

Ordinance Summary

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020

- The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020 was promulgated on June 5, 2020. It seeks to provide for barrier-free trade of farmers' produce outside the markets notified under the various state agricultural produce market laws (state APMC Acts). The Ordinance will prevail over state APMC Acts.
- **Trade of farmers' produce:** The Ordinance allows intra-state and inter-state trade of farmers' produce outside: (i) the physical premises of market yards run by market committees formed under the state APMC Acts and (ii) other markets notified under the state APMC acts such as private market yards and market sub-yards, direct marketing collection centres, and private farmer-consumer market yards. Such trade can be conducted in any place of production, collection, and aggregation of farmers' produce including: (i) farm gates, (ii) factory premises, (iii) warehouses, (iv) silos, and (v) cold storages.
- 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.
- **Eligibility for trade:** The Ordinance allows farmers, farm producer organisations as well as anyone who buys farmers' produce for: (i) wholesale trade, (ii) retail, (iii) end-use, (iv) value addition, (v) processing, (vi) manufacturing, (vii) export, or (viii) consumption, to engage in such intra-state or inter-state trade.
- A farmer is defined as a person engaged in the production of farmers' produce by self or by hired labour. 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.
- However, to trade in scheduled farmers' produce (agricultural produce specified and regulated under state APMC Acts), an entity must be either: (i) a farmer producer organisation or agricultural cooperative society, or (iii) a person having permanent account number under the Income Tax Act or any other document notified by the central government. A person in contravention of the provisions regarding the trade of scheduled farmers' produce will be subject to a penalty between Rs 25,000 and five lakh rupees. In case of continuous contravention, such person may be subject to a further penalty of up to Rs 5,000 per day.
- **Electronic trading:** The Ordinance permits the electronic trading of farmers' produce in the specified 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 internet for physical delivery of the farmers' produce. The following entities may establish and operate such platforms: (i) companies, partnership firms, or registered societies, having permanent account number under the Income Tax Act or any other document notified by the central government, and (ii) farmer producer organisation or agricultural cooperative society.
- 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. For contravening the provisions regarding the platforms, a person operating the platform will be subject to a penalty between Rs 50,000 and Rs 10 lakh. In case of continuous contravention, a further penalty of up to Rs 10,000 per day may be imposed.
- **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.
- **No fees to be levied by states:** The Ordinance prohibits state governments from levying any market fee, cess or levy on farmers, traders, and electronic trading platforms for any trade under the Ordinance.
- **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. 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).

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