

The Big Picture: Are Farmers' demands justified?

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Topics covered from the syllabus

GS-3:

- Major crops-cropping patterns in various parts of the country, different types of irrigation and irrigation systems storage, transport and marketing of agricultural produce and issues and related constraints; e-technology in the aid of farmers.
- Issues related to direct and indirect farm subsidies and minimum support prices; Public Distribution System-objectives, functioning, limitations, revamping; issues of buffer stocks and food security; Technology missions; economics of animal-rearing.
- Food processing and related industries in India- scope' and significance, location, upstream and downstream requirements, supply chain management.

Note:

- Following is the summary of 'The Big Picture' discussion, which was aired on RSTV.
- **Host:** Frank Rausan Pereira
- **Panellists:** Dr. Arvind Virmani, EGROW Foundation; Abhinav Prakash, University of Delhi; K. A. Badrinath, Senior Journalist.
- Please note that some inputs have been given by our team in order to make the topic more relevant to UPSC.

Context:

- In the monsoon session of parliament this year i.e. 2020, the **government passed three acts** with the intention of bringing reforms in Agriculture.
- However, **farmer groups have not received them well and have asked for the repeal** of the acts.
- Despite government assurances to bring about amendments for removal of any provisions affecting the livelihood of farmers, the farmers have been unwavering in their demand for the absolute repeal of the acts.

PRELIMS Focus

Details of the three acts:

- **The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bills, 2020:**
 - The act creates a system of **sale and purchase of agricultural commodities outside** the Agricultural Produce and Marketing Committee (APMC) mandis and promotes **electronic trading** of agricultural produce.
 - It attempts to **remove barriers to inter-state trade** of agricultural products and to encourage the integration of markets for seamless supply and meeting the demand across the territory of the country.
- **The Farmers (Empowerment and Protection) Agreement of Price assurance and Farm Services Bill, 2020:**
 - The act **formalises the system of contract farming**, to eliminate the chances of exploitation of farmers under the presently prevalent informal system.

- It creates a framework of agreements between a farmer and the private company, which lists the price, quality, grade, standards, quantity and other terms and conditions, before the sowing of seeds.
- It provides for **remunerative price discovery** for the farmer to ensure higher returns. It also guarantees a minimum price in case of price variations, while at the same time, ensuring a premium in case of an unexpected rise in prices due to supply distortions or increase in demand.
- Also, it ensures a **quicker resolution of disputes** between private players, businesses and corporates on one hand and the farmers on the other by **prescribing the time limit** for each level of the dispute resolution process, i.e. the conciliation board, magistrate and appellate authority.
- It includes the provision of penalty for contravening the agreement. However, it **protects the farmers by providing against the possibility of taking action against the farmers' land** for recovery of dues.
- **The Essential Commodities (Amendment) Bill, 2020:**
 - The act **delists six commodities viz. cereals, pulses, onion, potatoes, edible oils and oilseeds** from the list of essential commodities. However, it creates an **exception in the cases of war, famine, natural calamity or extraordinary price rise.**
 - It deregulates the storage of these commodities and **removes the stock-holding limits**, which had been imposed to curb hoarding and black marketing of the essential commodities.

Types of farmers (as per agriculture census 2015-16):

Types of farmers	Size of holdings
Marginal	Less than 1 hectare
Small	1-2 hectares
Semi-medium	2-4 hectares
Medium	4-10 hectares
Large	Greater than 10 hectares

Entries in the Concurrent list:

- One criticism against the acts is that they encroach upon the states' turf since agriculture is a state subject under the seventh schedule of the Constitution of India.
- The Centre, however, has defended the acts in the wake of 'Trade and commerce in food items' being a provision of the **concurrent list**, subject to concurrent powers of legislation by both the states as well as the Centre.

Concurrent List: There are three lists in the **seventh schedule**, viz. Union list, state list and concurrent list.

- In the concurrent list, both the **Centre and the states can make laws**.
- However, in case of **any conflict**, it is the **Centre's law** which **prevails to the extent of the conflict**.
- There is an **exception to this conflict scenario**. If the **act is reserved for the President's assent and consequently receives the assent, the state's law will prevail**.
- At the same time, the parliament can retain the supremacy of the Centre's law by passing it again.

