



## **Ministry of Agriculture and Farmers' Welfare**

### **Repeal of Triple Farm Laws**

#### **Relevant to M&M – Agri Businesses**

Prime Minister Narendra Modi in his televised address to the nation on November 19 announced that the government has decided to repeal the three controversial farm laws passed in the Monsoon Session of Parliament last September. Latter on the three farm laws were repealed by both the houses of the parliament during ongoing winter session of the Parliament.

#### **Triple Farm Laws that have been repealed:**

- i. The Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020, which is aimed at allowing trade in agricultural produce outside the existing APMC (Agricultural Produce Market Committee) mandis.
- ii. The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020, which seeks to provide a framework for contract farming.
- iii. The Essential Commodities (Amendment) Act, 2020, which is aimed at removing commodities such as cereals, pulses, oilseeds, edible oils, onion and potato from the list of essential commodities.

The farm laws were in force for only 221 days — June 5, 2020, when the ordinances were promulgated to January 12, 2021, when the Supreme Court stayed their implementation. Since the stay, the laws have been suspended.

## Reasons Behind Farmers Protest

- **Repealing the farm laws:** The first and foremost demand of the protesting farmers' organisations is the **repeal of three new agricultural laws**. As per the farmers the law is framed to **suit big corporations who seek to dominate the Indian food and agriculture business** and will **weaken the negotiating power of farmers**. Also, big private companies, exporters, wholesalers, and processors may get an edge.
- **Minimum support price:** The second demand of farmers is the **guarantee of Minimum Support Price (MSP)** to ensure procurement of crops at a suitable price. The Farmers are also demanding to get a written assurance in the form of a Bill for the continuation of the MSP and conventional food grain procurement system. The Farmers' organisations want the APMC or the Mandi System to be protected.
- **Electricity (Amendment) Bill:** The third demand of farmers is the **withdrawal of the Electricity (Amendment) Bill**, as they feel that they won't get free electricity due to this.
- **Swaminathan Commission:** The Farmers are demanding MSP as recommended by the Swaminathan Commission.

The **Swaminathan Commission Report** states that the government should raise the **MSP to at least 50%** more than the weighted average cost of production. It

is also known as the  $C2 + 50\%$  formula. It includes the imputed cost of capital and the rent on the land (called 'C2') to give farmers 50% returns.

## Staying the Implementation by Supreme Court of India

- The **Supreme Court** stayed the implementation of the three laws in January 2021. The farm laws were in force for only **221 days** — June 5<sup>th</sup> 2020, when the ordinances were promulgated to January 12<sup>th</sup> 2021, when the Supreme Court stayed their implementation.
- Since the stay, the **laws have been suspended**. The government has used old provisions of the **Essential Commodities Act, 1955** to impose stock limits, having amended the Act through one of the three farm laws.

## Impacts of Repealing the Law

- **Need of Consultation** - The repeal underlines that any future attempts to reform the rural agricultural economy would require a **much wider consultation**, not only for **better design of reforms, but for wider acceptance**. The repeal would leave the government hesitant about pursuing these reforms in stealth mode again. The government will doubtless have to walk the path of reform very cautiously.
- **Low Farmers Income** - Given that the **average holding size stands at just 0.9 ha** (2018-19). Unless one goes for **high-value agriculture** — and, that's where one needs **efficient functioning value chains from farm to fork** by the infusion of private investments in logistics, storage, processing, **e-commerce**, and digital technologies — the incomes of farmers cannot be increased significantly. There is no doubt that this **sector is crying for reforms**, both in the marketing of outputs

as well as inputs, including land lease markets and direct benefit transfer of all input subsidies — **fertilisers, power, credit and farm machinery.**

- **Negative Impact on Industries** - Industries including **logistics, cold chain, agri-related, and farm equipment would be impacted the most** because they were supposed to be the direct beneficiaries of these laws.
- **Constant Agri-GDP** - The **agri-Gross Domestic Product (GDP)** growth has been **3.5% per annum in the last 14 years.** One expects this trend to continue — there might be minor changes in the agri-GDP depending on rainfall patterns. **Cropping patterns** will remain skewed in favour of rice and wheat, with the granaries of the **Food Corporation of India** bulging with stocks of grain. The food subsidy will keep bloating and there will be large leakages.

## Conclusion

Prime Minister, his announcement appeared to suggest that it was a tactical retreat.

This is the second rollback by the NDA government — the first was of land acquisition reforms in 2015 — and on both counts the issue related to rural farmers. Given that the Budget this year had announced a clutch of privatisation and monetisation measures, the repeal exposes the government to the risk of protests from employees' organisations to try and get these moves stalled, too. The PM was clearly balancing his political posture that has thrived on the image of a strong and decisive leadership.

