

2020 Marked As Year of Reforms in Agriculture Sector



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Coronavirus outbreak had shaken the global economy throughout the first half of 2020. All assumptions have been blown away. COVID-19 has turned our world topsy-turvy. India is not the exception. Analysts & experts along with organizations across the world such as IMF & WB, are concerned that the global economy is likely to slip into recession in the third quarter of this fiscal as loss in income and jobs and cautiousness among consumers will delay recovery in consumer demand even after the pandemic. Countries across the world are trying to minimize damage and revive their economies by slew of measures including big financial & monetary stimulus. The pandemic has given an opportunity to them to radically transform its economy with long awaited reforms.

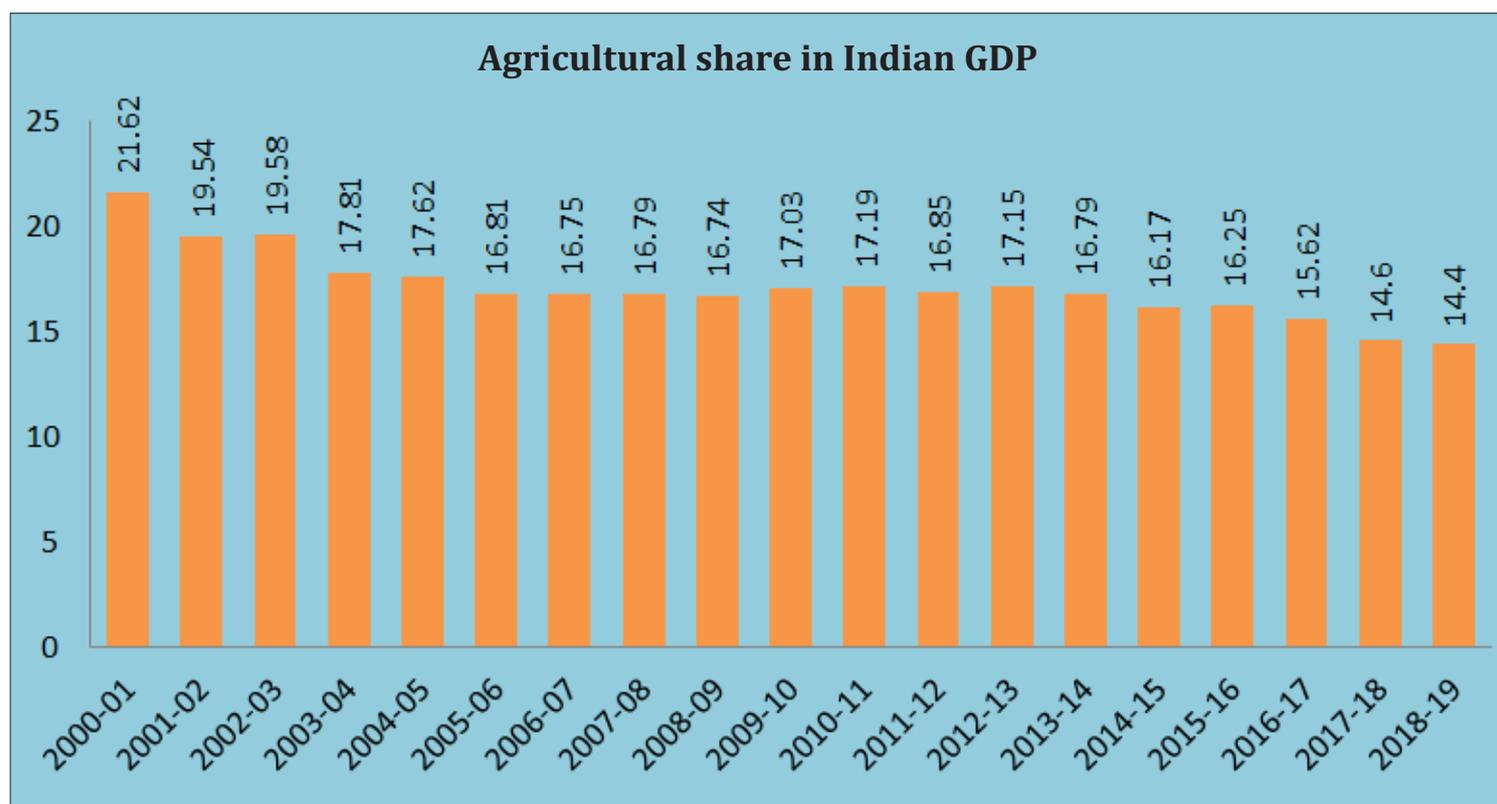
By addressing the country, Prime Minister Narendra Modi has pledged the people to convert this COVID-19 crisis into an opportunity. To translating the Prime Minister’s vision of ‘self reliant’ country on ground, the finance minister has announced the slew of measures to boost the economy.

