

# Farm Laws Repeal Bill, 2021

December 1, 2021

**In news-** Recently, the Parliament has passed the Farm Laws Repeal Bill, 2021.

## **About the bill-**

- **The bill is aimed at repealing three farm laws, namely:**
  1. **The Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020** which is aimed at allowing trade in agricultural produce outside the existing APMC mandis.
  2. **The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020**, which seeks to provide a framework for **contract farming**.
  3. **The Essential Commodities (Amendment) Act, 2020**, which is aimed at removing commodities such as cereals, pulses, oilseeds, edible oils, onion and potato from the list of essential commodities.
- **The six-page Bill contains only three sections:**
  1. The first section defines the title of the Act – the Farm Laws Repeal Act, 2021.
  2. The second section has provisions to repeal three farm laws.
  3. The third section relates to omitting sub-section (1A) from section 3 of the Essential Commodities Act, 1955.
- **The government had inserted sub-section (1A) in the section 3 of the Essential Commodity Act, 1955** that empowers the government to control production, supply, distribution, etc., of essential commodities.
- **The sub-section (1A) provides a mechanism to regulate the supply of foodstuffs**, including cereals, pulses, potato, onions, edible oilseeds and oils under “extraordinary circumstances” which may include war,

famine, extraordinary price rise and natural calamity of grave nature.

- It also prescribes the price triggers for imposing stock limits.
- **Under the sub-section (1A), any action on imposing stock limit shall be based on price rise** and an order for regulating stock limit of any agricultural produce may be issued if there is a hundred per cent increase in the retail price of horticultural produce; or fifty per cent increase in the retail price of non-perishable agricultural foodstuffs, over the price prevailing immediately preceding twelve months, or average retail price of last five years, whichever is lower.

**WHAT'S IN THE BILLS AND WHY THE OPPOSITION**

**BILL ON AGRI MARKET**  
Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020

**Provisions**

- To create an ecosystem where farmers and traders enjoy the freedom to sell and purchase farm produce outside registered 'mandis' under either APMCs
- To promote border-free intra-state and inter-state trade of farmers' produce
- To reduce marketing/transportation costs and help farmers in getting better prices
- To provide a facilitative framework for electronic trading

**Opposition**

- States will lose revenue as they won't be able to collect 'mandi tax' if farmers sell their produce outside registered APMC markets
  - What happens to 'commission agents' in states if entire farm trade moves out of 'mandis'?
  - It may eventually end the MSP-based procurement system
  - Electronic trading like in e-NAM uses physical 'mandi' structures. What will happen to e-NAM if 'mandis' are destroyed in absence of trading?

**BILL ON CONTRACT FARMING**  
The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020

**Provisions**

- Farmers can enter into a contract with agri-business firms, processors, wholesalers, exporters or large retailers for sale of future farming produce at a pre-agreed price
  - Major and small farmers, with land less than five hectares, to gain via aggregation and contract channels and small farmers account for 80% of total farmers in India
  - To transfer the risk of market unprofitability from farmers to sponsors
  - To enable farmers to access modern tech and get better inputs
  - To reduce cost of marketing and boost farmers' income

**Opposition**

- Farmers can engage in direct-marketing by circumventing intermediaries for full price realisation
- Effective dispute resolution mechanism with redressal facilities
- Farmers in contract farming arrangements will be the weaker players in terms of their ability to negotiate what they need
- The 'sponsors' may not like to deal with a multitude of small and marginal farmers
- Being input cos, exporters, wholesalers and processors, the sponsors will have edge in disputes

**BILL RELATING TO COMMODITIES** The Essential Commodities (Amendment) Bill, 2020

**Provisions**

- To remove commodities like cement, pulses, oilseeds, onions and potatoes from the list of essential commodities. It will do away with the imposition of stockholding limits on such items except under 'extraordinary circumstances' like war
- This provision will attract private sector FDI into farm sector as it will remove fears of post-investor of excessive regulatory interventions in business operations
- To bring investment by farm infrastructure like cold storages, and modernising food supply chain
- To help both farmers and consumers while bringing in price stability
- To create competitive market environment and out-warehouse of farm produce

**Opposition**

- Price bands set for 'extraordinary circumstances' are so high that they are likely to be never triggered
- Big cos will have freedom to stock commodities – it means they will dictate terms to farmers, which may further lead prices for the cultivators
- Market-driven or export-led or inflation-driven should be its implementation