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AGRICULTURAL POLICY AND REGULATORY APPLICATION IN INDIA

A COMPREHENSIVE LEGAL AND POLICY RESEARCH

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1. Introduction

Agriculture is the backbone of India's socioeconomic structure. As the world's second-most populous nation, India's ability to feed its citizens, generate rural employment, and sustain its economy hinges critically on how agricultural policy is designed and implemented. The sector contributes approximately 17–18% of India's Gross Domestic Product (GDP) and employs nearly 45% of the total workforce. Given this centrality, the regulation and governance of agricultural activities carry profound legal, economic, and social significance.

Agriculture in India is governed by a multi-tiered regulatory architecture that includes constitutional provisions, central legislation, state-level statutes, executive schemes, and administrative orders. The interplay between these layers creates both opportunities for policy innovation and tensions arising from jurisdictional ambiguity. In recent decades, India has attempted to liberalise and modernise its agricultural regulatory environment — efforts that have not been without controversy.

This research examines the structure and application of agricultural policy and regulation in India, tracing the constitutional framework, key legislative instruments, landmark regulatory mechanisms such as the Minimum Support Price (MSP) and the Agricultural Produce Market Committee (APMC) system, recent reform attempts including the contentious 2020 Farm Laws, and the current policy trajectory under the New National Agricultural Policy 2025.

2. Constitutional Framework Governing Agriculture

The constitutional basis for agricultural regulation in India is rooted in the Seventh Schedule, which divides legislative competence between the Union and the States. Under Entry 14 of the State List, agriculture — including agricultural education, research, protection against pests, and prevention of plant diseases — is exclusively within the domain of state governments. This decentralised arrangement reflects the diversity of India's agrarian conditions across its 28 states.

However, the central government retains a significant role through the Concurrent List (Entry 33), which covers trade and commerce in foodstuffs, edible oilseeds, and essential commodities. This concurrent jurisdiction has historically been a source of constitutional tension — as starkly demonstrated by the 2020 Farm Laws, wherein the central government invoked its powers under Entry 33 of the Concurrent List to regulate agricultural trade, which states argued fell squarely within their domain.

2.1 Key Constitutional Provisions

Constitutional Provision	Relevance to Agriculture	List / Schedule
Entry 14 – State List	Agriculture, including education, research, pest control	Seventh Schedule
Entry 18 – State List	Land rights, land tenures, land revenue	Seventh Schedule
Entry 33 – Concurrent List	Trade and commerce in food, oilseeds, and cotton	Seventh Schedule
Article 21	Right to food as part of right to life (judicial interpretation)	Fundamental Rights
Article 39(b) & (c)	Directive to distribute resources for common good	DPSP
Article 48A	Protection and improvement of the natural environment	DPSP

3. Legislative Framework: Key Statutes

India's agricultural regulatory landscape is governed by a network of central and state statutes. The following are the most significant legislative instruments shaping agricultural policy and market regulation:

3.1 The Essential Commodities Act, 1955 (ECA)

Enacted to ensure equitable distribution and availability of essential goods, the ECA grants the central government sweeping powers to regulate the production, supply, distribution, trade, and commerce of commodities declared 'essential'. Cereals, pulses, edible oils, and fertilisers fall under its ambit. For agriculture, the ECA has historically been used to impose stock-holding limits, regulate inter-state movement of produce, and prevent hoarding — all of which directly affect farm-gate prices and market efficiency.

Critical Analysis: ECA & Market Distortion

The Essential Commodities Act, 1955 has long been criticised by economists for creating perverse incentives. While its stated purpose is consumer protection, its implementation — particularly stock limit provisions — restricts private investment in agri-storage and processing, contributing to high post-harvest losses. The OECD's 2024 Agricultural Policy Monitoring and Evaluation Report flagged that India implicitly taxed its farmers USD 120 billion in 2023, partly attributable to such price-suppressing regulatory mechanisms.

3.2 The Agriculture Produce Market Committee (APMC) Acts

APMC Acts are state-level legislations governing the regulation of agricultural marketing. Enacted based on recommendations of the Royal Commission on Agriculture (1928) and the First Five-Year Plan (1951), these statutes established a system of regulated marketyards (mandis) through which agricultural produce must be sold.

Under the APMC system, farmers are legally mandated in several states to sell their produce exclusively through designated APMC mandis, where licenced commission agents (arhtiyas) conduct open auctions. The market committee collects statutory fees, and the system is designed to protect farmers from exploitation by private traders.

