

# NEW ORDINANCES IN THE AGRICULTURE & ALLIED SECTOR, 2020

*(w.e.f. 6<sup>th</sup> June, 2020)*



**SFAC**  
लघु कृषक  
कृषि व्यापार संघ

# PRESENT SCENARIO OF FPOs IN THE COUNTRY

Presently, around 5000 FPOs (including FPCs) are in existence in the country. These were formed under various initiatives of the Govt. of India (including SFAC), State Governments, NABARD, as well as other organisations over the last 8-10 years.

Sl.	Promoting Agency	No. of FPOs
1.	SFAC	910
2.	NABARD	2086
3.	State Governments (Funded by leveraging RKVY or the World Bank funds)	510
4.	NRLM (MoRD)	131
5.	Other Organisations/Trust/Foundations etc.	1376
<b>Total</b>		<b>5013</b>

In general, it is estimated that around best 30% of these FPCs are currently operating viably and around 20% are still struggling to survive. Around 50% are still in the phase of mobilisation, equity collection, business planning other management related developmental stages (MANAGE Report, 2019).

**However, out of the FPOs promoted under SFAC, it is estimated that around 60% of FPCs are operating, and around 20% are struggling for scaling up business activities, and around 20% are in the phase of mobilisation, equity collection, business planning and other developmental activities.**

# NEW ORDINANCES, 2020

In the Agriculture & Allied Sector

*(w.e.f. 6<sup>th</sup> June, 2020)*

The following three ordinances were passed by the President of India on 5<sup>th</sup> June, 2020:

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

*(To promote barrier-free inter-state and intra-state trade in agriculture produce)*

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

*(Farmers empowered to engage with processors, aggregators, wholesalers, large retailers, exporters etc.)*

**3. The Essential Commodities (Amendment) Ordinance, 2020**

*(Regulatory environment liberalized for farmers through amendment to Essential Commodities Act.)*

# 1. THE FARMERS' PRODUCE TRADE AND COMMERCE (PROMOTION AND FACILITATION) ORDINANCE, 2020

## AIMS AND OBJECTIVES OF THE ORDINANCE:

- The ordinance basically aims at **creating additional trading opportunities outside the APMC market yards** to help farmers get remunerative prices due to additional competition.
- This will supplement the existing MSP procurement system which is providing stable income to farmers.
- It will certainly pave the way for creating **One India, One Agriculture Market**.

## BENEFITS:

- It will provide for the **creation of an ecosystem where the farmers and traders enjoy the freedom of choice relating to sale and purchase of farmers' produce** which facilitates remunerative prices through competitive alternative trading channels.
- It will **promote efficient, transparent and barrier-free inter-state and intra-state trade** and commerce of farmers' produce outside the physical premises of markets or deemed markets notified under various State agricultural produce market legislations.
- Besides, the Ordinance **will provide a facilitative framework for electronic trading** and matters connected therewith or incidental thereto.

# 1. THE FARMERS' PRODUCE TRADE AND COMMERCE (PROMOTION AND FACILITATION) ORDINANCE, 2020

## SALIENT FEATURES:

- 1.Any Individual or trader having PAN or other such document notified by Central Govt. and FPOs including Agricultural Cooperative Societies are eligible to trade.
- 2.No market fee or cess or levy under APMC or any State Laws shall be levied on trader or farmers or e-trading platforms in trade area.
- 3.Every trader, who transact with scheduled farmers in a trade area, the payment to farmer shall be made on the same day or within 3 working days.
- 4.Such person establishing/operating e-trading platforms shall prepare & implement the guidelines for fair trade practices & disseminate the information in local language as per place of operations.
- 5.The ordinance will not be applicable to Stock Exchanges and Clearing Corporations recognized under Securities Contracts (Regulation), Act, 1956.

# 1. THE FARMERS' PRODUCE TRADE AND COMMERCE (PROMOTION AND FACILITATION) ORDINANCE, 2020

## SALIENT FEATURES: (Continued..)

6. Central Govt. may prescribe a system of electronic registration, modalities of trade transactions, mode of payments, logistics arrangements, quality assessment etc. to facilitate fair trade.

7. Any trader or person or entity who contravenes any of the provisions of the Act shall be punishable with of financial penalty upto Rs. 50,000/- which could be extended upto Rs. 10 lakh or upto Rs. 10,000 per day till continued contravention.

8. Dispute of farmer is to be resolved by Conciliation Board to be constituted by Sub-Divisional Magistrate (SDM). The order of the SDM (or) the Appellate Authority will have the force of the decree of a civil court.

## **2. THE FARMERS (EMPOWERMENT AND PROTECTION) AGREEMENT ON PRICE ASSURANCE AND FARM SERVICES ORDINANCE, 2020**

### **AIMS & OBJECTIVES OF THE ORDINANCE:**

To provide national framework on Farming Agreements that protects and empowers farmers to engage with agri- business firms, processors, wholesalers, exporters or large retailers for farm services and sale of future farming produce at a mutually agreed remunerative price framework in a fair and transparent manner and for matters connected therewith or incidental thereto”.

