



# Agricultural MARKETING IN INDIA

## INTRODUCTION

Agriculture sector in India has directly or indirectly continued to be the source of livelihood for majority of the population. Several efforts have been made to increase and maintain the growth rate of agricultural sector to 4% per annum. Despite these efforts, the average growth rate has languished around 2%-3% in the last decade. One of the primary reasons for this stagnated growth has been cited as 'Poor Agricultural Marketing'. The reforms in agricultural marketing envisaged by the recent legislations further verify the importance of the sector.

There is a consensus among agriculturists that a dynamic and vibrant marketing system is necessary for sustained agricultural growth. But what do we mean by an agricultural market? What are the processes and

stages involved in it? What importance do Agricultural markets hold in India? What are the issues that these markets face in India? How far can the recently enacted Agri-reform legislations solve these issues? And what can be done to ensure holistic reformation of agricultural markets in India? In this article, we will try to answer the aforesaid questions.

# WHAT IS AGRICULTURAL MARKETING AND WHAT ARE THE MAJOR MARKETING METHODS IN INDIA?

Agricultural marketing can be defined as the commercial functions involved in **transferring agricultural products** consisting of farm, horticultural and other allied products from **producer to consumer**. It includes all activities involved in **moving agricultural produce** through **time (storage), space (transport), form (processing) and transferring ownership** at various levels of marketing channels.



Under its present form, **agricultural marketing in India is not uniform**. There is considerable regional variation in methods of marketing. These processes can be broadly divided into three categories:

## ► Traditional Marketing Methods:

Traditional methods generally start with sale by farmer and involve a number of intermediaries at different levels from rural markets to terminal markets.

- Close to **50% of the agricultural produce in India is sold via these channels**.
- These markets are mostly used by small and marginal farmers for marketing their farm produce and purchasing inputs also. In this mode of marketing, the **farmer gets only 15 –20 % of the price paid by the final consumer**.

	FARMER	CONSOLIDATOR	PRIMARY COMMISSION AGENT	TRADER	SECONDARY COMMISSION AGENT	WHOLESALE	RETAILER	CONSUMER
PRESENT DISTRIBUTION								
	Re. 1	Rs. 1.30	Rs. 1.80	Rs. 2.20	Rs. 3.00	Rs. 4.00	Rs. 6.00	

### Rural Primary Market

Produce moves from farmer to trader via commission agents. Examples include Haats, Shandies, Mandis, Fairs etc.

### Wholesale and terminal markets

The produce moves from trader to consumer going through wholesale markets like Mandis administered by APMCs and other terminal markets.

## WHAT ARE APMCs AND WHAT ROLE DO THEY PLAY?

- Agricultural Produce Market Committee (APMC) is a **statutory market committee constituted by State Government** in respect of trade in certain notified agricultural or horticultural or livestock products, under the APMC Act, 2003.
- APMCs are a **part of the wholesale marketing system**. They were established to fulfill objectives like increasing transparency in the pricing systems, providing extension services to farmers, value addition in agriculture and also data generation for agri.-market information systems.
  - As of now, APMCs provide facilities like auction halls, weigh bridges, warehouses, soil testing labs, water treatment plants etc.
- Currently, **all States and UTs** except Union Territories of Andaman and Nicobar Islands, Dadra-Nagar-Haveli, Daman and Diu, Lakshadweep and States of Bihar, Kerala and Manipur are **under respective Agricultural Produce Marketing (Regulation) Acts**.