Earlier, India has a history of taking reform steps during periods of crisis. For example, in 1991-92, it freed the private sector from a myriad of government controls, deregulated financial markets, reduced import tariffs and opened up the economy to more foreign investment to avoid a balance of payments crisis.

This time, the best parts of the financial packages are about agricultural reforms, the impetus to agriculture, improving the food chain, and related industries that were on the back burner for far too long. The agricultural sector has long list of restrictions which has hampered the marketing and price realisation of agricultural products. Some of these reforms have been under discussion for almost two decades. The current crisis, at least, opened the way of long overdue big reforms.

In the measures under the COVID-19 package, the government announced a slew of measures for the agriculture sector, including Rs 1.63 lakh crore outlay, and amending the stringent Essential Commodities Act (ESA) to remove cereals, edible oil, oil seeds, pulses, onions and potato from its purview. Also, a new law will be framed to give farmers the option to choose the market where they want to sell their produce by removing inter-state trade barriers and providing e-trading of agriculture produce.

The Centre has been attempting to reform agricultural marketing through a model Act which it encourages States to adopt.



Source: APEDA

Deregulation of Essential Commodities Act (ECA)

The deregulation of agriculture commodities from the Essential Commodities Act (ECA), imposition of stock limits only during emergencies, giving marketing choice to farmers and allowing private participation were much needed demand from stakeholders. It will benefit both farmers and consumers.

- The decision will ensure supply chain continuity and trade flows in the event of short supplies and exceptional circumstances. In an event like COVID-19, this will be helpful to control supply chain disruptions.
- In long term, with farm gate infrastructure and proposed investments in the value chain, it will help the farmers to realise 25 to 30 per cent higher income, depending on the produce.
- Stock limits will not be imposed on these commodities except in case of national calamity or famine or an extraordinary surge in prices, even these stock limits would not apply to processors and exporters.

Suspension of Agricultural Produce Marketing Committee (APMC) Act

Mandi closures during the lockdown had highlighted the urgent need for multiple channels to sell produce. Considering the urgency, the central government intends to enact a central law to allow farmers to sell produce at attractive prices beyond the current mandi system, facilitating barrier-free inter-State trade and e-trading.

- Many states, following the Union government's recommendations, temporarily suspended the Agricultural Produce Marketing Committee (APMC) Act and let farmers sell farm produce anywhere. Taking the initiative, the Madhya Pradesh government modified the MP KrishiUpaj Mandi Act.
- This is an opportunity to develop consensus across states to reform agricultural marketing and minimise restrictions on movement and sale of agricultural commodities. Also, agro-processing enterprises should be allowed to buy produce directly from farmers and back-linkages to farms must be encouraged.
- The reform will help farmers to build better market linkages for their produce. will facilitate direct sale to aggregators and the assistance being provided to enhance food processing and post harvest infrastructure in proximity to farm gates are excellent formulations which will help farmers.

Agri Infrastructure Fund: The milestone for post-harvest management

- The announcement of Rs 1 lakh crore Agri Infrastructure fund is the milestone for post-harvest management. The fund will help in strengthening the farm gate infrastructure for farmers.
- Government has been offering MSP for agri products, loans, subsidies and moratorium till now, the actual demand of removal of barriers & infrastructure such as warehousing, processing & packaging was still unaddressed. Shortage of capital is a major constraint for this diversification.
- The Indian food economy is mainly dependent on rural-urban supply chains. The 10,000 crores scheme for the formalization of Micro Food Enterprises (MFE) with an aim to promote the government's vision of "vocal for local with global approach".
- This move will give impetus to a cluster-based approach to building capacity at regional levels and to promote local product through export and better supply chain integration.

- The finance minister cited examples such as "makhana" in Bihar, turmeric in Telangana, mango in Uttar Pradesh, saffron in Kashmir and bamboo in north-east.
- It will contribute to mitigate post-harvest losses and wastage by giving a fillip to scientific storage facilities and also, help the small farmers to earn additional income by way of value-added agri-produce.
- In the long run it will secure India's food security and supply chain in a self-sufficient manner.

