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# **FARM BILL 2020: HARDSHIP AND RESTORATIVE**

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## **ABSTRACT**

Farm bill 2020 is a big structural change in agriculture, which is a combination of 3 bills, to encourage corporate investments in agricultural ecosystem to make it profitable for farmers and providing farmers an alternative platform to sell which eventually help in better pricing and gives farmers better access to modern technology. Ironically, the mandi system ran by government will vanished and many of the Arhtiyas who are large farmers will lose their commission and interest income, also the government will have no control over the prices as the bill does not give any statutory backing up to minimum support price. Though the modalities of how the mandi purchase will co-exist with alternate platforms remains to be seen in the coming day and whether corporate houses and large retailers could dominate Indian agriculture with money power. However, this system of a free market is failed in the developed countries and as a result many farmers commit suicide who are going through an agricultural crisis. In India, half of the population depends on agriculture, it is a matter of caution for the farmers. Since farmers will have a choice and have to compete with these alternate platforms where Companies may dictate the price and the benefits for small farmers may reduce, the agriculture markets need to be monitored closely and instead of making new bill, Government can reform and remove the loopholes and strengthen the APMC Act. Also lays a network of much more mandis than now, so that farmers can easily approach and get the fair price and to ensure that the farmers are treated fairly and are not exploited.

**Keyboard:** Farmers bill, agricultural crises, private companies, mandi system, exploitation of farmers, suicide.

## **1. INTRODUCTION**

Agriculture is the most important sector in India. Most of the Indian economy depends upon Agriculture, where more than 50% of the population depends on agriculture directly or indirectly. The half population is directly attached to the farming and half of them are involved in doing businesses with the goods. The Indian agriculture sector contributes 18% of India's gross domestic product. India is the largest producer of pulses, rice, wheat, spices, and spice products and the second-largest producer of fruits and vegetables. In India, most of the farmers occupy less than two hectares of land, because of limited resources for production and knowledge, the tiny farmers are exploited by the company sector. The agriculture sector generates significant revenue for both central and state governments.<sup>1</sup>

Suicide is a common issue in our country. In India every day many farmers commit suicide. Indian agriculture system mostly depends on nature, sometimes because of the natural calamities the crops get destroyed. Farmers got to suffer great losses and that they undergo debt as most of the farmers take loans for growing crops, they kill themselves because they do not have money to pay back. Another reason is that the economic processes exploiting them by providing low prices for their productions. Capitalization is also a big reason for the suicides of farmers. The big private companies purchase the crops at low prices from the farmers and sell them at higher prices using market strategies people usually do not prefer going to a farmer's market but rather to the supermarket. Farmers give their full input in growing crops but the output is not so good which also causes them to commit suicide.

### **Indian Agriculture History**

When India became an independent nation there was a shortage of food most of the population was starving at that time, there were not enough resources for the food. The local grain system was controlled by the landlords and moneylenders, who grew food went without it, the farmer was in perpetual debt. To remove this backdrop, the state started to control the food trades, government set up special market areas 'mandis' which are governed and regulated by agricultural produce

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<sup>1</sup> Aunindyo Chakravarty. (2020, September 26). Blog: The flaws in Modi government's new farm bills. *NDTV.com*. <https://www.ndtv.com/blog/the-flaws-in-modi-governments-new-farm-bills-2301540>



market committees. In these mandis farmers and traders were not allowed to freely sell or purchase the crops, for doing trade in these mandis they require a license provided by the government. This act says that farmers cannot sell their products directly to the consumer nor anyone cannot directly purchase from them, all the sale will be done through the MANDI which established the APMC act which is ran by the state governments. Trader has to acquire the license to purchase anything from that specific Mandi, Similarly the farmers of that area are allowed to sell their production on that specific Mandi. This system of selling and purchasing things from the specific Mandi is compulsory for the traders and farmers. After that farmer has to take his product to APMC MANDI and there he will meet with commission agent also known as arhtiyas and there they will negotiate and discover the price, so this is the existing APMC system which says to create a new and parallel ecosystem. The farmer was given minimum support prices so that they are not exploited. The objective to bring the act was to have a track record of all the produce that was arriving in large mandis across the country, to ensure that the farmers are paid stable and reasonable prices and to estimate the food availability.