- ▶ **Cooperative based marketing:** In this method, agri-products are **directly purchased from farmers** through marketing network of NAFED (National Agricultural Cooperative Marketing Federation of India Limited), thus eliminating middlemen.
  - The NAFED is the **apex body of the co-operative marketing system at the National level**. It was set up in 1958 to promote cooperative marketing through its own branches.
  - Over the course of time, there have been various successful cooperative marketing models like **Anand Pattern Cooperatives (APC)**, **Chicory contract farming coordination** in Jamnagar, Gujarat and **Kerala Horticulture Development Program (KHDP)**.
- ▶ **Emerging models of agricultural marketing:** With the emergence of new inputs, business opportunities and technologies in the market, several innovative marketing methods have evolved over the time, like-
  - **National Agriculture Market (eNAM):** It is a pan-India electronic trading portal which networks the existing APMC mandis to create a unified national market for agricultural commodities.
    - ▣ Till date, **more than 1 lakh traders and over 66,000 commission agents** have been registered on the portal. As of 2018, trade recorded on the **e-NAM portal stood at a value of Rs 50,575 crore**, and in terms of volume it was more than two crore tonnes.
  - **Creation of Farmer Producer Organizations (FPOs):** A **FPO is a group of farmers** who are actually involved in agricultural production in a village or a cluster of villages and applying for a registration as a Company.
    - ▣ Aggregation through FPOs can create the required **economies of scale for small producers and improved bargaining power** vis-à-vis the bulk buyers of produce and bulk suppliers of input. This helps in better realization of price.
  - **Contract farming:** Under this, agriculture production is carried out according to an agreement between a buyer and farmers, which establishes production and marketing conditions for farm products.
    - ▣ Several corporate houses are entering and expanding the agricultural business. For example, contract farming by Pepsi Co India in potato, tomato, groundnut in Punjab and safflower in Madhya Pradesh.
  - **Commodity and Futures markets:** There have been efforts to create exchanges and trading options for further facilitation and better price discovery for farmers.
    - ▣ For example, **creation of National Spot Exchange Limited (NSEL)**. It is a state of art marketplace providing customized solutions to various problems faced by agricultural producers, processors, investors and general commodity stakeholders.
  - **Private sector initiatives:** Several start-ups and businesses have created innovative pilot solutions for agricultural markets.
    - ▣ For example, **Indian Tobacco Company's e-choupal** has set up a small internet kiosk at the village level to provide farmers real time market and pricing related information and highlighting arbitrage opportunities in sales between various mandis.

## WHY IS HAVING A WELL-FUNCTIONING AGRICULTURAL MARKET IMPORTANT?

- ▶ **Monetizing the Produce:** Marketing **facilitates the sales of agricultural products**. The value of these products is factored by the demand and supply status, which in turn is impacted by the marketed volume and the asking price. The monetization of the agricultural produce is very important as it **integrates agriculture with the national economy** and contributes to the GDP.
  - Also, a well-developed marketing infrastructure and efficient marketing system **promote competitive trade** resulting in better price realization for the farmer.
- ▶ **Acting as a source of market information and price signal:** The information from the marketing plays crucial role to empower the producers capable of producing marketable surplus-

- It provides them with **relevant demand linked information** on quantity, desired quality, standards and specifications of the produce.
- It provides **information that helps the supply chain** to become efficient by indicating **logistical and infrastructural weaknesses** such as post-harvest and storage losses.

▶ **Reducing the role of intermediaries:**

An efficient marketing chain progressively decreases the number of hands agricultural produce changes both for economic and qualitative reasons. In such a scenario, role of intermediaries is replaced by institutional mechanisms or market structures.

▶ **Capital formation and investment in technology:** Effective agricultural marketing can appropriately showcase the growth potential in the sector. This will encourage investment and penetration of better technologies in the sector.

▶ **Value addition in agriculture:** Robust marketing systems **provide access of agricultural produce** to downstream industries, creating potential for large scale value addition. For example, large scale 'Makhana' snack industry has been developing in the recent past after marketing initiatives were taken by Bihar Government.

Apart from above, well-functioning markets can drive growth, ensure food security, employment and economic prosperity in rural areas of the country via the agricultural sector. But, the sector faces several constraints.

