

3rd instalment of the stimulus package: Sitharaman rolled out reforms for the farm sector

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New Delhi: Finance minister Nirmala Sitharaman rolled out sweeping reforms for the farm sector including a new central law to allow farmers to sell their produce freely and get better prices as well as a ₹1.5-lakh-crore package to strengthen infrastructure and logistics to help value addition.

The Essential Commodities Act will be amended to deregulate trade in cereals, edible oils, oilseeds, pulses, onion and potato, and stock limits for these will be imposed only in exceptional circumstances. A new central law will be formulated to provide barrier-free inter-state trade of farm produce and more freedom for farmers to sell directly or even online.

“Why should a farmer be restricted to sell to a licensed entity? There should be no barriers to his trade... He should be allowed to e-trade... A central law is being proposed,” Nirmala Sitharaman said, announcing the third part of the ₹20-lakh-crore stimulus package unveiled by PM Narendra Modi on Tuesday.

Welcoming Friday’s announcements, PM Modi tweeted that the steps will “help the rural economy, our hardworking farmers, fishermen, the animal husbandry and dairy sectors” and “boost income of farmers”.

OPENING THE FARM GATE



UNSHACKLING FARMERS

1] Agri Marketing Reforms

- New central law to bypass mandis
- Will allow barrier-free inter-state trade
- Framework for e-trading

2] Revamp of Essential Commodities Act

- Will deregulate cereals, edible oils, oilseeds, pulses, onion & potato
- Stock limits only during national calamity, famine

3] Agri produce price & quality assurance

- Facilitative legal framework to be created
- Will allow risk mitigation; ensure assured returns, standardisation of quality
- Farmers will be able to engage with large retailers, exporters
- Will facilitate private sector investments in inputs, knowhow

₹1.50 L Cr FUNDING SUPPORT

HOW IT WILL HELP

Farmers will get freedom to sell produce

Would be shielded from sudden price, stock curbs

Create support infra for farm produce

Startups can now foray into farm sector

Private sector can invest in support infra

The first two instalments of the stimulus programme announced on Wednesday and Thursday comprised schemes worth a total ₹8.4 lakh crore. They included a ₹3 lakh crore credit guarantee for micro, small and medium enterprises (MSMEs) and support for migrant labour and street vendors.

Significant Reforms

Together with Friday's Rs 1.5 lakh crore measures, the Rs 1.7 lakh crore package announced by the government in April and Rs 5.24 lakh crore support by the Reserve Bank of India, the measures add up to a total Rs 16.84 lakh crore, leaving a balance of Rs 3.16 lakh crore.

The deregulation in trade of cereals, edible oils, oilseeds, pulses, onion and potato, and removal of stock limits will free up the market for these commodities and also encourage more processing, which will yield better prices for farmers.

Curbs or stock limits will not be placed on these commodities except in certain situations such as national calamity. Besides, farmers will have access to a nationwide market across state boundaries.

Sitharaman said the aspects that the proposed legislation covers come under the Centre's purview.

"This is a major reform... farmer will be able to sell to whosoever he wants to even inter-state," said Tarun Bajaj, secretary, department of economic affairs. Bajaj said the central law will prevail as agriculture is in the concurrent list.

Home minister Amit Shah called the reforms historic. "The central law will enable farmers to sell their produce for better prices, to any state without barriers, and e-marketing will help them to reach all corners of the country," he said.

Farmers currently have to sell agricultural produce to licensees in agricultural produce market committees (APMCs). That will change, giving farmers greater freedom to sell produce at higher prices, the government said.

"The Modi government has converted crisis into an opportunity in agriculture marketing," said Ashok Gulati, chair professor at Indian Council for Research on International Economic Relations. "The last three points announced by the finance minister on APMC reforms, contract farming and essential commodities are big, and will help farmers and consumers in the long run. They will also make the supply chain efficient."

A separate legal framework will also be created to enforce a standard mechanism for predictable prices of crops. Farmers will be able to engage with food-processing companies, retailers and exporters, and get assured returns or a fixed price for the produce, even before they begin sowing.

Farm groups were divided in their opinion about the measures.

"The government's approach is a long-term vision statement for India," said Ajay Vir Jakhar, chairman of the Bharat Krishak Samaj, a farmers' organisation. "Farmers would have been happy if they got direct income support to help them tide over any losses of the previous months and give them liquidity to invest for kharif planting."

Others said the announcement didn't go far enough.

"The schemes have no time-bound implementation schedule and it was just a budget speech," said P Chengal Reddy, chief adviser to the Consortium of Indian Farmers' Associations. "The minister should have waived off interest on loans taken by farmers for perishable fruit and

vegetables. Also, a direct cash transfer of Rs 15,000-20,000 each should have been announced for farmers whose rabi crop rotted in the fields due to the lockdown.”

The Rs 1.5-lakh-crore package seeks to strengthen farm gate infrastructure and logistics for the sector and build capacities for intervention if needed. It will include a Rs 1 lakh crore financing facility through National Bank for Agriculture & Rural Development (Nabard) for funding agriculture infrastructure projects at the farm gate and aggregation points for produce such as cooperatives, farmer producer organisations (FPOs), agriculture entrepreneurs and startups.

“This will immediately address the funding gap,” Sitharaman said. “It will strengthen farm gate infrastructure.”

Industry said the measures will strengthen farming. “These reforms will strengthen the sector that provides the highest share of employment in the country,” said Confederation of Indian Industry director general Chandrajit Banerjee.

FMCG major ITC Ltd, which has deep engagement with farmers, welcomed the announcements.

“The reforms will encourage investments in food processing and together with the infrastructure outlays will contribute in shaping a competitive agri value chain, reduce wastages and raise farmer incomes,” said Sanjiv Puri, chairman of ITC.

“The decision to amend the Essential Commodities Act was long overdue,” said Ajay Kakra, leader, food and agriculture, PwC India. “It’s a correct measure to ensure supply chain continuity and trade flows in the event of short supplies/exceptional circumstances. In an event like Covid, this will be helpful to control supply chain disruptions.”

In addition, a Rs 10,000-crore dedicated fund will be set up to aid micro food enterprises brand and market their products globally. The government will also set up a Rs 20,000-crore fund, announced in the budget, to support aquaculture and fisheries. A separate Rs 15,000-crore fund is proposed for animal husbandry infrastructure as well as Rs 4,000 crore to support herbal cultivation, Rs 500 crore for bee keeping and Rs 500 crore for strengthening supply chains.

“It is a comprehensive package for agriculture which will not only increase farmers’ income but also boost marketing infrastructure,” said PK Joshi, former director of International Food Policy Research Institute and fellow at National Academy of Agriculture Science. “The Rs 1-lakh-crore fund for agri entrepreneurs, FPOs and startups will ready our agriculture for future challenges.”

Source: <https://economictimes.indiatimes.com/news/economy/agriculture/essential-commodities-act-tweak-to-free-up-farmers/articleshow/75767855.cms>