



## Sector Specific Report (Agriculture) July 2021 Edition



### Policies Covered In The Edition

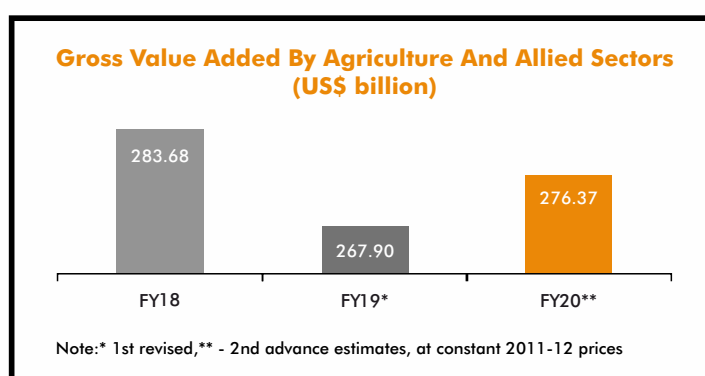
1. Farm Act, 2020

2. Biotech-KISAN Programme: Special  
Call for Northeast Region

3. Guarex & Soydex: India's First Agri-Sectoral  
Indices Launched by NCDEX

## Farm Act, 2020

The most talked-about three Farm Acts of 2020 are passed by the Parliament to realise the vision of the Indian government to “double the farmer's income”. As per the 2011 Census, almost 55% of the Indian population is engaged in agriculture and allied activities and the majority of them are in poor and stressed conditions. Thus sustainably transforming the Indian agriculture sector is the need of the hour. For this, the central government has exercised its power of law-making enshrined under entry 33 of the concurrent list of the Indian Constitution to make laws related to the “trade and commerce” of agricultural produce including edible oils, cotton, jute, etc.



The three acts are based on the recommendation of the MS Swaminathan Commission, 2004 to make Indian agriculture a sustainable and profitable venture for our “annadatas”. This will strengthen the supply chain in the agricultural sector and

provide multiple opportunities to farmers and add value to the food processing sector also. Thus farmers will be able to come out of the shackles of intermediaries in local mandi and practice their new rights through barrier-free trade. The three most debated Farm Acts of 2020 are:

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

This act allows farmers to decide on the trade of their agricultural produce out of local mandi and state-regulated mandi under state APMC Acts. That will provide farmer's a free hand related to the trade of their products without any intervention of intermediaries. It also bars the State governments or APMCs from levying any additional tax or fees on agricultural produce and promotes barrier-free intra-state and inter-state trade. After implementation, it will decentralize the agriculture markets and encourage the participation of farmers and other stakeholders in the supply chain like cold storage, etc. By empowering the farmers, the act will help them in the discovery of higher prices and realise the vision of “One India, One Agriculture Market”.

Some of the states are opposing the reforms on the basis that it is against the will of federalism and reduces the state revenues. Some farmers have doubts

related to a reduction in government procurement and Minimum Support Price (MSP). But the government has explicitly mentioned that these reforms are not going to affect any of these existing government supports and the government's continuous procurement for the current crop cycle is expressing their strong will for the same.

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

This act empowers farmers to enter into contract farming. In this, the farmer and buyers called “sponsors” (Can be an individual, company, or society) have a direct legal agreement related to selling the agricultural produce before sowing the seeds. The pre-determined price for the agriculture produce and duration of the contract (minimum one crop and maximum of 5 years) is mentioned in the agreement. The farmers can have a contract of more than 5 years on a mutual basis. This contract farming framework is voluntary and puts no pressure on the farmer to involve in any such agreement without their wish.