### **BENEFITS:**

- This ordinance will transfer the risk of market unpredictability from the farmer to the sponsor.
- This will empower the farmer to engage with buyers/sponsors of his/her choice.
- This will enable farmers to access modern technology and better inputs.
- Also, it will reduce the cost of marketing and improve the income of farmers.

## 2. THE FARMERS (EMPOWERMENT AND PROTECTION) AGREEMENT ON PRICE ASSURANCE AND FARM SERVICES ORDINANCE, 2020

### SALIENT FEATURES:

1. A farmer may enter into a written Farming Agreement in respect of any aiming produce and such agreement may provide for the terms and conditions for supply of such produce, including the time of supply, quality, grade, standards, price and such other matters.
2. No Farming Agreement shall be entered into under this section in derogation of any rights of a share cropper.
3. 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 of 5 (five) years.
4. The price to be paid for the purchase of a farming produce may be determined and mentioned in the Farming Agreement itself.
5. The Farming Agreement can require that the ownership of the produce may retained by the farmer during production and the Sponsor to provide inputs and bear risks.



## 2. THE FARMERS (EMPOWERMENT AND PROTECTION) AGREEMENT ON PRICE ASSURANCE AND FARM SERVICES ORDINANCE, 2020

### SALIENT FEATURES: (Continued..)

6. Under a Farming Agreement, the delivery of any farming produce is to be taken by the Sponsor at the farm gate, he shall take such delivery within the agreed time; effected by the farmer, it shall be the responsibility of the Sponsor to ensure that all preparations for the timely acceptance of such delivery have been made.

7. No Farming Agreement shall be entered into for the purpose of any transfer, including sale, lease and mortgage of the land or premises of the farmer; or raising any permanent structure or making any modification on the land or premises of the farmer.

8. This ordinance gives exemption from the State laws provide the regulation of sale and purchase of farming produce and The Essential Commodities Act, 1955.

9. At any time, after entering into a Farming Agreement, the parties to such agreement may, with mutual consent, alter or terminate such agreement for any reasonable reason.

## 2. THE FARMERS (EMPOWERMENT AND PROTECTION) AGREEMENT ON PRICE ASSURANCE AND FARM SERVICES ORDINANCE, 2020

### Salient Features: (Continued..)

10. A Farming Agreement may be linked with insurance or credit instrument under any scheme of the Central/State government/ any financial service provider to ensure risk mitigation any flow of credit to farmer or sponsor or both.

11. A State Government may notify a Registration Authority to provide for electronic registry for that State that provides facilitative framework for registration of Farming Agreements.

12. A dispute arising from any Farming Agreement shall be first referred to the conciliation board formed as per the provisions of the Farming Agreement and every endeavour shall be made by such board to bring about settlement of such dispute.

13. The Central Government may issue necessary Guidelines and Model Farming Agreements, as deemed fit to facilitate farmers.

### 3. THE ESSENTIAL COMMODITIES (AMENDMENT) ORDINANCE, 2020

#### ABOUT THE ESSENTIAL COMMODITIES ACT:

- Enacted in **1955**.
- Used by the Government to regulate the production, supply and distribution of a whole host of commodities it declares ‘essential’ in order to make them available to consumers at fair prices.
- Under the Act, the government can also fix the maximum retail price (MRP) of any packaged product that it declares an “essential commodity”.

#### BENEFITS OF AMENDED PROVISIONS:

- This will remove fears of private investors of excessive regulatory interference in their business operations.
- The freedom to produce, hold, move, distribute and supply will lead to harnessing of economies of scale and attract private sector/foreign direct investment into agriculture sector.
- It will help drive up investment in cold storages and modernization of food supply chain.

### 3. THE ESSENTIAL COMMODITIES (AMENDMENT) ORDINANCE, 2020

#### SALIENT FEATURES:

1. The supply of foodstuffs **including cereals, pulses, potato, edible oilseeds, and oils shall be regulated only under exceptional circumstances** such as war, famine, extraordinary price rise, and natural calamity of a grave nature.
2. An order can be passed if there is a **100% increase in the retail price of horticulture produce (OR) 50% increase in the retail price of non-perishable** agricultural foodstuffs over the price prevailing immediately preceding 12 months or average retail price of last 5 years, whichever is lower.
3. An order **will not apply to a value chain participant of any agricultural produce if the stock limit of such person does not exceed the overall ceiling** of the installed capacity of processing.
4. The amended provisions **will not be applicable to any order regarding the Public Distribution System or the Targeted Public Distribution System.**

*“The above Ordinance/measures will enable barrier-free trade in agriculture produce, and also empower the farmer to engage with buyers/sponsors of his/her choice. The freedom of the farmer, which is of paramount importance, has thus been provided”.*

***THANK YOU***