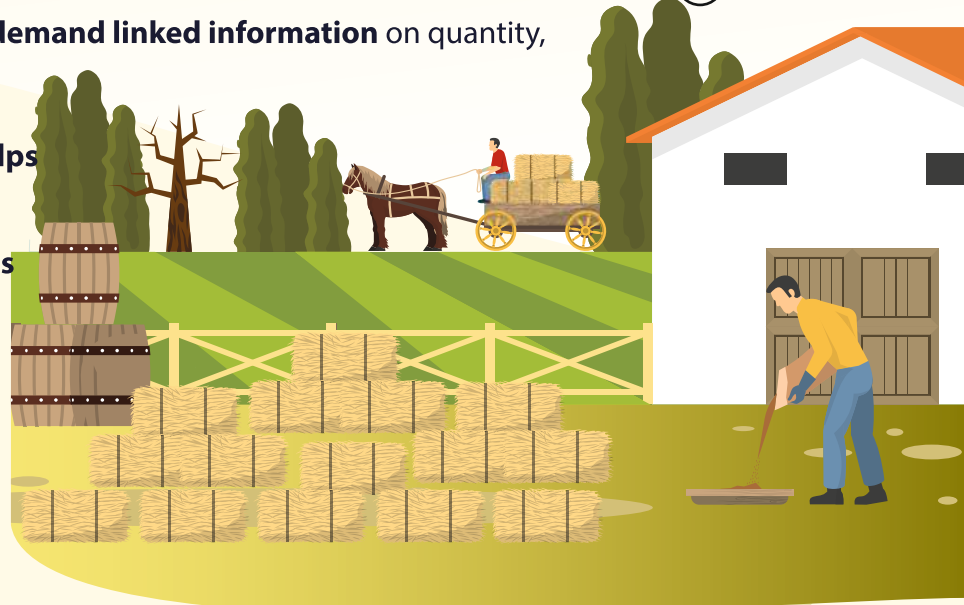
## WHAT ARE THE ISSUES THESE MARKETS FACE IN INDIA?

▶ **Institutional Issues:**

- **Licensing Barriers:** The compulsory requirement of owning a shop/godown for licensing of commission agents/traders in the regulated markets has led to the monopoly of certain licensed traders. This acts as a major entry barrier in existing APMCs for new entrepreneurs, thus, creating cartelization and preventing competition.
- **Absence of standardized grading mechanism** of agricultural produce before it is sold. It hinders farmers from fetching the prices commensurate with the quality of their produce.
- **High Incidence of Market Charges:** APMCs are authorized to collect market fee ranging between 0.5% to 2.0% of the sale value of the produce. Further, other charges, such as, purchase tax, weighment charges etc. are also required to be paid. In some States, this works out to **total charges as large as 15 %**.

▶ **Infrastructural Issues:**

- **Limited Access of Agricultural Produce Markets:** There is a huge variation in the density of regulated markets in different parts of the country, which varies from 118 sq km. in Punjab to 11,214 sq km. in Meghalaya, while ideally a regulated market should be available to farmers within a radius of 5 Km.
- **Poor Infrastructure in Agricultural Markets:** Studies indicate that covered and open auction platforms exist only in two-thirds of the regulated markets, while only one-fourth of the markets have common drying yards. **Cold storage units exist in less than one tenth of the markets** and grading facilities in less than one-third of the markets.
- **Poor economic viability of projects:** Agriculture marketing infrastructure projects have a long gestation period. The seasonality and aggregation of small surpluses of agricultural produce further affects the economic viability of the projects, which deters investments.



### ▶ **Market information system issues:**

- **Lag in demand signals:** Absence of efficient real-time informational channels create a lag in demand signals. This has resulted in farmers following price trends as indicators to supply. Presently, price is a measure that is post-circumstantial and these circumstances may not repeat next season.

- **Limited information channels and content:**

The current information dissemination systems, (like local newspapers and APMC display boards) provide information only on prices of major commodities, are far away from farmer's location and generally not available in local languages.

- **Poor awareness about new channels of information:** Only a small fraction of farmers use the more accessible SMS based advisories or Voice interactive systems.

### ▶ **Other issues:**

- **Absence of a National Integrated Market:** Although, there exists a national level physical market in the form of APMCs, there is no national level regulation for the same and the existing regulations do not provide for a barrier free market in the country.
- **Limited public investment:** Public expenditure on agricultural marketing sub-sector ranges 4-5 % of the total public expenses on agriculture, while expenditure on marketing infrastructure development has been less than 1 %.

