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Agricultural Marketing Reforms – Ushering Rural Agripreneurship

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The nationwide three-month lockdown in the country has revealed the various lacunae in agricultural marketing system, supply chain disruptions exposed critical infrastructure gaps and governance issues regarding the competitiveness of India's agricultural sector. Understanding that the COVID-19 crisis provided an opportunity to strengthen some of these marketing systems which Indian farmers were required, by law, to use, the Government of India (GOI) proposed major policy reforms to eliminate many of the long-standing hurdles constraining agricultural growth and farmer income (Jyotika, 2020). 'One India, One Agriculture Market' slogan is an open declaration of the centralising objective of these reforms. New Central law will offer adequate choices to farmer to sell produce at attractive prices, barrier-free inter-state trade ensure cultivator gets better deal for his crop (Pritam, 2020).

Government Implement the Proposed Market Reforms through Ordinances

The Union Cabinet approved three major decisions via central ordinances that impact India's agricultural sector on June 3, 2020 and the Ministry of Law and Justice published the three ordinances following approval from India's President, Ram Nath Kovind on June 5, 2020 (Aashish, 2020). Although the ordinances came into immediate effect on June 5, 2020, they still need to be presented in Parliament for debate and final approval, which is expected to take place in the next three to six months. The three ordinances follow:

The following much awaited ordinances are having the potential of translating primary producers into agripreneurs. The Farming Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020, the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020 and the Essential Commodities (Amendment) Ordinance 2020.

1. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020

As per the Government of India, this ordinance will create an environment where farmers and traders will have the ability of free choice of sale and purchase of agricultural products. It will also eliminate barriers to inter- and intra-state trade and commerce outside physical market premises, which are normally regulated by state government Agricultural Produce Market Committees (APMCs). The ordinance aims to create additional trading opportunities outside established APMC market yards to help farmers get more competitive prices due to additional competition.

The highlights of Ordinance are as under (Basavaprabhu, 2020):

- Farmers SHGs promoted by NABARD or central government organizations are considered as FPOs, provided they are promoted under a scheme or programme sponsored by Central or State Governments.
- Under new ordinance, the farmer need not to register anywhere for selling his produce

- The produce can be purchased by any trader with a PAN card can buy the farmers' produce in trade area. The trader includes processor, exporter, wholesaler, miller, and retailer.
- Benefits to farmers: The ordinance provides an opportunity to farmers and traders alike to enjoy the freedom of choices relating to sale and purchase of farmers produce. It facilitates an alternative trading channel which promotes competition and thereby remunerative prices to farmers. Reduced transport cost, no commission payment, reduced transaction cost, and access to a large number of buyers are the benefits offered to farmers.
- Benefits offered to Trader: Trader will have access to a large number of sellers, be it inter-State or intra-State. A trader can have access to prospective buyers like processor, miller, exporter, bulk buyers, retailer, and wholesalers with no fee/levy/user charge for the trade.
- FPOs/Agriculture Cooperative Society can act as a trader
- FPOs can create their own electronic platform
- No commission needs to be paid for trade and commerce of farmers' produce by farmers in the trade area
- Establishment of electronic trade and transaction platform in trade area: Any person (partnership firm, a company, a limited liability partnership, a cooperative society, a society or any association or body of association duly incorporated or recognized as a group under any ongoing programmes of the central government or state governments) other than an individual can establish, manage and operate electronic trade and transaction platform.
- Farmers, FPOs/FPCs (Farmer Producer Organisations), and Cooperative societies do not need Pan Card or any other document for trade and commerce for farmers' produce in trade area.
- NO restrictions and payment of market fee/cess/levy for entry of scheduled farmers' produce from trade area of one State to trade area of another State directly by farmers
- Point of contact in case any dispute arises in the trade area between farmer and trader: Sub Divisional Magistrate of jurisdiction for trade area of transaction.
- The place of filing a complaint in case a dispute arises between farmer and trader: the place from where farmer originates
- Farmers need not to register for inter-State trade or Intra-State trade
- Person (as mentioned above) establishing and operating an electronic trading and transaction platform shall prepare and implement the guidelines for fair trade practices such as mode of trading, fees, technical parameters including inter-operability with other platforms, logistics arrangements, quality assessment, timely payment, dissemination of guidelines in local language of the place of operation of the platform etc.
- Agriculture Marketing Adviser, Directorate of Marketing and Inspection, Govt. of India can impose penalty on person who has established and operating electronic trade and transaction platform for contravention of related provisions of Ordinance
- Sub-Divisional Authority can impose penalty which shall be not less than twenty five thousand rupees but which may extend to five lakh rupees , and where the contravention is continuing one , further penalty not exceeding five thousand rupees for each day after the first day during which the contravention continues.
- Farmers/traders can nominate relatives for representing in Conciliation Board which will look into the dispute
- The dispute settlement mechanism provided in the ordinance is to approach SDM for settlement and finally Collector/Additional Collector as Appellate Authority.
- State level authorities will continue to implement the respective APMC Acts and improve the marketing facilities and marketing systems in markets notified under APMC Acts. While for developing ―One Nation One Market‖ barrier free transaction, movement of goods, immediate

payment to farmers and accessible, quick and cost effective dispute settlement mechanism, inter-state and intra-state trade through trade area are to be facilitated under this ordinance.

