

## **Frequently Asked Questions (FAQs) on “Farmers Produce Trade and Commerce (Promotion & Facilitation) Act, 2020”**

### **1. What are the benefits of this Act?**

**Reply:** This Act empowers farmers to freely sell their produce from farm gate directly to the buyers/exporters/processors/retailers who are offering better prices as alternative to APMC Markets without paying any market fee in trade area. It will help to reduce transportation cost of farmers produce from the farm gate to the mandis. It will also help in reducing post-harvest losses. The farmers can now store their produce in warehouses after harvest and sell it directly from such warehouses at appropriate time at suitable prices without bringing the produce to APMC Markets for selling.

### **2. When the existing mandi system was working properly for years, then what was the need of new laws to eliminate it?**

**Reply:** The news of abolishing the mandi system is being spread as an illusion. The mandi system will continue to function and farmers can sell their produce inside the mandi. Through reforms, trading channel has been facilitated as an additional channel for farmers to sell farmers' produce, so that farmers can get better prices for their produce.

### **3. Is Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 constitutionally valid?**

**Reply:** Yes, Trade and Commerce falls under Entry-33 of Concurrent List of Seventh Schedule of the Constitution of India. So, the Act is constitutionally valid. Central Government is fully empowered to legislate to promote trade in farmers' produce. No market fee or cess will be leviable in Trade Area to promote barrier-free intra-state and inter-state trade. APMC Mandis will continue to function within their physical boundaries under respective State APMC Act and can continue to levy market fee and cess under their Act.

**4. Will this law not lead to a monopoly of big traders in agriculture marketing system?**

**Reply:** Through this law, many options will be opened up for the farmers and the marketing system will be competitive, so that the farmers will get more and better price for their produce. Apart from this, there is no question of any merchant having a monopoly due to increasing number of buyers.

**5. Will Minimum Support Price (MSP) be scrapped now?**

**Reply:** The present Government, implementing the report of the Swaminathan Committee, not only increased the MSP by 1.5 times in the interest of farmers, but also made an elaborate arrangement for the purchase of farmers' produce on the MSP. This new law has nothing to do with MSP Procurement and MSP procurement will continue in future without any interruption.

**6. Is there any provision that all purchases to be made at and not below "Minimum Support Price"?**

**Reply:** The marketing ecosystem created through Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 will be capable of providing market driven competitive price and even better than Minimum Support Price (MSP). Since it will help farmers to sell their produce at competitive price from farm gate and neighboring warehouses they will save on transportation cost to mandi.

**7. Will the financial resource of rural infrastructure get exhausted with time which was dependent on the mandi system?**

**Reply:** Mandis can increase the arrivals of agricultural produce by rationalizing mandi fees, commission charges, etc. and improving facilities and attract farmers & traders for buying and selling. There is a strong potential for

growth seeing the gaps in agricultural production and productivity in the country. Therefore, there may not be reduction in the income in the form of market fees. Thus, there is no question of ending the financial source of the rural structure dependent on the mandi system. On the other hand Government is increasing investment in rural infrastructure from other Schemes such as MGNREGS, PM-GSY etc.

**8. Under this Act, corporate companies are also becoming entity as 'farmer'?**

**Reply:** Corporate companies are not included in the definition of farmer in this Act. Only Farmer Producers Organizations (FPOs), which are registered under any law, are included under the definition of farmer apart from individual farmers.

**9. How will the small and marginal farmers benefit?**

**Reply:** Small and marginal farmers do not often find it economically beneficial to take their small produce to distantly located APMC mandis for selling. Under this new system, different types of buyers and traders will compete with each other to buy farmers' produce from farm gate and local warehouses etc from farmers at remunerative prices. Thus small and marginal farmers will not have to worry always about carrying their produce to distant markets to sell their produce. They will have freedom of choices to sell their produce either in APMCs or Trade Area or MSP etc.

**10. What will happen to the commission agents?**

**Reply:** The commission agents will continue to work in mandis as before and such marketing reforms have no adverse effect on the commission agents working in mandis.

