

Bill No. 27 of 2022

THE FARMERS RIGHT TO GUARANTEED MINIMUM
SUPPORT PRICE REALIZATION OF AGRICULTURAL
PRODUCE BILL, 2022

By

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A

BILL

*to confer upon every farmer the right to realize a minimum price for their
agricultural produce and for matters connected therewith
or incidental thereto.*

BE it enacted by Parliament in the Seventy-third year of the Republic of India
as follows:—

CHAPTER I
PRELIMINARY

- 5 1. (1) This Act may be called the Farmers Right to Guaranteed Minimum
Support Price Realization of Agricultural Produce Act, 2022.

Short title,
extent and
commencement.

(2) It extends to the whole of India.

(3) It shall come into force on such date as the Central Government, may by notification in the Official Gazette, appoint.

Definitions.

2. In this Act, unless the context otherwise requires,—

(a) “agricultural produce” includes the agricultural produce specified under the Schedule; 5

(b) “appropriate Government” means in the case of a State the Government of that State, and in all other cases, the Central Government;

(c) “Commission” means the Commission for Agricultural Costs and Prices (CACP) constituted under the Union Ministry of Agriculture and Farmers Welfare to recommend Minimum Support Prices (MSPs) for agricultural produce; 10

(d) “Department” means the Department for Guaranteed Minimum Support Price Realization constituted under section 6;

(e) “farmer” means any individual or group of individuals collectively including but not limited to an individual, forest-produce gatherer, farmer groups, cooperatives engaged in the agricultural activity in terms of growing crops and agricultural produce on self-owned or leased land; 15

(f) “guaranteed minimum support price” means the price that ensures a fifty *per cent.* return on the comprehensive cost of production for any agricultural produce as determined under section 3, excluding any bonus announced and applicable for the respective agricultural produce for that crop season; 20

(g) “prescribed” means prescribed by rules made under this Act; and

(h) “trader” means any individual or group of individuals collectively engaged in the direct purchase of agricultural produce from the farmer for direct consumption or further selling of agricultural produce, in same form or with value-addition, and includes but not limited to commission agents, purchasers and *arthiyas*. 25

CHAPTER II

GUARANTEE OF MINIMUM SUPPORT PRICE

Notification of guaranteed minimum support price for agricultural produce.

3. (1) The Central Government shall, on the basis of recommendation for guaranteed minimum support price for each agricultural produce as computed by the Commission under section 5, notify the guaranteed minimum price of each agricultural produce, as soon as possible, but not later than two weeks of the receipt of such recommendation from the Commission in such manner as may be prescribed. 30

(2) Notwithstanding anything contained in sub-section (1), the Central Government shall notify the guaranteed minimum support price two months before the start of kharif season or 1st day of April every year and two months before the start of Rabi season or 15th day of September every year as applicable in such manner as may be prescribed. 35

State Government to notify bonus.

4. The State Government shall, notify bonus on each agricultural produce, to be paid from the State Government exchequer in addition to the guaranteed minimum support price in case of— 40

(a) Kharif crops, one month before the start of Kharif season or 1st day of May of each calendar year; and

(b) Rabi crops, one month before the start of the Rabi season or 15th day of October of each calendar year. 45

5 **5. (1)** The Commission shall recommend guaranteed minimum support price for all agricultural produce subject to quality standards as prescribed under sub-section (2) and (3) to the Central Government which shall not be less than a profit margin of at least fifty per cent. over and above the comprehensive cost of production including,—

Computation of Minimum Support Price.

(a) actual paid-out expenses incurred by farmers on seeds, fertilizers, pesticides, hired labour, fuel, irrigation and other inputs from outside, incurred in cash or kind;

(b) imputed value of unpaid family labour; and

10 (c) rentals and foregone interests on farmland and fixed agricultural assets.

(2) The Commission shall define the fair and acceptable quality standards for the agricultural produce for which the prices shall be notified as per section 3 and computed under sub-section (1).

