

## The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance – Myths and Reality

1. **Myth** – The bill will lead to agriculture land acquisition by corporates and farmers will end up becoming laborers

### **Reality** –

- Referring to the bill Chapter 2 Section 8, “No farming agreement shall be entered into for the purpose of – (a) any transfer, including sale, lease and mortgage of the land or premises of the farmer; or (b) raising any permanent structure or making any modification on the land or premises of the farmer, unless the Sponsor agrees to remove such structure or to restore the land to its original condition, at his cost, on the conclusion of the agreement or expiry of the agreement period, as the case may be”.
- Farmer agreements essentially focus on sponsor and farmer working together to produce the required variety and quality for a guaranteed price as aligned at the time of sowing. Across various examples of farmer agreements in India, sponsor works with farmers and provide technology and training on best-in-class production practices leading to higher productivity and quality rather than acquiring land from farmers. Further, the bill ensures sponsors are prohibited from acquiring ownership rights or making permanent modifications on farmer’s land.
- Example 1, over 3,000 banana farmers across Maharashtra, Madhya Pradesh, and Andhra Pradesh are earning ~Rs. 40,000 more per acre under agreement with INI Farms. Farmers under the agreement have been trained by INI Farms to work as per best-in-class production practices leading to high quality international standard production. Multiple innovative cultivation practices have been adopted by farmers including bunch treatment, bud injection, deflowering, removal of male flowers, covering the bunch with bags, etc. with the help of INI Farms leading to significantly high yield of quality produce.
- Example 2, thousands of chilli farmers with nearly 12,000 acres of land across 40+ villages in Guntur, Krishna, Prakasam, and Kurnool districts in Andhra Pradesh have benefited with a ~13% productivity improvement and a ~27% rise in net returns per acre from association with ITC. Farmers under the agreement have been trained by skilled personnel deployed in each village and are regularly provided demonstrations of best practices. A dedicated call centre with technically qualified experts has also been set-up to provide advisory to farmers on best practices to improve productivity and quality and manage pest and disease control.

2. **Myth** – The bill does not provide a legal safety net for farmers against corporates

### **Reality** –

- Referring to the bill Chapter 3 Section 14, “... any such party may approach the concerned Sub-Divisional Magistrate who shall be the Sub-divisional Authority for deciding the disputes under farming agreement. Every order passed by the Sub-Divisional Authority under this section shall have same force as a decree of a civil court and be enforceable in the same manner as that of a decree under the Code of Civil Procedure,

1908. Any party aggrieved by the order of the Sub-Divisional Authority may prefer an appeal to the Appellate Authority. The Sub-Divisional Authority or the Appellate Authority shall, while deciding disputes under this section, have all the powers of a civil court...”.

- Further, as mentioned in bill Chapter 3 Section 15, “Notwithstanding anything contained in Section 14, no action for recovery of any amount due in pursuance of an order passed under that section, shall be initiated against the agricultural land of the farmer”.
- The provisions as per the above sections in the bill sufficiently safeguard farmers’ interests and further, as mentioned in the bill, ensure “no action for recovery of dues against farmers’ land”.

3. **Myth**–The bill does not provide any price guarantee for farmers. The practice of procuring grains at minimum support price (MSP) by central agencies like FCI will end.

**Reality –**

- Referring to the bill Chapter 2 Section 5, “The price to be paid for the purchase of a farming produce may be determined and mentioned in the farming agreement itself and in case, such price is subject to variation, then, such agreement shall explicitly provide for – a guaranteed price to be paid for such produce, a clear price reference for any additional amount over and above the guaranteed price”.
- Further, referring to the bill Chapter 3 Section 14 (2), “...where the sponsor fails to make payment of the amount due to the farmer, such penalty may extend to one and half times the amount due...”
- The bill ensures a price guarantee for farmers under the agreement and provision for a penalty in case of payment failure. There are multiple examples wherein farmers have benefited from the same.
- For example, seed potato farmers working with Technico Agri sciences limited (a subsidiary of ITC) across Punjab, Northern Haryana, and Western UP have benefited from a guaranteed 35% margin above cost at the time of sowing. The farmers working the sponsor are now earning a steady income of Rs. 22,000 per acre with provision for additional bonus based on market conditions.
- Further, MSP is an independent structure which will not be impacted by the bill and will continue in the future.

4. **Myth**–Agriculture is not under the central government’s domain and hence, the bill is illegal. The bill is not in the interest of farmers and rural economy, and will only benefit corporates.

**Reality –**

- Referring to Seventh Schedule, Article 246, entry 33 in the Concurrent List, “Trade and commerce in, and the production, supply and distribution of – food stuffs, including edible oilseeds and oils”, the Union government can legislate in this domain. Further, Article 249 in The Constitution of India mentions about the “Power of parliament to legislate with respect to a matter in the State List in the national interest”.
- Across various examples of farmer agreement in India, farmers under the agreement have multiple advantages including risk-free, guaranteed and higher income, access to technology, and training on best-in-class practices to increase productivity.

