FARM REFORM LEGISLATIONS 2020: EXPLAINED

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Introduction

Farming is the most important activity for humans. Food is essential for our life. We depend on agricultural outputs for our food requirements. Once agricultural techniques used to be eco-friendly though it didn't yield a high crop comparing now. A farmer who tills the land is unfortunately not respected. Many farmers don't want their next generation to till the land because they are not getting the output which they expect for their efforts, hard labour, and investment.

India is and has been an agrarian economy. It is a farming nation and 65% to 70% of individuals are connected with agrarian.[1] After India gained Independence in 1947, farmers used to sell their products direct to the consumers. But due to the dominant system of *Zamindars* or money lenders, farmers were trapped in perpetual debt. Farmers need to buy seeds, fertilizers, and other things required for growing a crop, for buying all these things farmers need money so they avail loans from *Zamindars* or money lenders who in return impose a very high-interest rate on the principal amount. Farmers were unable to pay such a hefty amount and, in such cases, to get their money back money lenders or the *Zamindars* used to buy the whole produce of the farmers but, they paid very less amount to farmers because farmers did not have the bargaining power. Farmers required money to again sow their fields so this cycle continued, and farmers could never come out of debt.

India produces a large quantity of food grains such as millets, cereals, pulses, etc. A major portion of the food-stuffs produced is consumed within the country. Our farmers work day and night to feed our huge population. Agriculture is the backbone of the

Indian economy. Though compared to other sectors, the overall share of agriculture on GDP of the country has not increased satisfactorily, still, agriculture continues to play a dominant part in the overall economic scenario of India.

With the growth of other sectors, the overall share of agriculture in the Indian economy has decreased over time from around 51.8% in 1950-51 to around 15.8% in 2018-19 (in terms of Gross Value Added at current prices). However, the agriculture sector still continues to play a significant role in the overall economic scenario in India and it alone employs more than 50% of the total workforce, particularly in rural areas.[2] The declining productivity and low capital formation in the agricultural sector can be largely attributed to the declining public investment in the sector. This trend is alarming considering the burden on productivity-driven growth in the future. Appropriate policy measures are required to stimulate the slow pace of private investment in agriculture.

After independence, governments at the Centre and States took plenty of measures to support farmers and boost the agricultural sector with the help of numerous schemes. Measures, which are proposed by the three legislations passed recently by the Indian Parliament, are taken for the improvements in the management of the supply chain with an expectation that it will lead to the overall growth of the economy.

The table below is from a presentation made at a conference[3] held by the Indian government for agriculture ministers of States, showing that there is already a presence of these reforms in many states, and these three farm reform legislation are not passed in haste.

Action	No. of States/UT
De-regulation of marketing of Fruits & Vegetables	17 States/UT
E-trading	22 States
Single trading license	22 States/UT
Single point levy of market fee	22 States/UT

Direct Marketing	21 States/UT
Setting up of markets in private sector	21 States/UT
Declaring warehouses/cold storage as market sub-yard	6 states
Segregation of regulation from operation	7 states

Three legislations passed by the Indian Parliament

1. Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020. This Act
2. The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020.
3. The Essential Commodities (Amendment) Act, 2020

These three Acts aim to reduce hurdles between open markets and farmers. Farmer is the only producer who cannot decide the price of his own produces and whom he wishes to sell. So, these Acts will reduce dependency on traditional APMC-based intermediaries without abolishing them for creating a unified national market that is 'one nation-one market'. These three Acts target improving the supply chain of farm produce and making available to the farmers various options for selling their farm produce.

Two things we should know before looking into these three Acts

1. What is the Agricultural produce market committee (APMC)?

APMC or Market Yard or *Mandis* are state-regulated committees. The idea behind these committees was to make available a market for farmers to sell their farm produce at the local level and protect farmers from compulsions of money lenders or wholesale traders to sell farm produce at a lower price.

Regulation of the farm produce market is not a new concept but it can be traced back to British Raj in India. Berar Cotton and Grain Market Act of 1887 was the first Act that allowed British power to supervise and regulate the cotton market on a large scale.