## **2. THE THREE BILLS THAT WERE INTRODUCED IN FARM BILL 2020**

The farm bill is the primary agricultural and food policy tool and multi-year law that governs an array of agricultural and food programs. It provides opportunity for policymakers to comprehensively and periodically address agricultural and food issues.

In the recently launched famous Farm Bill 2020, three bills have been passed by the Indian Parliament and was published on September 17, 2020 aiming at introducing reforms in the agricultural sector in the farm bill 2020. While farmers are protesting against all three bills, especially Punjab and Haryana, as farmers in the country are worried that the bills would allow corporate to assume greater control over farm operations and weaken poor farmers in cases of legal disputes.<sup>2</sup>

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<sup>2</sup> Live Law Research Team. (n.d.). Explained: The 3 farmers bill and the controversies surrounding them. Live Law. <https://www.livelaw.in/amp/know-the-law/explained-the-3-farmers-bills-and-the-controversies-surrounding-them-163375>

These three-farm bill 2020 are:

### **2.1 Farmers Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020**

This Bill seeks to permit the sale of agricultural produces outside the mandi, regulated by APMC, where farmers and traders will enjoy the freedom of choice-based marketing which allow them to sell and purchase farm produce to anyone, anywhere in the country that is outside registered 'mandis', with the aim to ensure fair prices for the producers and protecting them from exploitation.

### **2.2 Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020**

This bill intends to provide for contract-farming, which will allow farmers to enter into a contract with agri-business firms, wholesalers, exporters or large retailers at mutually pre-agreed price. By which Marginal and small farmers with land less than five hectares, to gain through aggregation and, which provide farmers to access modern tech and get better inputs.

### **2.3 Essential Commodities (Amendment) Bill, 2020**

Apart from the above two bills, the parliament with the objective of restricting stock limit on agricultural produces passes a bill to amend the Essential Commodities Act (ECA), which regulate the supply of food items like cereals, pulses, edible oils, oilseeds, onion and potatoes from the list of essential commodities and can be exercised only under "extraordinary circumstances" like war, natural calamity of grave nature.<sup>3</sup>

## **3. WHAT ARE THEY FOR?**

Once these bills will become laws, it will give the freedom to the farmer to sell outside the mandi system anywhere in the country and can reach an agreement before procuring harvest. These laws

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<sup>3</sup> *What is farm Bill 2020: Pros & cons of three farm bills introduced in India | India news - Times of India.* (2020, September 18). The Times of India. <https://timesofindia.indiatimes.com/india/what-is-farm-bill-2020-pros-cons-of-three-farm-bills-centre-introduced/articleshow/78180231.cms>

will also allow the Centre to regulate or impose stock limits on supply of certain food items under extraordinary circumstances. Moreover, the government has been eyeing, how these three bills will help small and marginal farmers by allowing them to sign agreements with Agri- business firms and places restrictions on the storage of essential commodities. All the law does is provide farmers an alternative platform to sell which will accelerate growth in the sector through private sector investment.<sup>4</sup>

## **4. HARDSHIPS IN NEW REFORM FARM BILL 2020**

### **4.1 Contract Farming**

The history of big companies in agriculture across the world tells that small farmer are exploited and are unable to compete with them. Once the big player enters the market of Agriculture the small farmers are unable to uprooted, it is difficult to stand up in front of big companies, they find tough to match the legal resources that the corporate sector and even the larger farmers have difficulties to match up with the corporate sectors. Contract farming is not a good option for the farmers because in India mostly farmers are small farmers and most of them are uneducated does not have knowledge about the terms and condition of the contract. So, the companies can exploit them by setting up the wrong terms and conditions of which they do not have any knowledge, the farmers also do not have legal resources to fight with the companies for themselves. Consequently, the farmers have to suffer as the contractors keep the prices very low in order to maximize their profit.