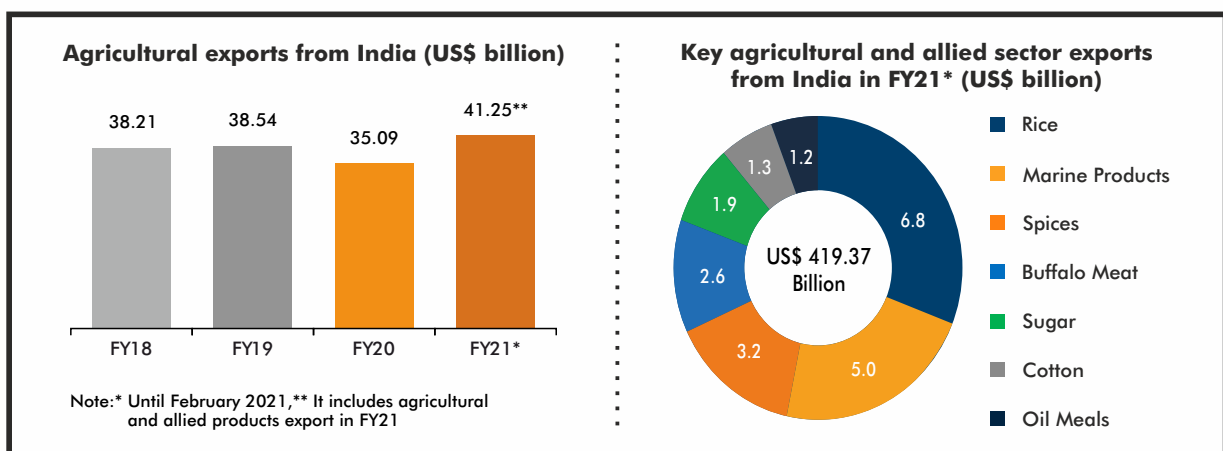
This will help farmers to get the real price of their produce at their farm place only by eliminating the intermediaries. In case, any third party is involved in the contract, their name will be explicitly mentioned on the agreement. Here the risk associated with agriculture-related to natural uncertainties lies on sponsors in place of the farmer. It can also help them to induct high-quality seeds, fertilizers, and modern technology in their farming process as per mutual agreement with the sponsor. All these agreements will be electronically registered by the state registration authorities. Such farm produces has been exempted from the state regulations related to the trade of agricultural produce. It will encourage private players to procure agricultural produce more and thus share the burden of the government procurement agencies. This will stabilize the market prices of agricultural produces.

The real empowerment of farmers in this act took place based on its dispute settlement mechanism which has three levels: Conciliation Board, Sub-Divisional Magistrate, and Appellate Authorities. This national contract framework will help in reducing the marketing cost and increase the income of framers significantly. The farmers will enjoy the ownership rights on their agricultural land as sale, lease, or mortgaging of these lands under contract farming is strictly prohibited and also given protection against recovery.

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

This act put restrictions on the government powers related to the production, supply, and distribution of certain commodities by excluding them from the essential commodities list. The commodities which are now out of this list are

cereals, pulses, edible oils, oilseeds, potatoes, and onions. Only in exceptional cases like war, famine, extraordinary price rise, and natural calamity of grave nature, the government can put stock limits and regulate the price of these listed commodities. These stock limits can be put based on market price rise in case of 100% rise in the retail price of horticulture commodity and 50% rise in the retail price of perishable commodities only. This will create price stability in the retail market for both farmers and consumers and also help in reducing the wastage of agricultural commodities in case of bumper harvest. In such a scenario, the export of surplus produce can also help farmers to get a good price for their hard work and increase the foreign reserve for the country. All these stabilities will check inflation, attract private and foreign investment and establish a strong supply chain in the agriculture business.



The Indian agriculture sector undoubtedly needs a major revamp and the three Farm Acts are the initial steps in the right direction. But the efficacy of these measures will pave the way for its universal adoption over coming years. The negotiation skills of the farmers with big private players will also be a great matter of concern including MSP to



guard them against any kind of exploitation. A prescribed method of price fixation of the commodities is also needed; otherwise, it can lead to black marketing and artificial price volatility in essential goods for both consumers and farmers. From the past experiences, it is evident that deregulation without a clear framework and strict implementation mechanism creates more problems than benefits for farmers such as in the case of deregulation in the Sugar industry. Thus only clear guidelines along with a strong political will to implement these reforms in letter and spirit can help the farmer community and boost the Indian agriculture business at a large scale.

# Biotech –Kisan Program

## *Special Call For North-East Region*

The government of India through the Ministry of Science and Technology has launched the Biotech- KISAN scheme at the pan India level in 2017. Currently, the nodal agency for the scheme i.e. the Department of Biotechnology (DBT) has issued a special call as a part of this mission program for the North East Region. The major population of the NE region is involved in agriculture or allied services. More than 70% of employment in this region is generated by the agriculture sector. Thus, the call has been issued to understand the local and regional issues faced by the North Eastern farmers and to help them with scientific and innovative solutions. This mission is based on the Hub-and-Spoke model to connect the scientist community with the farmers at the farm.

