Gist of EPW July Week 4, 2021

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1. The FPTC Act, 2020: A Blinkered Vision

Context

The article highlights APMC markets' travails in the post-reform period focusing on procurement practices followed by the organised firms.

Introduction

- The Farmers' Produce Trade and Commerce Act, 2020 desires to overcome resistance from the states on agricultural marketing reforms, and give farmers the freedom to sell their harvest.
- The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 has restricted the jurisdiction of Agricultural Produce Market Committee (APMC) markets to its premises only, allowing organised firms such as supermarkets and processing firms to resort to direct sourcing from farmers, preferably using contract farming.
- Further, the Essential Commodities Act was also amended to facilitate hassle-free movement of an expanded list of agricultural commodities.
- The three acts are expected to encourage investment by organised firms in developing an integrated supply chain that would help smallholders with better price discovery in a 'one nation, one market' system.

Also read: Farm Acts 2020

APMC Market

- The journey of APMC markets started with the APMC Act, which was instituted in the late 1920s with a mandate to sell agricultural produce in these designated markets only in order to protect farmers from unscrupulous traders and moneylenders.
- APMC markets remained a key plank of the success of the green revolution by providing an assured market for produce at prefixed prices, which incentivised farmers to adopt the technology.
- The APMC markets continued to enjoy unstinted public support until the early 1990s, as the expansion of such markets kept pace with agricultural output growth.
- Recent Trends
    - The past three decades have witnessed a gradual decline of APMC markets.
    - The APMC markets are also unevenly distributed, with one such market covering as many as 146 villages in Andhra Pradesh as against only 17 villages in Uttar Pradesh.
    - The quality of infrastructure in APMC markets is inadequate even as the consumption basket of the average Indian has gradually moved in favour of high-value crops. Most of these

markets lack auction platforms, proper grading, storage, and drying facilities, often resulting in wastages (Ministry of Agriculture 2013).

APMC Acts

- APMC Act 2003
    - The clauses in the act include provisions of contract farming, private wholesale market and direct purchase from farmers outside APMC markets, all under the APMC regulations. However, the implementation of these reforms was highly uneven.
    - Until 2015, only 18 states amended their respective APMC acts and only 10 implemented them (Purohit 2016).
- Agricultural Produce and Livestock Marketing Act
    - Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act was introduced in 2017 to improve agri-marketing both inside and outside APMC markets.
    - It included inter alia, doing away with the requirement of shops for commission agents to foster competition within APMC markets, removing the marketing of fresh produce from the mandate of APMC markets and declaring the entire state as a single market area.
- Farmers' Produce Trade and Commerce Act
    - The FPTC Act, 2020, which took away the power to implement reforms from the states, proposed to limit the jurisdiction of APMC markets to only their scheduled area.
    - The act addressed the issues of conflict of interest that come in the way of promoting alternative marketing channels outside the designated area of the APMC markets.
    - The act further proposed doing away with mandi taxes on actors sourcing produce from outside APMC markets, while maintaining the status quo inside the markets. Advocates of the act argued that freed from the control of the APMC, the organised firms would invest in the supply chain, giving farmers the freedom to sell their produce at better prices.

Organised Firms Procurement Practices

- The procurement practices followed by organised firms indicates that exclusion happens at several levels.
- The first level of exclusion happens through the geographic placement of the supply chain as these firms insert their supply chains only in resource-endowed areas closer to the urban centres.
- The second-level marginalisation happens at the choice of the farmers. In such supply chains, contracts offered by actors such as supermarkets are devoid of any resource provision and without any commitment from either party to buy or sell their produce.
- Resource-poor farmers are either excluded or have limited participation, as only larger farmers or those better endowed among smallholders manage to appropriate higher returns due to their resource base.
- The rural inequality is further increased in the present Indian context.

One Nation-One Market

- Around only 40% of the total agri-produce makes it to the APMC markets and marketing of fresh produce has already been kept outside the ambit of such a market.
- The FPTC Act is likely to undermine competition even in areas where the APMC market has set a benchmark for organised firms.
- Also, the Farmers' Produce Trade and Commerce Act has ended up creating two different markets with different tax regimes.

Bihar Experiment

- Bihar repealed its APMC Act in 2006, providing a trial run to what the present act is likely to achieve for the country as a whole.
- In the absence of APMC markets in the state, the orphaned farmers are selling paddy at prices 30% below the minimum support prices.
- Interventions of organised firms in the state also do not inspire much confidence.
- The detailed study on the makhana supply chain in the state, however, found little presence of the company on the ground.
- The subsidies from the National Bank for Agriculture and Rural Development and the state government have enabled the emergence of cold storages as new centres of commerce in the potato value chain in some of the poorest districts in the state.
- The Bihar experience highlights the public good character of agricultural marketing infrastructure in a poor region.

Overview

- The post-COVID-19 world highlights the importance of sustainability of agri-food value chains.
- The FPTC Act, 2020 undermined the APMC markets in a competitive and inclusive agri-food market system.
- Also, the procurement practices by organised firms have an exclusionary character, for the resource-poor farmers.
- Rather than marginalizing the APMC market, the government should bring reforms to improve the functioning of such markets and upgrade and expand them to enable them to replay the roles they played so successfully during the green revolution.

2. A New Ministry for Cooperation

Context

Introduction

- The Ministry of Cooperation seeks to provide a separate administrative, legal and policy framework for strengthening the cooperative movement.
- It seems to offer a true people-based movement and an economic development model to enhance the multistate cooperative societies.

Recent Events

- The Banking Regulation (Amendment) Act, 2020 was passed to bring urban cooperative banks under the direct supervision of the Reserve Bank of India.
- The Supreme Court in Union of India v Rajendra Shah and Others (2021) has partly struck down the 97th constitutional amendment that sought to provide a clear framework for the administration of cooperatives across the country.
- The Court clearly stated that cooperatives and any form of legislation pertaining to them are strictly within the domain of the state governments and legislatures.
- The Parliament has the sanction to legislate only in matters of multi-state cooperatives.

Ministry of Cooperation

- The Ministry of Cooperation will provide a separate administrative, legal and policy framework for strengthening the cooperative movement in the country.
- It envisages deepening co-operatives as a true people based movement reaching up to the grassroots.
- The ministry will work to streamline processes for 'Ease of doing business' for co-operatives and enable the development of Multi-State Co-operatives (MSCS).

Read more on the Ministry of Cooperation in the linked article.

Key Highlights

- Cooperatives are not incorporated business entities as their primary aim is to utilise collective efforts towards the enhancement of the collective well-being of those involved.
- Cooperatives in several states are important institutions that are part of the local political contestation, and very much part of the political fabric.
- The bulk of the cooperative movement, whether in the form of credit societies, banks, or producer cooperatives are administered by states, with some states, especially Maharashtra and Kerala, being prominent.
- The independent ministry i.e. the Ministry of Cooperation might challenge the existing domination of cooperatives by certain sections of the political spectrum.
- The supervision of cooperative banks by the RBI is already a step in the same direction.

Conclusion

- The ministry aims to incorporate a separate administrative, legal and policy framework for strengthening the cooperative movement in the country.
- Cooperatives have a mix of both social and political fabric and it will be a matter of time for realising how far this step will align with the imperatives of cooperative federalism.