Agricultural Products Export, Import & trade balance (In crore rupees)			
Years	Export	Import	Trade Balance
2009-10	35,349.89	15,924.46	19,425.43
2010-11	42,437.18	14,559.73	27,877.45
2011-12	83,484.33	17,976.70	65,507.63
2012-13	1,18,250.96	22,676.13	95,574.83
2013-14	1,36,921.21	23,977.41	1,12,943.80
2014-15	1,31,343.00	31,534.99	99,808.01
2015-16	1,07,431.89	41,762.70	65,669.19
2016-17	1,08,426.73	53,888.35	54,538.38
2017-18	1,19,846.65	38,485.38	81,361.27
2018-19	1,30,387.83	29,339.22	1,01,048.61

Source: MOA

Operation Green

- This is a price fixation scheme that aims to ensure farmers are given the right price for their produce.
- Operation Greens was unveiled first in 2018 and it aims to promote farmer producers organizations, agri-logistics, processing facilities and professional management of agri-produce. It focuses on organized marketing of tomatoes, onions and potatoes by connecting farmers with consumers.
- Now the scheme will be expanded to cover all fruits and vegetables beyond the tomatoes, onions and potatoes. This has an additional allocation of ₹500 crore.
- The scheme will have a 50% subsidy on transportation from surplus to deficient markets and 50% subsidy on storage, including cold storage.

Impetus to contract farming

- Agriculture Produce Price and Quality Assurance reform was aimed at allowing contract farming. The quality of farm products would improve as large retail buyers would insist on quality. Farmers will not sow looking price in past but price in future.
- It will help farmers to seal an agreement in advance with big traders, processors & exporters to get the pre agreed price and quantities even before the crop is sown and also allow private players to invest in inputs and technology in the agricultural sector.
- So the sowing pattern will change in a sense as the market will assure the farmers a particular price.

Digitalization of Mandies

- National Agriculture Market (eNAM), a pan-India electronic trading portal was launched on 14th April 2016, by the Prime Minister Shri Narendra Modi, with the aim of networking the existing Mandis on a common online market platform as “One Nation One Market” for agricultural commodities in India.
- This digital initiative of Government of India provides a single window service for all APMC related information and services, including commodity arrivals, quality assaying, competitive bid offers and electronic payment settlement directly into farmers’ accounts.
- This online digital market aims at reducing transaction costs, bridging information asymmetries, and helping expansion of market access for farmers and other stakeholders.
- The pan-India electronic agri-produce trading portal reaches milestone of 1000 mandis across 18 States & 3 Uts.
- But it is irony that due to complexities of the process, Farmers feel more comfortable with physical trading rather than going online.
- Currently e-Choupal, world’s largest rural digital infrastructure & ITC's Agri Business Divisionon, is a most efficient supply chain of agricultural commodities who deliver value to its customers around the world on a sustainable basis.
- e-Choupal connected with farmers to buy their produce on remunerative price by sidelining intermediaries and also provide them agricultural inputs directly. No other company has this type of transparent model to connect with farmers.
- 'e-Choupal' services today reach out to over 4 million farmers growing a range of crops - soyabean, coffee, wheat, rice, pulses, shrimp - in over 35000 villages through 6100 kiosks across 10 states (Madhya Pradesh, Haryana, Uttarakhand, Uttar Pradesh, Rajasthan, Karnataka, Kerala, Maharashtra, Andhra Pradesh and Tamil Nadu).

In order to go local to global, the stimulus and capital funds should be used for bringing in value addition for fishery and agricultural products to gain advantage in international markets and boost exports.

As per 2018, agriculture employed more than 50% of the Indian work force and contributed 17–18% to country's GDP and associated with small, medium and large industries. These enterprises are connected to other sectors that use raw material from agriculture and inputs to it.

Given the current state of the economy, we also need to monitor the system-wide effects such as food price inflation and related social unrest. However, minimising controls and democratising access will definitely the biggest reform agri sector that needs at the moment to make the agri-produce market more competitive. We hope the positive effects will start appearing as soon as the pandemic crisis is over. If the proposed reform implemented on ground, the year **2020 will be marked as year of reforms in agriculture sector.**

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