After independence, in the 1960s and 1970s, most of the States enacted legislation on agricultural produce market committee. Market yards and local *mandis* were established with the required infrastructure. These APMCs were empowered to frame the rules at the local level. These initiatives by the States to regulate the market were much needed at that time to protect poor farmers who used to end up selling their farm produce at a lower price to money lenders (savakars). A farmer could not think of income from his farm produce because even if a farmer could produce the best quality crop, he cannot decide the price. A dearth of facilities like transport, weighing machines, storage, etc. forced farmers to sell their farm produce on a price decided solely by the purchaser wherein farmers did not have any negotiating power.

Organized marketing of agricultural commodities has been promoted in the country through a network of regulated markets. Most of the State governments and Union Territories have enacted legislation (APMC Act) to provide for the regulation of agricultural produce markets. There are more than 7000 APMCs in India at present.[4] It cannot be denied that APMCs established by States were playing an important role for everyone in the chain of agriculture that is from farmer to the consumer. Unfortunately, these committees lost their primary objectives and they became instrumental in exploiting farmers. Due to APMC Act in States farmers could not sell their farm produce outside the established APMCs even if they could sell it elsewhere for a higher price. Moreover, various taxes, fees, commissions, transportation expenses, and cartelized commission agents in APMC added into the agony of farmers.

Now, the process of selling the product is that after harvesting, crops are brought to the *Mandis* or Markets where they sell the produce through auctioning or price discovery. These markets are managed by the Market Committees constituted by the State Governments. Once a particular area is declared a market area and falls under the jurisdiction of a Market Committee, no person or agency is allowed freely to carry on wholesale marketing activities. The monopoly of Government regulated wholesale markets has prevented the development of a competitive marketing system in the country.[5]

Farmers cannot sell their produce to anyone other than middlemen. Middlemen are people between the farmer and the retailer or big traders. For example, farmers sell their vegetables to the middlemen and then the vegetable vendor buys vegetables from the middleman, the vegetable vendor will not buy directly from the farmers. The government gives license to these Middlemen; shops, storage facilities, etc. are provided to them in APMC markets.

2. What is the Minimum Support Price (MSP)?

Minimum support price (MSP) is a fixed price declared by the Government of India to protect the farmer in case the market price falls sharply. Farmers produce the crops by investing their labour and money with the purpose of getting income out of selling the farm produce. Due to uncertainty in market prices, he is not sure of the price he might be getting when crops are ready. So, to protect the farmers, the Government of India ensures minimum support price and purchase the entire quantity offered by the farmers.

MSP is a tool that gives a guarantee to the farmers, prior to the sowing season, that a fair amount of price is fixed to their upcoming crop to encourage higher investment and production of agricultural commodities. The MSP is in the nature of an assured market at a minimum guaranteed price offered by the Government. The Minimum Support Prices were announced by the Government of India for the first time in 1966-67 for wheat in the wake of the Green Revolution. One of the studies conducted to understand the overall impact of MSP on agricultural production reveals that MSP is not only one of the significant determinants of agriculture production in India. However, the area under cultivation and productivity of the crops were more important factors in India.[6] Therefore, the government should focus their policy on how to increase the area under crops and productivity of those crops which intended to increase overall production. At present, the Government of India has been implementing MSP policy as a tool for intervening in agriculture produce markets and regulating agro-market in India.

All farmers do not have access to the government's minimum support price. The life of the Indian farmer is full of uncertainties and plight. The transmission of crops from the fields to markets is not very easy. Only 6 percent of the crops are purchased on MSP. The remaining agricultural crops fetch 10-30 percent less price in the market[7] and it is unacceptable if we take into account the central role of MSP that is to keep a check on exploitation by the private traders and to ensure price stability.[8]

Even after so many years of its implementation, less than 25 percent of farmers know the MSP of crops they grow. Although MSP is announced for the whole of India, the operation is limited only to a few states where the designated government agencies procure the produce from farmers.[9] The important point which must be noted here is that only 23 crops are covered by the MSP scheme and not every crop is so protected. MSP is guaranteed only for cereals, pulses, oilseeds, raw cotton, raw jute, copra, de-husked coconut, and a few other crops. Fruits, vegetables, and other farm produce are not covered by MSP.

Three Legislations

The primary objectives of these three legislations are intended to assist small and marginal farmers, who have no means of either negotiating for a better price for their produce or investing in technology in order to increase farm productivity. These laws seek to allow farmers to sell their produce to whoever they want outside APMC or *Mandis*. Even at their farm gates, everyone may purchase their produce.

