

Controls and Restrictions

8.60 Trade in agricultural commodities is still not free for the farmers producing cotton, paddy and even sugarcane, since the entire country is not one market. In these commodities, there is a truncated market, limited to a district or a state under various regulatory restrictions imposed mainly by State Governments after the Central Government removed most of the restrictions in late 1990s. Such controls and regulations are effected by the State Governments under the Essential Commodities Act, 1955.

8.61 The licensing of trade and fixation of upper limit of stocking for foodgrains, sugar, edible oils etc., was useful in the past when the country was faced with the situation of shortfall in such commodities, because such controls acted as deterrent to hiking the prices through hoarding. Similarly, in the face of overall shortage, there was perhaps not much option other than procurement of wheat earlier through zonal movement restrictions from surplus states and the imposition of levy for procuring rice and sugar.

8.62 The country has witnessed, over the years, substantial improvement, in the domestic supply of agri products besides generating export surpluses in commodities such as rice, wheat, sugar, coffee, tea, milk products, fruits, vegetables, tobacco, spices, cashew, marine products, oilmeals etc. The country is currently sitting on huge stocks of rice, wheat and sugar

much above the domestic requirements.

8.63 Control Orders such as the restriction on movement of agri products and procurement through levy system, in a situation of comfortable supply, harm the interests of both farmers and consumers. Movement restrictions deprive the farmers from getting remunerative prices. It also harms consumers, because consumers in the States facing temporary scarcity (on account of natural calamity such as drought, flood and cyclone) end up in paying much higher price than they would have paid in the event of free movement of foodgrains. Similarly, levies on commodities like rice and sugar ultimately serve as a tax on processors and are passed on to the farmers/consumers through reduced payment to the farmers/hike in prices of such products in the free market.

8.64 There is a considerable support emerging in the country for removal of various controls and restrictions that still prevail in Agriculture. In this context an epoch- making agriculture reform process has now been set in motion with the Government decision taken on February 5, 2002, to remove licensing and stocking requirements and movement restrictions under Essential Commodities Act 1955, enabling free movement and unrestricted stocking and trading in wheat, rice, coarse grains, edible oil, oilseeds and sugar. This should now enable the farmers to view the entire country as one single market. Now it is for State Governments to vigorously pursue the reform process in other areas.