The Indian government has created 146 Biotech- KISAN Hubs to cover the 15 agro-climatic zones in the country to date. It also includes the 112 Aspirational Districts all over the country. Through this special call, the government wants to address the innovation and technology-related issues of small and marginal farmers of the region especially women farmers. As in this region, women farmers and allied workforce are significant in numbers. The North East region has enormous potential related to agriculture & allied areas. This region contributes around 1.5 % of the total food grain production of India but still, it continuously depends on the import of food grains for its domestic use.

The Biotech- KISAN scheme will work in this region to enhance agricultural productivity and farmer's income. The hubs in this region are required to focus on regional crops, plantation crops, Fisheries, Horticulture, and livestock production. It will collaborate with esteem national scientific institutions along with State Agricultural Universities, State agriculture extension services, Krishi Vigyan Kendras, and other organizations of farmers in the region. They will work as a resource for implementing technological innovation in the agriculture sector and train the farmers in the NE region. It will help in answering the basic concerns of small, marginal, and women farmers of the region related to soil, water, quality and storage of their seed, and protection of their produce from pests and diseases. It will also mentor them to connect with the potential market from their farmland.

This call of Biotech-KISAN mission will help in connecting scientific communities with NE region farmers to provide them with the applied and innovative methods at the farm level. Through this model government will uncover the biotechnological benefits to small farmers and help them to adapt

the global best farm practices and methods in their regular course of action. Till now at the pan India level, this scheme has developed more than 200 agriculture enterprises in rural areas and benefitted more than 2Lakh farmers by increasing their productivity and income. The Government wants to enhance this coverage in the North Eastern region of India to tap its enormous hidden potential for the betterment of the locals as well as the country.

The modern tools of Biotechnology can help farmers to increase their farm productivity through genetic modification of plants, animals, and crops like Bt Cotton. The technology can also help them to grow other useful microorganisms for enhancing their agricultural outputs by practicing organic farming. This all can help them in minimizing their harvest losses and add different potential benefits to the crop which can serve people better nutrients. In a large picture, this scheme will help North Eastern farmers to turn into innovative agriculture entrepreneurs and connects and upgrade them to global standards as these hubs will provide them labs, communication setups, workshops, research projects, and international training to encourage their inherent productivity and innovation. This all will help in shaping this region to be self-sufficient and one of the leading market players in location-specific agriculture production in India with the continuous support of the government.

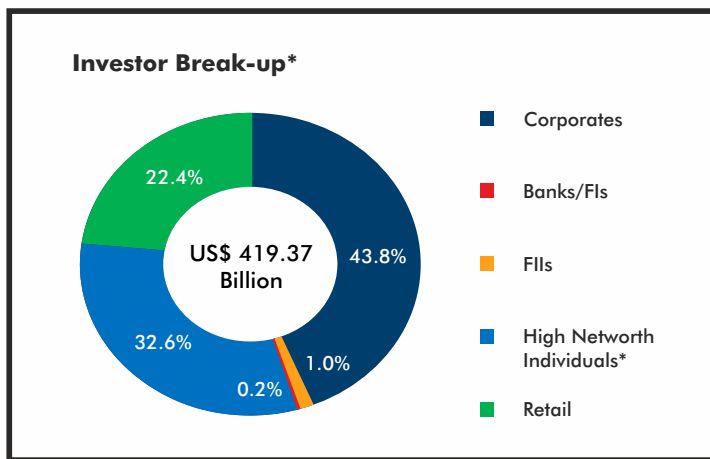
# Biotech-KISAN Programme for North East region



# Guarex And Soydex

*India's First Agri-Sectoral Indices Launched By Ncdex*

In India, 5<sup>th</sup> July 2021 has marked the launch of the first agriculture sector indices named GUAREX and SOYDEX by the National Commodity and Derivative Exchange (NCDEX). This will offer the future market trading and risk management opportunity in agricultural commodities through high net worth investors and other Farmer producer Organizations (FPO) in generating the revenues for the agriculture sector. Both these indices are available on the NCDEX website. Over time the performance and interest from the investors can be gauged through this website. Based on the response the future trading will get a start in due course of time.