3.2.1 Structure of the APMC System

Feature	Description
Market Fee	0.5–2% of transaction value, levied by APMC
Commission Agent Fee	1.5–2.5% (arhtiya), sometimes higher
Other Levies	Rural Development Cess, handling charges (in Punjab, total exceeds 8.5%)
Auction Mechanism	Open auction in the presence of a market committee official
Jurisdiction	Extends beyond physical mandi premises in some states (SC ruling)
Commodities Covered	Regulated by state notification; varies by state

3.2.2 Limitations and Reform Imperatives

Despite its consumer and farmer-protection intent, the APMC system has attracted sustained criticism on several grounds:

- Monopolistic control by APMC committees limits market competition and depresses prices.
- Cartelisation among licenced traders enables collusion to suppress purchase prices.
- Multiple fee layers reduce net farmer realisation.
- Prohibition on inter-state trade creates fragmented markets and price disparities.
- Inadequate infrastructure (storage, grading, transport) within mandis hampers efficiency.

3.3 Agriculture Produce Grading and Marketing Act, 1937

One of the oldest statutes in the agricultural regulatory framework, this Act enables the formulation of standards and the grading and marking of agricultural and allied commodities. It operates through the AGMARK scheme, which certifies quality standards for over 200 agricultural products. Compliance ensures better marketability — both domestically and for export purposes.

3.4 The National Food Security Act, 2013 (NFSA)

The NFSA guarantees subsidised food grains to approximately two-thirds of India's population — up to 5 kg per person per month. It institutionalises the Targeted Public Distribution System (TPDS) and mandates procurement at MSP to maintain buffer stocks. The NFSA thus creates a statutory demand for MSP-linked procurement, directly influencing agricultural market dynamics.

4. Minimum Support Price (MSP): Framework, Function, and Controversy

The Minimum Support Price (MSP) is a government-determined price floor at which public agencies procure agricultural commodities from farmers, irrespective of prevailing market prices. The Commission for Agricultural Costs and Prices (CACP) — a statutory body under the Ministry of Agriculture and Farmers' Welfare — recommends MSP for 23 crops annually based on factors including cost of production, market trends, and inter-crop price parity.

4.1 Legal Nature of MSP

Critically, MSP is an executive policy instrument and not a statutory legal right. There exists no legislation mandating private buyers to procure at MSP. Its legal architecture rests on administrative orders, APMC Acts (which structure mandi-based procurement), and the NFSA (which drives public procurement). Despite persistent demands — including those driving the 2020-21 farmers' protests — MSP has not been codified as a legally enforceable entitlement.

Legal Remedies Available to Farmers on MSP

Although MSP is not a statutory right, farmers retain certain legal remedies: (i) Writ petitions under Articles 226 and 32 of the Constitution may be filed challenging denial of MSP procurement by government agencies; (ii) Under the Model Contract Farming Act, farmers can enter MSP-linked contracts, enforceable through civil courts; and (iii) Consumer forums and agricultural tribunals may offer limited recourse in specific grievance situations.

4.2 MSP and Market Distortion

MSP has paradoxically contributed to structural imbalances in Indian agriculture. Because government procurement predominantly covers wheat and rice, farmers have concentrated cultivation of these two crops, leading to monoculture tendencies in states like Punjab and Haryana. This has adverse implications for soil health, water tables, and agricultural biodiversity.

The OECD's Agricultural Policy Monitoring and Evaluation 2024 report found India's overall market price support in 2023 to be negative by USD 110 billion — meaning farmers collectively received significantly less than they would have in an unrestricted market. India accounted for approximately 62.5% of all global negative market price support in 2023, underlining the scale of implicit taxation on India's farming sector through price-suppressing policies.

5. The 2020 Farm Laws: Reform Attempt and Constitutional Controversy

In September 2020, the Indian Parliament enacted three landmark agricultural legislation statutes, popularly known as the 'Farm Laws', which represented the most sweeping attempted reform of India's agricultural marketing architecture since Independence:

Act	Key Objective
Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020	Allow farmers to sell produce outside APMC mandis; eliminate trade barriers between states
Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020	Legal framework for contract farming with pr agreed prices
Essential Commodities (Amendment) Act, 2020	Remove stock-holding limits on cereals, pulses, edible oils, oilseeds unde normal conditions

5.1 Constitutional Basis and Controversy

The central government enacted these laws by invoking its powers under Entry 33 of the Concurrent List (trade and commerce in foodstuffs and essential commodities). This was legally contested by opposition-ruled states which argued that agricultural marketing is a state subject under Entry 14 of the State List, and that the Farm Laws effectively usurped state legislative prerogatives.