Mains Focus

Government's stated intentions behind the introduction of bills:

- **Doubling Farmers' Income:** The government has stated that the acts would strengthen the agriculture and are in the direction of its stated policy objective of doubling farmers' income. The government says that the acts would **decrease the farmers' dependence on the state-controlled APMC mandis** and would lead to better price discovery of food grains.
- **Encouraging competition:** The act attempts to improve productivity and efficiency and to provide better products to the consumers by allowing for the **entry of the private businesses** in Agriculture. The aim of the bills, in general, is to **introduce competition in trade and marketing**. This is manifest in the proposal to increase stock limits and freedom to sell the produce directly to the consumer, instead of going through the APMC route.
- **Reduced wastage of resources:** There have been media reports in the past showing **food grains being wasted in FCI warehouses** and godowns. It is expected that private warehouses would be more proactive in elimination of such wastages as this will enhance the return on investment.
- **Expansion of farming:** The bills attempt to introduce innovation and ease the entry of corporates which can be expected to take initiatives related to the development of new markets and encouragement of the adoption of the exotic species of crops in the Indian agriculture.
- **Encouragement to innovation:** The bills are expected to bring in an element of innovation in agriculture by providing a base for the **youth to reinvent their entrepreneurship skills** in agriculture and make it more remunerative. There are myriad opportunities in agriculture, which need to be exploited. For e.g., there is a growing realisation in urban areas of the benefits of consuming **organic foods**. This can be exploited to produce high value, chemical-free food to be supplied to such areas.
- **Investment opportunity:** Agriculturists have always complained about the lack of funds and the inability to **access capital for investment** and making agriculture more remunerative. Advent of corporates will fulfil the need for the required expansion of the capital base in agriculture.

- Apart from that, the private sector will also create an **assured demand for the farmers**. This is because the private sector banks upon the economies of scale, which would require regular procurement and assured supplies.
- **Promotion of Research:** By its very nature, the private sector has more inclination to invest in the research to augment productivity and increase the profits. This will lead to the demonstration of **best practices** to farmers and would lead to the **adoption of new technologies** that are expected to enhance profits for the farmers.
- **Formalisation of informal contracts:** Contract farming is already in prevalence in the country between the farmers and the agro-enterprises. The bill is only an attempt to formalise the system to prevent exploitation of the farmers and provide them an avenue for dispute resolution.
- **Time-tested process:** There is already ample evidence that reforms in agriculture create grassroots prosperity, as demonstrated by **Chinese intervention** in agriculture in the form of **household responsibility or contract responsibility system** (see inset) in the early 1980s. The reforms try to recreate the situation to enhance the agricultural prosperity.
- **Capitalist hijacking of the protests:** Many members of the ruling party have accused the capitalist farmers, who have an interest in the continuation of the Mandi system, of hijacking the farmers' protests. It has been pointed out that it is not the small and marginal farmers who are at the centre of protests, but the **rich farmers, who also act as the middlemen in the mandis and moneylenders**, charging usurious interest rates from the farmers.
 - Rich capitalist farmers are apprehensive of an **end to their dominance** over the agriculture system in general and the mandis in particular, as a result of the entry of corporates. The corporates would provide lucrative rates to the farmers in return for better quality food grains and end their dependence on the middle-men.

Contract Responsibility System: This is a system of agriculture adopted in China first in 1979 and later established in 1982. Under this system, the ultimate **responsibility for the profits and losses of agriculture rest with the households**.

- Contract responsibility system, also known as household responsibility system, built upon the commune system and let the households contract land and production equipment from the communes. Households had complete freedom to manage the land.
- In this system, apart from a small part of operating income given to the communes as fee and the state taxes, all **profits accrued to the households**.

Reasons for farmers' protests:

- **APMC act or the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act:**
 - The farmers have stated that doing away with APMCs would pave the way for **discontinuation of the MSP system in the future**. Therefore, they have demanded a legal status for the Minimum Support Price (MSP) system (see inset).

