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Govt considers Rs 50,000 crore scheme to incentivise states for agricultural reforms

The proposed scheme — once finalised and approved — will allow states to avail central funding to implement farm sector reforms related to agriculture marketing, contract farming and land leasing.

Written by [Harikishan Sharma](#) [Follow](#)

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Scheme entails reforms linked to marketing, contract farming and land leasing

ALMOST THREE years after the Union government was forced to **repeal its three farm laws in November 2021**, the Centre is considering a new scheme with an outlay of Rs 50,000 crore to incentivise states to adopt **agricultural reforms**, The Indian Express has learned.

The proposed scheme — once finalised and approved — will allow states to avail central funding to implement farm sector reforms related to agriculture marketing, contract farming and land leasing.

It is learnt that the scheme was mooted by NITI Aayog officials in a powerpoint presentation to the Prime Minister's Office soon after the Lok Sabha elections results were announced, giving the NDA a third consecutive term. The presentation, titled "India's Amrit Kaal: Mobilising the nation to sustain fast growth", touched all sectors of the economy.

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The scheme is among the ideas discussed by officials at the Ministry of Agriculture and Farmers' Welfare and NITI Aayog as part of their efforts to identify farm sector-related regulatory and institutional reforms under “transformative interventions” being planned to roll out during [India's 'Amrit Kaal', a 25-year period from 2022 to 2047](#) . The other ideas include passing of the long-pending Seed Bill, raising public investment in agriculture to 5 per cent of Agriculture GVA (Gross Value Addition).

According to sources, the proposal is essentially a revival of the idea mooted by the 15th Finance Commission in its report for the financial year 2020-21. In this report, the Commission suggested performance-based incentives for implementation of agricultural reforms by the states.



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Under the Finance Commission’s proposal, states would have been eligible for financial incentives if they enacted and implemented all features of the Model Agricultural Produce and Livestock Marketing (Promotion & Facilitation) Act issued by the Agriculture Ministry in 2017, the Model Agricultural Produce and Livestock Contract Farming and Services (Promotion & Facilitation) Act of 2018, and the Model Agricultural Land Leasing Act, 2016 prepared by the NITI Aayog.

The above reforms were identified for incentivisation by the Commission since it was felt they were necessary to liberalise “agricultural markets, provide for seamless trading, promote competition and catalyse organised investment from the private sector for better growth in the agriculture sector”. However, after the Centre enacted the three farm laws to usher in agricultural reforms in 2020, the 15th Finance Commission broadened its recommendations.

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“It is pertinent to mention that out of these three policy reforms recommended by us, the Union Government has passed two Acts – (a) The Farmers Produce Trade and Commerce (Promotion and Facilitation) Act 2020 and (b) The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act 2020. We feel that with these two laws already in place, there is no need for the Commission to incentivise States to adopt the Model APLM Act and the Model Contract Farming Act. However, the Model Agricultural Land Leasing Act still remains on our agenda,” the Commission noted in its report for 2021-26.

“After intense deliberations, we have selected four areas and parameters for performance-based incentives covering policies, investments, development initiatives and outcomes: i. land lease reforms, ii. sustainable and efficient water use in agriculture, iii. export promotion, and iv. contribution towards Atmanirbhar Bharat,” it had said. “We recommend that Rs 45,000 crore be kept as performance-based incentives for all the States for carrying out agricultural reforms during the award period.”

While the government had accepted the Commission's other recommendations, on grants to states for specific sectors including agricultural reforms, the Department of Economic Affairs said, “Government will give due consideration to sectors identified by the Commission while formulating and implementing existing and new Centrally Sponsored and Central Sector Schemes.”



vajiram.portal@gmail.com

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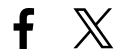
According to government sources, the move to revive the idea mooted by the 15th Finance Commission is significant as there has been no progress on farm sector reforms since the three farm laws were repealed.

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Harikishan Sharma

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Harikishan Sharma, Senior Assistant Editor at The Indian Express' National Bureau, specializes in reporting on governance, policy, and data. He covers the Prime Minist [... Read More](#)

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