Detailed Report

SDF meeting on Farm Acts 2020

The Council for Social Development (CSD) organised SDF meeting on the new Farm Acts on November 19, 2020. The main speakers were Prof D N Reddy (former professor at University of Hyderabad), Dr. T. Haque (Distinguished Professor at CSD) and Vijay Jawandhia (founder member of Shetkari Sanghantna). The session was moderated by Prof. Nitya Nanda (Director at CSD).

Prof. Nanda opened the discussion by introducing the three new Farm Acts. He asserted that since Indian agriculture has been facing crisis for long, some policy measures were needed. However, the new Farm Acts introduced are being touted as the Big Bang reforms and even compared with 1991 reforms of liberalisation. While the impact of these Acts can be understood after some years, we can do some assessment of the expected impacts. We also need to look at the whole question of agricultural subsidies in India and the issue of legal guarantee for MSP, the farmers are protesting for. The Director invited the speakers to throw light on these issues.

Prof D N Reddy told that as soon as the current Government came to power in 2014, it appointed a high powered committee-Shanta Kumar Committee. The main recommendation of the committee was limiting of Government procurement, limiting the distribution through PDS and encouraging the corporates in agriculture. The Economic Survey 2014-15 says, “If persuasion fails (and it has been tried for a long time since 2003), it may be necessary to see what the centre can do, taking account of the allocation of subjects under the Constitution of India. That’s what exactly the Central Government is doing now. It is trying to confine APMC to APMC mandis and leave the rest to private players. By removing the restrictions of selling to the APMC markets and by allowing the farmer to sell to anyone he/she likes would bring in large number of competitive private traders. However, it gives upper hand to the traders and lower the bargaining power of the farmers. The investment in infrastructure will be mainly in the hands of private traders and this will encourage hoarding and black marketing. Further, the producer cooperatives or the farmer producer organisations are likely to take back seat. Also in case there is no market fee, would the traders allow this benefit to transfer to the farmers? Prof Reddy recommended promoting some kind of a collective operation by small farmers even at village level. A farmer can get better price for his produce himself, if he is not forced to sell his/her produce immediately after harvest. Hence, they need to be incentivised and provided with some infrastructure facilities for storage.

Prof T. Haque asserted that most of the economists are of the view that the Agricultural Produce Marketing Committee Acts which were adopted in 1960s and 1970s have become redundant as per the needs of new production systems in agriculture. These new laws impose legal and physical restriction on free flow of agricultural produce within and outside the state boundaries. These have also hampered vertical integration of farmers, exporters, traders and buyers which is disadvantageous for everyone. The APMC Acts were designed to protect the farmers' interests but over time these have become exploitative. The nexus between the traders and commission agents and cartelisation of price fixing left the farmers with little choice and bargaining power. Farmers have to accept whatever price is offered by the traders and several research studies show that the price spread is so much that the farmers' share in the consumer rupee is negligible. Further, the market integration in the country has not taken place. According to an estimate, removing inter-state barriers in agricultural trade itself can increase farm prices by about 11 per cent. Similarly, if the middlemen/intermediaries could be eliminated and competition among traders increased due to greater participation of private players, the farmers' share in consumers' rupee will increase and farmers will benefit. These issues have been discussed from the past two decades or even more. The Indian Government during the tenure of Prime Minister Atal Bihari Vajpayee in 2003 prepared a model APMC Act and the UPA Government drafted and circulated APMC rules in 2007. Promoting greater participation of private sector in agriculture has been the motive ever since the 1991 reforms. But in practice, we find that the progress even in this direction was tardy. For example, 21 states legally allow establishment of private markets but only 10 states notified the rules for implementation. Also 23 states legally allowed direct purchase from farmers by processors, exporters and other buyers but only 14 states notified rules for implementation. Hence, even the states which framed the laws or adopted the model Act, did not frame rules for implementation. As a result the implementation part was very weak. Similarly, in case of e-trading, 15 states legally permit it, while only 10 states have notified the rules. Even on these online platforms, things are not transparent and there are several problems.

He further elaborated on the provisions in the Acts and said that the abolition of mandi fees and levies would end the revenue earned by few state Governments like Punjab, Haryana etc. The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act 2020 will provide price assurance, good quality technology to the farmers. The

