

# To Study New Farm Bill 2020 and Its Potential Impact on Small Land Holding Farmers

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**Abstract:** India an agriculture country and agriculture is a backbone of Indian economy. From many years it is seen that agriculture sector of India faced various economic and social problems; it negatively affects on overall development of agriculture sector and resulted in low economic development of the country. At the end of September 2020 government passed and approved New Farm Bill 2020. The main aim of bills are to empower farming community through barriers free trade, farmer friendly environment, and liberalizing regulatory system. The new reforms are mainly helpful for small farmers, who own less than two acres of farmland. These smallholder farmers are 80 percent of the total agrarian population. This research paper aims to study the reforms brought by new farm bill and its impact on small land holding farmers on the basis of secondary data.

**Keyword:** *New farm bill, Impact on Small landholding Farmers.*

## Introduction

India is an agrarian economy. Agriculture sector plays vital role in providing food, employment, foreign exchange and raw material for various industries. Around 70% of population is directly depends upon agriculture sector in India [1]. Agriculture is life line of Indian population. Agriculture sector in India faced various economic and social problems and its impact on overall development of agriculture sector and economic development of country.

Demographics of India is changing at a very rapid pace. Nuclear families are being formed at a very rapid pace which is resulting in a land holding is being divided in a smaller parts. This leads to challenges in managing the crop output from such small farm land. In India small land holding farmers facing no of challenges due to the traditional method of agriculture. Number of key factors affected performance of small land holding farmers like seed procurement, water management, low price for farming produce, unavailability of labor and increase in cost of

inputs. Small land holding farmers perform various non-farm activities like logistics of purchase and sale, money borrowing, serving debt, government interface for subsidies etc. With all these challenges small land holding farmers are the largest producer of food, food grains and cash crops. If we can increase the productivity, efficiency and income of small land holding farmer it will help to reduce hunger and poverty of the population at large in India.

At the end of Sep 2020 government passed the act and approved New Farm Bill 2020 aiming empowerment of farming community by creating farmer friendly environment, liberalising regulatory system, barriers free trade. It will may be help to small land holding farmers to increase income and come from vicious debt trap.

To develop small landholding farmers in an efficient manner it is important, the reforms of new farm bill, and its impact on the small land holding farmers.

### Objectives of the study:

- 1) To understand the reforms of new farm bill.
- 2) To study the potential impact of new farm bill on small land holding farmers.

### The Reforms of New Farm Bill

#### 1) Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020

This act permits intra and inter-state trade of farmers' produce outside the physical place of

Agricultural Produce Market Committee (APMC) markets and other markets notified by the state APMC Acts.

- **Trade of Farmers' Produce:** The Act allows the farmers to trade in outside the APMC yards or Mandis. Like farm gates, factory premises, cold storages.
- **Alternative Trading Channels:** This act facilitates beneficial prices to the farmers via substitute trading channels to promote barrier-free intra-state and inter-state trade of agriculture produce.
- **Electronic Trading:** It allows the electronic trading. It will also provide facility of direct and online trading buying and selling of the agricultural produce via electronic devices and the internet.
- **Abolition of Market Fee:** As per the Act, the State Governments are proscribed from levying market taxes on farmers, traders and electronic trading platforms for trading farmers' produce in an 'outside trade area'.

#### 2) Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020

This act creates a national structure for contract farming through an agreement between a farmer and a buyer before the production of farm produces.

- **Farming Agreement:** This Act provides farming agreement between a farmer and a

buyer prior to the production of any farm produce.

- **Minimum Period of Farming Agreement:** As per this act the minimum period of the farming agreement shall be for one crop season or one production cycle of livestock.
- **Maximum Period of Farming Agreement:** the utmost period of the farming agreement shall be five years. It also states that if the assembly cycle of any farming produce is quite five years, the utmost period of farming agreement could also be mutually decided by the farmer and the buyer and clearly mentioned in the farming agreement.
- **Pricing of Farming Produce:** The pricing of farming produce and the process of price determination should be clearly mentioned in the agreement. For prices subjected to variation, a guaranteed price for the produce and a transparent reference for any additional amount above the guaranteed price must be clearly laid out in the agreement.
- **Settlement of Dispute:** This Act provides dispute settlement mechanism in three-level Conciliation Board, Sub-Divisional Magistrate and Appellate Authority.

### 3) Essential Commodities (Amendment) Act, 2020

An amendment of the Essential Commodities Act, 1955 restrict the powers of the government with respect to production, supply, and distribution of certain type commodities.