The constitutional question was never fully adjudicated, as the laws were repealed in November-December 2021 following prolonged protests — particularly by farmers of Punjab, Haryana, and Western Uttar Pradesh. The protests centred on three core apprehensions: (i) erosion of the MSP safety net, (ii) exposure of small farmers to exploitation by large agribusinesses, and (iii) dismantling of the APMC mandi system.

5.2 Legal Legacy of the Farm Laws

Although repealed, the Farm Laws have left an enduring imprint on the discourse around agricultural regulation. In December 2021, the Government of India constituted a committee to review the legal framework for MSP — a direct outcome of the protest movement. The episode underscored the tension between liberalisation imperatives and the social contract embedded in existing regulatory structures, as well as the unresolved constitutional question of legislative competence in agricultural trade.

6. Recent Policy Initiatives (2024–2025)

Since 2024, the Government of India has introduced several significant policy measures aimed at modernising the agricultural sector while addressing food security and farmer welfare concerns:

6.1 Digital Agriculture Mission (September 2024)

Approved by the Union Cabinet on 2 September 2024, the Digital Agriculture Mission aims to transform agriculture through technology integration, including satellite-based crop monitoring, IoT sensors, AI-driven advisory services, and a unified digital agricultural platform consolidating weather data, price discovery, and scheme access for farmers.

6.2 National Mission on Natural Farming (November 2024)

Launched on 25 November 2024 with a total outlay of Rs. 2,481 crore, the National Mission on Natural Farming (NMNF) promotes chemical-free farming practices. The Mission aims to reduce dependency on synthetic inputs, improve soil health, and align Indian agriculture with global sustainability standards.

6.3 National Mission on Edible Oils – Oilseeds (October 2024)

Approved with a financial outlay of Rs. 10,103 crore, the NMEO-Oilseeds seeks to reduce India's heavy dependence on edible oil imports by boosting domestic oilseed production over a seven-year implementation period. This is accompanied by a policy shift in import tariffs, with tariffs on crude palm oil and soya/sunflower oil raised from 0% to 20% in 2024.

6.4 Union Budget 2025–26: Agricultural Priorities

The Union Budget 2025–26 identified agriculture as the foremost engine of India's development, with specific allocations targeting:

- Grain production enhancement targeting a 50 million tonne increase by 2030 (a 15% increase over 2023–24).
- Crop diversification towards horticulture, pulses, and oilseeds.
- Expanded Agriculture Infrastructure Fund (AIF) scope for post-harvest and processing infrastructure.
- Continuation of PM Fasal Bima Yojana and Restructured Weather Based Crop Insurance Scheme through 2025–26.
- Revised National Program for Dairy Development (NPDD) with an additional Rs. 1,000 crore outlay.

7. New National Agricultural Policy (NNAP) 2025: Vision and Critique

India's New National Agricultural Policy 2025 (NNAP 2025) represents a strategic shift from subsistence-centred food security objectives to a broader mandate of farmer-centric sustainability, income stability, and export competitiveness. It builds on the foundational National Agricultural Policy 2000, which first set the target of 4% annual agricultural growth.

7.1 Core Pillars of NNAP 2025

Policy Pillar	Key Components
Technology Integration	Digital agriculture, AI-driven advisory, satellite monitoring, drone analytics, IoT-connected sensors
Market Strengthening	APMC reforms, FPO empowerment, direct selling infrastructure, digital marketplaces
Climate Resilience	Natural farming, drip irrigation, soil health cards, agroforestry, crop rotation

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Policy Pillar	Key Components
Financial Inclusion	Universal crop loans, improved crop insurance, MSP reform deliberations
Research & Extension	Climate-smart crop development, accelerated varietal release, farmer training

7.2 Legal Status and Enforcement Gaps

A significant limitation of the NNAP 2025 is its non-statutory character. The Policy is a government document rather than a statute, and its key mechanisms — including MSP and PM-KISAN income transfers — operate as executive schemes without legal entitlement. This means:

- MSP benefits cannot be claimed as a legal right in courts.
- Income support under PM-KISAN is not indexed to inflation or input cost escalation.
- Climate-smart practice incentives lack dedicated legislative backing or carbon monetisation frameworks.
- Implementation depends entirely on administrative will and inter-governmental coordination.

Assessment

The NNAP 2025 is well-articulated but currently operates as aspirational policy rather than enforceable law. For it to deliver transformative outcomes, its core entitlements — particularly MSP and climate adaptation support — must be backed by legislative authority. Absent such legal grounding, the policy risks replicating the fate of many well-intentioned agricultural interventions that fell short in implementation.