- For example, nearly 2,500 potato farmers across North Gujarat are earning Rs. 30,000 more per acre under agreement with HyFun Foods, a potato processing company. Farmers are provided quality seeds at subsidized rates with credit support, complete agronomy services, and technical knowledge. In addition to the direct benefit for farmers, the agreements in North Gujarat have given a strong boost to manufacturing and exports of frozen potato products and the region is now fast emerging as a manufacturing hub for all of Asia. From being an importer of frozen potato products until 2010, total potato processed for french fries has increased to 300,000 MT in India and the volume is increasing year on year. This has resulted in increased investment in the sector and provided multiple socio-economic benefits like assured incomes for farmers, new jobs, export earnings, etc.
- Hence, the bill has significant potential and is being introduced in the national interest.

## The Farmers Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020 – Myths and Reality

1. **Myth** – The bill invades on the rights of state Agriculture Produce Marketing Committee (APMCs)

### **Reality** –

- Referring to Chapter 1 Section 2(m), “trade area means any area or location, place of production, collection and aggregation including – farm gates, factory premises, warehouses, silos, cold storages, or any other structures of places from where trade of farmers’ produce may be undertaken in the territory of India but does not include the premises, enclosures and structures consisting – physical boundaries of principal market yards, sub-market yards, market sub-yards managed and run by the market committees formed under each State APMC Act in force in India...”.
- The bill does not intrude into premises under the APMC Act and the same may continue to operate in the state. But it allows for additional trade outside the APMC premises and the farmers will be able to sell their produce from the farm gate, home, and any place without paying any market fees under the State law. This will benefit the farmers and reduce multiple additional costs.
- Further, the bill will allow for private investment in new mandi infrastructure closer to farm gate improving market access (intra-state, inter-state, and export), availability of quality infrastructure including assaying, grading facilities, and reducing logistics costs for farmers.

2. **Myth** – The commission agents under APMC are verified and payment is secured. The bill doesn’t safeguard farmer payments.

### **Reality** –

- Referring to Chapter 2 Section 4, “Every trader who transacts with farmers shall make payment for the traded scheduled farmers’ produce on the same day or within the maximum three working days if procedurally so required subject to the condition that the receipt of delivery mentioning the due payment amount shall be given to the farmer on

the same day”. This ensures faster payments for farmers against existing practices and ensures a safety net.

- Further, under the Section, the Central government also reserves the right to prescribe a system for registration of a trader, modalities of trade transaction, and mode of payment if found necessary in the public interest. Hence, the bill provides sufficient guidelines to safeguard farmers’ interests.

3. **Myth** – The bill will block the ways for the state to generate revenue from agriculture trade and will lead to the closure of APMCs eventually giving corporates monopoly on agriculture trade

#### **Reality** –

- Referring to Chapter 1 Section 2(m), “trade area means any area or location, place of production, collection and aggregation including – farm gates, factory premises, warehouses, silos, cold storages, or any other structures of places from where trade of farmers’ produce may be undertaken in the territory of India but does not include the premises, enclosures and structures consisting – physical boundaries of principal market yards, sub-market yards, market sub-yards managed and run by the market committees formed under each State APMC Act in force in India...”.
- The bill does not intrude into premises under the APMC Act and the same may continue to operate in the state. But it allows for the development of private mandi infrastructure in the state and hence, improved market access for farmers. The states with efficient services at APMC market premises will continue to attract farmers and generate revenue.
- Overall, the bill will ensure the creation of a competitive market setup, improved market access, and farmer welfare.

#### Reference –

1. <https://indianexpress.com/article/explained/in-three-ordinances-the-provisions-that-bother-protesting-farmers-6598905/>
2. <https://www.indiatvnews.com/news/india/what-are-new-farm-bills-benefits-farmers-protests-all-you-need-to-know-650274>
3. <https://indiankanoon.org/doc/1883579/>
4. <https://www.mea.gov.in/Images/pdf1/S7.pdf>
5. <https://www.thequint.com/news/india/lok-sabha-clears-two-farm-bills-harsimirat-badal-quits-cabinet>
6. <https://theprint.in/theprint-essential/all-about-the-3-modi-govt-ordinances-haryana-farmers-are-protesting-against/501227/>
7. <https://www.dnaindia.com/india/report-explainer-are-farm-bills-game-changer-or-anti-farmer-2843667>
8. <https://indianexpress.com/article/explained/akali-dal-harsimirat-kaur-badal-ndas-agriculture-ordinances-6600204/>
9. <https://thewire.in/agriculture/agriculture-marketing-reforms-federalism>