1. The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020. (Act 20 of 2020)

This Act received the assent of the President on the 24th September 2020. It replaces the Ordinance promulgated in June 2020. The Act provides a framework for farmers to engage in contract farming, i.e., farming as per an agreement with the buyer before sowing, under which farmer sells produce to the buyer at a pre-determined price and shall receive the price on its delivery as per the agreed terms.[10] Contract farming is not

Exemptions with respect to farming produce:

Farming produce under a farming agreement will be exempted from all state Acts aimed at regulating the sale and purchase of farming produce. Such produce will also be exempted from any stock limit obligations applicable under the Essential Commodities Act, 1955, or any other law.[18]

Sponsor prohibited from acquiring ownership rights:

To protect the interest of farmers from any deceitful act of sponsor, Act prohibits sponsor from acquiring ownership rights or making permanent modifications on farmer's land or premises. According to the concerned provision[19] purpose of farming agreement shall not be related to any transfer, including the sale, lease, and mortgage of the land or premises of the farmer. The Act also prohibits raising any permanent structure on the land or premises of the farmer, unless the Sponsor agrees to remove such structure or to restore the land to its original condition, at his cost, on the conclusion of the agreement. After the expiry of the agreement period, if such structure is not removed, the farmer will become the owner of such structure.

Conciliation board for dispute settlement:

The act provides for a three-level dispute settlement mechanism; the conciliation board, Sub-Divisional Magistrate and Appellate Authority. The Act requires a farming agreement to provide for a conciliation board (comprising of representatives of parties to the agreement) and a conciliation process for the settlement of disputes. At first, all disputes must be referred to the board for resolution. If the settlement is arrived at by the parties, a memorandum of settlement shall be drawn accordingly and signed by the parties to such dispute and such settlement shall be binding on the parties.

If the dispute remains unresolved by the Board after thirty days, the Sub-divisional Magistrate (SDM) may be approached for resolution. Parties can appeal to an Appellate Authority (presided by collector or additional collector) against decisions of the SDM. Both SDM and Appellate Authority will be required to dispose of a dispute within 30 days from the receipt of the application.

Protection of farmer's interests:

As per the Act, deciding authority may impose a penalty where the Sponsor fails to make payment of the amount due to the farmer and such penalty may extend to one and half times the amount due, but when the order is against the farmer for recovery of the amount due to the Sponsor, such amount must not exceed the actual cost incurred by the Sponsor. One more aspect is covered by the same provision. If the farmer is in default and it is due to force majeure, then deciding authority cannot pass an order for recovery against the farmer.[20]

Bar of jurisdiction of civil court:

According to Act, no civil Court will have jurisdiction to entertain any suit or proceedings related to a dispute which is entrusted to resolve under this Act to a Sub-Divisional Authority or the Appellate Authority.[21] Taking away the jurisdiction of the Civil Court seems inappropriate as disputes would be arising out of contractual obligations having a commercial aspect to it. Proceedings in Civil Courts are time-consuming, expensive, and complex. The objective of the concerned provision would be to protect farmers' interest from these lacunae of civil Court. But the solution that is executives will solely be resolving the issue cannot be justified. Instead, tribunals can be established to resolve such disputes wherein a person from the judiciary or having legal expertise can be appointed.

No Civil Court shall have jurisdiction to entertain any suit or proceedings in respect of any dispute which a Sub-Divisional Authority or the Appellate Authority is empowered by or under this Act to decide and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act or any rules made thereunder.

2. Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020. (No. 21 of 2020)

This Act received the assent of the President on the 24th September 2020. It allows intra-state and inter-state trade of farmers' produce beyond the physical premises of

APMC markets.[22] As per its preamble, it promises to provide for the creation of an ecosystem where the farmers and traders enjoy the freedom of choice relating to the sale and purchase of farmers' produce, to promote efficient, transparent, and barrier-free inter-State and intra-State trade and commerce of farmers' produce outside the physical premises of markets notified under various State agricultural produce market legislations and to provide a facilitative framework for electronic trading.

Who can trade?