8. Regulatory Challenges and Structural Impediments

Despite decades of policy evolution, Indian agricultural regulation continues to face deep structural challenges that impede farmer welfare and market efficiency:

8.1 Centre-State Jurisdictional Tension

The division of agriculture between the State List and the Concurrent List creates chronic friction. States with large farming populations resist central reform initiatives perceived as encroaching on their legislative domain. The Farm Laws episode illustrated how even well-intentioned regulatory reform can be derailed when constitutional boundaries are not clearly respected.

8.2 Negative Market Price Support

India's combination of export restrictions, stock-holding limits, and controlled procurement pricing results in systematic implicit taxation of the agricultural sector. The OECD data indicates that despite nominal support through subsidies totalling approximately USD 10 billion annually, the price-depressing effect of regulatory policies overwhelms positive support, leaving Indian farmers worse off than they would be in a liberalised market.

8.3 Post-Harvest Losses and Infrastructure Deficits

Restrictive regulations on private investment in cold storage, processing, and warehousing (historically enforceable under the ECA's stock-limit provisions) have contributed to India's alarmingly high post-harvest loss rates — estimated at 15–20% for cereals and up to 30% for perishables. The relaxation of these restrictions in the 2020 ECA amendment (though subsequently repealed) was partly aimed at addressing this gap.

8.4 Small and Marginal Farmer Vulnerability

Approximately 86% of India's farmers are small and marginal (holding less than 2 hectares). These farmers have the least negotiating power in mandis, the least access to credit and crop insurance, and the highest exposure to climate shocks. Regulatory frameworks designed for large-scale procurement often fail to effectively reach this segment, compounding rural inequality.

9. Way Forward: Regulatory Recommendations

Based on the foregoing analysis, the following regulatory and policy reforms are recommended to strengthen India's agricultural framework:

9.1 Statutory Guarantee of MSP

A legislative framework guaranteeing MSP as a legally enforceable floor price — at least for public procurement — would provide income security to farmers while managing fiscal implications through clear eligibility criteria and phased implementation. Any such statute must balance farmer welfare with the need to avoid crop-pattern distortions and fiscal overreach.

9.2 Comprehensive APMC Reforms

States should be incentivised through fiscal transfers to amend APMC Acts to: (i) permit private market yards operating parallel to mandis; (ii) allow direct procurement by agri-processors and exporters; (iii) reduce multi-layered fee structures; and (iv) promote e-NAM integration for price transparency and inter-state trade. These reforms must be accompanied by safeguards to prevent exploitation of marginal farmers by large private actors.

9.3 Rationalising the Essential Commodities Act

The ECA requires amendment to distinguish between genuine food security imperatives — where government intervention is warranted — and routine market conditions, where private investment should be encouraged. Stock-limit provisions should be triggered only in exceptional circumstances, with clear statutory definitions of what constitutes a food emergency.

9.4 Climate-Adaptive Regulatory Framework

India's agricultural regulation must integrate climate change adaptation as a mandatory consideration. This would involve statutory requirements for climate-risk assessment in agricultural scheme design, incentive frameworks for sustainable practices backed by legislation, and inter-departmental coordination between the Ministry of Agriculture, Ministry of Environment, and State governments.

9.5 Dispute Resolution Mechanisms

Specialised agricultural tribunals at the district level would provide accessible and expert adjudication of farmer disputes — including contract farming disputes, MSP-related grievances, and APMC fee challenges — reducing dependence on overburdened civil courts.

10. Conclusion

India's agricultural policy and regulatory landscape is at a critical juncture. The sector feeds a nation of 1.4 billion, employs nearly half the workforce, and carries the aspirations of millions of small and marginal farmers. Yet the regulatory architecture that governs it is characterised by constitutional ambiguity, institutional fragmentation, market distortions embedded in well-intentioned legislation, and an increasingly urgent climate imperative.

The failed experiment of the 2020 Farm Laws — though conceived as necessary liberalisation — demonstrated that agricultural reform in India cannot be pursued by central fiat without building a broad social consensus and addressing the legitimate insecurities of farming communities. The New National Agricultural Policy 2025, while offering a modern and comprehensive vision, remains aspirational in the absence of statutory backing.

Going forward, a nuanced approach is required — one that liberalises markets where competition is viable, protects small farmers through enforceable legal entitlements, invests in agricultural infrastructure and technology, and embeds climate resilience into the heart of regulatory design. For India to realise its agricultural potential and fulfil its constitutional commitment to the welfare of its farming population, policy ambition must be matched by legislative will, institutional capacity, and equitable outreach.

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