Most advocates of agricultural reform would agree that they were in the right direction. That the government chose to push these reforms through its own set of consultations left many stakeholders feeling left out and created a backlash. The repeal underlines that any future attempts to reform the rural agricultural economy would require a much wider consultation, not only for better design of reforms, but for wider acceptance. The repeal would leave the government hesitant about pursuing these reforms in stealth mode again.

## Reactions

<ul style="list-style-type: none"> <li>○ <b>Anil J Ghanwat</b>, Supreme Court-appointed Panel Member</li> </ul>	<p>The government's decision to repeal three central farm laws is "very unfortunate" as this "political move" will not end the farmers' agitation and will not help the BJP in the upcoming assembly polls in Uttar Pradesh and Punjab</p>
	<p>This decision "won't end the agitation too. Because their demand to make minimum support price (MSP) legal will be there. And this decision won't help the BJP politically either." He said, "this is a very unfortunate decision. Farmers were given some freedom, but now they will be exploited as they have been exploited since independence or since British rule."</p>
<ul style="list-style-type: none"> <li>○ <b>Ashok Gulati</b>, Agricultural Economist and Former Chairman of the Commission for Agricultural Costs and Prices (CACP)</li> </ul>	<p>"The government has decided to repeal the laws and it is its wish. The panel has submitted its report to the Supreme Court. The SC may have advised the government or whatever to repeal. It is good for farmers. They can sit back and relax now."</p>
<ul style="list-style-type: none"> <li>○ <b>Sukhpal Singh Sran</b>, State Secretary, BJP</li> </ul>	<p>Expressed his intense displeasure at the laws being repealed. He said that if they had to repeal these laws they should not have passed them in the first place. "The farm laws were passed in a hurry and have been repealed in a hurry as well", he said.</p>
<ul style="list-style-type: none"> <li>○ <b>P Chidambaram</b>, MP, Rajya Sabha</li> </ul>	<p>Calling the Centre's decision to repeal the farm laws as a "great victory for the farmers and the Congress", senior party leader P. Chidambaram on Friday took a dig at the government, saying the move was not inspired by a change of heart but impelled by "fear of elections".</p>
<ul style="list-style-type: none"> <li>○ <b>Arvind Kejriwal</b>, Chief Minister of Delhi</li> </ul>	<p>"Generations to come will remember how the farmers of this country put their lives on the line and saved farming in this country. I bow before them."</p>
<ul style="list-style-type: none"> <li>○ <b>Rahul Gandhi</b>, INC leader</li> </ul>	<p>"Congratulations on this victory against injustice!"</p>

○ <b>Navjot Singh Sidhu</b> , INC leader	"Repealing of black laws, a step in the right direction ... You're sacrifice has paid dividends."
○ <b>Arvind Singh Dhankar</b> , Secretary of Farmer Union Khedut Sabha	"With our consistent protests despite pandemic we have proven that we were doing the right thing by questioning the government's flawed farm laws, we showed the world all the problems it will create for millions of Indian farmers. Finally, government has acknowledged our legitimate woes."
○ <b>Darshan Pal</b> , Senior Leader of Farmer Union Coalition Sanyukta Kisan Morcha	"We welcome the announcement made by the prime minister, but we need to know the government's stand on our other key demand of making minimum support prices compulsory for all crops."
○ <b>Mamata Banerjee</b> , Chief Minister, West Bengal	"My heartfelt congratulations to every single farmer who fought relentlessly ... This is YOUR VICTORY! My deepest condolences to everyone who lost their loved ones in this fight."
○ <b>Rakesh Tikait</b> , Leader and Spokesman of Bhartiya Kisan Union	"The agitation will not be withdrawn immediately; we will wait for the day when agricultural laws will be repealed in Parliament. Along with MSP, the government should also discuss other issues of farmers."
○ <b>Raman Singh Randhawa</b> , Head of Jai kisan Aandolan in Rajasthan state	"It is a win of farmers and this should have been repealed on the day one. These laws are not against the farmers but against the Indian structure. Had the government listened to us on day one many farmers lives could have been saved. You also see the elections are here, so the government had to repeal the laws."
○ <b>Ramesh Patel</b> , Regional President of Gujarat Khedut Samaj	"This is a big victory for farmers. Implementation of the three farm laws would have been detrimental to the interests of farmers, traders, and consumers. The government has done the right thing by announcing withdrawal of the laws."
○ <b>Mahua Moitra</b> , TMC MP, TMC	"Whether it was fear of losing (Uttar Pradesh) or finally facing up to conscience @BJP govt rolls back farm laws. Just the beginning of many more victories for people's voices."