- Payment is to be made on the same day to the farmer or within maximum three days if procedurally so required. The three days are provided as in some of the transactions which takes place in the evening and online payment is not possible on the same day. Therefore, this mechanism has been provided.
- If part payment is made, part is delayed or not given after taking delivery, dispute redressal mechanism starting from Conciliation Board to District Collector is available to settle these issues in the Ordinance for trade in trade area.

2. The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020

The GOI's press release states that this ordinance will empower farmers to engage with processors, wholesalers, aggregators, wholesalers, large retailers, and exporters on a level playing field without any fear of exploitation. It will transfer the risk of market unpredictability from the farmer to the sponsor and also enable the farmer to access modern technology and better inputs. It will reduce the cost of marketing and improve farmer incomes.

The highlights of ordinance are as under (Basavaprabhu, 2020):

- Farming agreement is an agreement between farmer/FPO and Sponsor: both partners agree in advance on the terms and conditions for the production and marketing of farm products. Third parties like farm services provider and aggregators may also join such agreement.
- Farming agreements can be agreements for purchase of future farming produce with risk of production remaining with the farmer or for payment of service charges to farmers where risk of production is borne by the sponsor/buyer. There can be a combination also. The sponsor may also agree to supply inputs or technology during the process of production.
- The agreement may also include more detailed information on how the production will be carried out or if any inputs such as seeds, fertilizers and technical advice will be provided by the Sponsor to the farmer.
- Farming agreement is to be made popular because of its uniqueness with reference to i) Equity or inclusiveness (to attract more investments in the agriculture sector and promote inclusiveness) ii) Public Accountability (introducing system of e-registration and dispute resolution) and iii) Innovation (as both the market and inputs will be available to the farmer at farm gate level).
- Benefits of farming agreement for smallholders: The possibility of knowing in advance when, to whom and at what price they will sell their products. This helps to reduce the unpredictability of agriculture and allows them to better plan their production. When sponsor also provide access to inputs including technical assistance, farming agreement can lead to significantly increased yields and profits.
- The various advantages of farm agreement include: easier access to inputs, services and credit improved production and management skills, secure market, more stable income etc.
- The agreement has to be in writing and in simple language so that a farmer of average education and experience can easily understand.
- The whole agreement formation process should be carried out in a fair and transparent manner and in good faith. A good practice is for farmers to be involved in discussions with the sponsor from the beginning of the negotiation and contract formation phases, to make sure they understand all the conditions included in the contract, and to ensure that their interests and rights are considered.

- The parties in the farming agreement are usually a farmer and a sponsor. However, the agreement may include linkages to other third-party partners such as aggregator or farm service provider or FPO.
- In general, the farmer‘s main obligation is to produce and deliver the goods in accordance with the agreement and the sponsor‘s main obligation is to pay the agreed price in return for the goods provided by the farmer.
- The minimum period of the farming agreement shall be for one crop season or one production cycle of livestock, as the case may be, and the maximum period shall be five years. However, in case of horticultural crops like fruits, nuts, spices etc., where the production cycle is longer, it may go beyond five years.
- Agreement may include provisions on renewing the contract upon expiration.
- In the event of a force majeure and/or the change in the policy of government, the affected party, to the extent of adverse impact, shall not be bound to honour the agreement and can accordingly alter the terms with mutual consent or terminate the agreement.
- Mechanism to solve a disagreement between the farmer and Sponsor: Through a step-wise process like Communication (resolve difficulties through discussion and re-negotiation directly between parties as per the process of conciliation provided for in the agreement. In case such conciliation fails then any party may approach the sub divisional authority for settlement.
- The major goals of Ordinance are Risk mitigation for farmers, Equity or inclusiveness, Public Accountability and Innovation.
- The farming agreement may stipulate the timely supply of inputs by the sponsor to the farmer before the start of cropping season to carry out farming operations, the farmer will supply the products at the farm gate or mutually agreed other place at agreed price.
- No farming agreement shall be entered into by a farmer in derogation of any rights of a share cropper
- Farming agreement should also deal about product guarantee price determination, agreement duration and conditions for termination.
- Standard template will be available in the model farming agreements. Parties may negotiate on agricultural practices, supply of and use of specific inputs, price determination mechanism, quality grade and standards, mode and place of delivery and timely payment.
- Input and output quality grade standards as per mutually agreed terms are to be necessarily mentioned in the farming agreement
- Prices are determination in the farming agreement: There should be more transparency in the price determination of output. The parties may negotiate in order to agree to a price, and both sides are expected to honour this agreement. The price to be paid for the purchase of a farming produce has to be determined and mentioned in the farming agreement itself. In case of variable price then the provisions of ordinance have to be strictly followed. The methodology for calculating guaranteed price or additional price must be annexed to the agreement.
- The sponsor has to purchase the farming produce at a place as mentioned in the agreement.
- Inspecting the quality of produce is the responsibility of the Sponsor to inspect the quality or any other feature of such produce as specified in the farming agreement before accepting the delivery at the farm gate; otherwise, he shall be deemed to have inspected the produce and shall have no right to retract from acceptance of such produce at the time of its delivery or thereafter. In case the agreement provides for inspection by third party then such third party may inspect the produce.
- Mode of payment of sales proceeds regarding crop production, the Sponsor has to make payment of agreed amount to the farmer at the time of accepting the delivery of farming produce and he has to issue a receipt slip with details of the sale proceeds.