The collective result of these issues has been **low price realization for farmers**, creation of **food and nutritional insecurity** and **high wastages in the supply chain**. (For instance, the total post-harvest losses estimated by Indian Council of Agricultural Research were at about Rs 92,651 crores at average prices value of 2014.)

## PREVIOUS EFFORTS MADE BY GOVERNMENTS TO OVERCOME THESE ISSUES

- ▶ **Creating a Model APMC Act, 2003:** It aimed to facilitate amendment of the existing Rules. So far, only sixteen States have amended their Act and only six states have notified the amended Rules. There are some States which do not have APMC Act and some have partially amended their Act.
- ▶ **Consumer/Farmer Market (Direct Sale by the Producer):** Direct marketing by farmers to the consumers has been experimented in the country at the State level. For example, Apni Mandi of Punjab, Rythu Bazaars in Andhra Pradesh, Shetkari Bazar in Maharashtra etc.
- ▶ **AGMARKNET:** It is a G2C e-governance portal that caters to the needs of various stakeholders such as farmers, industry, policy makers and academic institutions by providing agricultural marketing related information from a single window.
- ▶ **Gramin Agricultural Markets (GrAMs):** Efforts are being made to develop and upgrade existing 22,000 rural haats (Rural Primary Markets) into GrAMs. These markets will have several features like:
  - **Physically strengthened infrastructure** enabled through MGNREGS and other schemes along with better road linkages with habitations.
  - An **Agri-market infrastructure fund** with a corpus of Rs. 2000 crore has been envisaged for the initiative.
  - GrAMs will be **linked to e-NAM and will remain outside the APMC Act regulation**.
- ▶ **Initiatives like Kisan Rail** for movement of vegetables, fruits and other perishables. It aims to ensure their safe, reliable and fast transportation which will aid in better price realisation for the farmers. India's first Kisan Rail was recently flagged off in Maharashtra.
- ▶ **Scheme for Formation and Promotion of Farmer Produce Organizations (FPOs):** The scheme aims to create 10,000 FPOs in five years period from 2019-20 to 2023-24 and also provide handholding support to each FPO.
- ▶ **Other initiatives affecting agricultural marketing**– Pradhan Mantri Gram Sadak Yojana (PMGSY), Pradhan Mantri Kisan SAMPADA Yojana, Mega Food Park Scheme, Agri-infrastructure development fund etc.



# HOW FAR CAN THE RECENTLY ENACTED AGRI-REFORM LEGISLATIONS SOLVE THESE ISSUES?



- ▶ **Checking Monopolies:** The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 allows intra-state and inter-state trade of farmers' produce outside the APMC controlled areas thus creating an ecosystem where the farmers and traders enjoy **freedom of choice of sale and purchase** of agri-produce. This indirectly **ends the monopoly exercised by traders and other intermediaries** within the APMCs.
  - For example, a turmeric farmer now could sell her produce to Big Basket in Delhi, without any trader commission, at a mutually agreed upon price.
- ▶ **Idea of 'one Nation, one Agri-market': Abolition of market fee** for trade outside the designated trade area and permission for **electronic trading of agri-produce** within the designated trade area **may increase flow of agricultural produce across areas**. This would enable **farm surplus to move from surplus to deficit regions** seamlessly, thus effectively creating one national market from several fragmented markets.
  - Currently, the agricultural markets are very fragmented creating mismatches between local demand and supply. This has led to interstate and even intra state price disparities. For instance, the monthly average price of rice in 2019 ranged from ₹2,042 per quintal in Agra (Uttar Pradesh) to ₹5,102 in Gangtok (Sikkim).
- ▶ **Encouraging Private Sector participation:** The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 provides the legislative **framework needed to boost contract farming**. This will not only encourage **direct participation of private players in agricultural production but also provide a direct link between farmers and food processing industries**.
- ▶ **Better inventory management of Agricultural Produce:** Restrictions on hoarding of food commodities by the Government resulted in **widespread harassment of traders and rent-seeking behavior**. With the EC (Amendment) Act, these restrictions are limited to extraordinary circumstances, potentially leading to a more efficient inventory management system and lesser interference by authorities.
  - Also, the Essential Commodities (Amendment) Act specifies objective criterion for imposing a stock limit. This enables the trader to **improve his/her economies of scale and limits the administrative discretion of regulating authorities**.
- ▶ **Improve price discovery and realization for farmers:**
  - Provisions enabling **Contract farming** will encourage groups of growers and entrepreneurs to come together in a contractual relationship which will **provide a ready market for growers** for their produce, and **ready access to raw material for the entrepreneurs** (sponsors). It will transfer the risk of market unpredictability from the farmer to the sponsor.
    - ▣ Also, it may reduce cost of marketing for farmers. Since, after signing contract, farmer will not have to seek out traders. The purchasing consumer will pick up the produce directly from the farm.
  - Also, **exempting selected commodities from ECA will improve the marketability of the crop** for growers.
- ▶ **Other benefits:**
  - These reforms may act as a catalyst to **attract investment for building supply chains** for supply of Indian farm produce **to national and global markets**, and in agricultural infrastructure. Also, these reforms **may accelerate growth in Cold Storage, warehouses and processing** sector.