**12. Will the Central Government gradually stop procuring agricultural produce in MSP system?**

**Reply:** The Government is farmer friendly and is always working for the benefit and empowerment of agriculture and farmers. It is reiterated that government procurement under MSP will continue and remain unchanged.

**13. How will the farmers who are not technology savvy, be able to transact online in trade area?**

**Reply:** The online transaction on e-trading platform is easy and farmer friendly due to use of mobile system. However, Government is continuously providing training in digital literacy to help farmers use all types of ICT programs.

**14. What are the payment procedures for trader to trade in trade area?**

**Reply:** Traders who transact with farmers in trade area shall make payment for traded scheduled farmers' produce on the same day or within maximum three working days if procedurally so required, subject to the condition that the receipt for delivery shall be given to the farmer on the same day.

**15. Will mandi workers become unemployed because of this Act?**

**Reply:** The APMC mandis will continue to function as before, and likely to increase further due to increase in arrival on account of increase in productivity and the mandi employees and workers will continue to work there. Therefore, there is no question of becoming unemployed.

**16. If there is a dispute with big buyers, how will the interests of farmers are protected?**

**Reply:** The government has introduced a simple, easy and low cost dispute-settlement system in this law. In this, farmers and traders can settle their disputes within 30 days through a settlement board in a cordial environment which will be binding on both sides. In addition, the farmer can also apply to the Sub-Divisional Officer at his nearest taluka / tehsil / sub-division level. The sub-division authority will settle the dispute within 30 days and can

order recovery of due amount from trader/buyer apart from suspending him from trading for a duration in addition to imposing a penalty up to Rs 5 lakh for contravention of provision. Thus, any trader/buyer will naturally hesitate to do any fraud with the farmers and thus farmer's interest will be secured.

**17. What are the payment procedures for FPO or Agricultural Cooperative Society?**

**Reply:** (i) An FPO or an agricultural co-operative society shall make payment to the farmer immediately after sale, but not later than fourteen days from the date of aggregation or purchase subject to the condition that the receipt of delivery shall be given to the farmer on the same day.

(ii) When FPO aggregates or buys the scheduled farmers' produce from farmer in the trade area and sells such produce in raw form itself, it shall make the payment immediately after such sale, but not later than three days from the date of aggregation or purchase, if procedurally so required, subject to the condition that the receipt of delivery shall be given to the farmer on the same day.

**18. Will big traders not exploit farmers by forming groups/ cartels?**

**Reply:** Due to the large number of active traders through this law, there will be competition among them and the tendency to form groups will automatically negated due to larger numbers. Thus, there is no question of exploitation by traders through forming groups.

**19. How will Sub- Divisional Magistrate appoint a conciliation board?**

**Reply:** The local Sub-Divisional Magistrate of concerned trade area shall, within fourteen days from the date of receipt of the application from farmer/trader, appoint a conciliation board, which shall be chaired by an officer serving under his supervision and control. Simultaneously appoint members as recommended by the disputing parties, to the conciliation board, in equal

numbers such that total number of appointed members to represent the parties shall be either two or four.

**20. What will happen if the dispute is not settled by the conciliation board?**

**Reply:** In case the dispute is not settled, the conciliation board shall prepare a brief report stating the brief issues, efforts made by it to resolve those issues, the cause for failure of conciliation and any other matters that the conciliation board deems appropriate. The Sub-Divisional Authority shall decide the dispute or contravention in a summary manner as provided under sub-section (7) of section 8 by passing a reasoned order within thirty days from the date of its filing, after giving an opportunity of being heard to the concerned parties and the contravener.

**21. Who is the appellate authority against the order passed by the Sub-Divisional Magistrate?**

**Reply:** The Collector of the concerned district or the Additional Collector nominated by the Collector of the district shall be the Appellate Authority, to decide the appeal against the order passed by the Sub-Divisional Authority.