- Apart from that, **APMCs provide an accountability mechanism** where trust is formed due to the registration of *arhatiya* or middle-men. In the absence of the **registration mechanism**, there is a scope for cheating the farmer as there is no agency to resolve credit or payments related disputes.
- Similarly, APMCs have the power to protect the interests of farmers by levying fees or cess on trade and providing necessary services and infrastructure for the facilitation of trade in agricultural produce.
- **Contract Farming Act or the Farmers (Empowerment and Protection) Agreement of Price assurance and Farm Services Bill, 2020:**
 - The act does not mention the **mechanism of fixing the price** of the commodities, leading to concerns about the ability of private companies to exploit the farmers by unfair determination of prices in the favour of the former.
 - Farmers have **questioned the dispute resolution mechanism**, which relied upon the executive. The bill aspires to resolve the disputes at the local level itself to decrease the reliance upon the judiciary, which is hobbled by the pendency of cases. But farmers fear the deep pockets of private corporations and the **business-bureaucracy nexus**, combined with a lack of resources in case of farmers for a legal battle would lead to decisions in corporates' favour.
- **Essential Commodities Act:**
 - The act introduces **objectivity in the imposition of stock limits** based on the price rise of commodities, while creating an exception even in the extraordinary situations. Critics have pointed out that this will **undermine food security**.
 - Concerns emanate from the **possibility of hoarding** by the warehouse owners or the corporate storehouses, leading to scarcity of supply of the crops and might lead to **artificial inflation**. This would harm the poor sections as they spend a larger proportion of their incomes on food related expenses.

Minimum Support Price (MSP) system: It is a system of agriculture in India, in which **government declares the purchase price of certain crops** and guarantees them in case the farmer is unable to garner such prices in the open market.

- The **objectives** of introducing the MSP system are:
 - To **provide price support** to the farmers
 - To procure the food grains for the **public distribution system (PDS)**
 - To build a **buffer of the food grains** for ensuring the stability of prices in cases of scarcity induced due to a natural or man-made calamity.
- However, experts have pointed out certain **shortcomings** which have resulted out of the MSP system:
 - **Over-production** of the supported crops like wheat and rice
 - **Destruction of biodiversity** as the farmers are induced to grow the same high-yielding crops
 - **Under-production** of the other non-supported crops like pulses
 - **Land degradation** due to the lack of crop rotation practices and the over-use of fertilisers and pesticides
 - **Artificial inflation** caused due to the price support, which ultimately affects the people with low purchasing power
 - **Over-exploitation of groundwater**, induced by the electricity subsidy

Other objections to the bills:

- **Encroachment in states' subjects:** Since agriculture is mentioned as a **state subject** in the 7th Schedule in the Constitution of India, therefore, the acts have been construed as the encroachment of Centre in the States' turf. Many states have been aggrieved as they perceive the laws to be **against the spirit of constitutional federalism**.
 - The Centre, however, has defended the acts in the wake of 'Trade and commerce in food items' being a provision of the **concurrent list**, subject to concurrent powers of legislation by both the states as well as the Centre.
- **Decline in the states' revenue:** The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance **prohibits the states from collecting any kind of tax, levy or fee** on the sale of agricultural produce, outside the mandis. The states have pointed out that this provision would lead to a significant loss for them and **dry up their revenues**.
- **Upper hand to the businesses:** The farmers are apprehensive of the **lack of negotiating power** in front of the corporates. They believe that the companies would be able to **dictate prices** of the commodities against the disorganised farmer groups.

Punjab Amendment Bills: Recently, Punjab rejected the Centre's agriculture laws and **passed its own agriculture amendment bills**, to overturn the impact of the central laws.