- The reforms may lead to increased farmer access to **high quality seeds, better technology, fertilizers and pesticides** along with providing **impetus to research and new technology in agriculture sector**.

*For specific provisions regarding the acts, please refer to the appendix at the end of the article.*

## WHAT ARE THE MAJOR CONCERNS RAISED AGAINST THESE REFORMS?

- ▶ **Sudden changes** in market mechanisms are very difficult to implement and as a result **may not bode well** for the market. For instance, in 2006, Bihar repealed its APMC Act with an objective to attract private investment in the sector, which created issues like poor upkeep of infrastructure and high transaction charges.
- ▶ **Dual Regulation:** The legislations create an **artificial distinction between “market areas”** (regulated by the mandi system under state governments) and **“trade areas”** (now under the central Acts), thus risking a problem of dual regulatory market.
- ▶ **Impact on APMCs:** The newly created ‘trade areas’ would have a clear regulatory advantage over ‘market areas’ vis-à-vis the mandi tax. This could potentially lead to a **collapse of the APMC system and initiatives like e-NAM** which are riding on top of physical mandi structure in the country.
- ▶ **Loss of revenue for state governments: State Governments may lose mandi tax**, which is a major source of revenue for States like Punjab and Haryana.
- ▶ **Lack of methodology for price determination:** The legislation, while offering protection to farmers against price exploitation, **does not prescribe the mechanism for price fixation or a methodology for regulatory oversight**.
- ▶ **No recognition to verbal contracts:** According to the legislation, **companies are not required to have a written contract with the farmer**, making it difficult for farmers to prove terms. As a result, if a farmer gets into a dispute regarding her/his contract with a private company, it will be very difficult for the farmer to have the dispute settled in her/his favor.
- ▶ **Danger of hoarding activities:** Some experts fear that exemption of selected commodities from ECA **would effectively legalize hoarding**, as licenses will no longer be required to trade in these commodities. Such a situation can lead to anti-competitive behavior by particular buyers in the food chains.

## WHAT CAN BE DONE TO ENSURE HOLISTIC REFORMATION OF AGRICULTURAL MARKETS IN INDIA?

These legislations are a step in the right direction. But to ensure that the objectives of these legislations materialize, several reforms have been recommended by the Ashok Dalwai Committee Report (Committee on doubling of farmer’s income) and the Committee of State Ministers for Agricultural marketing:

### ▶ Reforms in APMCs

- The present system of Licensing of Traders /Commission Agents could be substituted with a modern and progressive system of Registration with **open and transparent criteria for Registration**. For example, facilitating online registrations via e-NAM.
- Appointing independent regulator for market operation and capacity building of existing personnel for efficient management of APMCs.