15 (3) The Commission shall undertake an annual exercise to classify the quality parameters on the basis of which crops not meeting the fair and acceptable quality standards may be classified into different categories and announce the guaranteed minimum support prices of each category for all agricultural produce which may be based on guaranteed minimum support price adjusted for quality differentials.

20 (4) The Commission shall prescribe an indicative list of agricultural produce that may be grown in a particular sub-district considering the prevalent environment factors, including weather, groundwater patterns, soil health and other relevant environment factors.

CHAPTER III

DEPARTMENT FOR GUARANTEED MINIMUM SUPPORT PRICES REALIZATION

25 **6. (1) The Central Government shall, by notification in the Official Gazette, constitute a Department to be known as the Department for Guaranteed Minimum Support Price Realization to exercise the powers conferred upon, and to perform the functions assigned to it under this Act.**

Constitution of the Department for Guaranteed Minimum Support Price Realization.

(2) The Department shall consist of—

30 (a) **three farmer representatives;**

(b) one Indian Administrative Services officer not below the rank of an Additional Secretary to the Central Government; and

(c) **two agricultural experts with a distinguished record in agriculture policy formulation of not less than twenty years,**

35 to be appointed by the Central Government in such manner as may be prescribed.

(3) **The Department shall having its offices in every State to carry out the provisions of this Act and help in the facilitation and coordination of the functions vested to it under this Act with the respective State Governments.**

40 (4) **The offices of the Department in each State shall consist of such number of members appointed by the respective State Governments including representatives of agricultural economists and an Indian Administrative Services officer to be appointed by the respective State Government in such manner as may be prescribed:**

45 Provided that the constitution of offices of the Department in each State shall be the same as may be decided by the Department through a consultative process from the State Governments concerned.

(5) The Central Government shall appoint such number of staff to the Department as may be required to carry out functions of this Act.

(6) All such staff members, including the members of the Department, shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code, 1860.

5 45 of 1860.

(7) The salary and allowances payable to, and other terms and conditions of service of members and staff of the Department shall be such as may be prescribed.

Functions of the Department.

7. The Department shall—

(a) review and recommend to the Central Government on a half-yearly basis and at least two months before the start of Rabi or Kharif seasons regarding inclusion of any crop or agricultural produce (including but not limited to spices, cereals, oilseeds, pulses, cash crops, dairy produce, fruits, vegetables) in the Schedule; 10

(b) decide and notify the list of officers along with their roles and responsibilities to ensure the smooth implementation of this Act, which includes but not limited to- 15

(i) the monitoring of auctions and payments for agricultural produce;

(ii) mandi operations;

(iii) categorization, recording and decision for implementation of punitive actions or penalties; 20

(iv) payment of Compensation as prescribed under section 9:

Provided that the list of officers shall be prepared from a taluka level and be published along with their contact details in leading regional newspapers for complete transparency in such manner as may be prescribed; 25

(c) from time to time, advise the Union Ministry of Commerce and Industry on the import duties that may be levied so that the landed cost of imported agricultural produce is at least equal to the price stipulated under section 5; and

(d) maintenance of separate books of accounts and other records to prepare annual statements which shall be audited on an annual basis and the annual statements along with audit findings and recommendations to be tabled before each Houses of Parliament. 30

Responsibility of appropriate Government to ensure payment of agricultural commodities on prices not less than guaranteed minimum support price.