**22. What are the penalties for one who contravenes the Act for operation of an electronic trading and transaction platform?**

**Reply:** If any person, who owns, controls or operates an electronic trading and transaction platform, contravenes the provisions of Act/ Rules made thereunder shall be liable to pay a penalty which shall not be less than fifty thousand rupees which may extend up to ten lakh rupees, and where the contravention is a continuing one, further penalty not exceeding ten thousand rupees for each day after the first day during which the contravention continues.

**23. Why there is no legal provision for all purchases to be made not below Minimum Support Price (MSP)?**

**Reply:** The Farmers Produce Trade and Commercial (Promotion and Facilitation) Act, 2020 gives farmers complete freedom of choice. Price depends on quality of the produce. This system provides farmers a market-based competitive price over the minimum support price. Having a legal / statutory system of giving minimum MSP will lead to shortcomings in the market based independent marketing system. Further, the Government through farmer producer organizations is not only aiming at reducing the cost of production, but also realization of remunerative prices.

24. **Is there any provision for registration of private traders at the state and central level along with bank security, which should be available to all through a Government portal?**

**Reply:** Section 4 (2) of the Act provides that if necessary and required in the interest of farmers, registration of traders, scheduled procedures for trade and method of payment will be prescribed in the business sector. There is no need to doubt by anyone for this.

25. **Who can buy the produce?**

**Reply:** Any trader with a PAN card can buy the farmers' produce in trade area. The trader includes processor, exporter, wholesaler, miller and retailer. FPOs and Agriculture Cooperative Societies can also buy in Trade area without PAN card.

26. **With the permission of trade on the PAN card only, there will be difficulty in dealing with the risk in the event of default in the payment to farmers. How will the Government take care of this?**

**Reply:** The objective of this Act is to establish a barrier-free independent agricultural trade. The aim to allow purchase through PAN card holders is to increase the number of traders and breaking the cartel and increasing competition. Under the Act, farmers are required to be paid for their produce immediately. In order to avoid such a situation, a simple and uninterrupted settlement

system has been provided within the reach of the farmers, which includes settlement with each other as well as a rigid preventive system for the traders including penalty against trader.

**27. How will the farmers get price information?**

**Reply:** AGMARKNET and e-NAM already provide for market information system on agriculture and horticulture commodities and will continue to do so in future.

**28. A farmer SHG promoted and sponsored by any Government of India undertaking such as NABARD is considered as FPO or not?**

**Reply:** Farmers SHGs promoted by NABARD or central government organizations are considered as FPOs, provided they are promoted under a scheme or programme sponsored by Central or State Governments.

**29. Under the new Act, whether the farmer has to register anywhere for selling his produce?**

**Reply:** No, the farmers need not register anywhere for selling their produce.

**30. What are the benefits to farmer through this Act?**

**Reply:** The Act provides an opportunity to farmers for enjoying the freedom of choices relating to sale of farmers produce. It facilitates an alternative trading channel which promotes competition and thereby remunerative prices to farmers. Reduced transport cost, no commission payment, reduced transaction cost, and access to a large number of buyers are the benefits offered to farmers.

**31. What are the benefits offered to Traders?**

**Reply:** Traders will have access to a large number of sellers, be it inter-State or intra- State. A trader can have access to prospective buyers like processor, miller, exporter, bulk buyers, retailer and wholesalers with no fee/ levy/ user charge for the trade.

**32. Whether a trader can operate in APMC yard and trade area?**

**Reply:** Yes, Any trader can operate both in APMC and in trade area depending upon his choice. For trading in APMC, the trader should have a valid license/ registration as provided in the State APMC Act.

**33. What is the method of trade and commerce of scheduled farmers' produce?**

**Reply:** Trade can be done through electronic platform or through physical trade in the trade area including farm-gate and FPO premises.