- The bills seek to **ensure the continuation of Minimum Support Price** by penalising any party which gets into an agreement to purchase the crops below its declared MSP.
- They also allow the farmer to **approach the civil courts** in case of any disputes with the buyer.
- Apart from that, the bill also confers the **power of regulating the storage** and other processes related to the agricultural commodities under extraordinary circumstances like natural calamity and extraordinary price rise. This effectively **nullifies the Essential Commodities Act** passed by the Centre.
- The **critics are divided** on the legality of the laws passed by the Punjab assembly. While the **apologists have affirmed** the power of the state as agriculture is a state subject, others have questioned the constitutionality of nullifying central laws by the state.
- Naysayers have said that the correct way would have been to send a representation to the Centre and the amendments **set a bad precedent** for other states to follow upon. Some have gone to the extent of **suggesting the President's rule** in the state.

Way Forward:

- **Need for a debate:** Many experts have pointed to the way the reforms were brought into existence. Rather than passing the bills in the parliament, the government introduced the bills through the **ordinance route initially**. This led to the farmers doubting the government's intentions and attributing the bills to ulterior motives. There is a need for rekindling the faith of citizens in the democratic process and providing a fair platform for discussions, to build a bipartisan consensus around the issue.
- **Better regulation:** The genuine concern of the farmers of **getting cheated** if the registration system is done away with, warrants some attention. Better regulation of the private sector with a quicker grievance redressal would assuage the concerns of the farmers.

- **Dispute Resolution Process:** There is a need to address the concerns of the farmers with respect to the lack of confidence in the executive. Farmers have rightly pointed out to the **prevalence of corruption in the executive** machinery. In such a scenario, there is a need to reconsider the provision leaving out the judiciary from the dispute resolution process. If the insertion of a clause, **allowing farmers to take the dispute to the judiciary**, satisfies them, then such a demand should be taken into account.
- **End to inefficient subsidies:** It has been often pointed out in many reports that the agricultural subsidies are cornered by the rich farmers. There is a need for **better targeting of subsidies** to the deserving sections, i.e. the small and marginal farmers (see table), who constitute 86% of the total farmers in India, and the landless labourers.
- **Promotion of organic farming:** Inefficiency and wasteful usage of fertilisers has led to land degradation and diseases in the population. Clubbed with the **rising consciousness about the usage of organic products** in the urban areas and their remunerative prices, the government should take the opportunity to encourage the farmers towards growing organic crops rather than using more chemicals.

Conclusion:

- Reforms in agriculture have been **long overdue** and are expected to **provide better remuneration** to the farmers in the long run, on the lines of economic growth which India witnessed after the introduction of New Economic Policy in 1991.
- However, there is a need for **making the farmers aware of the bonafide intentions** of the government and to resolve their genuine concerns by the way of amendments. It is to be understood that agriculture forms the backbone of India and proceeding with any modifications should be done in a **democratic manner**, taking all sections on board.
- At the same time, experts have also projected the **role of states**, which can be an alternate forum for debate and can be used to push the desired reforms which are more suited to the local polity and socio-economic conditions.

Practice question:

- Enumerate the important provisions mentioned in the agriculture reform bills, which were passed in the monsoon session of the parliament. Do you think that the concerns raised by the farmers regarding the bills are justified? Critically discuss.

UPSC Previous Year Question:

- What do you mean by Minimum Support Price (MSP)? How will MSP rescue the farmers from the low income trap? (2018 – GS3)
- Examine the role of supermarkets in supply chain management of fruits, vegetables and food items. How do they eliminate number of intermediaries? (2018 – GS3)
- How has the emphasis on certain crops brought about changes in cropping patterns in recent past? Elaborate the emphasis on millets production and consumption. (2018 – GS3)
- What are the major reasons for declining rice and wheat yield in the cropping system? How crop diversification is helpful to stabilize the yield of the crop in the system? (2017 – GS3)
- Explain various types of revolutions, took place in Agriculture after independence in India. How these revolutions have helped in poverty alleviation and food security in India? (2017 – GS3)

- In view of the declining average size of land holdings in India which has made agriculture non-viable for a majority of farmers, should contract farming and land leasing be promoted in agriculture? Critically evaluate the pros and cons. (2015 – GS3)
- There is also a point of view that agriculture produce market committees (APMCs) set up under the state acts have not only impeded the development of agriculture but also have been the cause of food inflation in India. Critically examine. (2014 – GS3)