8. (1) The appropriate Government shall ensure that all agricultural markets (including Agriculture Produce Market Committee) commence the auction for all agricultural commodities at a base offer price not lesser than the guaranteed minimum support price notified by the Central Government under section 3. 35

(2) The appropriate Government shall, in order to procure agricultural commodities at or higher than the guaranteed minimum support price, establish adequate number of procurement Centres, either under direct control or through designated procurement agencies in a localized manner as far as possible, so that there exists a minimum of one Centre per five villages. 40

(3) For the purposes of sub-section (1), the Central Government, may appoint an independent Committee which shall,—

(a) evaluate the number of such procurement Centres required and their preferred village locations and submit their recommendations within a period of six months in such manner as may be prescribed; 45

(b) ensure increase and maintenance of storage capacity including cold storage and affordable access to such facilities to enable farmers to store their agricultural produce and sell at the time of procurement operations; and

5 **(4) The appropriate Government shall ensure direct payments by the traders or procurement agency to the farmers bank account or in cash in absence of bank account within two days of such procurement.**

(5) The appropriate Government shall aid and advice the Department to ensure compliance and cooperation from officers notified under clause (b) of section 7.

10 **9. (1) Any farmer who is not paid by the trader the guaranteed minimum support price for his sale of agricultural produce shall be entitled to a compensation payable from the Fund constituted under section 10 which shall be equal to the difference between the guaranteed minimum support price and price paid to the farmer within a period of seven days from the day the matter is**
15 **brought to the notice by the aggrieved farmer.**

Compulsory payment of compensation for not obtaining guaranteed minimum support price.

(2) Where a farmer does not get instant and direct payment of guaranteed minimum support price of agricultural produce such farmers shall be entitled to get for compensation fixed at ten *per cent.* per annum on the total payment due from the buyer calculated on daily basis.

20 **10. (1) The State Commission shall, by notification in the Official gazette, constitute and maintain a Fund to be known as the Farmers Compensation Fund for the payment of compensation to farmers for non-receipt of guaranteed minimum support prices or delayed payment for sale of agricultural produce under sub-section (1) of section 9.**

Constitution of Farmers Compensation Fund.

25 **(2) The Fund shall be credited all the amount of penalties collected under section 14.**

30 **11. All farmers shall be entitled to avail institutional credit from public institutions and public sector banks up to such *per cent.* of the value of the produce in lieu of the warehouse receipt, obtained post storage or sales of produce at the storage facilities as may be decided by the Department within a period of three months from the date of application of credit from the farmer.**

Farmers' Right to institutional credit.

35 **12. (1) Any formal or informal agreement, written or oral, or any implicit arrangement between the purchasing parties, including, but not limited to the control or influence of auction prices by traders, commission agents and private buyers shall be liable for penalties as mentioned under section 14 including the cancellation of license by the appropriate Government on complaint by aggrieved farmers or public interest groups.**

Penalty.

40 **(2) Any trader who abstains from purchasing any agricultural produce with a view to violate the rights conferred on farmers by this Act, especially for the quarter succeeding the seasonal harvest of a given commodity for one Rabi and Kharif season consecutively, shall be liable for penalties under section 14, including the cancellation of their license by the appropriate Government.**

45 **13. (1) Department shall constitute sub-district or Block level Dispute Resolution Committees for dispute resolution between the farmer and the trader or purchaser consisting of not more than five members, comprising of officials from the respective State Agriculture Ministry to be appointed by the State Government concerned in such manner as may be prescribed.**

Dispute Resolution Mechanism.

(2) The Dispute Resolution Committee constituted under sub-section (1) shall provide resolution to the grievances within thirty days from the receipt of such complaint from either party, failing which the complainant reserves the right to approach to the appropriate Court.

Penalty.

14. (1) Any trader, purchaser or commission agent, who contravenes the provision of section 12 shall be deemed to have committed a cognizable offence and punishable as under,—

(i) for the first time offence a penalty equal to the total deficit suffered by the farmers on account of the violation by the trader, purchaser or commission agent; or

(ii) for the second time offence a penalty equal to two times the total deficit suffered by farmers on account of the violation by trader, purchaser or commission agent; and

(iii) for the third time an imprisonment for a term upto six months and cancellation of license leading to stoppage of any future trading for all non-Governmental traders.

