncertainties for farmers.

The biggest element of the fiscal package announced on Friday is a 1 trillion fund for entrepreneurs to set up facilities for procuring, storing and marketing of agriculture produce in a move aimed at improving the value realised by farmers. This fund will finance setting up cold chains, post-harvest management infrastructure and storage centres.

“The underlying principle (of the package) is to empower the people, give them resources so that they can produce for themselves and have livelihoods for themselves rather than going for entitlements,” finance minister Nirmala Sitharaman said as she announced 11 measures seeking to woo fresh investments into the agriculture value chain, including cold storages and other facilities and to unshackle the farm economy by giving farmers more freedom to access markets.

The plan includes amending the Essential Commodities Act (ECA), a more than six-decade-old law that empowers authorities to impose curbs on stocking of farm produce, to bring it in tune with the times and to help farmers get better value for their produce. Stock restrictions were needed in an era of food shortages.

“We have been waiting for these reforms for 30 years since 1991 (reforms). These measures will unleash unlimited investment and employment opportunities in agriculture production and post-harvest activities,” said Ramesh Chand, an expert in agriculture and member of federal policy think tank NITI Aayog.

The minister also announced a plan to bring in a central law to give farmers more choice in selling their produce rather than being at the mercy of licensed buyers and to remove barriers to inter-state trade.

“We also want to make sure there is a framework for e-trading of their produce. At present, you know, the farmer sells only to licence holders. This restriction has been one of the reasons for him not finding a fair price,” Sitharaman said. The reforms are aimed at resolving some of the thorny issues in the farm sector, which adds to the pain of farmers who also have to deal with the vagaries of nature and price uncertainty. The broad idea is help establish ‘one nation one market’.

Rural distress has often snowballed into political storms, threatening electoral fortunes of parties. The Narendra Modi administration rolled out an income support scheme for farmers at the end of its first term, shortly before it went into polls in 2019.

The 1.5 trillion package will go toward financing farm-related infrastructure such as cold storages and post-harvest management facilities, support for fishermen aimed at doubling fisheries

exports as well as for dairy farmers and bee keepers.

“Now the ECA needs an amendment. That amendment is largely towards making sure that cereals, edible oils, oil seeds, pulses onions and potatoes will completely be deregulated. Therefore, unless there is an extraordinary situation, there is no requirement to invoke ECA. Stock limits will be imposed only in exceptional situations such as national calamity, famine or if there is a huge surge in prices,” Sitharaman said.

No stock limit shall apply to food processors or value chain participants subject to installed capacity. The minister said the move will ensure that export demand for India’s farm produce is not affected.

For micro food enterprises, the minister said a 10,000 crore support will be given. This will help these units modernize their business. Most of the products covered under the scheme will be related to health and wellness, nutritional and organic products.

“Wherever entitlements are due, yes, they will be given. But largely our focus is to make sure India stands up on its own, generate its own jobs. You will see a lot more of empowering people through creating skills and logistics,” Sitharaman said.

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