**34. Whether FPOs/Agriculture Cooperative Societies can act as traders?**

**Reply:** Yes, FPOs/ Agriculture Cooperative Societies can act as traders.

**35. What are the benefits to FPOs/ Agriculture Cooperative Societies?**

**Reply:** The FPOs/ Agriculture Cooperative Societies can buy across Trade Area throughout India. In addition, FPOs can sell their produce like farmers in trade area. FPOs/Agriculture Cooperative Societies can operate electronic trade and transaction platform in trade area.

**36. Whether FPOs can operate their own electronic platform?**

**Reply:** Yes, FPOs may operate their own electronic platform.

**37. Is there any requirement of payment of market fee/cess/levy for sell of scheduled farmers' produce directly by farmers for trade between trade area of one State to trade area of another State?**

**Reply:** No market fee/ cess can be levies on sale of farmers' produce by farmers for trade in trade area of one State to trade area of another State. No APMC authority can levy any market fee/cess in trade area for trade in farmers' produce.

**38. Who will be point of contact in case any dispute arises in the trade area between farmer and trader?**

**Reply:** Sub Divisional Magistrate of jurisdiction for trade area of transaction.

**39. In case, a farmer sells in Tamil Nadu, purchased by trader in Lucknow, Uttar Pradesh, where to file a complaint in case a dispute arises between farmer and trader?**

**Reply:** The complaint should be filed in Tamil Nadu.

**40. Whether farmers need to register for inter-State trade or Intra-State trade?**

**Reply:** There is no need for farmers to register anywhere for inter-State trade or Intra-State trade in farmers' produce in trade area.

**41. Whether farmers, FPOs/FPCs, and Cooperative societies need PAN Card or any other document for trade and commerce for farmers' produce in trade area?**

**Reply:** No farmers, FPOs/FPCs, and Cooperative societies need PAN Card or any other document for trade and commerce for farmers' produce in trade area

**42. Whether farmer/ seller need to pay commission to anybody?**

**Reply:** No commission charges are to be paid for trade and commerce of farmers' produce by farmers in the trade area.

**43. Who can establish electronic trade and transaction platform in trade area?**

**Reply:** Any person (partnership firm, a company, a limited liability partnership, a cooperative society, a society or any association or body of association duly incorporated or recognized as a group under any ongoing programmes of the central government or state governments) other than an Individual can establish, manage and operate electronic trade and transaction platform.

**44. What is the requirement to establish and operate an electronic trading and transaction platform?**

**Reply:** Person (as mentioned above) establishing and operating an electronic trading and transaction platform shall prepare and implement the guidelines for fair trade practices such as mode of trading, fees, technical parameters including inter-operability with other platforms, logistics arrangements, quality assessment, timely payment, dissemination of guidelines in local language of the place of operation of the platform etc.

**45. Which is the authority to impose penalty on person who has established and operating electronic trade and transaction platform for contravention of related provisions of Act?**

**Reply:** It is Agriculture Marketing Adviser, Directorate of Marketing and Inspection, Govt. of India or any State Government Officer as nominated by Central Government in consultation with respective State Government.

**46. Can Conciliation Board impose a penalty?**

**Reply:** No, it will amicably resolve the dispute between farmer and trader.

**47. How much penalty Sub-Divisional Authority can impose?**

**Reply:** Sub-Divisional Authority can impose penalty which shall be not less than twenty five thousand rupees but which may extend to five lakh rupees, and where the contravention is continuing one, further penalty not exceeding five thousand rupees for each day after the first day during which the contravention continues.

**48. Whether farmers/traders can nominate relatives for representing in Conciliation Board which will look into the dispute?**

**Reply:** Yes, the farmer/ producer or trader can nominate a person of their choice.

**49. Whether farmer/seller and trader can approach the civil court regarding dispute in Trade and Commerce?**

**Reply:** No, The dispute settlement mechanism provided in the Act is to approach SDM in trade area for settlement and finally Collector/Additional Collector as Appellate Authority.

**50. Whether the Act provisions are applicable to stock exchange and clearing corporation?**

**Reply:** No, the Act provisions are not applicable to stock exchange and clearing corporation.