- This act removes some food items from the list of essential commodities, cereals, pulses, oilseeds, edible oils, onion, and potatoes.
- Government can enforce stock holding limits and regulate the prices of the cereals, pulses, oilseeds, edible oils, onion, and potatoes under the Essential Commodities Act 1955—only under special circumstances like warfare, food shortage, unexpected price rise, and natural calamity of grave nature.
- Stock limits of farming produce are to be based on price rise in the market. They may be imposed only if there is a 100 % increase in retail price of horticultural produce, and a 50 % increase in the retail price of non-perishable agricultural food items. The increase is to be calculated over the price current during the preceding twelve months, or the average retail price over the last five years, which is lower.
- Through this act government aims to removing fears of private investors of regulatory influence in their business operations.
- This act gives liberty to produce, hold, move, distribute, and supply produce, leading to harnessing private sector/foreign direct investment in agricultural infrastructure.

## **Potential Impact of New Farm Bill on small land holding farmers**

### **Impact of Farmers Produce Trade and Commerce Bill 2020 on small land holding farmers**

The Farmers of the country will benefit at large and it will have wide spread impact on the lives of small land holding farmers. This bill presents the greater choice to small land holding farmers in selling their farm produce anywhere in and out of state without any barrier outside the APMC and notified Mandies and bring “freedom of choice” for small land holding farmers.

The new farm bill allows farmers to sell their produce directly to any buyer. These extra channels like large corporations, agritech startups to food processors, wholesalers, retailers, and hotels and restaurants. As per this act any transactions of purchase and sales of agriculture produce taking place outside APMC and notified Mandies would be exempted from the APMC (Agricultural Produce Market Committee) fees and taxes.

This bill presents online trading facility and creates electronic transaction platform for online trade of agriculture produce. Prior, the farmers would have to sell their produce through local aggregators and mandis, which would then sell to consumers at a higher price. Each intermediary takes benefit the price of produce, but the farmer still earns less

because the commissions went to the middlemen. Due to small land holding size small farmers have less bargaining but now, they can work with platforms directly, they are not mandating to go to the mandi. Due to free market and increased competition, farmers will get price benefits

This act provides three level disputes settlement body to solve disputes if any arising out of transactions between trader and farmers. It creates legal environment.

This bill may create a more competition in markets, it will help to increase bargaining power of small land holding farmers and will get better pricing for their farm produce. Additionally farmers will get benefit from direct market linkages and better supply chains that will impact their incomes positively.

### **Impact of Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 on small landholding farmers.**

This bill promotes and regulates contract farming that will help to empower and protect farmers for engaging with large company, wholesalers, retailers, agribusinesses, food processors and exporters. The Bills also bring in a slide of benefits for agritech startups and organized players who connect farmers to agribusinesses, food processors and exporters; agri warehousing companies and cold storage providers; supply

chain and logistics operators that make sure transparency and timeliness

Today many agritech startups had already been working towards digitizing farmers, offering them crop advisory, helping them with improved market linkages, and reducing intermediaries for better price realisation of crops. Some platforms also improve demand visibility for farmers, and help reduce post-harvest loss and wastage, especially in perishables agriculture produce.

Today Farmers started to see the benefits of working with organised agritech companies They begin to look for long-term arrangements for demand visibility and structural processes. Farm Bills strengthen this in a more regulatory manner. Farmers are more empowered to make choices that will be remunerative in the long run. Farmers get choice to choose their partners and decide how to market their produce.

Particularly Smallholding farmers need supply chain efficiencies from better matching of supply and demand to lower instability on pricing, and cold storage. The Farm Bills present this opportunity and let farmers interface directly with agri service providers. Through these reforms a buyer can buy produce from anywhere, irrespective of geography which automatically expands the customer base. This reform creates various opportunities to private players in contract farming frameworks, farmer advisory, farm consulting providers, and online farm

marketplaces. The free agri trade, boost more corporatization, privatization and participation of various players.

Most of the stakeholders opined that more privatization will lead to increased investments and tech-led innovations, especially in sourcing and collection centers, storage, and supply chain infrastructure.

The Bills will bring highly required private investment in agricultural marketing, processing and infrastructure. Privatization brings right infra and supply chain required to efficiently handle perishable to reduce the wastage. The Bills will help to empower local entrepreneurs.

The Bills will encourage to corporate like ITC, Godrej, Cargill to come closer to farmers, get first access to their produce, and invest in cold chains near the farm gate.

### **Impact of Essential Commodities (Amendment) Act, 2020 on small land holding farmers**

This amendment will improve private investment in agriculture sector and will help to create more storage capacities resulted in reduce post harvest loss of crops.

Changes in the 1955 law are a major step of the government to achieve its target of doubling farmers' income, is expected to attract private investment in the value chain of commodities

While the intention of the Act was originally to protect the interests of consumers by checking illegal trade practices such as hoarding, it has now become a barrier for investment in the agriculture sector and particularly in post-harvesting activities. The private sector had so far hesitated about investing in cold chains and storage facilities for perishable items as most of these commodities were under the field of the EC Act, and could attract sudden stock limits. The amendment seeks to address such concerns.

## Conclusion

From the above study it is concluded that farm bill 2020 are progressive and visionary. It may positively impact on small farmer's income.

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