



Agri-marketing Reforms - Rationale

What is the issue?

- The government announced some agricultural marketing reforms as part of the Atmanirbhar Bharat Abhiyan. Click [here](#) to know more.
- The reforms can be viewed essentially as already pending work that will be pursued now.

What are the key reforms?

- The three legal reforms in agricultural marketing announced as part of the Rs 20-trillion package for the economy are:
 1. amending the outmoded Essential Commodities Act (ECA), 1955
 2. enacting a new Central statute (bypassing the APMC regime) to enable farmers to get remunerative prices by selling their produce anywhere in the country
 3. passing a contract farming law to legalise agreements between producers and end-users of farm products

What is the long pending reform with APMCs?

- Agricultural Produce Marketing Committee (APMC) is a marketing board established by a state government to regulate prices and protect farmers' interests.
- Agricultural marketing is basically a state subject.
- So, efforts have for long been afoot to push reforms with the cooperation of states.
- But the response from states has been poor.
- Most states have amended their marketing laws.
- But they were not as strict as suggested in the model APMC law circulated by the Centre.

Why are States not cooperating in this?

- States, obviously, do not wish to give up control over agricultural markets.

- Notably, agricultural markets are a key source of revenue.
- Moreover, the market committees that run the APMC mandis enjoy considerable political status.
- They can therefore influence the rural vote bank, which is valued by political parties in the states.
- So, most states have only trimmed the monopoly of the APMCs over agricultural trade but without erasing it completely.
- Nor did they allow adequate privatisation of farm mandis.
- But, notably, this is vital in expanding the marketing infrastructure that has failed to keep pace with growth in agricultural output.
- Even the setting up of the electronic National Agriculture Market (e-NAM) could not serve the desired purpose in the initial years.
- This was because the business had to be transacted through the APMCs.

What is the Centre's move now?

- Given the above reality, the only option left for the Centre to carry out the unfinished reforms agenda is to go in for Central legislation.
- This would override the state statutes.
- It would, hopefully, help realise the longstanding goal of having a barrier-free single national market for the agricultural produce.

What is the case with contract farming?

- Similar hurdles have been impeding legalisation on contract farming too.
- These reforms are deemed essential to link farmers directly with the processors, exporters, retailers, and consumers of agricultural products.
- Such a network allows the farmers to produce the products conforming to the quality standards required by the end-users.
- Only some states have imparted legal sanctity to the pre-production contracts between seller and buyer under their amended APMC laws.
- This allows any party to retract from honouring the contract if the prices at the time of delivery do not suit them.
- Most other states are reluctant in bringing this reform.
- The NITI Aayog has already drafted a model contract farming legislation, but without much progress thereafter.
- All that the Centre needs to do now is to turn it into a Central statute.

What is the rationale for ECA amendment?

- The ECA is a Central law that has outlived its utility.
- It was enacted when shortages of essential goods were rampant and black-marketing and profiteering was usual.

- But the situation has since changed.
- The supplies of most commodities now exceed demand.
- The ECA's draconian provisions, which are no longer required, include -
 - i. preventive detention
 - ii. confiscating vehicles
 - iii. attaching properties on suspicion of hoarding and black-marketing
- The government's moves are thus largely the reforms that were much needed.

Source: Business Standard



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