(2) If any Government employee is found indulged in willful negligent in discharging of his duties stipulated under this Act, such employee shall be punished,—

(a) for the first time offence a penalty a half of his month salary; or

(b) for the second time offence a penalty of full months' salary with a warning; and

(c) for the third or subsequent time suspension from service till further notice as may be prescribed.

Overriding effect of Act.

15. The provisions of this Act or any rule or order made thereunder shall have effect notwithstanding anything inconsistent therewith contained in any law, or any instrument having effect by virtue of any law other than this Act.

Power to remove difficulties.

16. If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order, as occasion requires, do anything not inconsistent with the provisions of this Act, which appears to them to be necessary for the purposes of removing the difficulty:

Provided that no such orders shall be made after expiry of two years from the date of commencement of this Act.

Power to make rules.

17. (1) The appropriate Government may, by notification in the Gazette, make rules for the purpose of carrying into effect the provisions of this Act.

(2) Every rule made under this Act by the Central Government shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session for a total period of fourteen days which may be comprised in one session or in two successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid both Houses agree in making any modification in the rule or both the Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so however that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

(3) Every rule made by the State Government under this Act shall laid, as soon as may be after it is made, before the State Legislature.

THE SCHEDULE
[See clause (a) of section 2]
Agricultural Produce

No.	Category	Crop Name
1.	Cereal	Paddy
2.	Cereal	Wheat
3.	Cereal	Maize
4.	Cereal	Sorghum
5.	Cereal	Pearl Millet
6.	Cereal	Barley
7.	Cereal	Ragi
8.	Pulses	Gram
9.	Pulses	Tur
10.	Pulses	Moong
11.	Pulses	Urad
12.	Pulses	Lentil
13.	Oil seed	Groundnut
14.	Oil seed	Rapeseed-Mustard
15.	Oil seed	Soyabean
16.	Oil seed	Sesamum
17.	Oil seed	Sunflower
18.	Oil seed	Sunflower
19.	Oil seed	Nigerseed
20.	Commercial crop	Copra
21.	Commercial crop	Cotton
22.	Commercial crop	Raw Jute

STATEMENT OF OBJECTS AND REASONS

The Minimum Support Price (MSP) declared by the Union Ministry of Agriculture and Farmers Welfare signals a right to the farmer to sell the agricultural produce at the declared price in case the open market prices fall in order to protect them from financial losses. Over the years, however, the efficacy of MSP has declined as most farmers do not receive the declared MSP, remaining at best limited to cereals within a handful of States. A close look at acreage and declared MSP, especially for pulses and oilseeds in recent years, illustrate that MSP has limited impact on acreage under a crop, as farmers have inadequate information and Government procurement agencies have focussed comparatively more on selected crops in selected geographies.

The Food Corporation of India (FCI), the primary frontrunners for procuring agricultural commodities from farmers, procures only a portion of marketed surplus even for wheat and paddy (~32% for wheat and 35% for paddy). They have been able to procure ~160 million MT of wheat and ~203 million MT of rice, against a production of ~500 million MT and ~561 million MT respectively, during FY 2016-17 to FY 2020-21. Despite increasing trend of procurement, about 70 per cent of all produce was sold outside these agencies, and quite possibly at rates lower than the Minimum Support Price (MSP). Herein, the small and marginal farmers, accounting for almost 80 per cent of all Indian farmers remain the worst affected, due to small produce, lack of access to Government procurement centres, logistics costs and delayed payments, thereby selling it to middlemen as an option of last resort with little profit if at all.

Despite the presence of 2477 principal regulated markets (APMC's) and 4843 sub-market yards (regulated by APMCs), many farmers do not have access to proper mandis for sales at competitive market prices. In places where they exist, the principal market yards and sub-market yards set up under the State Agriculture Produce Marketing Committee (APMC) have been found lacking in marketing infrastructure, with only a fraction of APMC markets having cold storage facilities and proper harvest management infrastructure for grading, packing and weighing. Poor digital connectivity and civic infrastructure only compounds to the existing deficiencies. In terms of access, the National Commission on Farmers (2006) recommended that regulated markets should be available for market area of 80 sq. km., yet the density of regulated markets varied from 116 sq. km. (Punjab) to 11,215 sq. km. (Meghalaya). In order to ensure access, the country would need an estimated 41,000 markets across the country.