### ● Encouraging private sector participation in APMCs:

- ▣ Amending the APMC Act and Rules to bring clarity on **provisions for setting up of Private Wholesale Markets and Terminal Market Complex (TMC)**
- ▣ Giving **exemption on land ceiling** to private agriculture markets.
- ▣ **Unified Single Registration for Wholesale and Terminal Market Complex** to promote **private sector investment**.
- ▣ Treating **private markets at par with the existing APMCs**.

### ▶ Creating a National Integrated Market via strengthening e-NAM:

- **Generating trust in the quality of agri-commodities** traded on the platform. This can be done by creating a third-party assessment certification at the central level.
- **Encouraging involvement of farmer groups** and other intermediaries through incentives and awareness generation.
- **Encouraging learning from best practicing e-NAMs** from across the globe. For example, electronic markets in China, flower e-markets in Holland and fish e-markets in Thailand.

### ▶ Promotion of Investment in Marketing Infrastructure Development

- There should be a stable and **long-term National Policy on storage and movement of agricultural produce** to achieve the objective of Unified National Market.
- **States/Union Territories could waive off the market fee on fruit and vegetables** to reduce wastages, promote investment for development of marketing infrastructure and to ensure smooth movement of perishable horticultural produce across the country.
- **Investment in marketing infrastructure** under Rashtriya Krishi Vikas Yojana can be increased to **10-15 % of State RKVY spending**. Efforts could also be made to encourage private investment in marketing infrastructure outside the APMCs also.
- **Provide subsidy/Viability Gap Funding for investments** with long gestation period and treat them "as infrastructure project" so as to attract Foreign Direct Investment and External Commercial Borrowing for their development.
- **States may promote PPP Model for infrastructure development** and exempt market fee on trade transaction taking place inside the private market yard.

### ▶ Creating more robust Information dissemination systems:

- **Popularizing more accessible methods** of information dissemination like self-operable kiosks at Common Service Centers (CSCs), mobile based advisories and relevant TV, radio programs among others.
- **Catering to personalized information needs via Mobile devices:** This could turn out to be the most preferred vehicle for farmer specific information such as market prices within 100 kms radius, location specific Agro-met and crop advisory etc.
- **Broader information needs:** The width and depth of information provided to farmers can be expanded from mere prices to trends, comparisons, schemes, input suggestions etc. to quell any possible informational asymmetry.

### ▶ Rationalization of Market Fee/ Commission Charges

- **Market fee/cess** including Rural Development Fund, Social Development Fund and Purchase tax, etc. could be **limited to maximum 2% of the value of the produce**.
- **Mandi fee** could be **linked with services and infrastructure** being provided for transaction in agricultural commodities.

### ▶ Other reforms:

- **Promoting Contract Farming:** District level authority may be set up for Registration of Contract Farming and no market fee should be levied under it. The APMC should not be the authority for registration / dispute settlement under Contract Farming.
- **Creating Barrier Free Markets:** In some of the States, there are **check-gates** for recovery of market fee, which hinder smooth movement of agricultural commodities and leads to wastages especially in perishables like fruit and vegetables. States can take Initiative to remove such physical barriers.
- **Grading and Standardization:** States can take initiative for **establishing grading units with trained manpower in the market** and to promote private laboratories for testing agricultural produce on user-charge basis.