Now the bill will allow the farmers to enter into an agreement with the large buyers to produce a crop for pre-agreed prices. But the farmers will have disadvantages from this change because when a new company is established in the market it gives many offers to the public and gives good prices to the sellers for some years and this is because the company has to establish in the market, after

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<sup>4</sup> New agriculture bill: What is the new agriculture bill? Everything you need to know about it. (2020, September 18). The Economic Times. [sed-in-lok-sabha/articleshow/78183https://m.economictimes.com/news/economy/agriculture/everything-you-need-to-know-about-the-new-agriculture-bills-pas539.cms](https://m.economictimes.com/news/economy/agriculture/everything-you-need-to-know-about-the-new-agriculture-bills-pas539.cms)

that they will start giving the prices to farmers because ultimately the companies will see their profit margin. If the nearby APMC mandis close then the farmer will have no other option they have to sell their crops at low prices to the private companies. Ultimately the farmer has to agree on the prices which the company will give them this will exploit the farmers. In India, many farmers commit suicide because of not getting good prices for their production.<sup>5</sup>

## 4.2 Free Market

The new system says that the farmers can eliminate middlemen and sell directly to the institutional buyers at the prices to be agreed between them. But in India 85% of farmers own less than two hectares of land so it will be difficult for them to negotiate directly with the large-scale buyers.<sup>6</sup>This system would expose the farmer to the cooperate who have more bargaining power and resources than the small or marginal farmers. The new system says that the middlemen will be removed but the middlemen will go nowhere there will be always a middleman between the company and the farmer through which the contract will happen between them because it's difficult for both company and farmers to directly approach to each other. If any company wants to purchase some crops then they will always contact a middleman they will not directly go to the farmers. The middle man who was working for APMC with the license now will work for the companies without the license due to this the farmers will get low prices for their crops. So, the farmer will not get the actual prices of their crops which they should get. The new system is in the favor of neoliberalism but if the market is left free by the government for the businesses then the companies will focus only on the profit, the companies will earn the profit as they wish to earn. It would not be good for the society if the private companies are left free without the government regulation, they will exploit the farmers by giving low prices to them and they will not care about the environment and the environment will be destroyed which can cause harm to society.

Developed countries like France and America also favor neoliberalism. In the developed country the multinational companies are having a monopoly in the market concerning agriculture. This

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<sup>5</sup> Kipren Dhaliwal. (2020, September 27). Critical analysis on the farmer bills, 2020. Lex Forti Legal News & Journal. <https://lexforti.com/legal-news/farmer-bills/>

<sup>6</sup> The farmers (Empowerment and protection) agreement on price assurance and farm services bill, 2020. (2020, September 20). PRS India. <https://www.prsindia.org/billtrack/farmers-empowerment-and-protection-agreement-price-assurance-and-farm-services-bill-2020>

system of a free market is failed even in the developed countries, farmers commit suicide even in the developed countries and these countries are going through an agricultural crisis because in these countries the government had set the market free and given whole power to multinational companies, so the companies focuses only on making a profit for them and exploit the farmer. Since 1960, the farmers' income in America has constantly declined, the agriculture of these countries is surviving on the agricultural subsidies. If the model is not surviving in such a developed country then how it will survive in India.

### **4.3 Removal of Geographic Restrictions**

The bill removes the geographic restriction for farmers, but earlier there was no restriction on the farmers to sell elsewhere the restriction was on the traders and the middle men. An individual in his capacity if he wants to sell his produce to another state he has no restriction for that he can sell the production in any state, but then they do not sell because the cost of travel, if the farmer will sell his product to another state then there will be more travel expenses which will be unaffordable by the small farmer. If a farmer goes to another state for sale, if he not able to sell his crops then he will require a warehouse for the storage and this will be unaffordable by the small farmer and even by the large farmers. Removal of geographic restriction looks good on paper but practically if we see then it is not a good option for the farmers because the farmer has to bear expenses to the travel and storage.<sup>7</sup>

### **4.4 No Tax outside APMC Mandis**

The bill is making sale and purchase outside the Mandis more attractive due to the absence of taxes this would pose a huge disadvantage for the farmers because in APMC mandis everything was regulated, the transactions are taken into account, there is a minimum support price but there are no minimum support prices exist outside these mandis. There is no one to regulate anything and to ensure that the farmers are treated fairly and are not exploited.