Farmers' produce means food items including cereals such as wheat and rice, oilseeds, oils, vegetables, fruits, spice, and sugarcane. It also includes (i) products of poultry, piggery, goatery, fishery, dairy, (ii) raw cotton and jute, and (iii) cattle fodder.[23]

The Act allows farmers, farm producer organizations as well as anyone who buys farmers' produce for wholesale trade, retail, end-use, value addition, processing, manufacturing, export, or consumption, to engage in such intra-state or inter-state trade.[24] Here, a farmer producer organisation means an association or group of farmers which is: (i) registered under the law, or (ii) promoted under a scheme of the central or state government.[25] Except for the farmer producer organisations or agricultural co-operative society no trader is allowed to trade in any scheduled farmers' produce unless such a trader has a permanent account number allotted under the Income-tax Act, 1961 or such other document as may be notified by the Central Government. "Scheduled farmers' produce" means the agricultural produce specified under any State APMC Act for regulation.[26]

Payment to farmers:

A person transacting with a farmer will be required to make payments to the farmer on the same day, or within three working days in certain conditions, for any transaction of scheduled farmers' produce.[27]

Electronic trading and transaction platform:

The Act permits the electronic trading of farmers' produce in the trade area. An electronic trading and transaction platform may be set up to facilitate the direct and

online buying and selling of farmers' produce through electronic devices and the internet for physical delivery of the farmers' produce. The central government may prescribe modalities for such platforms including (i) procedure, norms, and manner of registration, and (ii) code of conduct, quality assessments, and modes of payment. If a platform contravenes the modalities prescribed by the central government or engages in unfair trade practices, its right to operate the platform may be suspended or cancelled.[28]

No fees to be levied by states:

The Act prohibits state governments from levying any market fee, cess, or levy on farmers, traders, and electronic trading platforms for any trade under the Ordinance.[29]

Dispute resolution mechanism:

The parties involved in a trade-related dispute may apply to the Sub-Divisional Magistrate for relief through conciliation. The Magistrate will appoint a Conciliation Board and refer the dispute to the Board. Conciliation Board shall consist of a chairperson and such members not less than two and not more than four, as the Sub-Divisional Magistrate may deem fit. If the dispute remains unresolved after 30 days, the parties may approach the Magistrate for settlement of the dispute. The parties will have a right to appeal against the decisions of the Magistrate before an Appellate Authority (Collector or Additional Collector nominated by the Collector).[30]

3. The Essential Commodities (Amendment) Act, 2020. (No. 22 of 2020)

This amendment Act received the assent of the President on the 24th September 2020. It provides a framework wherein States can to impose all kinds of restrictions on the storage, transport, and processing of agricultural produce. These controls have been traditionally justified on the grounds that they are necessary to control hoarding and other types of speculative activity, but the fact is that they do not work in times of genuine scarcity and are not needed in normal times. Besides, they are typically misused by the lower levels of the administration and become an instrument for harassment and corruption.

It is important to note here that, in the report of the task force on employment opportunities published in July 2001 and chaired by Montek Singh Ahluwalia it is clearly mentioned that, "At a time when European countries have integrated their national markets and regard the resulting large European market as a feature which strengthens their position globally, it is an anomaly that we have laws that actually prevent the development of an integrated national market for agricultural products. After full consideration of this issue, we are of the view that the Essential Commodities Act should be repealed."[31] Further, in the same report, it is recommended that "The Ministry of Agriculture in the Central Government, in collaboration with the Planning Commission, should undertake a systematic review of State laws and control orders which impose harmful controls on agriculture and actively seek their repeal. Vested interests and inertia will resist such a move, but we feel that it is an essential step for extending the benefits of economic reforms to agriculture."[32]

The Essential Commodities (Amendment) Act, 2020 attempts to remove the arbitrariness and unpredictability in notifying stocking limits, by linking it to transparent rule-based price triggers. The Act seeks to increase competition in the agriculture sector and enhance farmers' income. It seeks to provide that stock limits on agricultural produce can be applied only in extraordinary circumstances based on price rise. Accordingly, a form of restriction will be deployed only in 'exceptional circumstances'.

The Act suggests that for horticultural produce, stocking limits can only be invoked if there is a 100% increase in retail price and 50% increase in the retail price of non-perishable agricultural foodstuff, using a base price.[33] The base price would be the retail price in the preceding 12 months or the average retail price of the last five years, whichever is lower.