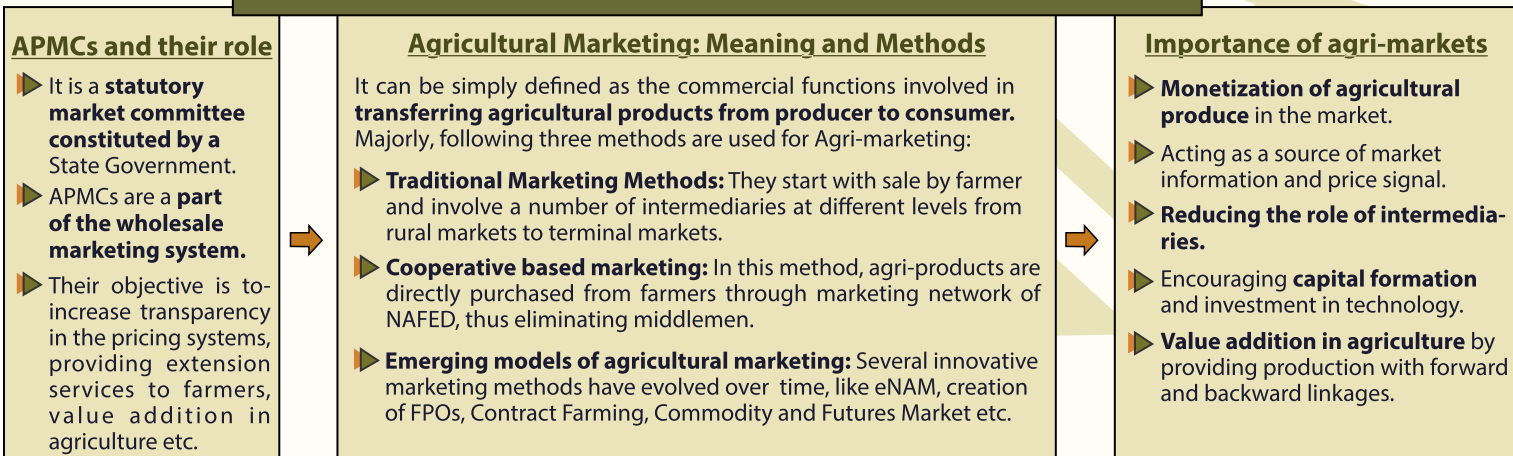
- **Organize Farmers' Groups to enhance their bargaining power** by introducing Direct Marketing/ Sourcing of agriculture produce.
- **A more consistent stand in the import- export policy** would be beneficial as any sudden switch-on and switch-off in policy impacts the farmers adversely.

# CONCLUSION

Indian agriculture is moving from commoditization to commercialization, which demands that agriculture sector now be looked through the marketing lens. India has several ingredients needed for a strong agricultural market such as- largest network of agri-business cooperatives in the world, high production potential and growing participation of private sector. These ingredients in collaboration with complementary institutional structure, adequate regulatory support and effective use of modern ICT tools can bring out the solutions needed for agricultural marketing.

## TOPIC AT A CLANCE

### AGRICULTURAL MARKETING IN INDIA



### Issues faced by these markets in India

- ▶ **Institutional Issues** like **licensing barriers for new traders** for entering the market, **high incidence of market charges** (including in APMCs) and **absence of standardized grading mechanism** for the produce.
- ▶ **Infrastructural Issues** like **limited Access of Agricultural Produce Markets** in some parts of the country, **poor Infrastructure in Agricultural Markets** such as drying yards or cold storage and **long gestation period and economic unviability** of agricultural infrastructure projects.
- ▶ **Market information system issues** like **absence of efficient real-time informational channels** leading to lag in demand signals, **limited information and content** is available to farmers and **lack of awareness among farmers** vis-à-vis the new information channels.
- ▶ **Other issues** like **absence of a National Integrated Market** despite a large physical network of APMCs and **limited public investment** on marketing infrastructure development.

### Effect of the recently launched agri-reforms on these issues

- ▶ **Checking Monopolies** by creating an ecosystem where the farmers and traders enjoy **freedom of choice of sale and purchase** of agri-produce.
- ▶ Taking forward the **idea of 'one Nation, one Agri-market'** by Abolition of market fee and giving permission for electronic trading of agri-produce.
- ▶ **Encouraging private sector participation** by providing the **legislative framework needed to boost contract farming**.
- ▶ **Better inventory management of Agricultural Produce** due to removal of restrictions through on storage of food commodities.
- ▶ **Improving price discovery and realization for farmers** by creating alternate and direct channels of marketing which decreases the interference of intermediaries.

