Agri Reforms and its impact on the Agri Sector

"Agriculture is our wisest pursuit, because it will in the end contribute most to real wealth, good morals, and happiness."-*Thomas Jefferson*

***Synopsis**:* As a significant Agri producer in the world, India has set sail on the waters of new policies. While it is a move in the right direction, India needs a combination of reforms, investments, support prices and subsidies. The test lies in developing the rules for each of the bills with fine details leading to profitable farmers, happy consumers and prosperous planet.

Agriculture sector is the cornerstone of India's economy and a majority of India's population is dependent on it as the source of sustenance. Two-thirds of India's 1.3 billion population depend on farming for their livelihood; however, the Agri sector makes up only 17% of the nation's total GDP. India has a phenomenal potential in agriculture but archaic laws and regulations have held back investments resulting in depressed productivity. The agricultural sector reforms announced by the government of India in 2020 will sow the seeds of prosperity which shall not just transform agriculture, but the entire rural economy of Bharat.

Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020 (FPTC)

The first bill facilitates barrier free intra-state and inter-state trade of agricultural produce where the farmers are free to sell to anyone, anywhere. Farm produce can move freely from surplus to deficit regions resulting in a national market where consumer gets better and cheaper products. Farmers can shift away from mediators in high intimidation cost-carrying 'Mandis' regulated by Agricultural Produce Market Committees (APMCS) to a liberalised framework. This shall end the monopoly of traders, reduce the role of middlemen, enhance efficiency and support rural growth. Farmers can retain a greater share of the surplus in a competitive national market. This reform prohibits state governments from levying any market fee or cess on farmers. Electronic trading proposed shall promote National Agriculture Market (eNAM), an online trading platform for agricultural commodities across India. eNAM can provide a seamless application programming interface (API) for innovators and businesses.

However, the growth benefits of this reform depend, critically, on the effectiveness and the timing of their implementation. Standardisation of quality parameters across the country and availability of digital tools to assess quality of agricultural produce online are significant for the success of this initiative. Government should invite AgriTech start-ups into a network with the digital market place applications to provide organic, micro-nutrient and high-quality seeds.

Private investments catalysed with the development of strong market linkages shall prove beneficial. However, a critical prerequisite for the consolidation and integration of the agricultural value chain is aggregation of produce through farmer producers' organisations (FPOs).

Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020

The second bill provides a broad framework for encouraging contract farming where farmers enter into pre-arranged contracts with buyers. This includes mention of pricing and transfer of market risk from farmers to sponsors. An elaborate mechanism for dispute resolution proposed in this reform can fail if the needs of the farmers are not addressed through super-fast track judicial system. Contract farming ought to release farmers from their uneconomical holdings, but the difficulties faced by farmers with respect to contract farming, both in terms of selling their produce and retrieving back their lands from the contractors is not acknowledged. It is crucial that the social safety net adequately protects those that could be adversely impacted during the transition to the present new system. Government can ensure that the job market accommodates those that are impacted by the reforms. Also, the bill does not specify that the contract price should be above the Minimum Support Price (MSP) declared by the government. It is feared that without mandating that contract prices be above the MSP, APMCs will slowly be priced out as farmer families prefer to contract with third parties. Also, traders may become irrelevant as Agri-trading companies might set up their own markets. Governments will lose mandi tax, which may be a major source of revenue for States like Punjab and Haryana. Imposing such tax on non-mandi transactions goes against the spirit of the regulation. The farmers have expressed their apprehension that the new laws would pave the way for eliminating the safety cushion of the MSP and do away with the 'mandi' system, leaving them at the mercy of big corporates. The government should allow markets to work out the costs supported demand and provide, without needless interference. But MSP should continue in its current form, till markets deliver positive results for all, even without the MSP.

Essential Commodities (Amendment) Act, 2020

The amendment removes foodstuff such as cereals, pulses, potato, onions, edible oilseeds, and oils, from the list of essential commodities, thereby removing stockholding limits except under extraordinary circumstances. Private sector involvement will result in reduction of farm wastage significantly by building cold storage facilities along with relevant farmgate infrastructure and warehouse processing. However, if the private investors do not immediately invest in value chains and end up using the services of intermediaries, it will not benefit farmers. With deregulation of manufacturing, storing, and selling farm produce, if prices of perishables increase by 100% or non-perishables by 50%, this act can be invoked. Farmers should be able to sell part of his crop in futures trading to cover his costs, just like western countries.

Controversy surrounding MSP, loss of states' revenue, effect on middlemen, and low bargaining power of the farmers are some of the fears that have led to the opposition to the bills.

One should consider the dynamics in different geographical regions of India. Each region cultivates different kinds of crops, has different types of farmers and their awareness about government policies differ too. In this scenario, climate protected farming will reduce the business risk of agriculture.

Real impact of Agri reforms can be assessed by monitoring the drop in the quantity of crops in Mandis, estimating the trade taking place outside markets, initiating a dashboard/app (like indices displayed in stock exchanges) to disseminate everyday prices of major agricultural commodities from major regional markets and tracking retail food inflation as the reforms would increase the possibility of hoarding by private players. If we combine the power of markets and technology, we have a unique opportunity to see our farmers spread their wings and India steers her course in order to reap the benefits in the Agri sector.

- Priti Saigal