Act further assures that no farming agreement shall be entered into for the purpose of any transfer of land, including sale, lease and mortgage of the land or premises of the farmer. This provision has been introduced to remove the fear of land grabbing by corporates through contract farming. The laws for dispute settlement mechanism introduced in the Act will be useful for farmers. This kind of mechanism was not there in the contract farming. Although 20 Indian states have already provided under their APMC Act allowing contract farming, only 13 states notified the rules. Since the progress was slow, many advised the Government for central legislation. The criticism on these legislations mainly on MSP is not of much significance as majority of the farmers don't benefit from it. Prof. Haque is of the opinion that these laws too will face huge implementation issues as there will not be any centre-state coordination. In the absence of proper coordination, the ground situation may probably remain unchanged. Further, the perceived benefits of new laws may or may not really materialise because there are some glaring defects in the laws and also it is uncertain what kind of regulatory mechanism will operate in the new trade areas outside the APMC mandis. In the absence of proper regulation, there will be absolutely chaos like in Bihar. Private players in the new trade areas may look up at APMC regulations to decide their prices. APMCs will continue to influence the price in new trade areas and private players may not provide meaningful alternative or competition in that respect. The new laws do not provide any mechanism for single national market and merely by creating e-platforms may not help as they all are disconnected. It is also untrue that farmers have to sell their produce to middlemen in APMC mandis. The data of NSSO 70th round shows that only 25 per cent of all transactions in India pass through these APMCs. The rest is operated outside the mandis. It is also the case that APMC is not the monopoly for all the agricultural procedures as with diversification non-APMC channels have increased tremendously in the recent years. Hence, it will be wrong to assume that these laws will usher in new era for farmers. Besides, business enterprises prefer to operate in areas where there is less competition, better infrastructure, skilled farmers and higher production of materials. This implies that there is a need for strong supported public market infrastructure and credit institutions. For small and marginal farmers, physical market infrastructure within a radius of 5 kms or so at the local level is more important. Besides, upgradation of 22,000 rural haats and their integration with wholesale markets would be crucial. Regarding the Essential Commodities (Amendment) Act 2020, the large farmers may not lose but small and marginal farmers and agricultural labour will be affected due to unrestricted food price and inflation. To conclude, the new farm laws are very much intended to accelerate the agricultural growth but due to several loopholes and the implementation challenges, the immediate outcomes may not be as desired. Also such reforms implemented in ad-hoc manner will not help improve agriculture growth especially in the context of small holder agriculture. In fact India needs a package of comprehensive reforms in the land, credit, and other sub-sectors for accelerated as well as inclusive growth. Regarding the MSP, it will not go immediately as the Government will be compelled to keep it as long as National Food Security Act and PDS in kind continue.

Vijay Jawandhia questioned the very need of bringing such farm laws in such haste. He further added that the Government makes one announcement and before that scheme can be fulfilled, it announces another. Before the 2014 general election, Government announced 50 per cent profit over input cost for farmers, but after coming to power the Government submitted an affidavit in the Supreme Court in 2015 expressing their inability to implement that promise. The Government sent a directive to chief ministers to stop paying bonus over the MSP. The Chief Ministers of Madhya Pradesh and Chhattisgarh used to give bonus on the purchase of wheat and rice. Then further another announcement was made which was doubling of farmers' income by 2022. After the BJP lost the assembly election in 3 states in December 2018, they announced Kisan Samman Nidhi Yojana that would provide Rs 6,000 to farmers annually. The scheme was announced months before the 2019 general election and helped the BJP to return to power. Now after coming into power again, MSP was announced. But the Government failed to ensure MSP rates for the crops which has resulted in great losses for farmers. In Rajasthan Bajra is being sold at Rs 1,000 to Rs 1.100 per quintal which is below the MSP; last year farmers in Bihar burnt Maize crop because they did not get the MSP. The Government has realised that it was unable to give a return of at least 50 per cent profit and neither does the Government has the capacity to buy the entire crop from the farmer. Keeping inflation in mind, MSP will have to be increased every year and the Government knows it won't be able to do that, hence the Government brought in these three Acts. According to the Government, these Acts will rescue farmers from the looting endured in the market committee for 70 years. Now any company or retailer or farmer — who has a pan card can directly buy produce from a farmer outside the *mandi*s. Any dispute can be solved by the sub divisional magistrate or collector and farmers don't have to go to revenue court or civil court. The farmers will have limited legal recourse in case of a battle with corporates with deep pockets. Secondly, by removing the Essential Commodities Act, anyone can stock as much allowing big companies to hoard daily essential like pulses, oil, onions etc and increase prices. Thirdly, contract farming allows big companies to tell the farmers what crop they should grow and this could lead to exploitation of farmers. When farmers are not getting MSP in present market committee, how can they get a good price outside the regulated market at a time when the economy is in a downslide? If the Government is so confident that farmers will get a better price outside the regulated markets, why did it not include a provision in the Acts which categorically stated that no crop will be sold lower than the MSP in the open market? India joined the WTO in 1995. America and Europe haven't reduced the subsidies provided to their own farmers. For 25 years we have been hoping that the USA/Europe will reduce subsidy to their farmers increasing their cost of production which will enable us to export to those markets. On the contrary, their subsidies have remained and because of those subsidies, their products are being sold in the world market. As a result of the US-China trade war, China imposed 25 per cent trade duty on Soyabean. In response, Donald Trump has given an additional emergency subsidy package of 12 billion dollars in view of the COVID-19 crisis during a time when the market is down. However, our Government is throwing our farmers into the open market to fend for themselves under the One Nation One Market slogan. Concluding that MSP is the responsibility of the Government not the private traders, he argued that state legislations making MSP mandatory will not serve much purpose. The real question is, if there is a political will to increase the income of a farmer through remunerative prices and that of farm labour by increasing their wages.

Prof Nitya Nanda finally remarked that we are living in a one world one market reality and hence, if globally price depresses, how the price is assured to the farmers. We need to look at MSP and agricultural reforms keeping this reality in view.