

FARM GATE IN FOCUS: THE HINDU EDITORIAL ON MOVE TO AMEND ESSENTIAL COMMODITIES ACT

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

The Centre's objective of using the [COVID-19 crisis](#) to usher in an Atmanirbhar Bharat saw Finance Minister Nirmala Sitharaman focus [Friday's tranche of announcements](#) on farm sector reforms. The centrepiece was a 1-lakh crore fund to finance agriculture infrastructure projects at the farm gate and produce aggregation points. Given that the lack of adequate cold-storage facilities continues to extract a high price on farmers and the agrarian economy by way of post-harvest losses, especially in perishables, the targeted outlay is a welcome step. The decision to channel the funds to agricultural cooperatives, farmer producer organisations, rural entrepreneurs and start-ups is also encouraging as it lays the onus of creating the appropriate infrastructure or logistics solution largely on the principal beneficiaries, the farmers themselves. The Minister also unveiled a 10,000 crore scheme to promote the formalisation of micro food enterprises. Suggesting a cluster approach focused in different regions on signature produce, Ms. Sitharaman said the goal was to assist unorganised enterprises in scaling up food safety standards to earn the products certification and build brand value. The package, though, may be more beneficial in the longer term than providing any immediate relief from the lockdown-exacerbated distress in the rural hinterland.

Crucially, the Minister also announced three reform proposals that are ostensibly aimed at enabling better price realisation for farmers by removing restrictions and facilitating enhanced marketing freedom. These include amendments to the 1955-vintage Essential Commodities Act that would effectively hollow out the legislation by deregulating cereals, pulses, oilseeds, edible oils, onions and potato. While the Economic Survey, in January, had recommended jettisoning the "anachronistic" Act, the law has nonetheless remained a vital tool in the government's armoury for protecting consumers from irrational volatility in the prices of essentials by tamping down on black marketeers and hoarders. While the Act's provisions do have scope for an overzealous bureaucracy to harass even an honest exporter, who may have paid a fair price to the farmer and stocked produce for shipment overseas, total deregulation for foodgrains is fraught with the risk of future inflationary food price spikes. The other two proposals are also of concern. While one seeks to bypass the APMC regime through a central law that would allow farmers the freedom to sell across State borders, the other proposes a framework for farmers to enter into pre-sowing contracts that would purportedly help assure them of offtake volumes and prices. Both the changes, once enacted, could privilege market forces without necessarily safeguarding food security. Surely, it would be in no one's interest to throw the baby out with the bathwater.

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