The Act provides that any stock limit imposed on agricultural produce will not apply to a processor or value chain participant if the stock held by such person is less than (i) the overall ceiling of installed processing capacity, or (ii) demand for export in case of an exporter. A value chain participant includes any person engaged in value

addition to the produce at any stage, starting from production in the field to final consumption. These stages include processing, packaging, storage, transport, and distribution of agricultural produce.

There are currently debates on whether these are too high to be relevant or too low so as to render the amendment meaningless, but this Act has generated comparatively less controversy. There is a view too that removing the threat of stocking limits would be especially welcomed by large businesses that hitherto found this to be a constraint.

Conclusion

These Acts sought to bring much-needed reforms in the agricultural marketing system such as removing restrictions of private stockholding of agricultural produce or creating trading areas free of middlemen and taking the market to the farmer. Refer to the "PRS - The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020"

Even in 2001, in a report of the task force on employment opportunities, it is mentioned that "Although originally designed to protect farmers' interests by creating regulated markets, the (APMC) system has actually created a monopoly situation in which a small group of traders and agents are able to extract huge benefits. It is absolutely essential to liberalize the existing laws and allow competing markets to be set up. The Government of Karnataka has amended the Agricultural Produce Marketing Act by ordinance to allow National Dairy Development Board (NDDB) to set up a modern fruits and vegetable market in Bangalore. This is a welcome development. We would recommend full decontrol so that any group of persons should be allowed to set up modern marketing infrastructure to facilitate marketing of agricultural produce subject to paying the normal mandi tax. The establishment of competing market will help farmers."[34]

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[13] The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, Section 2 (o) (2020).

[14] The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, Section 10 (2020).

[15] The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, Section 12 (2020).

[16] The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, Section 5 (2020).

[17] The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, Section 6 (2020).

[18] The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, Section 7 (2020).

[19] The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, Section 8 (2020).

[20] The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, Section 14 (2) (2020).

[21] The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, Section 19 (2020).

[22] The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, Section 14 (2) (2020).

[23] Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, Section 2 (c) (2020).

[24] Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, Section 2 (n) (2020).

[25] Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, Section 2 (d) (2020).

[26] Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, Section 2 (j) (2020).

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[28] Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, Section 5 (2020).

[29] Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, Section 6 (2020).

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[32] *Ibid.*

[33] The Essential Commodities (Amendment) Act, Section 2, (2020).

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रजिस्ट्री सं. डी. एल.—(एन)04/0007/2003—21 REGISTERED NO. DL—(N)04/0007/2003—21

भारत का राजपत्र
The Gazette of India

सी.जी.-डी.एल.-अ.-01122021-231519
CG-DL-E-01122021-231519

असाधारण
EXTRAORDINARY
भाग II — खण्ड 1
PART II — Section 1
प्राधिकार से प्रकाशित
PUBLISHED BY AUTHORITY

सं. 57] नई दिल्ली, बुधवार, दिसम्बर 1, 2021/अग्रहायण 10, 1943 (शक)
No. 57] NEW DELHI, WEDNESDAY, DECEMBER 1, 2021/AGRAHAYANA 10, 1943 (SAKA)

इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

MINISTRY OF LAW AND JUSTICE

(Legislative Department)

New Delhi, the 1st December 2021/Agrahayana 10, 1943 (Saka)

The following Act of Parliament received the assent of the President on the 30th November, 2021, and is hereby published for general information:—

THE FARM LAWS REPEAL ACT, 2021

No. 40 of 2021

[*30th November*, 2021.]

An Act to repeal the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020, the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020, the Essential Commodities (Amendment) Act, 2020 and to amend the Essential Commodities Act, 1955.

Be it enacted by Parliament in the Seventy-second Year of the Republic of India as follows:—

Short title.

1. This Act may be called the Farm Laws Repeal Act, 2021.

Repeal of Acts 20 of 2020, 21 of 2020 and 22 of 2020.

2. The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020, the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 and the Essential Commodities (Amendment) Act, 2020 are hereby repealed.

Amendment of Act 10 of 1955.

3. In section 3 of the Essential Commodities Act, 1955, sub-section (*1A*) shall be omitted.

DR. REETA VASISHTA,
Secretary to the Govt. of India.

UPLOADED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI–110002 AND PUBLISHED BY THE CONTROLLER OF PUBLICATIONS, DELHI–110054.

MGIPMRND—1229GI(S3)—01-12-2021.