As the name suggests, the SOYDEX will trade through price change in future contracts of Soybean and refined Soy oil with the weightage of 67.92 and 32.08 respectively. Whereas, GUAREX is a return-based index and tracks the real-time price fluctuation in future contracts of Guar

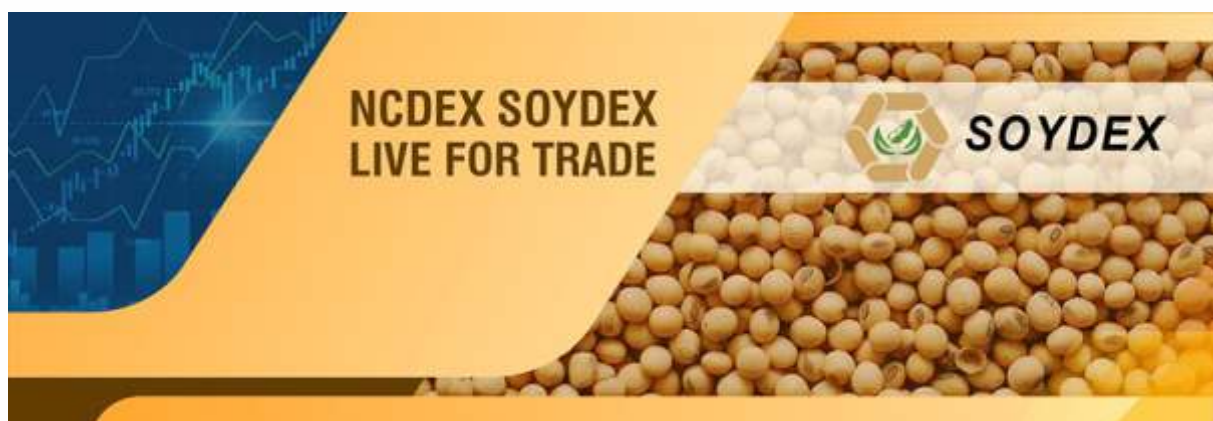
seeds and Guar gum refined splits. Here the respective percentage weightage will be 63.43 and 36.57. These indices will provide various opportunities for risk management and strategic trading from valued chain investors. This will provide an excellent environment for professional traders and portfolio managers too who will be benefited from the pair trade advantage in place of arbitrage.

The NCDEX, the governing body for these indices in India is a pioneer agricultural exchange since 2003. Future trading in NCDEX has been started in India in 2014 by a women-led self-help group enterprise of Madhya Pradesh. They first hedged soybean price risk as an FPO. These FPOs get support from governments as well as institutions like NABARD, etc. The FPOs may be a primary producer company, a production company, a cooperative society, or any legal entity which shares benefits among its members. The Indian states like Madhya Pradesh, Maharashtra, and Bihar are leading trading FPOs in Agriculture Future Market and account for almost 92% of trade. The major trading takes place in Soybean and Maize.

The currently launched Indices will have cash settlement contracts and thus received an open welcome from hedgers as they look for low-cost products in the future market to trade constantly and receive profit. The FPOs through hedging can

secure their losses in case of bumper harvest by investing in these future contracts of these indices. The cross margin benefit provided by the Securities and Exchange Board of India (SEBI) will further help the transactions related to SOYDEX and GUARDEX and thus attract more trading. Last year, NCDEX had launched AGRIDEX, to mark the future price fluctuations across 10 agricultural commodities. This was a return-based composite index that recorded the 40% return on investment within one year that too during the COVID19 pandemic.

Thus the future market in agriculture indices is showing a positive trend for every stakeholder involved right from individual traders, hedgers, portfolio managers, and Farmer Producer Organizations. These FPOs are groups of small farmers and thus help in eliminating intermediaries and provide direct income benefits to farmers. This will help the small and marginal farmers in India to receive better price discovery for their agricultural produce and minimize government intervention. The same will surely set a future path for the Indian agriculture trade market and related investments.



## Resources

1. <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1654007>
2. <https://pib.gov.in/PressReleasePage.aspx?PRID=1656929>
3. <https://pib.gov.in/PressReleasePage.aspx?PRID=1601902>
4. <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1737290>
5. <https://www.indiabudget.gov.in/economicsurvey/>
6. <https://pib.gov.in/PressReleasePage.aspx?PRID=1646632>
7. <https://pib.gov.in/PressReleasePage.aspx?PRID=1728507>
8. <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1741809>
9. <https://www.ibef.org/industry.aspx>
10. <https://ncdex.com/>



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