The guaranteed realization of minimum support price will also have long term environmental benefits – especially on groundwater situation across the country. Groundwater stress in India remains at an all-time high. In Punjab, 80% of the blocks (talukas) are overexploited when it comes to groundwater. Rajasthan follows close with 71% of its blocks being overexploited whereas Haryana registers the metric at 61%. Thus, aquifers in majority of the areas in these States are subjected to a physically unsustainable situation wherein withdrawal is more than the recharge leading to long term declines in water table. We fundamentally remain a water stressed society, with per-capita water availability at 1500 cubic meters in 2011, a 64 per cent drop from independence era availability of 5000 cubic meters and water stress threshold of 1700 cubic meters. Much of the dependence on groundwater also comes from our choice of crops, growing water intensive crops in water scarce regions (*e.g.*, paddy in Punjab, sugarcane in Maharashtra). The promise of a guaranteed MSP realization will provide farmers with the right set of incentives to make better choices for long term ecological and agricultural sustainability.

Quality also remains a key issue is reduced price realization of agricultural commodities, with MSP being applicable for crops at Fair and Acceptable Quality. The classification of each crop based on quality parameter and MSP price determination for various varieties depending on quality will reduce distress sales by farmers to purchasers, especially private parties. The quality differentials will also help in formalizing price of better varieties of crops (*e.g.*, Basmati for rice, Sharbati for wheat).

The need is to provide for payment of compensation equal to the difference in value between sales price and MSP within seven days of matter being brought to attention by the aggrieved farmer. It will ensure quick payment to farmers and in line with agriculture credit linked to warehouse receipts will alleviate working capital distress for farmers.

The declaration of guaranteed MSP to farmers shall result in improved farm realization for potentially 93 million agricultural households, leading to resurgence in rural economy, consequent improvement in socio-economic outcomes and improved tax revenues for the Government. The declaration of minimum price realization shall provide an economic support to the agricultural community with such practice already implemented across different aspects of economy – be it labour (The Code on Wages, 2019 sets a floor wage taking into account the living standards and appropriate Government prescribes a minimum wage rate which is equal to or more than the floor rate), or land or even other crops like sugarcane.

In such situations, the guaranteed minimum support price needs to be declared for a significant majority of our agricultural produce, Government-sourced or otherwise.

Hence this Bill.

NEW DELHI;
October 24, 2019.

FEROZE VARUN GANDHI

FINANCIAL MEMORANDUM

Clause 6 of the Bill provides for the Central Government to constitute a Department for Guaranteed Minimum Support Price Realisation for Agriculture Produce. It also provides for appointment of farmers and agricultural experts to the Department. Clause 8 of the Bill provides that the appropriate Government shall, in order to procure agricultural produce at or higher than the guaranteed minimum support price, establish adequate number of procurement centres, either under direct control or through designated procurement agencies in a localized manner as far as possible, such that there exists a minimum of one Centre per five villages. Clause 10 provides for constitution and maintenance of a State Compensation Fund. Clause 13 provides for setting up of a Dispute Resolution Committee to redress complaints from farmers. The Bill, therefore, if enacted, will involve expenditure from the Consolidated Fund of India. It is estimated that a recurring expenditure of about rupees one lakh crore per annum would involve from the Consolidated Fund of India.

A non-recurring expenditure of about rupees Forty crore is also likely to be involved.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 17 of the Bill empowers the appropriate Government to make rules for carrying out the purposes of the Bill. As the rules will relate to matters of detail only, the delegation of legislative power is of a normal character.

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(Shri Feroze Varun Gandhi, M.P.)