- Exemptions of farming agreement: The farming agreement entered for any kind of produce under this Ordinance shall be outside the ambit of regulation of State /UT Agricultural Marketing Act. It shall also be outside the purview of The Essential Commodities Act, 1955 and Control Orders issued there under issued pertaining to stock limits of Sponsor purchasing produce from the Farmer/FPOs for trade/ processing/ export.
- Sponsor cannot acquire ownership rights on farmer's land or premises
- If both the parties agree upon to have a new permanent structures or modifications on existing permanent structures on land, it has to be removed and res land restored to its original condition, at the sponsor's cost after the expiry of the Agreement. If the structure is not removed, its ownership shall vest with the Farmer after the expiry of the Agreement.
- As a consequence of agreement between the Farmer and Sponsor, there will be No change in the title, rights, ownership or possession of land or premises or other such property to the Sponsor or its successor or its agent
- The farming agreement may be linked with insurance or credit instrument under any scheme of the Central Government or State Government or any financial service provider to ensure risk mitigation and flow of credit to farmer or Sponsor or both.
- The State Government may establish a Registration Authority to provide for electronic registry for that State that provides facilitative framework for registration of farming agreements and to regulate the farming agreements under this ordinance
- Farming agreement is made accountable by ensuring enforceability through dispute resolution mechanism. Recoveries can be made as arrears of land revenue.
- Liability of farmer is limited to any advance received or cost of inputs provided by the Sponsor.
- Farming agreements are exempt from applicability of any State law enacted for regulation of sale or purchase of farming produce, therefore such produce shall be exempt from applicability of any kind of mandi fees/levy/cess.

3. The Essential Commodities (Amendment) Ordinance 2020

Under this ordinance, basic food items including cereals, pulses, oilseeds, edible oils, onions, and potatoes will be removed from the list of essential commodities, which will help address private investors' concerns of excessive regulatory interference in their business operations. The ordinance specifies that these commodities can only be regulated through stock limits under situations such as war, famine, extraordinary price fluctuations, or natural calamities. However, agricultural processors and exporters will remain exempted from stock limit impositions even under these "catastrophic" conditions (Santosh and Mark).

These three ordinances will allow Indian farmers to remove previously state-imposed market intermediaries and directly sell their agricultural production (mostly perishable produce) to a much larger pool of buyers, including out-of-state markets. Potential new private sector actors have also been liberated and, as such, have an incentive to invest in warehousing, cold-storage facilities, and other market improvements.

GOI Initiates Reforms to Unleash the Domestic Market and usher the agripreneurship

Until now, the combination of the Essentials Commodities Act (ECA) and Agricultural Product Marketing Committee (APMC) laws determined and severely limited how domestic agricultural produce could be bought and sold in India. Enacted in 1955 when the country was facing severe food shortages, the ECA was designed to control the production, supply, trade, and storage of certain commodities deemed to be essential, and gave state governments excessive powers to raid so called "hoarders," confiscate stocks, cancel licensing agreements, and even imprison offenders.

The APMC system forced farmers to sell their produce only through licensed traders at designated market yards (mandis) which, over time, severely constrained competition among agricultural marketing activities, which hurt farmers' bottom line. In addition, the APMC system's high operational costs were partially passed on to buyers through various charges and taxes at the point of sale (has varied from five to 14.5 percent from state to state), and the buyers, in turn, partially passed on the higher marketing costs to farmers by paying less for their produce. Further, by forcing farmers to sell their produce through designated channels, and placing arbitrary restrictions on holding inventory/stocks, the ECA-APMC system discouraged price discovery and private storage. This gave way to an inefficient regime of licenses/permits, a lack of investment in agricultural marketing and post-harvest infrastructure, increased post-harvest losses, and other drawbacks that have been well documented since the early 1990s.

The closure of the regulated market yards and breakdown of supply chains during the national lockdown underlined the need for having alternate or multiple marketing channels to sell local farm produce due to the problems in marketing the rabi (winter grown) crops harvested in March-April, particularly horticultural crops. Owing to this supply chain instability, many radical farmer organizations successfully experimented with direct marketing, mainly fresh fruits and vegetables, to consumers. Several state governments also authorized direct farmer marketing and purchases by non-licensee traders and processors by relaxing the ECA requirements during this period.

Conclusion

The need and relevance of agricultural market reforms to usher agripreneurship in the country will be made possible with the recent ordinances. These ordinances of government of India are going to be the catalysts for entrepreneurship development especially in agriculture sector. Hence all the three ordinances are discussed to recognize the role of policy support for entrepreneurship development and to create mass awareness among the farming community.

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