

Restarting India | Fiscal measures 2.3

15 May 2020

Measures announced in India's fight against COVID-19: 15 May 2020

Following the Prime Minister's announcement on 12 May 2020 of a special economic and comprehensive package of INR 20 trillion (~US\$ 267 billion)¹ (~ 10% of India's GDP) and the call for building a self-reliant India, the Finance Minister, in a press conference held on 15 May 2020, announced measures aimed at supporting the agricultural sector.

This is the third tranche of the measures announced by the Finance Minister on 15 May 2020. We have summarised key features of these announcements below:

Amendments proposed in the Essential Commodities Act, 1955 (ECA)

- **Purpose to be achieved:** Better price realisation by attracting investments and making agriculture sector competitive
- **Key proposals:** Deregulation of agricultural foodstuff, including cereals, edible oils, oilseeds, pulses, onions and potato. Stock limit will be imposed only under very exceptional circumstances such as national calamities, famine, with surge in prices of agricultural produce. For food processing and exporters, limits will be linked to capacity and export demand.
- **Comment:** The ECA was enacted in 1955 when India faced a situation of acute food scarcity. However, due to technological and infrastructural developments in this sector over the years, food scarcity is no longer a threat. Further, the move to restrict stock limit imposition to very exceptional circumstances such as national calamities, famine, with surge in prices of agricultural produce is expected to provide flexibility to the government in managing its reserves.

Proposed legislation to enable marketing choices to farmers

- **Purpose to be achieved:** To provide adequate marketing choices to farmers to sell produce at attractive prices.
- **Key proposals:** Doing away with the practice of selling through Agricultural Produce Market Committees (APMCs) and licenced purchasers, only with a view to provide:
 - Adequate choice to farmers to sell produce at attractive prices;
 - Barrier free inter-state trade; and
 - Framework for e-trading of agriculture produce.
- **Comment:** It takes away the licenced traders restriction for agricultural commodities and provides a new platform for farmers to sell their produce. In a country like India, it could unshackle farmers and make price discovery better.

¹ USD-INR rate considered as 1 USD = 75 INR

Legal framework for agriculture produce price and Quality Assurance to be implemented

- **Purpose to be achieved:** Risk mitigation for farmers, assured returns, quality standardisation
- **Key proposal:** Facilitative legal framework will be created that will enable farmers to engage directly with processors, aggregators, large retailers, exporters, etc. in a fair and transparent manner.
- **Comment:** Currently, farmers lack an enforceable standard mechanism for predictable prices of crops at the time of sowing. Private sector investment in provision of inputs and knowhow in the agriculture sector has been institutionally hindered. Thus, the proposed legal framework will facilitate in providing a broad sense of security to individual farmers. It also opens up the sector for direct negotiation and discussions with farmers and helps them discover prices, plan for crops and seasons and also for purchasers to have a direct dialogue with the farmers.

Source: [Press Release issued by Ministry of Finance dated 15 May 2020.](#)

The press release issued by the Ministry of Finance on 15 March 2020 is the third part of a series of measures announced by the Ministry of Finance.

The link to our alerts on the previously announced measures are as follows:

- [Government announces tax reliefs in first tranche of special economic, comprehensive package of INR 20,000 billion](#)
- [Measures announced in India's fight against COVID-19: 13 May 2020](#)



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