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<sup>7</sup>Aron Almedia. (2020, September 30). Farm Bill 2020 explained - Are farmers winning or losing? Trade Brains.

<https://tradebrains.in/farm-bill-2020-explained/>

The new bill provides that when the trader buys inside the APMC mandis then they will have to pay the Mandi tax but if the traders buy outside the APMC mandis then they would not have to pay the taxes. So, the traders and companies would want to buy the produce outside because there will be no tax outside, gradually the people will move out of the Mandis and this will cause the mandis to start becoming redundant and slowly will be vanished in the next 5 years.

If the private buyer starts purchasing directly outside the Mandis then the state government will lose out on the taxes that are charged at mandis. If APMC will be closed than the state government will lose a way by which the income is generated for the state. The potential scrapping of Mandis endangers the jobs of millions who work there and many small workers work in these mandis for their livelihood.

Once the mandi system will collapse then obviously the minimum support price that was assured to farmers would also decline gradually. In mandis, the government was having control over the prices but in the private sector, the government will have no control over the prices. The bill does not give any statutory backing up to minimum support price.

#### **4.5 Hoarding**

If the private players will have the power to stock unlimited crops because of this the farmers have to face artificial price fluctuations. when in the market the price of the crop will be low private companies will purchase the crops in unlimited quantity will make good stock with them and in the next season if prices will be high they will deny purchasing, they will purchase only if the farmers will sell the crops at low prices, ultimately the farmers will have no option they have a sale the crops to companies at low prices.<sup>8</sup>

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<sup>8</sup> Kakoli Nath. (2020, September 25). The farm Bill 2020: Know the pros & cons. Finology Blog - Latest Updates & News on Finance and Legal in India. <https://blog.finology.in/recent-updates/farm-bill-2020-pros-and-cons>

## **5. CONCLUSION**

The best solution for the protest of the farmers is to give back up to MSP. There is no doubt that there are shortcomings in the APMC act. Reforms are needed for APMC, not its removal. In India, only 7000 mandis are present at this time, if the government lays a network of 42,000 mandis then every farmer can easily approach the mandis and can get better prices. For the betterment of the farmers the government can remove the loopholes in APMC and strengthen more so they can function better. A law should be made for MSP to be at least 50% more than the weight average cost of the population. There should be a prescribed mechanism for the price fixation and the government should give a price assurance to the farmer. The suicide rate will be decreased if the government provides farmers with crop insurance and compensation for the disaster. Before passing such bills, the government has a responsibility to take the opinion of the farmers and also of the states. But in new bills, the government has not taken the opinion.

The investment in the agriculture sector must be done from the government not from the private sector because the private sector varies and protection of government will be gone this will affect half of the population. if the government will do the investment everything will be managed and the farmers will be protected because the private sector will try to exploit them.

The government should set up Different modes that can link villages to the market which can help them to easily access to the market and can get good prices for their crops, the government should provide storage facilities and electricity supply to the farmers for their betterment. The government should set an upper limit on the prices of the medicine used in agriculture to prevent the companies from selling such items to the consumer at the prices that they wish to sell. The bills are not giving any legal backing up to the farmers, so the government should provide legal resources and provide education on the laws to the farmer so that they can understand the terms and conditions of the contract farming. There should be some sectors that should not be profit-driven, rather they should be welfare-driven sector that will focus only on the welfare of the farmers by making good Schemes for them and implementing those schemes in a proper format.