### Way Forward to ensure holistic reformation of the markets

- ▶ **Reforms in APMCs** like appointment of an independent regulator and encouraging private sector participation in APMCs (through Private Wholesale Markets, Unified Single Registration etc.).
- ▶ **Creating a National Integrated Market via strengthening e-NAM** by creating a third party assessment certification, encouraging involvement of farmer groups and other intermediaries.
- ▶ **Promotion of Investment in Marketing Infrastructure Development** by creating a long-term National Policy on storage and movement of agricultural produce, increasing infrastructure investment in RKVY and prompting states to promote PPP Model for infrastructure development.
- ▶ **Creating more robust Information dissemination systems** by popularizing more accessible methods, catering to personalized information needs via Mobile devices and providing farmers a broader set of information.
- ▶ **Rationalization of Market Fee/ Commission Charges** to maximum 2% of the value of the produce.
- ▶ **Other reforms** can also be taken like encouraging grading and standardization in produce, organization of farmer groups to enhance their bargaining power and developing a more consistent import-export policy.

# APPENDIX: RECENT AGRI-REFORM LEGISLATIONS AND THEIR KEY FEATURES

## ACT

## KEY FEATURES OF THE ACT

### The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020

- ▶ **Trade of farmers' produce:** The Act allows **intra-state and inter-state trade of farmers' produce outside:** (i) the physical premises of market yards run by market committees formed under the state APMC Acts and (ii) other markets notified under the state APMC Acts.
- ▶ **Electronic trading:** It permits the electronic trading of scheduled farmers' produce (agricultural produce regulated under any state APMC Act) in the specified trade area.
  - An electronic trading and transaction platform may be set up to facilitate the direct and online buying and selling of such produce through electronic devices and internet.
  - The following entities may establish and operate such platforms: (i) companies, partnership firms, or registered societies, having permanent account number under the Income Tax Act, 1961 or any other document notified by the central government, & (ii) a **farmer producer organization** or agricultural cooperative society.
- ▶ **Market fee abolished:** The Act prohibits state governments from levying any market fee, cess or levy on farmers, traders, and electronic trading platforms for trade of farmers' produce conducted in an 'outside trade area'.

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

- ▶ **Farming agreement:** The Act provides for a **farming agreement between a farmer and a buyer** prior to the production or rearing of any farm produce.
  - The minimum period of an agreement will be one crop season, or one production cycle of livestock. The maximum period is 5 years, unless the production cycle is more than 5 years.
- ▶ **Pricing of farming produce:** The price of farming produce should be mentioned in the agreement. For prices subjected to variation, a guaranteed price for the produce and a clear reference for any additional amount above the guaranteed price must be specified in the agreement.
  - Further, the process of price determination must also be mentioned in the agreement.
- ▶ **Dispute Settlement:** A farming agreement must provide for a conciliation board as well as a conciliation process for settlement of disputes. The Board should have a fair and balanced representation of parties to the agreement.
  - At first, all disputes must be referred to the board for resolution. If the dispute remains unresolved by the Board after thirty days, parties may approach the Sub-divisional Magistrate for resolution. Parties will have a right to appeal to an Appellate Authority (presided by collector or additional collector) against decisions of the Magistrate.
  - Both the Magistrate and Appellate Authority will be required to dispose of a dispute within thirty days from the receipt of application. The Magistrate or the Appellate Authority may impose certain penalties on the party contravening the agreement. However, no action can be taken against the agricultural land of farmer for recovery of any dues.

### The Essential Commodities (Amendment) Act, 2020

- ▶ **Regulation of food items:** The Act provides that the central government may regulate the supply of certain food items including cereals, pulses, potatoes, onions, edible oilseeds, and oils, only under extraordinary circumstances. These include: (i) war, (ii) famine, (iii) extraordinary price rise and (iv) natural calamity of grave nature.



- **The Essential Commodities Act, 1955** empowered the central government to designate certain commodities (such as food items, fertilizers, and petroleum products) as essential commodities. The central government may regulate or prohibit the production, supply, distribution, trade, and commerce of such essential commodities.
- ▶ **Stock limit:** The Act requires that imposition of any stock limit on agricultural produce must be based on price rise. A stock limit may be imposed only if there is: (i) a 100% increase in retail price of horticultural produce; and (ii) a 50% increase in the retail price of non-perishable agricultural food items.
  - The increase in price will be calculated over the price prevailing immediately preceding 12 months, or the average retail price of the last five years, whichever is lower.